



# ARP MITIGATING RATE REPORT SUMMARY

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 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%.

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%.

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 will be 3.85% of compensation for the 5-year period beginning July 1, 2022. This represents an increase of 0.37%.

There are currently 225 ARP participants who otherwise would contribute to SERS who are full-time employees of public institutions of higher education.

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.