



OPERS considering adjustment to retiree COLA

As Executive Director, I am proud to say your retirement system is in a strong position to continue to fund your benefits as well as those of future generations. Part of our job at OPERS is to address risks to the System so our funding remains strong.

As was the case when OPERS made landmark pension plan changes in 2012, times are changing. Our retirees are living longer, requiring us to pay benefits for many more years than in the past. Further, we are in a decades-long period of low inflation.

With this environment in mind, we have begun to gather feedback from members, retirees and stakeholder groups about potential changes to the cost-of-living adjustment that would affect current retirees.

The purpose of a COLA is to lessen, not fully offset, the effects of inflation on your pension benefit. OPERS started providing a COLA in 1970, and it has changed several times since then. We currently grant a fixed, 3 percent COLA to our retirees. For those who retired after January 2013, that COLA is scheduled to match the Consumer Price Index with a maximum adjustment of 3 percent, starting in 2019.

The CPI has topped 3 percent only five times during the past 25 years, so OPERS' fixed COLA has resulted in a net benefit increase for many retirees. Simply put, the COLA we are paying is exceeding the CPI in these low inflationary times.

Thus, we are soliciting feedback on the idea of basing the COLA for all retirees, including current retirees, on the CPI capped at 3 percent starting in 2019. Some who retired prior to 1990 have seen inflation reduce their purchasing power. For them, we could provide a one-time benefit increase. We are also looking at other options, including a COLA freeze and a COLA based on the CPI capped at 2.5 or 2 percent. There are many other scenarios that could be added as we gather feedback.

These actions would require approval by the OPERS Board of Trustees as well as the Ohio Legislature. You should know we are considering this action while our system is healthy – we must proactively assess our fund so we can remain that way. OPERS is funded at 80 percent, which is a benchmark for pension system strength, and we're well within the state-mandated limits for pension fund solvency.

However, we can't always count on the future reflecting the past. In order to retain our strong financial position, and continue to offer the COLA to current and future retirees, we are considering these steps now.

I have started meetings with stakeholders to share preliminary ideas. My main goals are to provide an understanding of why we would pursue changes when we are in a good financial position, and to solicit feedback. As we go down this path together, it is important to stress we are gathering feedback and will move through a very open and public process to evaluate changes.

To watch a video and for future updates on this issue, go to www.opers.org/cola/. Also, watch your mail for a survey.

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