

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

First proposed to OSU Faculty Council on April 4, 2019

As amended and presented on November 7, 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 (STRS), or the Alternative Retirement Plan (ARP), which is a defined contribution plan provided either by STRS, or a private investment company, and

WHEREAS Ohio Revised Code 3305.06 (D) 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”, and

WHEREAS the University elected to divert a portion of the state-mandated employer contribution from individual ARP faculty retirement accounts to STRS through a provision in the Ohio Revised Code 3305.06 (D) called the mitigating rate, and

WHEREAS the ARP faculty will never draw benefits of any kind from STRS, and

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

WHEREAS faculty hired before 2015 were not informed in writing about the “mitigating rate”, and

WHEREAS such misinformation was perpetuated in the annual total compensation report to each faculty, and

WHEREAS the ARP faculty are forbidden from transferring into STRS, 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 of faculty members at Ohio State (36% of existing faculty and 50% of new hires in 2017-18),

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 requests the following:

- 1) That all faculty receive 100% of the University contribution to their retirement accounts, and
- 2) That ARP faculty be fully compensated by the University for the amount diverted through the mitigating rate, retroactive to the date of election into ARP, and
- 3) That the President, Provost, and Senior VP for Talent, Culture, and Human Resources actively work to abolish the mitigating rate as soon as possible, using all appropriate tools at their disposal, and
- 4) That the Steering Committee of the Senate places this resolution for discussion and vote by the full University senate.