

FACULTY ASSOCIATION FOR ALTERNATIVE RETIREMENT PLAN PARTICIPANTS

FAARPP

FREQUENTLY-ASKED QUESTIONS

1. What is the Mitigating Rate?

In 1997 state law was changed to allow public employees to choose between the state pension system and an alternative retirement plan (ARP). Faculty can choose to have their retirement contributions (paycheck deduction plus university match) allocated to the State Teachers' Retirement System (STRS) or to a state-approved ARP private vendor such as TIAA-CREF and Fidelity Investments. Furthermore, in 2001 STRS started to offer its own version of the ARP¹. Non civil-service staff contribute to the Ohio Public Employees Retirement System (OPERS) or the ARP.

Like all pension systems, STRS and OPERS pay out defined benefits to retirees, and depend on continuing contributions from employees to meet those obligations. When the ARP was set up in 1997, it meant that fewer individuals would pay into STRS and OPERS. To pass the law, the legislature included the concept of mitigation in ORC 3305.06(D), which states that "Each public institution of higher education employing an electing employee shall contribute on behalf of that employee to the state retirement system that otherwise applies to the electing employee's position a percentage of the electing employee's compensation to mitigate any negative financial impact of the alternative retirement program on the state retirement system." Thus, the state mandated that anyone contributing to the ARP¹ could have a portion of the institutional match (*not* the paycheck deduction) reallocated to the state systems. That portion is called the mitigating rate.

2. Whose retirement contributions are subject to the Mitigating Rate?

Only individuals contributing to an ARP are subject to the Mitigating Rate; those in the STRS defined-contribution and combined plans also pay a Mitigating Rate¹. The amount deducted from your paycheck goes in its entirety to your retirement fund, but the institutional match for your contributions is docked by the mitigating rate. Our current information is that 20 - 30% of faculty contribute to an ARP.

¹ To avoid confusion, we use "ARP" to include all defined-contribution plans. Thus the private vendor plans offered by OSU, as well as the STRS defined-contribution and combined plans, all are subsumed within the ARP for our purposes. Herein we use STRS to denote the defined-benefit plan offered by the State Teachers Retirement System.

3. *Who sets the mitigating rate?*

By ORC 3305.06(D), The Ohio Retirement Study Council has sole authority to set the mitigating rate. The Council has three members of the state Senate, three members of the House, three members appointed by the Governor, and five *ex officio* members. They are mandated by law to conduct a review every three years of the various retirement funds, to commission an independent audit, and to make recommendations on a variety of issues affecting the state pension systems, including the mitigating rate. Its most recent report was issued on December 8, 2014.

4. *What is FAARPP doing?*

The Association was founded in summer of 2015 in response to a message from Ohio State's Office of Human Resources concerning the mitigating rate (see Fact Sheet #2). We are studying the issue thoroughly, with the goals of 1) having the mitigation rate abolished for all who direct their retirement contributions to an ARP and 2) receiving clear, consistent communication from the University concerning our retirement contributions. We believe the mitigating rate is fundamentally unfair because it differentially affects the retirement funds of a subset of faculty and staff. Furthermore, we believe its underlying premise, that STRS and OPERS are harmed by the defined-contribution plans, to be flawed. See Fact Sheet #3 for an analysis.

Representatives of FAARPP have been contacting legislators, retirement experts, and university officials to collect information and to identify avenues of redress.

5. *What has been the financial impact to me personally?*

That depends on your salary history and how long you have been employed at Ohio State. For a faculty member who was hired in 2005 at an annual salary of \$75,000 and who received 3% increments every year thereafter, the total amount sent to STRS instead of the ARP has been \$36,557.06 to date. A rough estimate is that your retirement account would be *20% greater* were there no mitigating rate.

6. *How much money has been diverted from our retirement accounts?*

We do not have exact numbers for OSU faculty. However, the total amount diverted to date across all institutions of higher education in Ohio is \$208 million. See Fact Sheet #3 for more detail on the financial impact of the mitigating rate.