



Record High COLAs & Pay Raises

Presented by ProFeds

Record High COLAs & Pay Raises

Your ProFeds Presenter



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Support Team

- Standing by for your questions



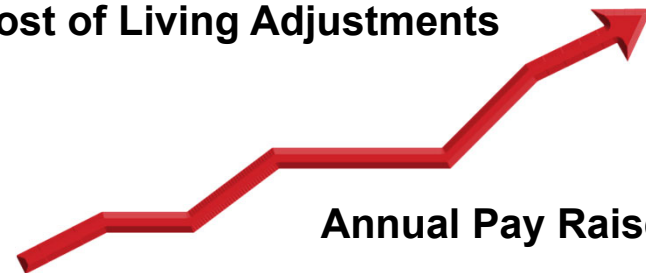
Record High COLAs & Pay Raises

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!

Record High COLAs & Pay Raises

Cost of Living Adjustments



Record High COLAs & Pay Raises

How you may qualify for
one, both or neither
of these increases in 2023

Digging Into the Details of COLAs & Pay Raises

- **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

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Pay Raises: WHAT is it based on?



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

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Pay Raises: HOW much can you expect?

Year	Employee Pay Raises
2014	1.0
2015	1.0
2016	1.0
2017	1.5
2018	1.9
2019	1.9
2020	3.1
2021	1.0
2022	2.7
*** 2023 ***	*** 4.6 ***
10-Year Avg	1.97%

- Pay raises are not guaranteed each year
- For 2023: Not final
- It is expected to be: 4.6%
 - 4.1% across-the-board
 - 0.5% average locality pay

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Pay Raises: WHEN does it get applied?

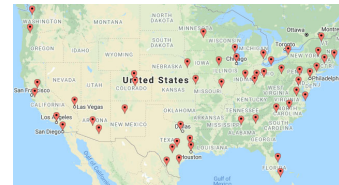


- Pay raises are typically applied in January of a given year
- If approved late, it is typically retroactively paid to the beginning of the year

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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

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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 (due to your high-3)

Q: *If I retire on January 31, 2023, does the new pay raise get factored into my retirement pension?*

A: *The one month of pay that you received in January 2023 will likely help to make your high-3 SLIGHTLY higher (but it only helps 1 of 36 months in the high-3 calculation)!*

Record High COLAs & Pay Raises

The Effect the Pay Raise Has on Your High-3

- The “high-3 average” is one component of the pension calculation
- It is the average of the highest 3 years (36 months) of consecutive earnings in your career
- Most people earn their highest years of earnings at the end of their career

Record High COLAs & Pay Raises

(If you separate in Dec 2022)

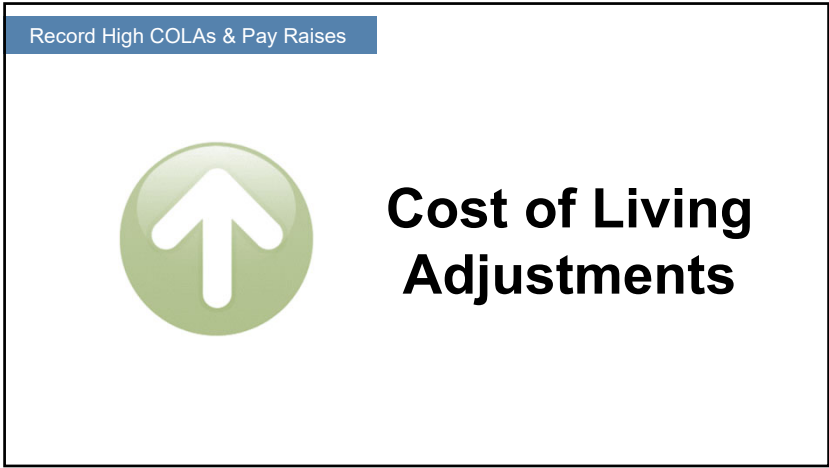
	2020 (\$96,407/yr)	1.0% → 2021 (\$97,371/yr)	2.7% → 2022 (\$100,000/yr)
January	\$8,034	\$8,114	\$8,333
February	\$8,034	\$8,114	\$8,333
March	\$8,034	\$8,114	\$8,333
April	\$8,034	\$8,114	\$8,333
May	\$8,034	\$8,114	\$8,333
June	\$8,034	\$8,114	\$8,333
July	\$8,034	\$8,114	\$8,333
August	\$8,034	\$8,114	\$8,333
September	\$8,034	\$8,114	\$8,333
October	\$8,034	\$8,114	\$8,333
November	\$8,034	\$8,114	\$8,333
December	\$8,034	\$8,114	\$8,333

**High-3 is
\$97,926**

Record High COLAs & Pay Raises **(If you separate in Jan 2023)**

	2020 (\$96,407/yr)	1.0% ↑ 2021 (\$97,371/yr)	2.7% ↑ 2022 (\$100,000/yr)	4.6% ↑ 2023 (\$104,600/yr)
January	\$8,034	\$8,114	\$8,333	\$8,717
February	\$8,034	\$8,114	\$8,333	
March	\$8,034	\$8,114	\$8,333	
April	\$8,034	\$8,114	\$8,333	
May	\$8,034	\$8,114	\$8,333	
June	\$8,034	\$8,114	\$8,333	
July	\$8,034	\$8,114	\$8,333	
August	\$8,034	\$8,114	\$8,333	
September	\$8,034	\$8,114	\$8,333	
October	\$8,034	\$8,114	\$8,333	
November	\$8,034	\$8,114	\$8,333	
December	\$8,034	\$8,114	\$8,333	


High-3 is \$98,153 (a \$227 diff)



Record High COLAs & Pay Raises

COLAs: WHO gets it?

- COLAs are annual inflation adjustments applied to former federal employees' CSRS or FERS pensions while they are retired
- COLAs are also applied to Social Security benefits



Record High COLAs & Pay Raises

COLAs: WHAT is it based on?

- The Bureau of Labor Statistics sets the CPI-W* based on the rising cost of:

Determining COLA for <u>retirees</u>		
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"

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COLAs: HOW much can you expect?

- COLAs are not guaranteed each year
- For 2023: 8.7% CPI-W just announced
 - CSRS retirees get 8.7%
 - FERS retirees get 7.7%

Year	CSRS Retiree COLAs	FERS Retiree COLAs
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
2021	1.3	1.3
2022	5.9	4.9
2023	8.7	7.7
10-Year Avg	2.57%	2.18%

Record High COLAs & Pay Raises

COLAs: WHEN does it get applied?

- Important dates:
 - **Announced:** mid-October
 - **Applied:** to December pension accrual
 - **Payable:** to January pension payment
- CSRS retirees receive COLAs regardless of their age
- FERS retirees receive COLAs starting at age 62 (Exception: LEO/FF/ATC receive immediately)
- The first COLA may be prorated based on the # of months you were retired (from Dec to Nov of prior year)

Q: *If I retire December 31, 2022, do I get the COLA in January 2023?*

A: *No! You'll only get a prorated portion of the 2023 COLA based on how many months of the prior year (from Dec 2021 to Nov 2022) you were receiving a pension (in this case, 0%).*

Record High COLAs & Pay Raises

(If you separate in 2022)

Employee separates in	Pension begins accruing in	Jan 2023 COLA	Jan 2024 COLA	Jan 2025 COLA
January 2022	February 2022	10/12ths (83%)	12/12ths (100%)	12/12ths (100%)
February 2022	March 2022	9/12ths (75%)	12/12ths (100%)	12/12ths (100%)
March 2022	April 2022	8/12ths (67%)	12/12ths (100%)	12/12ths (100%)
April 2022	May 2022	7/12ths (58%)	12/12ths (100%)	12/12ths (100%)
May 2022	June 2022	6/12ths (50%)	12/12ths (100%)	12/12ths (100%)
June 2022	July 2022	5/12ths (42%)	12/12ths (100%)	12/12ths (100%)
July 2022	August 2022	4/12ths (33%)	12/12ths (100%)	12/12ths (100%)
August 2022	September 2022	3/12ths (25%)	12/12ths (100%)	12/12ths (100%)
September 2022	October 2022	2/12ths (17%)	12/12ths (100%)	12/12ths (100%)
October 2022	November 2022	1/12th (~8%)	12/12ths (100%)	12/12ths (100%)
November 2022	December 2022	–	12/12ths (100%)	12/12ths (100%)
December 2022	January 2023	–	11/12ths (92%)	12/12ths (100%)

Record High COLAs & Pay Raises		(If you separate in 2023)		
Employee separates in	Pension begins accruing in	2023 COLA	2024 COLA	2025 COLA
January 2023	February 2023	–	10/12ths (83%)	12/12ths (100%)
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September 2023	October 2023	–	2/12ths (17%)	12/12ths (100%)
October 2023	November 2023	–	1/12th (8%)	12/12ths (100%)
November 2023	December 2023	–	–	12/12ths (100%)
December 2023	January 2024	–	–	11/12ths (92%)

Record High COLAs & 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

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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

Record High COLAs & Pay Raises

Inflation Compared to COLAs

- In the last 20 years,
 - U.S. inflation: 2.57%
 - CSRS COLAs: 2.57%
 - FERS COLAs: 2.18%

Effect of Inflation on a \$10,000/year Pension from 2004-2023 (20 years)			
Year	Adjusted by INFLATION (2.57%)	Adjusted by CSRS COLA (2.57%)	Adjusted by FERS COLA (2.18%)
2004	\$10,000	\$10,000	\$10,000
	↓	↓	↓
2023	\$16,611	\$16,611	\$15,393

What happens if...

What happens if you...

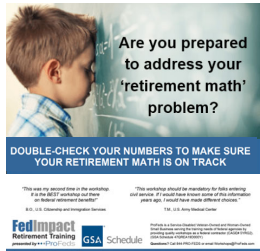
Separate end of:	Do you get the 2023 pay raise?	Do you get the 2023 COLA?
October 2022	No	Yes – You'll get 1/12th of the COLA starting in January pension check
November 2022	No	No
December 2022	No	No
January 2023	Yes – It can count for 1/36ths of your high-3 average	No
February 2023	Yes – It can count for 2/36ths of your high-3 average	No

WRAP-UP & NEXT STEPS

Wrap-Up

- Pay raises and COLAs are paid in very different ways (and neither are guaranteed)
- You should not based your decision to retire solely on pay raises and COLAs (look bigger picture!)
- When you know your numbers, your financial decisions become obvious

Double-check Your Retirement Math



- Attend a workshop:
 - In-person training
 - No cost to attend
 - Covers all of the federal benefit topics and decisions to be made
 - One-on-one help available
- See all the details at FedImpact.com/Attend

Handouts & Replay



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

Next Webinar



- Next webinar topic:
 - **Maximizing Your TSP for 2023:** Highlighting the important changes for the new year and how to leverage TSP to your advantage
- Sign-up at: FedImpact.com/Webinar

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 Next webinar: FedImpact.com/Webinar

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for joining us

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