



# Ohio Legislative Service Commission

## Bill Analysis

Amy J. Rinehart

### H.B. 311

131st General Assembly  
(As Introduced)

Rep. Schuring

---

## BILL SUMMARY

- Revises the percentage of an alternative retirement plan (ARP) participant's compensation that must be paid by a public institution of higher education to the State Teachers Retirement System (STRS) to mitigate any financial impact on STRS of the ARP participation.
- Makes the new percentage the average part of the existing percentage that has been used by STRS to amortize its unfunded actuarial accrued pension liabilities.

---

## CONTENT AND OPERATION

### Mitigating rate overview

Continuing law permits a full-time employee of a public institution of higher education to elect to participate in an alternative retirement plan (ARP) rather than the public retirement system that otherwise covers the employee. Depending on the position and the institution, that system is the Public Employees Retirement System (PERS), State Teachers Retirement System (STRS), or School Employees Retirement System (SERS). Each ARP must be a defined contribution plan that provides retirement and death benefits through a number of investment options. An educational institution must contribute a percentage of the compensation of an employee electing to participate in an ARP to the public retirement system that would otherwise cover the employee. This contribution, referred to as the "mitigating rate," is to offset any negative financial impact of the ARP participation on the retirement system.<sup>1</sup>

---

<sup>1</sup> R.C. 3305.01(B), 3305.02, and 3305.06(D), not in the bill.

Current law freezes, at existing rates and for an indefinite period, the mitigating rates for ARPs. The STRS mitigating rate is 4.5%. The rate for PERS is 0.77% and for SERS 6.00%.<sup>2</sup> Current law also includes several provisions regarding the ARP mitigating rate that are not currently implemented because the freeze provision overrides them. These provisions are discussed below (see "**Current provisions**," below).

## **STRS mitigating rate**

The bill maintains current law's freeze on the ARP mitigating rate for PERS and SERS, but overrides it for STRS and establishes a method of calculating the STRS rate.<sup>3</sup> It requires the STRS Board, in consultation with the Auditor of State, to have an actuary determine, for the preceding five years, the average part of the mitigating rate that was used to amortize STRS's unfunded actuarial accrued pension liabilities. The calculation must be completed no later than 90 days after the bill's effective date. The actuary must express the average part as a percentage.<sup>4</sup>

The bill requires STRS to use the percentage determined by the actuary to determine its ARP mitigating rate. It must also annually reduce the percentage on a prorated basis over a period of 30 years until it is eliminated.<sup>5</sup>

## **Current provisions**

The provisions of current law that are overridden by the mitigating rate freeze do all of the following:

--Provide that the ARP mitigating rate is 6% but may be adjusted by the Ohio Retirement Study Council (ORSC) to reflect determinations made in an independent actuarial study that is to be completed by ORSC every three years;<sup>6</sup>

--Prohibit the mitigating rate for ARPs from exceeding the mitigating rate for a system's defined contribution plan (the mitigating rate for the STRS defined contribution plan is currently 4.5%);<sup>7</sup>

---

<sup>2</sup> R.C. 3305.062, not in the bill.

<sup>3</sup> R.C. 3305.063(B)(1).

<sup>4</sup> R.C. 3305.063(A).

<sup>5</sup> R.C. 3305.063(B).

<sup>6</sup> R.C. 171.07 and 3305.06(D), not in the bill.

<sup>7</sup> R.C. 3305.061, not in the bill and telephone conversation with Anne Erkman, STRS Assistant Director of Government Relations (September 28, 2016).



--Require each system's ARP mitigating rate to continue until the system's unfunded actuarial accrued pension liability for all benefits, other than health care, is fully amortized.<sup>8</sup>

---

## HISTORY

ACTION	DATE
Introduced	08-31-15

H0311-I-131.docx/ks

---

<sup>8</sup> R.C. 3305.06(D), not in the bill.

