

***** AFSA Alert – October 19, 2011 *****

2011 COLA!

Military retirees, federal annuitants and Social Security recipients will begin receiving a 3.6 percent cost-of-living adjustment (COLA) in January 2012. This same increase will eventually apply to VA disability compensation and survivor benefits provided Congress finalizes legislation authorizing the increase (The House passed H.R. 1407 on May 23; the Senate has yet to act).

COLAS are based on a measure of inflation known as the Consumer Price Index for Urban Wage Earners and Clerical Workers (CPI-W) which was released a short time ago. The CPI-W normally measures the rate of inflation from the third quarter of the prior year to the corresponding quarter of the current year in which the COLA became effective. However, current law specifies that the starting point for the calculation is the third quarter of the year prior to “the most recent adjustment...” Since a COLA has not been payable for the past two years due to zero inflation (at least as it is measured by the federal government for COLA purposes) the Bureau of Labor Statistics calculated the CPI-W from the third quarter of 2008, the last year a COLA was determined, to the third quarter of this year.

We suspect this increase will be viewed favorably by many but in reality, it is a signal that inflation is on the rise again. That translates to higher out-of-pocket expenses and nobody, especially those living on a fixed income really wants that to happen.