

Cost-of-Living Adjustments for Federal Civil Service Annuities

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Summary

Cost-of-living adjustments (COLAs) for the Civil Service Retirement System (CSRS) and the Federal Employees Retirement System (FERS) are based on the rate of inflation as measured by the Consumer Price Index for Urban Wage Earners and Clerical Workers (CPI-W). COLAs for both CSRS and FERS are determined by the change in the average monthly CPI-W during the third quarter (July to September) of the current calendar year and the third quarter of the base year, which is the last previous year in which a COLA was applied. The “effective date” for COLAs is December, but they first appear in the benefits issued during the following January.

All CSRS retirees and survivors receive COLAs. Under FERS, however, nondisabled retirees under the age of 62 do not receive COLAs. Survivors and disabled retirees are eligible for COLAs under FERS regardless of age. CSRS pays a COLA that is equal to the percentage change in the CPI-W during the measurement period, but COLAs under FERS are limited if the rate of inflation is greater than 2.0%. If the rate of inflation during the measurement period is between 2.0% and 3.0%, the COLA under FERS is 2.0%. If inflation is greater than 3.0%, then the COLA for FERS benefits is equal to the CPI-W minus one percentage point. (For background on the legislative rationale for the FERS COLA as well as examples of legislation to make the FERS COLA calculation the same as the CSRS COLA calculation, see CRS In Focus IF12354, *The FERS Cost-of-Living-Adjustment (COLA) and the Equal COLA Act (H.R. 491 and S. 624)*).

Congress passed the first law requiring automatic COLAs for federal civil service retirement benefits in 1962, and it has adjusted either the formula by which they are calculated or the date on which they take effect more than 10 times since then.

If consumer prices as measured by the CPI-W do not increase from the third quarter of the base year to the third quarter of the current calendar year, there is no COLA for annuities paid under CSRS or FERS. For example, from the third quarter of 2014 to the third quarter of 2015, the CPI-W fell by 0.4%. Therefore, no COLA was paid under either CSRS or FERS beginning January 2016.

From the third quarter of 2024 to the third quarter of 2025, the CPI-W increased by 2.8%. Therefore, beginning in January 2026, the CSRS COLA is 2.8% and the FERS COLA is 2.0%.

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COLA Formulas and Amounts

Only federal employees hired before 1984 participate in the Civil Service Retirement System (CSRS). The CSRS is closed to new entrants and will expire with the death of the last CSRS annuitant sometime around 2075. Civilian federal employees who were hired in 1984 or later participate in the Federal Employees Retirement System (FERS), as do employees who voluntarily switched from CSRS to FERS during “open seasons” that were held in 1987 and 1998. The FERS program began operating on January 1, 1987.

Cost-of-living adjustments (COLAs) for CSRS annuities are based on the average monthly increase in the CPI-W in the third quarter (July to September) of the current calendar year compared with the third quarter of the base year, which is the year in which the last COLA was applied.¹ If there is no increase or if the percentage change in the CPI-W between the two periods is negative (i.e., as happened in 2009, 2010, and 2015), there is no COLA applied. The base year for determining the COLA effective in December 2025 (paid out in 2026) is 2024.² Adjustments are effective on the first day of the month preceding the month in which they are first paid.³

COLAs for benefits paid under FERS are also based on any increase in the CPI-W from third quarter to third quarter, but payment of COLAs under FERS is limited according to the eligibility category of the beneficiary and the rate of inflation.⁴ COLAs are not paid to nondisabled FERS retirees as long as they are under the age of 62. COLAs are paid to survivors of FERS retirees and disabled FERS retirees of any age after the first year of disability. All COLAs paid under FERS are limited if the rate of inflation exceeds 2.0%, according to the following formula:

Increase in CPI-W	Increase (COLA) in FERS Benefits
Under 2.0%	Same as CPI-W increase
2.0% to 3.0%	2.0%
Over 3.0%	Increase in CPI-W minus 1 percentage point

From the third quarter of 2024 (the current base year) to the third quarter of 2025, the CPI-W increased by 2.8%. Therefore, paid out beginning January 2025, the CSRS COLA is 2.8% and the FERS COLA is 2.0%.

¹ See 5 U.S.C. §8340.

² Between 1962 (when Congress passed the first law enacting automatic COLAs for federal civil service retirement benefits) and 2009, the base year—the year in which the last adjustment occurred—was also the previous year. Because the CPI-W decreased from the third quarter of 2008 to the third quarter of 2010, however, the base year for determining the COLA that was effective in December 2011 (and paid out in 2012) remained 2008. The CPI-W also decreased from the third quarter of 2014 to the third quarter of 2015, so the base year for determining the COLA effective in December 2016 (paid out in 2017) was 2014.

³ For example, the 2015 CSRS COLA of 1.7% was effective December 1, 2014, and first applied to benefits paid in January 2015. It was equal to the average monthly percentage change in the CPI-W between the third quarter of calendar year 2013 and the third quarter of 2014. Because there was no increase in the CPI-W between the third quarter of 2014 and the third quarter of 2015, there was no CSRS COLA paid out beginning in January 2016. In addition, the third quarter of 2014 remained the base on which the COLA for 2016 (paid out beginning in January 2017) was calculated. From the third quarter of 2014 to the third quarter of 2016, the CPI-W increased by 0.3%. Therefore, the COLA for 2016 (paid out beginning in January 2017) for both CSRS and FERS was 0.3%.

⁴ See 5 U.S.C. §8462. For background on the legislative rationale for the FERS COLA as well as an example of legislation to make the FERS COLA calculation the same as the CSRS COLA calculation, see CRS In Focus IF12354, *The FERS Cost-of-Living-Adjustment (COLA) and the Equal COLA Act (H.R. 491 and S. 624)*.

History of Legislation Affecting COLAs for Civil Service Annuities

P.L. 87-793 (enacted in 1962) was the first law that 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 (the year in which the last adjustment occurred) by 3.0% or more. In 1965, this was changed to require an adjustment in benefits whenever the CPI for a given *month* was at least 3.0% higher than in the month when the last adjustment was made and remained at that level or higher for three consecutive months.

P.L. 91-93 (enacted 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. (P.L. 91-179 did the same for COLAs paid to military retirees.)

P.L. 94-440 (enacted in October 1976) repealed the one-percentage-point addition to COLAs. In addition, this law provided for automatic semiannual adjustments in benefits based on the change in the CPI from June to December (effective the following March 1) and December to June (effective the following September 1).

P.L. 97-35 (Omnibus Budget Reconciliation Act of 1981) replaced semiannual COLAs with annual COLAs based on the December-to-December change in the CPI, payable in March of the following year.

P.L. 97-253 (Omnibus Budget Reconciliation Act of 1982) delayed the implementation of COLAs by one month in FY1983, FY1984, and FY1985. The FY1983 COLA was effective April 1 rather than March 1. The FY1984 COLA was scheduled for May 1 and the FY1985 COLA was scheduled for June 1. This law also mandated that nondisabled retirees under the age of 62 would receive 50% of the projected increase in the CPI plus the full difference in the actual increase in the CPI over these projections, if greater. The law specified that the projected increase in the CPI was 6.6% for 1983, 7.2% for 1984, and 6.6% for 1985. This provision was repealed by the supplemental appropriations law that was passed in August 1984. COLAs for January 1985 and thereafter were to be the full amount for all retirees.

P.L. 97-253 limited COLAs in certain cases. Under the restriction, an annuity could not be increased by a COLA to an amount that exceeded the greater of the maximum pay for a GS-15 federal employee or the final pay of the employee (or high-3 average pay, if greater), increased by the average annual percentage change (compounded) in rates of pay of the General Schedule for the period beginning on the retiree's annuity starting date and ending on the effective date of the adjustment.

P.L. 98-270 (Omnibus Budget Reconciliation Act of 1983, enacted April 1984) delayed the COLA scheduled for May 1984 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).

P.L. 98-369 (Deficit Reduction Act of 1984) specified that civilian and military retirement COLAs are to be paid in checks issued on the first business day of the month following the month in which they are effective. (COLAs that are effective in December are to be paid in checks issued in January.)

P.L. 99-177 (Balanced Budget and Emergency Deficit Control Act of 1981 [Gramm-Rudman-Hollings]) suspended all civil service retirement COLAs for FY1986 and for all subsequent years in which the specified deficit reduction targets for the year would not otherwise be met.

P.L. 99-509 (Omnibus Budget Reconciliation Act of 1986) reinstated COLAs for programs in which they were subject to suspension under P.L. 99-177 for FY1987-FY1991.

P.L. 100-119 (Balanced Budget and Emergency Deficit Control Reaffirmation Act of 1987) permanently exempted the programs subject to suspension of COLAs under P.L. 99-177 from the suspensions required by that law.

P.L. 103-66 (Omnibus Budget Reconciliation Act of 1993) postponed the effective date of COLAs from December to March for FY1994-FY1996. The CPI measurement period was not changed.

Table 1 provides historical data on CSRS COLAs, FERS COLAs, and the CPI changes during the COLA measure periods.

Table 1. COLAs in Civil Service Retirement Benefits

Effective Date^a	CSRS Benefit Increase	FERS Benefit Increase	CPI Change During COLA Measurement Period
December 1965	6.1%	—	4.6%
January 1967	3.9	—	3.9
May 1968	3.9	—	3.9
March 1969	3.9	—	3.9
November 1969	5.0	—	4.0
August 1970	5.6	—	4.6
June 1971	4.5	—	3.5
July 1972	4.8	—	3.8
July 1973	6.1	—	5.1
January 1974	5.5	—	4.5
July 1974	6.3	—	5.3
January 1975	7.3	—	6.3
August 1975	5.1	—	4.1
March 1976	5.4	—	4.4
March 1977	4.8	—	4.8
September 1977	4.3	—	4.3
March 1978	2.4	—	2.4
September 1978	4.9	—	4.9
March 1979	3.9	—	3.9
September 1979	6.9	—	6.9
March 1980	6.0	—	6.0
September 1980	7.7	—	7.7
March 1981	4.4	—	4.4
March 1982	8.7	—	8.7
April 1983	3.9	—	3.9
December 1984	3.5	—	3.5
December 1985	0.0	—	3.1
December 1986	1.3	—	1.3
December 1987	4.2	—	4.2
December 1988	4.0	3.0	4.0

Effective Date ^a	CSRS Benefit Increase	FERS Benefit Increase	CPI Change During COLA Measurement Period
December 1989	4.7	3.7	4.7
December 1990	5.4	4.4	5.4
December 1991	3.7	2.7	3.7
December 1992	3.0	2.0	3.0
March 1994	2.6	2.0	2.6
March 1995	2.8	2.0	2.8
March 1996	2.6	2.0	2.6
December 1996	2.9	2.0	2.9
December 1997	2.1	2.0	2.1
December 1998	1.3	1.3	1.3
December 1999	2.4	2.0	2.4
December 2000	3.5	2.5	3.5
December 2001	2.6	2.0	2.6
December 2002	1.4	1.4	1.4
December 2003	2.1	2.0	2.1
December 2004	2.7	2.0	2.7
December 2005	4.1	3.1	4.1
December 2006	3.3	2.3	3.3
December 2007	2.3	2.0	2.3
December 2008	5.8	4.8	5.8
December 2009	0.0	0.0	-2.1
December 2010	0.0	0.0	-0.6
December 2011	3.6	2.6	3.6
December 2012	1.7	1.7	1.7
December 2013	1.5	1.5	1.5
December 2014	1.7	1.7	1.7
December 2015	0.0	0.0	-0.4
December 2016	0.3	0.3	0.3
December 2017	2.0	2.0	2.0
December 2018	2.8	2.0	2.8
December 2019	1.6	1.6	1.6
December 2020	1.3	1.3	1.3
December 2021	5.9	4.9	5.9
December 2022	8.7	7.7	8.7
December 2023	3.2	2.2	3.2
December 2024	2.5	2.0	2.5
December 2025	2.8	2.0	2.8

Source: CRS.

Notes: Includes pensions for Members of Congress. P.L. 87-793 (enacted in 1962) was the first law that provided for automatic adjustments in civil service retirement and disability benefits based on certain changes in the Consumer Price Index. However, December 1965 was the first month in which an automatic adjustment was effective.

a. Benefit increases are actually paid the following month.

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