

This NARFE Legislative Update, number 646, released Thursday, October 16, 2008, leads with breaking news about the next cost-of-living adjustment (COLA). The next scheduled Hotline is set for Friday, November 7<sup>th</sup>. (518 words; 3:59)

The next cost-of-living adjustment (COLA) for millions of retired and disabled Americans will be **5.8 percent**, the largest since March, 1982. Social Security beneficiaries, as well as most civil service annuitants, foreign service and military retirees will be among those receiving the adjustment in their January 2009 benefit payments. Thus long retired annuitant covered by the Civil Service Retirement System (CSRS) will receive a **5.8 percent** COLA. However, Federal Employees Retirement System (FERS) annuitants age 62 and over, as well as FERS survivors and disability retirees, will receive a full Social Security COLA, but the adjustment in their FERS annuity will be **4.8 percent**. This is due to the fact that the FERS COLA formula differs from that used for CSRS retirees whose federal service did not earn them Social Security coverage. While the **5.8 percent CSRS COLA** is designed to maintain retirees' purchasing power, it will serve as a tempting target to some lawmakers next year as they try to cut federal spending.

On October 16<sup>th</sup>, the Labor Department's BLS ([www.bls.gov/cpi](http://www.bls.gov/cpi) or 202/691-6994) announced the September 2008 Consumer Price Index for Urban Wage Earners and Clerical Workers (CPI-W) is **214.935**. This index reflects a decrease of **0.1 percent** from the August index of 215.247. Since 1984, the annual federal retirement cost-of-living adjustment (COLA) is based on the percentage difference between the third quarter **average** index readings in two consecutive years. The next COLA of **5.8** percent reflects the percentage difference between last year's third quarter average base index of 203.6 and this year's 2008 third quarter average index of **215.5**, computed by averaging July's 216.304, August's 215.247, and September's 214.935 index readings.

The most recently retired federal employees will receive lesser inflation adjustments, as their first COLA is pro-rated to cover only the months of the year during which they were actually retired. The COLA -- an annuity adjustment, not a pay raise -- will be effective December 1, 2008 and reflected in January 2009 retirement payments. Last year's CSRS COLA was 2.3 percent. The Bureau of Labor Statistics will release October consumer price indices on Wednesday, November 19<sup>th</sup>.

Annual COLAs paid to federal workers forced out of the labor market by work-related injuries or illnesses, who receive monthly benefits under provisions of the Federal Employees Compensation Act (FECA), reflect the percentage change in the CPI-W during each calendar year. As of September, the index of **214.935** is **4.5 percent** higher than the December 2007 index of 205.7. The December 2008 inflation data needed to determine next year's FECA adjustment will be reported on Friday, January 16, 2009.

Thank you for using the Hotline. This weekly legislative message is available to telephone callers (703/838-7780 and toll free at 1-877-217-8234), posted on NARFE's Internet site, [www.narfe.org](http://www.narfe.org), made available to NARFE-Net Coordinators; and broadcast to 43,000 GEMS e-mail addresses. Each delivery channel is a service of the NARFE, the National Active and Retired Federal Employees Association.