

**INFORMATION SHEET**  
**COST-OF-LIVING ADJUSTMENTS (COLAs)**  
**Civil Service Retirement System (CSRS) &**  
**Federal Employees Retirement System (FERS)**

**CSRS COLA**

The annual cost-of-living increase is based on the percentage increase in the Consumer Price Index (CPI) as computed by the Department of Labor.

**EFFECTIVE DATE**

Normally, the rates are effective December 1 of each year and payable in the January 1 annuity check.

**FIRST COLA**

- An annuitant's first COLA is prorated based on the number of months on the annuity rolls prior to the COLA.
- A month is credited only if the annuity commenced on or before the last day of the month.
- The full COLA as prescribed by law will be received each year thereafter.

**Example of prorated "first" COLA Formula:**

Prorated COLA = COLA rate x number of months on annuity rolls divided by 12.

If COLA is 3 percent and you retire June 30, your annuity begins July 1. Therefore, you are on the annuity rolls from July through November, or 5 months prior to the December 1 effective date of the COLA.

The annuitant will receive:  $\frac{3\% \times 5 \text{ (months)}}{12} = 1.25\% \text{ (prorated COLA)}$

## **FERS COLA**

COLAs increase the amount of your monthly annuity. Under the FERS law, a CSRS component will be increased under the rules governing COLAs for retirees of the CSRS; for the FERS component, the rules are very different.

### **CSRS COLA Rules (apply only to CSRS and CSRS component annuities)**

- *Effective Date of Increase* - December 1 of each year; payment of COLAs in January.
- *Amount of COLA* - Normally equals the percentage change in the CPI during the past year; specified as CSRS COLA.
- *Initial COLA* - Effective on December 1 after annuity begins. The COLA is prorated, based on the number of months you were entitled to an annuity prior to effective date of increase (December 1). (Note: Even though the COLA is not actually payable until January 1, the COLA is prorated based on your status as of December 1.)

### **FERS COLA Rules (paid only at age 62 or older)**

- *Effective date of Increase* - December 1 of each year.
- *Amount of COLA* - Tied to the percentage increase in the CPI during the year preceding the COLA under the following schedule:

<u>Change in CPI</u>	<u>% of COLA</u>
0%	None
2% or less	Same % as CPI increase
2% to 3%	2%
3% or more	Change in CPI minus 1%

- *Initial COLA* - FERS COLAs apply to retirees who were age 62 as of December 1. For FERS annuitants who are not eligible to receive a COLA during their first year (or more) on the annuity roll, the initial COLA received is the full COLA without proration. The annuitants who fall in this category are annuitants who retired under age 62 and their annuity commenced at least one year prior to reaching age 62, or disability annuitants whose annuity benefits are based on 60 percent of average pay. The COLA applies to the Basic FERS Annuity only, not the FERS Retiree Annuity Supplement.
- *FERS Survivor Annuity with CSRS Component* - FERS survivors receive the FERS COLA even if the annuity consists of a CSRS component.

Exceptions:

1. A prorated COLA is paid the first year and subsequent full COLAs are paid prior to age 62 for employees retiring under the special provisions for:
  - Air Traffic Controllers/Law Enforcement Officers/Firefighters,
  - Military Reserve Technicians who no longer satisfy the requirements of the position due to disability, and
  - Spouse, former spouse, and insurable interest survivor annuitants. (If the retired employee had received a prorated COLA, the survivor's COLA is not prorated.) COLAs for children's survivor annuities are not prorated.
  
2. Disability Annuity - COLAs are payable to disability annuitants without regard to their age. However, COLAs are not payable on FERS disability annuities during the annuitant's first year if the annuity rate is based on 60% of the average salary. COLAs are payable, however, during the first year if the annuitant's rate is based on an earned benefit or the annuity is redetermined because the annuitant has reached age 62.

**Note:** Under FERS, children's annuities are increased under CSRS COLA rules rather than the FERS provisions.

#### History of COLAs / 1980 to 2011

January 2011 NONE	January 2003 1.4 %	April 1995 2.8%	January 1987 1.3%
January 2010 NONE	January 2002 2.6 %	April 1994 2.6%	January 1986 NONE
January 2009 5.8%	January 2001 3.5 %	April 1993 3.0%	January 1985 3.5%
January 2008 2.3 %	January 2000 2.5%	April 1992 3.7%	May 1983 3.9% full 3.3% -limited
January 2007 3.3 %	January 1999 1.3%	April 1991 5.4%	April 1982 8.7%
January 2006 4.1%	January 1998 2.1%	April 1990 4.7%	April 1981 4.4%
January 2005 2.7 %	January 1997 2.9%	April 1989 4.0%	October 1980 7.7%
January 2004 2.1 %	April 1996 2.6%	April 1988 4.2%	April 1980 6.0

For further information on COLAs, you reference the CSRS & FERS Handbook for Personnel and Payroll Chapter: C002.