
RETIREMENT SYSTEMS

Retirement system mitigating rates

- Freezes at current rates (listed below) the percentage of an alternative retirement program (ARP) participant's compensation that must be paid by a public institution of higher education to the Public Employees Retirement System (PERS) (0.77%), State Teachers Retirement System (STRS) (4.5%), or School Employees Retirement System (SERS) (6%), to mitigate any financial impact of the ARP on the retirement system.
- If the State Teachers Retirement Board increases the mitigating rate for ARPs between July 1, 2015, and the effective date of the above provision, requires the Board to repay each public institution the difference between the Board's rate and 4.5% and to reimburse each institution for expenses related to increasing the rate and caps the rate at 4% until the difference is repaid.

STRS and SERS membership and community school operators

- Allows a community school operator to irrevocably elect to have excluded from membership in the State Teachers Retirement System (STRS) and the School Employees Retirement System (SERS) all individuals employed by the operator under certain specified circumstances.
- Requires the applicable retirement system to exclude the individuals from membership on receipt of notice of the election.
- Specifies that an individual excluded under the bill from membership in STRS or SERS ceases to be a teacher or employee, as applicable, for purposes of the law governing STRS and SERS, making the individual eligible for a refund of the contributions the individual made to the retirement system.
- Requires the Auditor of State to annually review a deferred compensation plan offered in lieu of participation in STRS or SERS to determine whether the plan is in compliance with the federal law requirements for favorable tax treatment under the Internal Revenue Code.
- Requires the Auditor to order the operator to permanently close the community school if, after notice and an opportunity for a hearing, the Auditor determines a deferred compensation plan is not in compliance with the federal law requirements.



Retirement system annual reports – Ohio agents and managers

- Eliminates current law's requirement that each state public retirement system board annually submit to the Ohio Retirement Study Council two reports related to securities transactions and asset management: one on Ohio-qualified agents and minority business enterprises and one on Ohio-qualified investment managers.

Retirement system mitigating rates

(R.C. 3305.052 and 3305.062)

The bill freezes, at current rates, the percentage of an alternative retirement program (ARP) participant's compensation that must be paid by a public institution of higher education to the Public Employees Retirement System (PERS), State Teachers Retirement System (STRS), or School Employees Retirement System (SERS) to mitigate any financial impact of the ARP on the retirement system.

Continuing law permits a full-time employee of a public institution of higher education to elect to participate in an ARP rather than the public retirement system (PERS, STRS, or SERS) that covers the employee. Each ARP must be a defined contribution plan that provides retirement and death benefits through a number of investment options. A public institution of higher education 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. The purpose of this contribution, referred to as the "mitigating rate," is to offset any negative financial impact of the ARP on the retirement system.

Continuing law specifies that the ARP mitigating rate is 6%, but may be adjusted by the Ohio Retirement Study Council (ORSC) to reflect determinations made in an actuarial study that is to be completed by ORSC every three years. Continuing law also prohibits the mitigating rate for ARPs from exceeding the mitigating rate for the retirement system's defined contribution plans.

The bill freezes the PERS, STRS, and SERS mitigating rates for ARPs at current rates. Currently, the PERS mitigating rate for ARPs is 0.77% and the rate for SERS is 6.00%. The STRS mitigating rate is currently 4.5%. H.B. 483 of the 130th General Assembly prohibits, until July 1, 2015, the STRS mitigating rate for ARPs from exceeding that percentage.



STRS ARP mitigating rate

(Section 733.40)

If the State Teachers Retirement Board increases the mitigating rate for ARPs between July 1, 2015, and the effective date of the bill's provision freezing the rate, the bill provides all of the following:

--The Board must repay each public institution an amount equal to the difference between the new rate established by the Board and 4.5%. The institution must then credit the employee's investment provider under the ARP that amount.

--The rate is limited to 4% until the Board repays each public institution the amount specified above.

--The Board must reimburse each public institution an amount equal to the reasonable costs of reprogramming the institution's computers and other administrative expenses related to increasing the rate.

STRS and SERS membership and community school operators

(R.C. 145.012, 3307.01, 3307.011, 3309.01, 3309.011, 3309.013, and 3314.075)

The bill allows a community school operator, not later than 60 days after the amendments' effective date, to irrevocably elect to have excluded from membership in the State Teachers Retirement System (STRS) and the School Employees Retirement System (SERS) all individuals to whom all of the following apply:

(1) The individual's earnings from employment by the operator are subject to Social Security tax.

(2) The operator would otherwise be required to pay employer contributions on behalf of the individuals to the applicable retirement system pursuant to a contract between the operator and the community school governing authority.

(3) The operator offers each of the individuals the opportunity to participate in a deferred compensation plan that receives favorable tax treatment under the Internal Revenue Code.

The bill requires STRS or SERS to exclude the individuals described above from membership on receipt of notice of the election. The bill specifies that an individual excluded under the bill from membership in STRS or SERS ceases to be a teacher or employee, as applicable, for purposes of the respective retirement system's law, making the individual eligible for a refund of the accumulated contributions the individual



made to the retirement system. Additionally, individuals excluded from membership in STRS or SERS under the bill are not members of the Ohio Public Employees Retirement System.

The bill requires the Auditor of State to annually review a deferred compensation plan offered in lieu of participation in STRS or SERS to determine whether the plan is in compliance with the federal law requirements for favorable tax treatment under the Internal Revenue Code. If, after notice and an opportunity for a hearing, the Auditor determines a deferred compensation plan is not in compliance with the federal law requirements, the bill requires the Auditor to order the operator to permanently close the community school. An operator must close the school at the conclusion of the school year in which the operator receives notice of the order. The bill requires the community school sponsor and governing authority to comply with all procedures for closing a community school adopted by the Department of Education under continuing law.

Retirement system annual reports – Ohio agents and managers

(R.C. 145.114, 145.116, 742.114, 742.116, 3307.152, 3307.154, 3309.157, 3309.159, 5505.068, and 5505.0610)

The bill eliminates the current law requirement that each state public retirement system board (Public Employees Retirement Board, Ohio Police and Fire Pension Fund Board of Trustees, State Teachers Retirement Board, School Employees Retirement Board, and State Highway Patrol Retirement Board) at least annually submit to the Ohio Retirement Study Council (ORSC) two reports related to securities transactions and asset management: one on Ohio-qualified agents and minority business enterprises and one on Ohio-qualified investment managers.

Current law requires the reports to contain all of the following information, as applicable to reports regarding agents and investment managers:

- The name of each agent or investment manager designated by the retirement board as an Ohio-qualified agent or Ohio-qualified investment manager;
- The name of each agent that executes securities transactions on behalf of the board;
- The name of each investment manager with which the board contracts;
- The amount of equity and fixed-income trades executed by Ohio-qualified agents;



--The amount of equity and fixed-income trades that are executed by agents that are minority business enterprises;

--The amount of assets managed by Ohio-qualified investment managers;

--The compensation paid to Ohio-qualified agents and Ohio-qualified investment managers;

--Any other information requested by ORSC regarding the board's use of agents or investment managers.

