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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.

(b) Paragraph (a) of this section applies beginning with the effective date of the results of the 2005 survey conducted in Puerto Rico and the U.S. Virgin Islands.

(c) Based on additional housing data that may be collected before the 2005 survey conducted in Puerto Rico and the U.S. Virgin Islands, OPM will adjust as warranted the price indexes and COLA rates for Puerto Rico, the U.S. Virgin Islands, and the COLA areas in the State of Alaska. OPM will implement any such adjustments on a one-time basis on the effective date of the results of the 2004 surveys conducted in Hawaii and Guam/CNMI, and subject to § 591.228. OPM will publish such adjustments as provided in § 591.229.

[67 FR 22340, May 3, 2002, as amended at 69 FR 59763, Oct. 6, 2004]

§ 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:*

	2008	2009
COLA Area CPI	172.2	174.7
DC Area CPI	159.7	161.9
COLA Area Survey Index	117.33	(¹)
COLA Area CPI Adjusted Index	(²)	117.42

¹ No survey.
² N/A

Computation:

$$117.33 \times (174.7/172.2)/(161.9/159.7) = 117.4159,$$

which would round to 117.42.

§ 591.227 What adjustment factors does OPM add to the price indexes?

OPM adds to the price index an adjustment factor that reflects differences in need, access to and availability of goods and services, and quality of life in the COLA area relative to the DC area. The following table shows the adjustment factor for each area:

COLA area	Amount
Anchorage, AK	7.0
Fairbanks, AK	9.0
Juneau, AK	9.0
Rest of the State of Alaska	9.0
City and County of Honolulu, HI	5.0
Hawaii County, HI	7.0
Kauai County, HI	7.0
Maui County, HI	7.0
Guam and CNMI	9.0
Commonwealth of Puerto Rico	7.0
U.S. Virgin Islands	9.0

¹ Amount added to the price index.

§ 591.228 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:

Price index plus adjustment factor	COLA rate subject to paragraph (b) of this section
Equal to or greater than 124.50.	25 percent.

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Price index plus adjustment factor	COLA rate subject to paragraph (b) of this section
Equal to or greater than 102.00 but less than 124.50.	Price index plus the adjustment factor, minus 100, expressed to the nearest whole percent.
Less than 102.00	0 percent.

(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 reduction in the COLA rate for any COLA area cannot be effective until the effective date of the first survey conducted in Hawaii and Guam and CNMI under these regulations.

§ 591.229 How does OPM inform agencies and employees of COLA rate changes?

OPM publishes COLA area survey summary reports, MEG and PEG indexes, and COLA rates in the FEDERAL REGISTER. OPM makes survey data and other information available to the public to the extent authorized by the Freedom of Information Act and the Privacy Act.

POST DIFFERENTIALS

§ 591.230 When does OPM establish post differential areas?

(a) OPM establishes post differential areas in response to agency requests when—

(1) Conditions of environment within the post differential area differ substantially from conditions of environment in the continental United States, and

(2) The major Federal employers within the area believe payment of a post differential is warranted as a recruitment incentive to attract candidates from outside the post differential area to work for the Government in the post differential area.

(b) If a department or agency wants OPM to consider establishing or revising the definition of a post differential area, the head of the department or agency or his or her designee must submit a request in writing to OPM.

§ 591.231 Which areas are post differential areas?

OPM has established the following post differential areas:

- (a) American Samoa as defined in § 591.205,
- (b) Territory of Guam,
- (c) Commonwealth of the Northern Mariana Islands,
- (d) Johnston Atoll (including Sand Island),
- (e) Midway Atoll, and
- (f) Wake Atoll.

§ 591.232 How does OPM establish and review post differentials?

(a) OPM establishes a post differential by rulemaking if Government agencies require it for recruitment purposes and if one or more of the following conditions exist:

- (1) Extraordinarily difficult living conditions,
- (2) Excessive physical hardship, and/or
- (3) Notably unhealthful conditions.

(b) OPM periodically reviews with Federal agencies whether conditions of environment have changed in the post differential areas and whether payment of the post differential continues to be warranted as a recruitment incentive.

§ 591.233 Who can receive a post differential?

An employee must meet all of the following conditions to be eligible to receive a post differential:

- (a) The employee must be a citizen or national of the United States,
- (b) The employee's official duty station or detail to temporary duty must be in the post differential area, and
- (c) Immediately prior to being assigned to duty in the post differential area, the employee must have maintained his or her actual place(s) of residence outside the post differential area for an appropriate period of time (generally at least 1 year or more), except as provided in § 591.234.

§ 591.234 Under what circumstances may people recruited locally receive a post differential?

(a) Current residents of the area qualify for a post differential if they were originally recruited from outside the differential area and have been in