

**Resolution on the Mitigating Rate Applied
to the Alternative Retirement Plan**

Proposed to OSU Faculty Council on April 4, 2019

(As amended on September 5, 2019)

WHEREAS all faculty at Ohio State are entitled to a financially secure retirement, and

WHEREAS individuals and the University contribute significantly to the retirement accounts of all faculty members, and

WHEREAS Ohio State faculty make no Social Security contributions or receive Social Security benefits, and

WHEREAS the University offers two options for individual faculty to choose for their retirement, the traditional defined benefit pension plan through the Ohio State Teachers Retirement System, or the Alternative Retirement Plan (ARP), which is a defined contribution plan provided either by Ohio State Teachers Retirement System, or a private investment company, and

WHEREAS the University diverts a portion of the state-mandated employer contribution from individual ARP faculty retirement accounts to the Ohio State Teachers Retirement System through a provision in the Ohio Revised Code (3305.06[D]) called the mitigating rate, and

WHEREAS the formula embedded in the Ohio Revised Code used to calculate the mitigating rate is fundamentally flawed, and

WHEREAS the mitigating rate reduces University retirement contribution to an individual in the ARP by a very substantial amount (32%) compared to what they would have without mitigation, and

WHEREAS, as an example, for an individual faculty member starting at \$80,000 per year, working for 35 years, with a 2% annual increase in salary, plus 6% at each promotion, the mitigating rate will cost them \$688,000 at retirement, or \$2,752 per month for life (assuming market returns of 6.79%/yr during working years, 1.5%/yr during retirement, and a 25-year lifespan after retirement), and

WHEREAS the mitigating rate has a large, long-term harmful effect on a large proportion (~~approx. 30%~~) of ~~all~~ faculty members at Ohio State (36% of existing faculty and 50% of new hires in 2017-18), it provides only a small share (< 1%) of the total funds used to operate the Ohio State Teachers Retirement System, and

WHEREAS the mitigating rate reduces the total benefits an individual in the ARP will receive from the University, thus it potentially makes it more difficult to hire and retain faculty members at all levels,

Be it therefore resolved that Faculty Council expects the following:

- 1) That the issue be fully discussed by the full senate, and

- 2) That the University compensate the ARP faculty for the lost amount, retroactive to the date of election into ARP, by contributing an amount equal to the mitigation rate in their 403(b) or 457 plans, and
- 3) That university administration at the highest level actively work to abolish the mitigating rate as soon as possible, using all appropriate tools at its disposal.