



Benefits Administration Letter

Number 11-112

Date: December 22, 2011

Subject: Cost of Living Adjustment

Purpose: The purpose of this Benefits Administration Letter (BAL) is to announce the 3.6% Cost-of-Living Adjustment (COLA) effective December 1, 2011, reflected in the annuity payment dated January 3, 2012.

Background: The U.S. Department of Labor calculates the change in the Consumer Price Index (CPI) for urban wage earners and clerical workers from the third quarter average of the previous year to the third quarter average for the current year. This provides a base for calculating COLAs to retirement and survivor benefits.

For Civil Service Retirement System (CSRS):

- The increase percentage is applied to retirees monthly benefit amounts before any deductions, and,
- Is rounded down to the next whole dollar

For Federal Employees Retirement System (FERS):

- 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 COLA 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 three

average salary. Also, under FERS, if you have a CSRS component, the component is subject to the CSRS COLA calculation.

Note: A benefit will not be increased if it would cause the annuitant to receive payments in excess of any cap amount specified by law.

General Guidance for Agencies:

- The COLA is effective December 1, 2011, and is first reflected in the annuity payment dated January 3, 2012.
- Retired Federal employees and entitled surviving family members of deceased Federal employees and retirees have received a COLA effective December 1, 2011, which will be first reflected in the benefit payable January 3, 2012.
- Under CSRS the COLA will be 3.6 percent for those who have received benefits for at least one year.

The 3.6 percent increase was determined by computing the percentage increase in the Consumer Price Index (CPI) for urban wage earners and clerical workers from the third quarter average of 2008 to the third quarter average of 2010, as provided by the U.S. Department of Labor, Bureau of Labor Statistics.

- Under FERS, the COLA will be 2.6 percent for those who have received benefits for at least one year.
- This amount was derived from the same CPI comparison as CSRS.
- FERS COLAs are not provided until age 62, except for disability, survivor benefits, and other special provision retirements.

To get the full COLA, a retiree or survivor annuity must have begun prior to January 1, 2010. If not, the increase is prorated under both plans. Prorated accounts receive one-twelfth of the increase for each month they received benefits. For example, if the benefit commenced November 1, 2011, the prorated COLA would be one-twelfth of the full COLA.

Under both plans, benefits are paid on the first business day of the month after the month in which they accrue. Benefits which accrue in December 2011 are payable on January 3, 2012.

The tables below show the actual prorated percentages that apply, under both plans, according to the month in which the annuity began.

**Civil Service Retirement System (CSRS) and
Federal Employees Retirement System (FERS)**

Month Annuity Began	CSRS Percentage Increase	FERS Percentage Increase
December 2010	3.6%	2.6%
January 2011	3.3%	2.4%
February 2011	3.0%	2.2%
March 2011	2.7%	2.0%
April 2011	2.4%	1.7%
May 2011	2.1%	1.5%
June 2011	1.8%	1.3%
July 2011	1.5%	1.1%
August 2011	1.2%	0.9%
September 2011	0.9%	0.7%
October 2011	0.6%	0.4%
November 2011	0.3%	0.2%

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