

EMPLOYER Notice

Ohio Public Employees Retirement System • 277 East Town Street • Columbus, Ohio 43215

ARP mitigating contribution takes effect

Who should read this notice

University and college finance directors, payroll and HR professionals

Situation Overview

As of August 2007, your Alternative Retirement Plan (ARP) report must include the mitigating contribution rate that's being implemented to offset the negative financial impact realized by OPERS by offering retirement plan options, such as an ARP. This mitigating rate is provided for by law, but the actual percentage is determined by the OPERS Retirement Board, upon the advice and counsel of the Retirement Board's actuary, in conjunction with the director of finance. The additional reporting responsibilities are effective with the **August 2007** report, which must be filed by October 1, 2007. The mitigating contribution rate must be applied to all ARP participants, not just new elections.

The mitigating rate has been established at .54 percent. It's important to realize that although the total amount of the employer contribution remains the same, the mitigating contribution amount will be remitted to OPERS; the remainder of the contribution will be remitted to the appropriate ARP vendor, resulting in additional reporting duties for employers.

Employer Contribution to ARP	13.23%
Employer Mitigating Contribution to OPERS	0.54%
Total Employer Contribution	13.77%

What you need to do

To ensure a smooth implementation of the ARP mitigating contribution, you may need to contact your IT department or vendor and inform them of your new reporting requirement. OPERS is offering a six-month implementation window to provide you time for setup and testing. We encourage you to review your records now to ensure the mitigating contribution rate can be included in your ARP retirement contribution report by the effective date.

Additional facts you should know as you implement the ARP mitigating rate:

- Employer Reporting will offer a window for testing via ECS for your reports close to the implementation date to ensure the ARP reporting can be accommodated. Information on testing dates will follow.
- The mitigating rate applies only to contributions effective with the ARP election, not to any OPERS balances transferred to the ARP vendor.
- The mitigating contribution is based on employee compensation; therefore employer payments for service purchase will not have a mitigating contribution deducted.
- Service purchase payroll deduction agreements must terminate upon an employee becoming an ARP participant.

(More information on back)

Note:

The total employer contribution amount has not changed; the mitigating rate is a portion of the employer contribution that now must be remitted to OPERS.



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- Unauthorized mitigating contributions will be credited to the employer's account; they will not be refunded as a check. They will appear on your *Employer Account Summary*.

Special note for employers transitioning to monthly liability remittance schedule: If you are transitioning to a monthly payment schedule, be aware that the employer mitigating contribution is due quarterly until January 2008, at which time the due date becomes monthly.

Additional information

As you have the most current listing of your employees that participate in an ARP, it is your responsibility to advise your ARP participating employees of the impact the mitigating contribution has on their investment. OPERS has provided the following speaking points you may include in your communication, if you wish:

- The mitigating contribution is provided for by Ohio law to enable retirement systems to recoup the costs, and therefore losses, of administering or offering additional retirement options to public employees.
- The total retirement contribution amount does not change; however, a portion (.54%) of the employer's contribution will be remitted to OPERS rather than the total amount being remitted to the selected ARP vendor.
- Employees who are Defined Contribution (DC) participants (meaning in the Member-Directed or Combined retirement plans) already have a mitigating rate imposed on their contribution. Therefore, if a DC participant elects an ARP, a second mitigating contribution will not be taken when the account is transferred to the ARP.
- When considering an ARP, eligible employees should be made aware of the mitigating contribution. Where appropriate, employees should discuss the potential impact of the mitigating contribution rate on their total retirement package with their financial advisor.

Why this is important

OPERS fully supports the retirement options made available to public employees. However, the implementation of options cannot be allowed to negatively impact the financial status of the System, as has happened with offering ARPs. The mitigating contribution helps offset the negative financial impact, without increasing the total retirement contribution liability.

Who to contact for more information

After you review this *Employer Notice*, contact your Employer Outreach representative with questions at 1-888-400-0965 or via the Internet at employeroutreach@opers.org.

This Employer Notice is written in plain language for use by public employers who are subject to coverage under the Ohio Public Employees Retirement System. It is not intended as a substitute for the federal or state law, namely the Ohio Revised Code, the Ohio Administrative Code, or the Internal Revenue Code, nor will its interpretation prevail should a conflict arise between it and the Ohio Revised Code, Ohio Administrative Code, or Internal Revenue Code. Rules governing the retirement system are subject to change periodically either by statute of the Ohio General Assembly, regulation of the Ohio Public Employees Retirement Board, or regulation of the Internal Revenue Code. If you have questions about this material, please contact our office or seek legal advice from your attorney.



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