UC Retirement Plan Information
Facts about the Mitigating Rate

The Ohio Revised Code 3305.06 (D)

The mitigating rate was established by the Ohio Revised Code Chapter 3305.06 (D) which reads in part “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.”

How the Alternative Retirement Plan (ARP) negatively impacts the State Retirements Plans – OPERS and STRS.

When the ARP was established in 1997, OPERS and STRS had existing unfunded liabilities due in part to employer supported benefits enhancements. This portion of the benefit structure was to be funded overtime by employer contributions on future payrolls and the long term investment earnings on those contributions. OPERS and STRS long term funding was dependent on employers meeting these future payroll obligations. ARPs divert some of those expected contributions away from OPERS and STRS. The employer’s obligation to fund the benefit remains. The employer’s obligation is paid in part by the mitigating rate.

The mitigating rate was established by the Ohio General Assembly to offset the negative financial impact of the public employees’ participation in the ARP. The rate was initially set at 6%– the amount actuarially determined to mitigate the negative impact. Without the mitigating rate the employer’s obligation would fall on the remaining members and employers in the system.

The mitigating rate allows employers to pay their obligation overtime
The approach to pay down the liability slowly overtime recognized that pension systems invest and fund benefits over long-term horizons. This approach allowed employers to avoid a larger upfront exit payment.

A common misconception is-money is being diverted from the ARP accounts to OPERS and STRS Ohio. The fact is- funds are not being directed away from the ARP participants to OPERS and STRS. 100% of the participants contributions go directly to their ARP account (these amounts are currently 10% for staff and 14% for faculty). UC is required to pay 4.47% (effective July 1, 2017) of its employer contribution to STRS Ohio and 2.44% (effective July 1, 2017) to OPERS in order to pay down past and current obligations for faculty and staff participating in the Defined Benefit plan.