



CSRS & FERS Pensions • FLTCIP • TSP
Survivor Benefit Plan • Social Security
FERS Supplement • FEGLI • FEHB

TAKE THE GUESSWORK OUT OF RETIRING FROM FEDERAL SERVICE

The FedImpact Retirement Workshop gives federal employees a *no-nonsense approach* to evaluating the *financial impact of benefits decisions* made as they near retirement.

Our Training Agenda Includes:

- General Retirement Planning
- Federal Pensions (CSRS & FERS)
- Survivor Benefit Plan (SBP)
- Social Security (SS)
- Special Retirement Supplement (SRS)
- Life Insurance (FEGLI)
- Health Insurance (FEHB)
- Long Term Care Insurance (FLTCIP)
- Thrift Savings Plan (TSP)

Space is limited—reserve your spot today!

To register, visit: FedImpact.com/attend

“The workshop you delivered yesterday was phenomenal. I enjoyed the presentation as well as the class participation and interaction.”

D.S., Office of Personnel Management

“The most information I have ever received and heard in my ENTIRE military and federal years.”

L.B., Department of Defense

FedImpact
Retirement Training
presented by **ProFeds**

GSA Schedule

ProFeds is a Service-Disabled Veteran-Owned and Woman-Owned Small Business serving the training needs of federal agencies by providing quality workshops as a federal contractor (CAGE# 5YRG2). (GSA Schedule 47QREA19D000Y) 844-PRO-FEDS



COLAs vs. Pay Raises

Presented by ProFeds

COLA vs. Pay Raises

Your ProFeds Presenter



Chris Kowalik

- ProFeds Founder
- Developer of the FedImpact Retirement Workshop
- Host of the FedImpact Podcast

Support Team

- Standing by for your questions

FedImpact
Retirement Training
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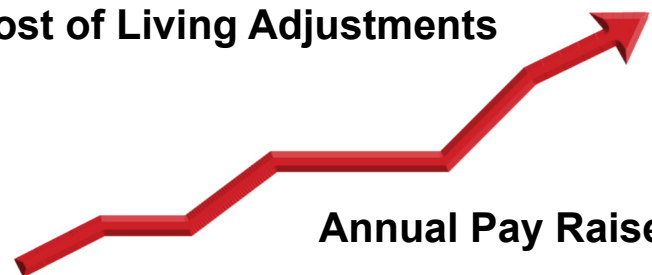
COLA vs. Pay Raises

Welcome

- About today's topic
- Our audience today
- Q&A – the ProFeds Support Team standing by
- Handouts – available for download
- Recorded – how to get the replay
- Stay until the end!

COLA vs. Pay Raises

Cost of Living Adjustments



Annual Pay Raises

Digging Into the Details

- **WHO** gets it?
- **WHAT** is it based on?
- **HOW** much can you expect?
- **WHEN** does it get applied?
- **WHERE** must you live to get it?
- **WHY** does it affect you?



Annual Pay Raises

Pay Raises: WHO gets it?



- Pay raises are annual pay increases applied to current federal employees' paychecks while they are still working
- Different from pay grade or step increases

Pay Raises: WHAT is it based on?



- Pay raises levels are not tied to a specific economic index
- Often political in nature and face heavy scrutiny by many groups each year

COLA vs. Pay Raises

Pay Raises: HOW much can you expect?

Year	Employee Pay Raises
2011	0.0
2012	0.0
2013	0.0
2014	1.0
2015	1.0
2016	1.0
2017	1.5
2018	1.9
2019	1.9
2020	3.1
10-Year Avg	1.14%

- Not guaranteed
- For 2021: Not final
- It is expected to be a 1% across-the-board pay raise as proposed by President Trump in February 2020
- 10-Year Average to be 1.24%

COLA vs. Pay Raises

Pay Raises: WHEN does it get applied?



- Pay raises are typically applied in January of a given year
- If approved late, it is typically retroactively paid to the beginning of the year

COLA vs. Pay Raises

Pay Raises: WHERE must you live to get it?

Current Locality Pay Areas within the U.S.



Also included, but not pictured: Alaska & Hawaii

- Across-the-board pay raises are not specific to your location
- Locality pay raises can also take place which may cause your pay to change based on your location

COLA vs. Pay Raises

Pay Raises: WHY does it affect you?



- While working: Helps you to (somewhat) keep up with inflation and the rising cost to support your standard of living
- Preparing for retirement: The higher your basic pay, the higher your pension is once you retire



Cost of Living Adjustments

COLAs: WHO gets it?

- Annual inflation adjustment applied to former federal employees' pensions while they are retired
- COLAs are also applied to Social Security benefits



COLAs: WHAT is it based on?

- The Bureau of Labor Statistics sets the CPI-W* based on the rising cost of:
 - Housing
 - Food and beverage
 - Medical care
 - Recreation
 - Apparel
 - Transportation
 - Education and Communication
 - Other goods and services

Determining COLA for retirees

When CPI-W is:	CSRS get:	FERS get:
> 3%	CPI-W	CPI-W – 1%
2 – 3%	CPI-W	2%
≤ 2%	CPI-W	CPI-W

*CPI-W is the "Consumer Price Index for Urban Wage Earners and Clerical Workers"

COLAs: HOW much can you expect?

- Not guaranteed
- For 2021: 1.3% CPI-W just announced
- The 10-Year Averages will be:
 - CSRS 1.65%
 - FERS 1.47%
- Proposed: 3% override

Year	CSRS Retiree COLAs	FERS Retiree COLAs
2011	0.0	0.0
2012	3.6	2.6
2013	1.7	1.7
2014	1.5	1.5
2015	1.7	1.7
2016	0.0	0.0
2017	0.3	0.3
2018	2.0	2.0
2019	2.8	2.0
2020	1.6	1.6
10-Year Avg	1.52%	1.34%

COLA vs. Pay Raises

COLAs: WHEN does it get applied?

- Announced in mid-October and applied the following January
- CSRS retirees receive it regardless of age
- FERS retirees receive it starting at age 62
(Exception: LEO/FF/ATC receive immediately)



COLA vs. Pay Raises

COLAs: WHERE must live to get it?

- Where you live in retirement has no effect on your pension amount
- COLAs are applied uniformly regardless of your location



COLA vs. Pay Raises

COLAs: WHY does it affect you?

- COLAs are critical to (somewhat) retain the purchasing power of your pension money
- Without it, you must rely more heavily on other assets (i.e. TSP)
- NOTE: Most remaining private sector pensions do not have a COLA



COLA vs. Pay Raises

Inflation Compared to COLAs

- In the last 20 years,
 - U.S. inflation: 2.133%
 - CSRS COLAs: 2.162%
 - FERS COLAs: 1.785%

Effect of Inflation on a \$10,000/year Pension from 2000-2020			
Year	Adjusted by INFLATION (2.133%)	Adjusted by CSRS COLA (2.162%)	Adjusted by FERS COLA (1.785%)
2000	\$10,000	\$10,000	\$10,000
	↓	↓	↓
2020	\$15,251	\$15,339	\$14,245

Frequently Asked Questions



Q: *If I retire in January 2021, does the new pay raise get factored into my retirement?*

A: *The one month of pay that you received in January 2021 will likely help to make your high-3 SLIGHTLY higher (but it only helps 1 of 36 months in the calculation)!*

Q: *If I retire December 31, 2020, do I get the COLA in January 2021?*

A: *No! You'll only get a prorated COLA based on how many months of the prior year you were receiving a pension (in this case, 0%)*

Q: *I thought locality pay was factored into my retirement. Why don't I see it on my retirement stub?*

A: *Locality pay is factored into the INITIAL calculation of your pension (because it's part of your high-3 average), but you don't receive locality pay as a retiree.*

Q: *If I move once I retire, does my retirement pay change?*

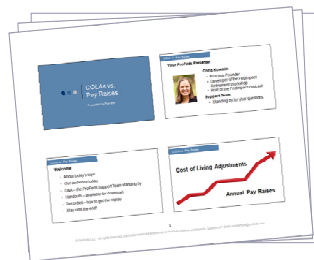
A: *Once retired, you may move without a change to your pension calculation. However, your tax obligations on your pension may change.*

Q: *Once retired, does the cost of my other benefits (FEHB, FEGLI, FLTCIP, etc.) go up by the COLA?*

A: *The increase in cost for most of these benefits far exceed the COLA for a given year. For instance, FEHB premiums are set to rise by an average of 5% for 2021, but the COLA is only 1.3%!*

COLA vs. Pay Raises

Handouts & Replay

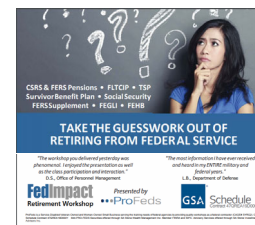


LINK TO REPLAY

- Handouts
 - Download
 - Emailed
- Replay
 - Link will be emailed to all registered participants

COLA vs. Pay Raises

Get the Rest of the Story



- Attend a workshop:
 - Virtual and live options
 - No cost to attend
 - Covers all of the federal benefit topics and decisions to be made
- See all the details at FedImpact.com/Attend

Next Webinar



- Next webinar topic!
 - FEHB Decisions: Managing the 2020 Open Season with an eye on retirement
- Sign-up at: FedImpact.com/Webinar

Find a workshop: FedImpact.com/Attend
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Thank you for joining us

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