



**Ohio
Retirement
Study
Council**

30 East Broad Street, Suite 219
Columbus, Ohio 43215
PHONE: 614-228-1346
FAX: 614-228-0118

G-136-0797

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October 8, 2026

Staff Recommendation

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Staff Contact

Jeffery A. Bernard

(614) 228-5644

Director/General

Counsel

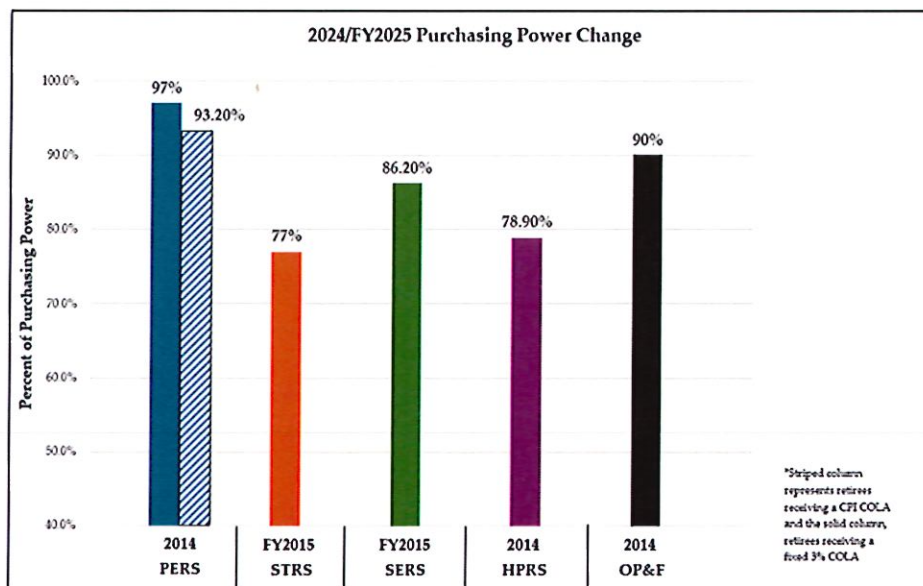
Bethany Rhodes

Summary of G-136-0797

G-136-0797 modifies cost-of-living adjustment (COLA) provisions in the State Highway Patrol Retirement System (HPRS). The amendment would eliminate the existing requirement to provide a 3% COLA to those over age 65 who are receiving a pension that is not greater than 185% of the federal poverty level for a family of two (\$40,034 in 2026). The amendment largely maintains existing board authority provisions on COLA but allows the HPRS Board to set an absolute dollar limit to the grant. Finally, the amendment would provide the HPRS Board the authority to provide a supplemental payment, similar to existing State Teachers Retirement System (STRS) authority.

Background: COLA Grants and Declining Purchasing Power

Since 2013, the HPRS Board has had the authority to modify COLA grants for the purpose of improving the fund's financial health. Since 2014, the Board has granted a full 3% COLA in only two years. Modifying COLAs has contributed to the improvement of the fund's amortization period from 30 years (in 2014) to 18 years (in 2025). While the financial health of the fund has improved, the lack of consistent COLAs has decreased the purchasing power of age and service retirees in HPRS. This decrease is demonstrated in the below chart taken from "ORSC Issue Brief: Profile of a Retired Member" and was noted in the 2024 History Report:¹



¹ "ORSC Issue Brief: Profile of a Retired Member" (August 2026), page 9 (available online at: <https://orsc.org/Assets/Reports/1730.pdf>) and "Ohio Retirement Systems: 1998-2022, ORSC Staff Report on the Historical Experience of the Five Ohio Retirement Systems Since 1998" (April 2024), page 26-32 (available online at: <https://orsc.org/Assets/Reports/1606.pdf>).

Along with STRS, HPRS members retiring immediately after pension reform in 2013 have seen the most significant decline in purchasing power among the Ohio systems. Additionally, it is assumed in both STRS and HPRS that no future COLAs will be granted, guaranteeing future declines in purchasing power. While not fully defined in the ORSC Principles Governing Pensions, those principles do state that “the retirement benefit should be adequately maintained during the period of retirement” and that “there should be a plan of prefunding post-retirement increases.”² Therefore, ORSC staff understand that there is a long-term goal of maintaining some level of purchasing power of benefits *subject to funding levels*.

It is not anticipated that additional funds will be available to increase COLAs in HPRS. HPRS covered employees contribute 14% of their salary and the State contributes 26.5% of an amount equivalent to employee salaries to HPRS. Given that recent attempts to increase contribution rates have not been approved by the ORSC or passed the General Assembly, addressing purchasing power declines in HPRS must be done within the existing funding constraints of the system.³

G-136-0797 would modify the existing COLA structure in HPRS to provide COLAs or other one-time grants within the confines of existing funding limits in HPRS.

Staff comments

The amendment would modify HPRS law to provide COLA flexibility in three areas.

Absolute Dollar Limit to COLAs

Under existing law, with the 185% federal poverty limit exception discussed below, a percentage COLA grant is provided uniformly across the retiree, survivor, and beneficiary population. This has been the case in all five of the state’s retirement systems since 2002. This means that while two individuals may have received the same uniform percentage increase, the absolute value of the increase is different (a 3% COLA on \$100 is \$3, but a 3% COLA on \$50 is \$1.50).

The amendment would allow the HPRS Board to establish an absolute dollar limit for COLA grants. In the above example, the Board could establish a 3% COLA except that no COLA grant is to exceed \$1.50. Instead of being treated uniformly through a percentage increase, recipients would be treated uniformly under a dollar limit.

ORSC staff recommend that the ORSC recommend approval of the change permitting the HPRS Board to set a dollar limit to COLA grants. All retirees will

² Division (C) of the ORSC Principles Governing Pensions (March 1978).

³ See ORSC Recommendation for a bill to increase OP&F contribution rates, “Sub. H.B. 296 of the 135th General Assembly” (December 12, 2024).

continue to be treated equally under a dollar limited COLA. The limit would reduce the cost of any individual COLA grant, potentially allowing the Board to provide a more consistent COLA, albeit at a lower maximum amount. Finally, a dollar limit will have a greater positive impact on the purchasing power of those with lower benefits, a goal that was explicitly part of the ORSC analysis for Sub. S.B. 345 of the 129th General Assembly (HPRS pension reform) and a goal specified by the Executive Director of HPRS at the time.⁴

Removal of Guaranteed 3% COLA Based on Federal Poverty Limit

G-136-0797 eliminates the existing requirement to provide a 3% COLA to those over age 65 who are receiving a pension that is not greater than 185% of the federal poverty level (FPL) for a family of two (\$40,034 in 2026). As discussed above, the original intent of this provision was to “provide retirement security for [HPRS’] oldest retirees.”⁵ The dollar amount limit proposed by the amendment will likely be a more effective method to achieve this purpose, as the past 14 years has shown that 185% of the FPL provision is a flawed model to achieve its original intent.

As shown above, the lack of consistent COLA has decreased retirees’ purchasing power. Over time, this results in an increasing number of those retirees’ income range falling below 185% FPL. Combined, an inconsistent COLA and statutorily fixed FPL “trigger” may result in a substantial portion of the HPRS retiree population over age 65 receiving an automatic 3% COLA, with all the resulting funding challenges that would cause. Contrary to its original intent, the 185% FPL “trigger” may no longer target any specific population group.

Second, the provision creates an incentive to *lower* the annual retirement benefit in order to capture the 3% increase. This can be done by retiring early with a reduced benefit or participating in the deferred retirement option program (DROP).

ORSC staff recommend that the ORSC recommend approval of the elimination of the guaranteed 3% COLA based on a federal poverty level. The adoption of the amendment’s dollar limit COLA will likely achieve the original intent to preserve older or lower income recipients’ benefits more effectively than the FPL-determined benefit.

Supplemental Benefit

G-136-0797 would establish a supplemental benefit (13th check) similar to the authority in STRS. The amendment provides that the only limit to the benefit is that the Board “shall not allocate an amount that exceeds the excess net investment income during the preceding calendar year over the expected investment income for the same period.” The ORSC has traditionally opposed this type of benefit. As expressed in the

⁴ Staff Analysis “Sub. S.B. 345” page 7 (available online at: <https://orsc.org/Assets/Reports/189.pdf>). The staff recommendation was approved by the ORSC at its September 10, 2012, meeting and Mark R. Atkeson, “Testimony Before House Health and Aging Committee On Substitute Senate Bill 345” (September 5, 2012).

⁵ Staff Analysis “Sub. S.B. 345” page 7 (available online at: <https://orsc.org/Assets/Reports/189.pdf>).

2025 ORSC Annual Report “R.C. 3307.67 permits the STRS Board to provide a supplemental benefit to retirees. This has often been referred to as the ‘13th check.’ The repeal of this section was initially advocated in 1996 under the ‘Joint Legislative Committee to Study Ohio’s Public Retirement Plans’ and the ORSC has continued to support its immediate removal from the Ohio Revised Code.”⁶ The authority to provide a “13th check” is a divestment of fund assets to the benefit of one generation over another.

Given the loss of purchasing power, a supplemental payment would provide another avenue to provide limited purchasing power protection even in years when funding is not sufficient to provide a COLA. Because a supplemental benefit is one-time, it has less permanent impact on the funding status of the plan. This is also what makes a supplemental benefit violate intergenerational equity; by nature, it provides a benefit to one generation over another. Staff note that ad-hoc COLAs violate intergenerational equity in much the same way.

ORSC staff would not recommend approval for a provision so consistently opposed by the ORSC. However, ORSC staff acknowledge the constraints on HPRS and limits to its ability to protect purchasing power. Should the ORSC recommend approval of this provision, ORSC staff recommend that significant statutory restraints be placed on the Board in providing this benefit. An approach that tied supplemental payment board authority more tightly with funding levels would be consistent both with prior ORSC recommendations⁷ and the decision matrix of the STRS Sustainable Benefit Plan. These would include:

- 1) Limiting the amount of the excess net return that can be provided as a supplemental benefit, such as 0.5% of total assets;
- 2) Consider further limiting the excess net returns that can be provided as determined by the funding level, such as a 0.25% limit if the funding level is less than 75% or other funding level determined limits;
- 3) Prohibiting any supplemental benefit in years that the amortization period is over a certain limit, such as 15 or 20 years;
- 4) Prohibit any supplemental benefit if a COLA grant was provided in that year.

The intent of these limitations would be to tie supplemental benefits more rigorously to the funding level of HPRS while providing some flexibility to the HPRS Board to help support purchasing power.

G-126-0797 would help to protect purchasing power of HPRS retirees and beneficiaries while improving funding conditions without the need for additional contributions from employees or employers.

⁶ “ORSC Annual Report 2025,” page 12-13 (available online at: <https://orsc.org/Assets/EventFiles/1559.pdf>).

⁷ “Report on Board Authority Provisions of S.B. 340, 341, 342, and 345 of the 129th General Assembly” (April 9, 2013), page 7 (available online at: <https://orsc.org/Assets/Reports/184.pdf>).

ORSC Staff Recommendation

ORSC staff recommend that the ORSC recommend that the General Assembly approve of the following two provisions providing flexibility to the HPRS Board in COLA grants:

- 1) Authority for the HPRS Board to set an absolute dollar limit to COLA grants;
- 2) Eliminate the guaranteed 3% COLA based on a 185% Federal Poverty Level.

ORSC staff recommend that the ORSC recommend that the General Assembly approve of the authority of the HPRS to provide a supplemental benefit only with the inclusion of statutory restrictions on that authority, including:

- 1) Limiting the amount of the excess net return that can be provided as a supplemental benefit, such as 0.5% of total assets;
- 2) Consider further limiting the excess net returns that can be provided as determined by the funding level, such as a 0.25% limit if the funding level is less than 75%;
- 3) Prohibiting any supplemental benefit in years that the amortization period is over a certain limit, such as 15 or 20 years;
- 4) Prohibit any supplemental benefit if a COLA grant was provided in that year.