

## **Cost-of-Living Adjustment Will Be 1.7 Percent**

The 2013 cost-of-living adjustment (COLA) for millions of retired and disabled Americans will be 1.7 percent. Social Security beneficiaries, most civil service annuitants and military retirees will be among those receiving the adjustment in their January 2013 benefit payments. While the 1.7 percent adjustment is designed to maintain retirees' purchasing power, it will serve as a tempting target to some lawmakers during the upcoming lame-duck session, and next year as they try to cut federal spending.

On October 16, the Labor Department's Bureau of Labor Statistics ([www.bls.gov/cpi](http://www.bls.gov/cpi) or 202-691-6994) announced that the September 2012 Consumer Price Index for Urban Wage Earners and Clerical Workers (CPI-W) is 228.184. This index reflects an increase of 0.5 percent from the August index of 227.056. Since 1984, the annual federal retirement COLA has been based on the percentage difference between the third-quarter *average* index readings in two consecutive years. The 2013 COLA of 1.7 percent reflects the percentage difference between last year's third-quarter average base index of 223.233 and this year's third-quarter average index of 226.936, computed by averaging July's 225.568, August's 227.056 and September's 228.184 index readings.

Recently retired federal employees will receive a smaller inflation adjustment, as their first COLA is prorated to cover only the months of the year during which they were retired. The COLA – an annuity adjustment, not a pay raise – will be effective December 1, 2012, and reflected in January 2013 retirement payments. Last year's CSRS and Social Security COLA was 3.6 percent (the FERS COLA was 2.6 percent). The Bureau of Labor Statistics will release October consumer price indices on Thursday, November 15.

Federal workers disabled by a work-related injury or illness and therefore receiving benefits under the Federal Employees' Compensation Act (FECA), receive COLAs based on the calendar year change in the CPI-W. As of September, the index of 228.184 is 2.7 percent higher than the December 2011 index of 222.166. The December 2012 inflation data needed to determine next year's FECA adjustment will be reported on Friday, January 18, 2013.