

Cost-of-living adjustments



**Ron
Watson**

The 2015 cost-of-living adjustment (COLA) for federal annuitants under the Civil Service Retirement System (CSRS) and the Federal Employees Retirement System (FERS) will be 1.7 percent. The COLA will be included in annuity payments starting in January 2015.

This COLA was based on the increase in the average Consumer Price Index for Workers (CPI-W) between the third quarter of 2013 and the third quarter of 2014, as calculated by the U.S. Department of Labor.

For CSRS annuitants, the increased percentage is applied to your monthly benefit amount before any deductions, and is rounded

down to the next whole dollar.

For FERS annuitants, if the increase in the CPI is 2 percent or less, the COLA is equal to the CPI increase. If the CPI increase is more than 2 percent but no more than 3 percent, the COLA is 2 percent. If the CPI increase is more than 3 percent, the adjustment is 1 percent less than the

CPI increase. The new amount is rounded down to the next whole dollar.

To get the full COLA, a retiree or survivor annuitant must have been in receipt of payment for a full year. If not, the increase is prorated under both plans. Prorated accounts receive one-twelfth of the increase for each month they received benefits.

FERS COLAs are not provided until age 62, except for disability, survivor benefits and other special provision retirements. FERS

disability retirees get the adjustment, except when they are receiving a disability annuity based on 60 percent of their high-3 average salary. Also, under FERS, if you have a CSRS component, the component is subject to the CSRS COLA calculation.

A law passed in 1962 provided for automatic adjustments in civil service retirement and disability benefits whenever the CPI in the current year exceeded the CPI in the base year by a certain amount. Prior to 1962, there were no CSRS annuity COLAs.

In 1965, this was changed to require an adjustment in benefits whenever the CPI for a given month was at least 3 percent higher than in the month when the last adjustment was made, and remained at that level or higher for three consecutive months.

A law passed in 1969 added one percentage point to COLAs in addition to the percentage change in the CPI to offset the erosion of benefits that had occurred as a result of the time lag in the adjustment formula.

A 1976 law repealed the one percentage point addition to COLAs, but provided for automatic semi-annual adjustments—two COLAs each year.

In 1981, legislation replaced semi-annual COLAs with annual COLAs based on the December-to-December change in the CPI, payable in March of the following year.

In 1984, the COLA scheduled for May 1984 was delayed until December (payable in January 1985). Thereafter, all COLAs were to be effective in December and payable in January and were to be based on the change in the average monthly CPI-W from third quarter to third quarter. This formula and schedule are the same as those used to calculate COLAs in the Social Security program, as required by P.L. 98-21 (Social Security Amendments of 1983).

The Balanced Budget and Emergency Deficit Control Act of 1981 (Gramm-Rudman-Hollings) suspended all civil service retirement COLAs beginning FY1986 and for all subsequent years in which the specified deficit reduction targets for the year would not otherwise be met.

However, another law passed in 1986 reinstated COLAs that were due for suspension under The Balanced Budget and Emergency Deficit Control Act of 1981 for FY 1987 through FY 1991. And an additional law in 1987 permanently lifted the suspensions of COLAs.

Readers interested in a more detailed report on CSRS COLA history should review a Congressional Research Service study available online at <http://fas.org/sgp/crs/misc/94-834.pdf>. The Congressional Research Service study also is available on request from the NALC Retirement Department.

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Year	CSRS	FERS
2015	1.7	1.7
2014	1.5	1.5
2013	1.7	1.7
2012	3.6	2.6
2011	0.0	0.0
2010	0.0	0.0
2009	5.8	4.8
2008	2.3	2.0
2007	3.3	2.3
2006	4.1	3.1
2005	2.7	2.0
2004	2.1	2.0
2003	1.4	1.4
2002	2.6	2.0
2001	3.5	2.5
2000	2.4	2.0
1999	1.3	1.3
1998	2.1	2.0
1997	2.9	2.0