



COLAs vs. Pay Raises



COLAs vs. Pay Raises

Your ProFeds Presenter



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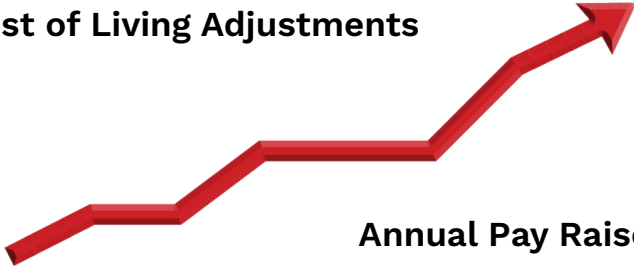
COLAs vs. Pay Raises

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!

COLAs vs. Pay Raises

Cost of Living Adjustments



Annual Pay Raises

COLAs vs. Pay Raises

Learn the stark difference
and why it matters to
federal employees and retirees

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

COLAs vs. Pay Raises

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

COLAs vs. Pay Raises

Pay Raises: HOW much can you expect?

Year	Employee Pay Raises
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
2024	5.2
10-Year AVG	2.39%

- » Pay raises are not guaranteed each year
- » For 2024: Not final
- » It is expected to be: 5.2%
 - 4.7% across-the-board
 - 0.5% average locality pay

COLAs vs. Pay Raises

Pay Raises: WHEN does it get applied?

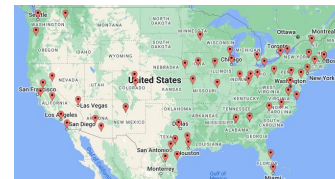


- » Pay raises are typically applied in January of a given year
- » If approved late, it is typically retroactively paid to the beginning of the year

COLAs vs. Pay Raises

Pay Raises: WHERE must you live to get it?

Current Locality Pay Areas within the US



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

COLAs 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 (due to your high-3)

Q:

If I retire on January 31, 2024, does the new pay raise get factored into my retirement pension?

A:

The one month of pay that you received in January 2024 will likely help to make your high-3 SLIGHTLY higher (but it only helps 1 of 36 months in the high-3 calculation)!

COLAs vs. Pay Raises



Cost of Living Adjustments

COLAs vs. 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



COLAs vs. Pay Raises

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 <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"

COLAs vs. Pay Raises

COLAs: HOW much can you expect?

- » COLAs are not guaranteed each year
- » For 2024: 3.2% CPI-W just announced
 - CSRS retirees get 3.2%
 - FERS retirees get 2.2%

Year	CSRS Retiree COLAs	FERS Retiree COLAs
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
2024	3.2	2.2
10-Year AVG	2.75%	2.37%

COLAs vs. Pay Raises

COLAs: WHEN does it get applied?

- » Important dates:
 - **Announced:** mid-October
 - **Applied:** to December pension accrual
 - **Payable:** in 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, 2023, do I get the COLA in January 2024?

A:

No! You'll only get a prorated portion of the 2024 COLA based on how many months of the prior year (from Dec 2022 to Nov 2023) you were receiving a pension (in this case, 0%).

COLAs 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



COLAs 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



COLAs vs. Pay Raises

Let's recap!
What happens if...

COLAs vs. Pay Raises

What happens if you...

Separate end of:	Do you get the 2024 pay raise?	Do you get the 2024 COLA?
October 2023	No	Yes – You'll get 1/12th of the COLA starting in January pension check
November 2023	No	No
December 2023	No	No
January 2024	Yes – It can count for 1/36ths of your high-3 average	No
February 2024	Yes – It can count for 2/36ths of your high-3 average	No

Next Webinar



- » Next webinar topic!
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Highlighting the important changes for 2024 and how to leverage TSP to your advantage
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