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January 5, 2022

Ms. Tracy Valentino
Chief Financial Officer
School Employees Retirement System of Ohio
300 East Broad Street, Suite 100
Columbus, OH 43215-3746

Subject: ARP Mitigation Rate

Dear Tracy:

As requested, we have determined the ARP Mitigation Rate of the School Employees Retirement System of Ohio.

Background

The ARP Mitigation Rate is established by a prescribed formula for calculating 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 and specifies that the percentage is $\frac{1}{4}$ of the percentage calculated, not exceeding 4.50%.

Data, Methods and Assumptions

The data, methods and assumptions used to determine the ARP Mitigation Rate are the same as those used in the June 30, 2020 valuation, as revised to reflect the recommendations of the Experience Study for the Five-Year Period ending June 30, 2020. In particular, the assumed investment rate of return is 7.00% and the assumed rate of active payroll growth is 1.75%.



Ms. Tracy Valentino
January 5, 2022
Page 2

ARP Mitigating Rate

Continuing law permits a full-time employee of a public institution of higher education to elect to participate in an ARP rather than 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 SERS that would otherwise cover the employee. This contribution, referred to as the “mitigating rate,” is to offset any negative financial impact of the ARP on SERS.

The ARP Mitigating Rate calculation is shown in Exhibit A. The current mitigating rate payable by employers of full-time employees of public institutions of higher education who elect to participate in an ARP is 3.48% of compensation. The mitigating rate based on the prescribed methodology is 3.85% of compensation. This represents an increase of 0.37%. Based on the estimated payroll, revenue will increase by approximately \$49,200 in the first year, with this amount growing with our payroll growth assumption of 1.75% in each future year.

Certification

This is to certify that the independent consulting actuary is a member of the American Academy of Actuaries and has experience in performing valuations for public retirement systems, that the valuation was prepared in accordance with principles of practice prescribed by the Actuarial Standards Board, and that the actuarial calculations were performed by qualified actuaries in accordance with accepted actuarial procedures, based on the current provisions of the retirement system and on actuarial assumptions that are internally consistent and reasonably based on the actual experience of the System.



Ms. Tracy Valentino
January 5, 2022
Page 3

Future actuarial results may differ significantly from the current results presented in this report due to such factors as the following: plan experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period or additional cost or contribution requirements based on the plan's funded status); and changes in plan provisions or applicable law. Since the potential impact of such factors is outside the scope of a normal annual actuarial valuation, an analysis of the range of results is not presented herein.

Sincerely,

A handwritten signature in blue ink that reads 'Todd B. Green' followed by a horizontal line.

Todd Green, ASA, EA, FCA, MAAA
President

TBG:tbg



School Employees Retirement System of Ohio

Exhibit A

The calculation of the ARP Mitigating Rate is demonstrated below:

Mitigating Rate Illustration			
1.	6/30/2020 UAAL		\$ 6,181,950,509
2.	Cumulative ARP Contributions		13,086,698
3.	Cumulative UAAL Contributions		24,093,910
4.	Historical Liability		11,007,212
5.	12/31/2020 Remaining UAL		6,170,943,297
6.	2020 ARP Payroll		13,070,457
7.	2020 SERS Payroll		3,477,578,726
8.	Total 2020 ARP + SERS Payroll		3,490,649,183
9.	Compensation Ratio		0.37%
10.	ARP % of Row 5		22,832,490
11.	Estimated (Est) 2021 ARP Payroll	6. x 1.0175	13,299,190
12.	Perpetual Amortization Factor		19.703
13.	30 - Year Amortization Factor		15.347
14.	Perpetual Amortization of Row 4.	4. / 12. / 11.	4.20%
15.	30-Year Amortization of Row 10.	10. / 13. / 11.	11.19%
16.	Computed Mitigating Rate	14. + 15.	15.39%
17.	Basic Mitigating Rate	16. x 0.25	3.85%
18.	Maximum Mitigating Rate		4.50%
19.	Final Mitigating Rate	min(17.,18.)	3.85%