

# Federal retirees could receive COLA boost for first time since 2008.

*Government Executive*

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By Kellie Lunney

Federal retirees likely will receive a cost-of-living adjustment in December for the first time since 2008 -- a fact largely lost in the current debate over proposals targeting federal pay and benefits.

The COLA for federal retirees and Social Security and Supplemental Security Income recipients could be nearly 4 percent as of Dec. 1, based on the [latest data](#) from the Bureau of Labor Statistics. The Consumer Price Index, a measure of the average change over time in the prices urban consumers pay for goods and services, rose 3.8 percent between August 2010 and August 2011, largely due to an increase in gasoline and food prices. COLAs are determined based on the CPI-W, a formula that takes into account increases in the CPI for urban wage earners and clerical workers.

The government publishes the annual cost-of-living adjustments typically in late October, based on the percentage increase (if any) in the average CPI-W for the third quarter of the current year over the average for the third quarter of the last year in which a COLA became effective. There hasn't been a COLA increase since 2008, when it rose 5.8 percent. This year's increase, if there is one, will take effect on Dec. 1, and will be reflected in retirees' first annuity payments in January 2012.

The increase will take effect automatically, unless Congress opts to block it through legislation. Observers don't think that will happen. "It's unlikely that Congress will block the COLA in December for federal and postal retirees and others who are eligible," said Bruce Moyer, chairman of the Federal-Postal Coalition, a group of federal employee and retiree organizations. "Despite the budget climate, election year politics will likely prevent that from happening."

Some lawmakers favor switching to what's known as the "chained CPI" formula to determine COLAs for federal retirees and Social Security beneficiaries. It is viewed as a more accurate measure of how people substitute one item for another in the face of a price increase. The result would be lower COLAs over time. Many federal employee groups, including the National Active and Retired Federal Employees Association, are concerned the joint congressional committee on deficit reduction will include such a recommendation in its legislative package.

"While we are pleased that Social Security beneficiaries and federal civilian and military retirees will finally receive needed inflation protection after a two-year absence, we know that the outlays required to offer COLAs paints a target on the backs of older Americans living on fixed incomes," said Daniel Adcock, NARFE's legislative director. "We fear that some lawmakers will use the payment of a reasonable COLA next year as an excuse to cut our future inflation protection."

President Obama in late September released a deficit reduction plan that proposes [raising federal employees' pension contribution level](#) beginning in 2013. Civilian employees already are working under a two-year pay freeze, and Office of Management and