



**H.B. 337**

125th General Assembly  
(As Introduced)

**Rep. Blasdel**

---

**BILL SUMMARY**

- Extends eligibility for participation in alternative retirement plans for employees of public institutions of higher education to full-time employees, rather than limiting participation to academic and administrative employees.
- Requires a public institution of higher education, on behalf of an employee participating in an alternative retirement plan, to contribute to the alternative retirement plan an amount equal to the amount that the institution would have contributed to a state retirement system for that employee, minus a percentage paid to that state retirement system.

---

**CONTENT AND OPERATION**

**Alternative retirement programs--background**

Prior to the enactment of House Bill 586 in 1997, all employees of Ohio's public institutions of higher education were included in one of three state retirement systems: the Public Employees Retirement System (PERS), State Teachers Retirement System (STRS), or School Employees Retirement System (SERS). H.B. 586 provided for establishment of an alternative retirement program for full-time academic and administrative employees of these institutions and required each institution to contract with providers designated by the Superintendent of Insurance to offer alternative retirement plans to eligible academic and administrative employees. Ohio law requires each alternative retirement plan to qualify as a defined contribution plan that meets certain Internal Revenue Code standards.<sup>1</sup>

---

<sup>1</sup> *A defined contribution plan is a type of retirement plan in which the amount of the annual contributions are specified. Individual accounts are set up for participants and*

Under H.B. 586, to be eligible to participate in an alternative retirement plan, an employee had to be a full-time academic or administrative employee and have less than five years of retirement service credit at the time the alternative retirement plan was established. When the bill was enacted, eligible employees had a limited period of time during which they could elect to participate in an alternative retirement plan. Employees who did not make an election or who elected not to participate remained or became members of PERS, STRS, or SERS.

### **The bill**

Under current law, eligibility for participation in an alternative retirement plan is restricted to newly hired full-time academic and administrative employees of a public institution of higher education.

### **Existing employees--elections**

(sec. 3305.051)

The bill extends eligibility to participate in an alternative retirement plan to all full-time employees of a public institution of higher education, including full-time academic and administrative employees who were eligible pursuant to H.B. 586 to make an election to participate in an alternative retirement plan, but did not do so. Under the bill, any full-time employee of a public institution of higher education who, as a result of the bill, becomes eligible to participate in an alternative retirement plan and is not already participating in such a plan at the employing institution, may, but not later than 120 days after the bill's effective date, elect to participate in an alternative retirement plan available at the employing institution.

The bill provides that, once the employee's 120-day election period has elapsed, the employee's election becomes irrevocable and takes effect. The election applies to the employee's employment in all positions at that institution, unless the employee terminates employment at that institution and does not return to employment there in any position prior to one year after the date of termination. In addition, an employee who makes an election to participate in an alternative retirement plan is forever barred from claiming or purchasing service credit under any state retirement system for the period of employment while the election is in effect.

---

*benefits are based on the amounts credited to these accounts (through employer contributions and, if applicable, employee contributions), plus any investment earnings on the money in the account. (U.S. Department of Labor, Bureau of Labor Statistics Glossary, <http://www.bls.gov/bls/glossary.htm>, visited 12-8-03.)*

The bill provides that an employee of a public institution of higher education who, on or after the bill's effective date, terminates employment at that institution and subsequently is employed by another public institution of higher education in a position for which an alternative retirement plan is available, may elect to participate in the alternative retirement plan, but must make an election to do so within 120 days of commencing employment.

**Existing employees who fail to make election**

(sec. 3305.051(C))

Any eligible employee who fails to make an election within the 120-day election period is deemed to have elected to participate in the state retirement system that applies to the employee's employment. Under the bill, an employee who fails to make an election is not permitted to make an election for employment in any other position at the public institution of higher education while employed at that institution, unless the employee terminates employment at that institution and does not return to employment there prior to one year after the date of termination.

**New employees**

(sec. 3305.051(A)(2))

The bill provides that each person who, on or after the bill's effective date, accepts full-time employment with a public institution of higher education may, within 120 days of starting employment, elect to participate in an alternative retirement plan available at the employing institution. The election is effective as of the employee's starting date of employment.

**Election to participate in an alternative retirement plan**

(sec. 3305.051(B)(1))

The bill requires each employee of a public institution of higher education who elects to participate in an alternative retirement plan to submit the election in writing to the designated officer of the employee's employing institution. Not later than ten days after the election takes effect, the officer must file a certified copy of the election with the state retirement system to which, apart from the election, the employee's employment would be subject.

The bill requires each public institution of higher education that, on or after the bill's effective date, employs a person eligible to make an election to participate in an alternative retirement plan, to notify the state retirement system that applies to that employment. The bill specifies that the notification must be

submitted in writing within ten days of the person's employment, in the format specified by the retirement system and must include the person's name and address.

**Providers**

(sec. 3305.053)

The bill requires the board of trustees of a public institution of higher education to permit any employee who makes an election to participate in an alternative retirement plan to do all of the following:

(1) Select, from among the providers that have entered into a contract with the public institution of higher education, the provider of an investment option for that employee;

(2) Except as specified in (3) below, contract with only one provider in any plan year;

(3) Change the provider selected under (1) at the following times:

(a) Once during the first payroll period in any plan year;

(b) Any time the provider selected by the employee ceases to be designated by the Department of Insurance to provide investment options under alternative retirement plans.

If an employee changes providers under (3) above, the bill requires the provider to transfer to the new provider the employee's account balance, either in whole or in part, as directed by the employee.

**Contributions**

(sec. 3305.06)

Under current law, an employee of a public institution of higher education who is a participant in an alternative retirement plan contributes the percentage of compensation the employee would contribute to the state retirement system that would otherwise cover the employee. Each public institution of higher education employing an employee who has elected to participate in an alternative retirement plan must contribute an amount equal to a percentage of the employee's compensation to the employee's alternative retirement plan. The percentage is determined by the public institution's board of trustees. Current law also requires the public institution to contribute a certain percentage to the state retirement

system to which the employee would otherwise belong. This percentage is determined by the Ohio Retirement Study Council, but cannot exceed 6%.

The bill does not change the employees' contribution but does change the amount that a public institution of higher education must contribute to its employees' alternative retirement plans. Under the bill, each public institution must contribute to an employee's alternative retirement plan a percentage of the employee's compensation equal to the percentage the institution would otherwise contribute to a state retirement system on the employee's behalf, minus the percentage that the public institution contributes to the state retirement system (see COMMENT).

---

**COMMENT**

<b>Current Employee &amp; Employer Contribution Rates (as per cent of employee salary)</b>		
<b>Retirement System</b>	<b>Employee contributions</b>	<b>Employer contributions</b>
PERS	8.5%	13.31% (state employers) 13.35% (local employers)
STRS	10.0%	14.0%
SERS	10.0%	14.0%

---

**HISTORY**

<b>ACTION</b>	<b>DATE</b>	<b>JOURNAL ENTRY</b>
Introduced	11-20-03	p. 1115

H0337-I-125.doc/jc

