



DEFENSE FINANCE AND ACCOUNTING SERVICE
ARLINGTON
1851 SOUTH BELL STREET
ARLINGTON, VA 22240-5291

MAY 23 2006

DFAS-NP

MEMORANDUM FOR DIRECTOR, ACCOUNTING AND FINANCE POLICY AND
ANALYSIS, OFFICE OF THE UNDER SECRETARY OF
DEFENSE (COMPTROLLER)
DIRECTOR, FINANCE, DEFENSE FINANCE AND ACCOUNTING
SERVICE

SUBJECT: Interim Change to the Department of Defense Financial Management Regulation
("DoDFMR"), Volume 7, Part B, Regarding December 2005 Cost-of-Living
Adjustment (DFAS Item O-27)

The attached is Interim Change R02-06 to Volume 7B, Chapters 7, 8, 49, and 61, as well as Appendices M and U of the "DoDFMR." This change incorporates the military retired pay cost-of-living adjustment effective December 1, 2005.

Assignment of the interim change number is authority for the Director of Finance to initiate a procedural modification to implement this change. This office requests that the Director for Accounting and Finance Policy and Analysis post a copy of this interim change to the "DoDFMR" web site.

A handwritten signature in black ink that reads "Lydia Moschkin".

Lydia Moschkin
Director, Policy and Performance
Management

Attachment:
As stated

cc:
DFAS-AMO (Pat McGriff)
DFAS-DGM/CL
DFAS-PDO/CL (William Tyminski)
DoD-DHRA/OGC
ODUSD (MPP) (Comp)
Service Liaisons
USCG/NOAA/PHS Liaisons

RETIRED PAY COST-OF-LIVING ADJUSTMENT (DEC 2005)

1. Revise Table 7-1 as follows:

SERVICE REVERT – RATES OF ENTITLEMENT UPON REVERSION TO RETIRED LIST (10 U.S.C. 1402) (WITH AT LEAST 2 YEARS OF ACTIVE SERVICE AFTER RECALL)						
R U L E	A	B	C	D	E	F
		and the current active duty rate is	then revert to active duty rate	and entitlement at time of recomputation is (note 4)	increased by COLADJ applicable at time of recomputation (note 8)	and apply later COLADJ per table 7-3 rule (notes 5 & 9)
89	Dec 1, 04 --Dec 31, 04				1.7 + 2.7	46 through end
90	Jan 1, 05 – Nov 30, 05	Jan 1, 05	Jan 1, 04	Jan 1, 04	2.7+ 4.1	
91	Dec 1, 05 – Dec 31,05				3.4	

2. Revise Table 7-2 to add/change the following:

DISABILITY REVERT – RATES OF ENTITLEMENT UPON REVERSION TO RETIRED LIST (10 U.S.C. 1402) (WITH DISABILITY OF AT LEAST 30 PERCENT AFTER RECALL)						
R U L E	A	B	C	D	E	F
	If date of release from active duty is during	and the current active duty rate is	then revert to active duty rate	and entitlement at time of recomputation is (note 4)	increased by COLADJ applicable at time of recomputation (notes 6, and 7)	and apply later COLADJ per table 7-3 rule (notes 6, 7)
87	Jan 1, 04 – Nov 30, 04	Jan 1, 04	Jan 1, 04	Jan 1, 04		2.7
88	Dec 1, 04 – Dec 31, 04				2.7	
89	Jan 1, 05 – Nov 30, 05	Jan 1, 05	Jan 1, 05	Jan 1, 05		3.4
90	Dec 1.,05 –Dec 31,05				3.4	

3. Update Table 7-3 in Volume 7B, Cost of-Living Adjustment Percentage Table, to show the following addition:

46	Dec 1, 05 (Note 2)	3.4 post September 7, 1980 members
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4. Add new section 0805 as follows:**0805 PROVISIONS OF PAY CHANGES, EXCEPTIONS AND SPECIAL COMPUTATION STARTING DECEMBER 2005**

080501. A cost-of-living adjustment (COLA) effective December 1, 2005:

A. Retired pay COLA for those who first became a member of a Uniformed Service before September 8, 1980, is specified according to the effective date of the active duty basic pay rate used to compute their retired pay as follows:

<u>Retired Pay Based on Rates of Pay Effective</u>	<u>Percent Increase</u>	<u>10 U.S.C. Authority</u>
Before January 1, 2005	4.1 percent	1401a(b)(2)
January 1, 2005	3.4 percent	1401a(c)

B. Retired pay COLA for those who first became a member of a Uniformed Service on or after September 8, 1980, is specified according to the effective date of their retirement as follows:

<u>Retirement Effective:</u>	<u>Percent Increase</u>	<u>10 U.S.C. Authority</u>
Before January 1, 2005	4.1 percent	1401a(b)(2)
Jan 1, 2005 – Mar 31, 2005	3.4 percent	1401a(d)
Apr 1, 2005 – Jun 30, 2005	2.8 percent	1401a(d)
Jul 1, 2005 – Sep 30, 2005	1.4 percent	1401a(d)
Oct 1, 2005 – Dec 31, 2005	0.0 percent	1401a(d)

C. The retired pay COLA for those who first became a member of the Uniformed Service on or after August 1, 1986, who elected to receive a bonus under the provisions of section 322 of title 37, United States Code is specified according to their retirement as follows:

Before January 1, 2005	3.1 percent	1401a(e)
Jan 1, 2005 – Mar 31, 2005	2.6 percent	1401a(e)
Apr 1, 2005 – Jun 30, 2005	2.3 percent	1401a(e)
Jul 1, 2005 – Sep 30, 2005	1.1 percent	1401a(e)
Oct 1, 2005 – Dec 31, 2005	0.0 percent	1401a(e)

5. 080502. Public Law 109-163, January 6, 2006, and Executive Order 13393 effective January 1, 2006, provide:

A. Increase basic pay rates.

B. No increase for members retired before January 1, 2006

C. No entitlement to pay computed on the January 1, 2006, basic pay rates for members who retired on January 1, 2005, and who were subject to the URDA (reference (x)), warrant officers, Fleet Reservists, and Fleet Marine Corps Reservists (December 31, 2005).

6. **Revise Table 49-1, Survivor Benefit Plan Threshold Amount in Volume 7B, to show the following change/addition after rule 36:**

R U L E	A	B	C
	If retired pay is based on active duty pay rates effective	and increased by COLADJ	then the threshold is
37	January 1, 2005 – 4.1		\$616.00
		December 1, 2005 Pre September 8, 1980 Member January 1, 2005 – 3.4	\$636.94
		Post September 8, 1980 Member	
		Retired January – March 05 3.4%	\$636.94
		Retired April – June 05 2.8%	\$633.25
		Retired July – September 05 1.4%	\$624.62
		Retired October – December 05 0%	\$616.00
	Post August 1, 1986 Member		
	Retired January – March 05 3.1%	\$636.94	
	Retired April – June 05 2.6%	\$633.25	
	Retired July – September 05 1.1%	\$624.62	
	Retired October – December 05 0%	\$616.00	
38	January 1, 2006		635.00

7. Add the following rates to Table 61-1.

Date of Increase	Percent	Amount
December 1, 2003	1.4	\$192.32
December 1, 2004	2.7	\$197.51
December 1, 2005	4.1	\$205.61

8. Revise Appendix M, Total Earnings Table, by adding the following:

<u>Year of Retirement</u>	<u>Maximum Pay By Social Security</u>
“2006	\$94,200”

9. Revise Appendix U, Averaged Monthly Consumer Price Index (CPI-W) by adding the following:

<u>1st Qtr</u>	<u>FY 05</u>	<u>2nd Qtr</u>	<u>FY 05</u>	<u>3rd Qtr</u>	<u>FY 05</u>	<u>4th Qtr</u>	<u>FY 05</u>
<u>4th Qtr</u>	<u>CY 04</u>	<u>1st Qtr</u>	<u>CY 05</u>	<u>2nd Qtr</u>	<u>CY 05</u>	<u>3rd Qtr</u>	<u>CY 05</u>
Oct 04	<u>186.5</u>	Jan 05	186.3	Apr 05	190.2	Jul 05	191.0
Nov 04	186.8	Feb 05	187.3	May 05	190.0	Aug 05	192.1
Dec 04	<u>186.0</u>	Mar 05	<u>188.6</u>	Jun 05	<u>190.1</u>	Sep 05	<u>195.0</u>
AVG CPI	186.4	AVG CPI	187.4	AVG CPI	190.1	AVG CPI	192.7

10. Add the following to the bibliography:

<u>Paragraph</u>	<u>Citation</u>
080500	OUSD (FMP)(MPP) Comp Memo, November 28, 2005