



Cost-of-Living Increase (COLA) History and Review

STRS Ohio began its cost-of-living adjustment (COLA) program in 1971. COLA amounts varied over the next few decades until a 3% adjustment began in 2002.

2008

2008: Economic downturn and life expectancy impacts STRS Ohio fund

Heading into 2008, STRS Ohio's funding period was beyond the state of Ohio's 30-year funding target. The Great Financial Crisis exacerbated an already stretched funding period, thus, accelerating the need for pension reform.

2012

2012: Pension reform is passed by Ohio General Assembly

In 2012, the Ohio Legislature passed pension reform laws for each of the five statewide public pension funds. Each of the retirement systems were mandated to improve their funded status only through reductions in benefits — no new employer contributions would be considered.

At the time, STRS Ohio was about 58% funded — meaning the system had 58 cents on hand for every dollar of benefits expected to be paid in the future — a dangerously low ratio.

Among the changes affecting STRS Ohio retirees was a reduction of the COLA from 3% to 2% and a five-year waiting period prior to new retirees receiving their first COLA. These changes received support from the Healthcare and Pension Advocates for STRS — a coalition of constituent groups that represented active teachers, retirees, and employers (including the Ohio Retired Teachers Association, ORTA).

2017

2017: Analysis confirms impacts of long life and low returns

In 2017 another analysis showed that longer lifespans among active and retired teachers and reduced expectations for market returns continued to negatively impact the STRS Ohio fund. The Retirement Board's actuary advised another COLA change was necessary to preserve the fiscal integrity of the retirement plan.

The State Teachers Retirement Board agreed to reevaluate at its next experience review in 2022 whether a COLA would be payable without materially impairing the fiscal integrity of the plan. ***That process is underway now.***

The pension reforms in 2012 and 2017, along with stronger investment returns, have had the intended effect. The fund continues to gain financial strength but is not fully funded. In June, the board chair asked staff to begin to look at ways to provide some type of inflation protection for the system's retirees.

2022

2022: On the path to COLA

In October, STRS Ohio received its annual pension valuation report from Cheiron, the system's actuarial consultant, that showed the fund had reached an 87.8% funded level (market value). The board again expressed its interest in identifying benefit changes that would not materially impair the fiscal integrity of the system. The actuary must make this determination under Ohio law.

At its March 2022 meeting, after several months of discussion and analysis, the Retirement Board approved a one-time 3% COLA to be paid to eligible benefit recipients in fiscal year 2023 (beginning July 1, 2022).

We are sharing this information to help inform you of the challenges STRS Ohio is addressing. Estimates show that without the plan design changes made in 2012 and 2017, the pension fund would be just 57% funded. These facts are part of the reason STRS Ohio's actuarial consultant, Cheiron, advised the retirement system to proceed cautiously with benefit changes.