



State Retirement Systems: Cost of Living Adjustments

Ohio's five state retirement systems provide their eligible members, on retirement, with a benefit. To help mitigate to some degree the effect of inflation on a retirement benefit, each system is either authorized or required to grant benefit recipients an annual cost of living adjustment (COLA). A COLA is applied to the initial base benefit and usually is expressed as a percentage of that base benefit. Once granted, a COLA will continue to be paid until the retiree's death or other termination of the base benefit. COLA provisions, such as eligibility criteria and amounts, vary among the systems.

Ohio has five state retirement systems: the Public Employees Retirement System (PERS), State Teachers Retirement System (STRS), School Employees Retirement System (SERS), Ohio Police & Fire Pension Fund (OP&F), and the State Highway Patrol Retirement System (SHPRS).¹ Each system grants retirement, disability, and survivor benefits to eligible individuals. Although eligible recipients of disability and survivor benefits may receive COLAs, for the sake of simplicity and brevity, this brief discusses only COLAs granted to retirement benefit recipients.²

Because the amount of a retirement benefit is fixed at the time of retirement, rising prices due to inflation can significantly erode the retirement benefit's purchasing power over time. To help mitigate this inflationary effect to some degree, each retirement system is either authorized or required to grant benefit recipients an annual COLA. However, as noted by the Ohio Retirement Study Council, there does not appear to be "any example of a COLA from any state retirement plan in the United States whose purpose or intent is to completely offset the decline in purchasing power" caused by inflation.³ Furthermore, federal law prohibits a COLA from exceeding specified limits.⁴

¹ R.C. Chapters 145, 3307, 3309, 742, and 5505, respectively.

² R.C. 145.32, 145.33, 145.332, 742.37, 3307.58, 3309.34, 3309.36, 5505.16, and 5505.17 (retirement); R.C. 145.35, 145.36, 145.361, 742.39, 3307.62, 3309.39, and 5505.18 (disability benefits); and R.C. 145.43, 145.45, 742.37, 3307.66, 3309.44, and 5505.17 (survivor benefits).

³ See page 2 of [Issue Brief: Cost of Living Adjustments \(PDF\)](#), which may be accessed using a keyword "COLA" search on the Ohio Retirement Study Council's website: orsc.org.

⁴ 26 United States Code (U.S.C.) 415.

In Ohio, a COLA is applied to an initial base benefit and usually is expressed as a percentage of that base benefit. Subsequent COLAs likewise are applied to the initial base benefit, which is known as a simple increase. (This differs from a compounding increase, in which subsequent COLAs are applied to a greater amount equal to the initial base benefit plus any prior COLAs.)⁵ Once granted, a COLA will continue to be paid until the retiree's death or other termination of the base benefit.⁶ To illustrate these concepts, imagine that John Doe is a service retiree and a recipient of annual COLAs in the following amounts: \$600 in 2021, \$700 in 2022, \$500 in 2023, and \$550 in 2024. In 2024, John receives not only the \$550 COLA granted that year but also receives the previously granted COLAs in the amounts of \$600, \$700, and \$500.

However, because COLAs are granted via statute, the General Assembly can adjust the amount of a COLA to be granted in a subsequent year and the timing of a retirement benefit recipient's eligibility to receive a COLA. Most recently, the General Assembly changed the calculation of the COLA amount, eligibility for a COLA, or both, for PERS, OP&F, STRS, and SHPRS as part of pension reform legislation enacted in 2012, in response to the 2008 recession and demographic factors that threatened the retirement systems' ability to pay off accrued liabilities over time. The General Assembly enacted similar changes regarding SERS COLAs in 2017. These changes included, for some systems, tying the amount of the increase to the Consumer Price Index⁷ (CPI) or a certain percentage, whichever is lower, and allowing some of the systems to adjust the statutorily prescribed amount if the adjustment, based on an actuarial determination, does not materially impair the system's fiscal integrity or is necessary to preserve it. It is possible, based on these changes, that a COLA amount could be zero under certain circumstance, such as when there is no increase in the CPI.⁸

Unless an exception applies, PERS, OP&F, and STRS must grant a COLA. SERS has discretion as to whether to do so, as does SHPRS regarding certain COLAs. The table below provides an overview of the COLA amount, eligibility criteria, and authority to revise the COLA amount applicable to each of the state retirement systems.

⁵ See p. 2 of [May 2024 NASRA Issue Brief: Cost-of-Living Adjustments \(PDF\)](#), which may be accessed using a keyword "COLA" search on the National Association of State Retirement Administrators website: nasra.org.

⁶ R.C. 145.323, 742.3716, 3307.67, 3309.374, and 5505.174.

⁷ See [Consumer Price Index Home](#), which may be accessed using a keyword "consumer price" search on the U.S. Bureau of Labor Statistics website: bls.gov.

⁸ See R.C. 145.323 as amended by [S.B. 343](#) (PERS), R.C. 3307.67 as amended by [S.B. 342](#) (STRS), R.C. 742.3716 as amended by [S.B. 340](#) (OP&F), and R.C. 5505.174 as amended by [S.B. 345](#) (SHPRS) of the 129th General Assembly and R.C. 3309.374 as amended by [H.B. 49](#) of the 132nd General Assembly (SERS), all of which may be accessed on the Ohio General Assembly website: legislature.ohio.gov.

System	Eligibility criteria for receiving annual COLA	Annual COLA amount (expressed as percentage of base benefit)	Is system authorized to adjust COLA amount?	Amount of 2024 COLA for eligible recipients
PERS	All recipients: eligible after receiving the benefit for one year <i>(R.C. 145.323(A))</i>	For those receiving benefits before January 7, 2013: 3% For all other benefit recipients: the percentage increase in the CPI for the 12-month period ending the previous June 30 or 3%, whichever is lower <i>(R.C. 145.323(A))</i>	No <i>(R.C. 145.323(A))</i>	For those receiving benefits before January 7, 2013: 3% For all other recipients: 2.3% ⁹ <i>(R.C. 145.323(A))</i>
STRS	All recipients: eligible after receiving the benefit for five years, unless the benefit was immediately preceded by a disability benefit, in which case the COLA eligibility begins on the date that would have been the disability benefit's next anniversary date <i>(R.C. 3307.67(B))</i>	2% (but see " Is system authorized to adjust COLA amount? ") <i>(R.C. 3307.67(A) and (E))</i>	Yes; based on a determination by the STRS Board's actuary that an adjustment does not materially impair the system's fiscal integrity or is necessary to preserve it <i>(R.C. 3307.67(E))</i>	1% (FY 2024) ¹⁰

⁹ See [OPERS Announces COLA for 2024](#), which can be accessed by conducting a keyword "COLA 2024" search on the PERS website: opers.org.

¹⁰ See [May 2023 Board News](#), which can be accessed by conducting a keyword "May Board news" search on the STRS website: strsoh.org.

System	Eligibility criteria for receiving annual COLA	Annual COLA amount (expressed as percentage of base benefit)	Is system authorized to adjust COLA amount?	Amount of 2024 COLA for eligible recipients
SERS	<p>Recipients receiving a benefit before January 1, 2018: eligible after receiving the benefit for one year</p> <p>All other recipients: eligible after the number of benefit anniversaries determined by the SERS Board (in 2024, that number is four)</p> <p><i>(R.C. 3309.374(C) and O.A.C. 3309-1-32(D))</i></p>	<p>If granted, the increase in the CPI for the 12-month period ending the previous June 30 or 2.5%, whichever is lower (but see “Is system authorized to adjust COLA amount?”)</p> <p><i>(R.C. 3309.374(B))</i></p>	<p>Yes; based on a determination by the SERS Board’s actuary that an adjustment does not materially impair the system’s fiscal integrity or is necessary to preserve it</p> <p><i>(R.C. 3309.374 (G))</i></p>	2.5% ¹¹
OP&F	<p>Recipients who retire before age 55: generally eligible for pro-rated COLA after receiving the benefit for one year and attaining age 55</p> <p>Recipients who retire at age 55 or older: eligible</p>	<p>For those who had at least 15 years of service credit on or before July 1, 2013: 3%</p> <p>All other benefit recipients: the increase in the CPI for the 12-month period ending the previous September 30 or 3%, whichever is lower</p>	<p>No</p> <p><i>(R.C. 742.3716(B))</i></p>	3% for all recipients ¹³

¹¹ See [Board Approves Maximum COLA for 2024](#), which can be accessed by conducting a keyword “COLA 2024” search on the SERS website: ohsers.org.

¹³ See [Consumer Prices up 3.7 percent from September 2022 to September 2023](#), which can be accessed by conducting a keyword “CPI September 2022-2023” search on the U.S. Bureau of Labor Statistics website: bls.gov.

System	Eligibility criteria for receiving annual COLA	Annual COLA amount (expressed as percentage of base benefit)	Is system authorized to adjust COLA amount?	Amount of 2024 COLA for eligible recipients
	after receiving the benefit for one year ¹² <i>(R.C. 742.3716(B) and (C))</i>	<i>(R.C. 742.3716(B) and (C))</i>		
SHPRS	Recipients receiving the benefit before January 7, 2013: eligible at age 53 if the recipient has received the benefit for at least one year All other recipients: eligible at age 60 if the recipient has received the benefit for at least one year <i>(R.C. 5505.174(A))</i>	For those age 65 or older whose annual benefit is 185% or less of the federal poverty limit for a family of two (i.e., \$37,814.00 for 2024 ¹⁴): 3% For all other benefit recipients: Optional COLA; if granted, an amount determined by the SHPRS Board that is capped at 3% and based on an annual actuarial valuation and compliance with the 30-year amortization period for the system's unfunded accrued pension liabilities <i>(R.C. 5505.174(B) and O.A.C. 5505-7-05(B) and (C))</i>	Yes, for recipients other than those age 65 or older whose annual benefit is 185% or less of the federal poverty limit for a family of two <i>(R.C. 5505.174(B) and O.A.C. 5505-7-05(B) and (C))</i>	For those age 65 or older whose annual benefit is 185% or less of the federal poverty limit for a family of two: 3% For all other recipients: 0% ¹⁵

¹² See also [General FAQ](#), which can be accessed by conducting a keyword "COLA" search on the OP&F website: [op-f.org](#).

¹⁴ See [2024 Federal Poverty Guidelines \(PDF\)](#), which can be accessed by conducting a keyword "2024 federal poverty" search on the Department of Education and Workforce website: [education.ohio.gov](#).

¹⁵ See [June 2023 Newsletter \(PDF\)](#) and [July 2024 Newsletter \(PDF\)](#), both of which can be accessed by clicking on "Newsletters" and then on "June 2023" and "June 2024" on the SHPRS website: [ohprs.org](#).