Office of Personnel Management

§ 591.224  How does OPM adjust price indexes between surveys?

(a) OPM adjusts price indexes between the triennial surveys in each COLA area that is not surveyed in that year. To do this, OPM uses the annual or biennial change in the Consumer Price Index (CPI) for the COLA area relative to the annual or biennial change in the CPI for the Washington, DC, area. OPM uses the annual change for those areas surveyed the preceding year. OPM uses the biennial change for those areas surveyed 2 years before.
§ 591.225 Which CPIs does OPM use?

OPM uses the following CPIs:

(a) For the Washington, DC area—the BLS Consumer Price Index, All Urban Consumers (CPI-U);

(b) For all COLA areas in the State of Alaska—the BLS CPI-U for Anchorage, AK;

(c) For all COLA areas in the State of Hawaii and for Guam and the CNMI—the BLS CPI-U for Honolulu, HI; and

(d) For Puerto Rico and the U.S. Virgin Islands—the Puerto Rico CPI as produced by the Puerto Rico Department of Work and Human Resources.

§ 591.226 How does OPM apply the CPIs?

(a) OPM uses a three-step process to adjust price indexes by relative annual or biennial changes in the CPIs. For steps 1 and 2, OPM computes the annual change by dividing the CPI from 1 year after the survey by the CPI from the time of the survey. OPM computes the biennial change by dividing the CPI from 2 years after the survey by the CPI from the time of the survey.

(1) Step 1. OPM computes the annual or biennial CPI change for the COLA area.

(2) Step 2. OPM computes the annual or biennial CPI change for the DC area.

(3) Step 3. OPM multiplies the COLA area price index from the last survey by the COLA area CPI change computed in step 1 divided by the DC area CPI change computed in step 2. The adjusted price index is rounded to the second decimal place.

(b) Example:

<table>
<thead>
<tr>
<th>COLA Area CPI</th>
<th>DC Area CPI</th>
<th>COLA Area Survey Index</th>
<th>COLA Area CPI Adjusted Index</th>
</tr>
</thead>
<tbody>
<tr>
<td>172.2</td>
<td>159.7</td>
<td>117.33</td>
<td>117.42</td>
</tr>
</tbody>
</table>

Computation: 117.33 \times (174.7/172.2)/(161.9/159.7) = 117.4159,
which would round to 117.42.

§ 591.227 How does OPM convert the price index plus adjustment factor to a COLA rate?

(a) OPM converts the price index plus the adjustment factor to a COLA rate as shown in the following table:

<table>
<thead>
<tr>
<th>Price index plus adjustment factor</th>
<th>COLA rate subject to paragraph (b) of this section</th>
</tr>
</thead>
<tbody>
<tr>
<td>Equal to or greater than 124.50</td>
<td>25 percent.</td>
</tr>
<tr>
<td>Equal to or greater than 102.00 but less than 124.50</td>
<td>Price index plus the adjustment factor, minus 100, expressed to the nearest whole percent.</td>
</tr>
<tr>
<td>Less than 102.00</td>
<td>0 percent.</td>
</tr>
</tbody>
</table>

(b) This section is applicable on an area-by-area basis beginning with the effective date of the results of the first survey conducted in each area.

(c) OPM may reduce the COLA rate in any area by no more than 1 percentage point in any 12-month period. Any