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under the Federal Employees Retirement System (FERS).

(b) This subpart provides the methodology for—

(1) Computing COLA's on each type of FERS basic benefit subject to COLA's; and

(2) Computing COLA's on annuities partially computed under FERS and partially computed under the Civil Service Retirement System (CSRS).

(c) COLA's on children's annuities are not covered by this subpart because COLA's on children's annuities are computed under CSRS rules.

§ 841.702 Definitions.

In this subpart—

Annuity supplement means the benefit under subpart E of part 842 of this chapter. An *annuity supplement* is only payable to retirees.

Basic annuity means the benefits computed under subpart D of part 842 of this chapter and payable to retirees.

Basic employee death benefit means the basic employee death benefit as defined in § 843.102 of this chapter.

Beneficiary of insurable interest annuity means a person receiving a recurring benefit under FERS that is payable (after the employee's, Members, or retiree's death) to a person designated to receive such an annuity under § 842.605 of this chapter.

COLA means a cost-of-living adjustment.

Combined CSRS/FERS annuity means the recurring benefit with a CSRS component and a FERS component. A ''combined CSRS/FERS annuity'' is only payable to a retiree who as an employee elected to transfer to FERS under part 846 of this chapter, who at the time of transfer had at least 5 years of service creditable under CSRS (excluding service that was subject to both social security and partial CSRS deductions), and who was covered by FERS for at least 1 month.

CSRS means the Civil Service Retirement System as described in subchapter III of chapter 83 of title 5, United States Code.

CSRS component means the portion of a combined CSRS/FERS annuity that is computed under CSRS rules.

Current spouse annuity means a current spouse annuity as defined in § 842.602 of this chapter.

Disability retiree means a retiree who retired under part 844 of this chapter.

Effective date means the date annuities increased by a COLA begin to accrue at the higher rate.

FERS means the Federal Employees Retirement System as defined in chapter 84 of title 5, United States Code.

FERS component means the portion of a combined CSRS/FERS annuity computed under FERS rules.

Former spouse annuity means a former spouse annuity as defined in § 842.602 of this chapter.

Initial monthly rate means the monthly annuity rate that a retiree (other than a disability retiree) is entitled to receive at the time of retirement (as defined in § 842.602 of this chapter).

Percentage change means the percent change in the price index as defined in section 8462(a)(2) of title 5, United States Code.

Retiree means a retiree as defined in § 842.602 of this chapter.

Survivor means a person receiving a current spouse annuity or a former spouse annuity, or the beneficiary of an insurable interest annuity. As used in this subpart, ''survivor'' does not include a child annuitant.

Survivor supplement means the recurring benefit payable to a survivor under § 843.308 of this chapter.

§ 841.703 Increases on basic annuities and survivor annuities.

(a) Except as provided in §§ 841.704, 841.706, and 841.707, and paragraph (e) of this section, COLA's on basic annuities and survivor annuities are the greater of—

(1) One dollar per month; or

(2)(i) If the percentage change is less than 2 percent, the percentage change;

(ii) If the percentage change is at least 2 percent and not greater than 3 percent, 2 percent; and

(iii) If the percentage change exceeds 3 percent, 1 percentage point less than the percentage change.

(b) After survivor annuities commence, they are subject to COLA's computed under paragraph (a) of this section, even if they are based on a