



Defense Travel Management Office



Overseas Cost of Living Allowance (COLA)

August 2011



Overview

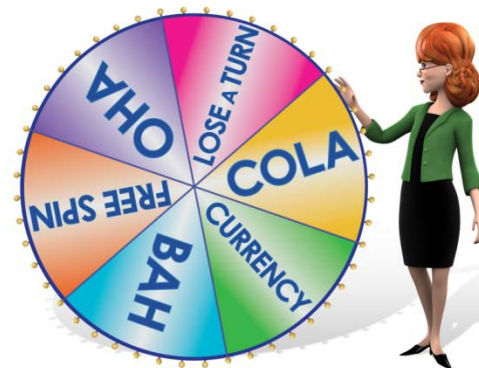
- DTMO Allowances Branch
- Overseas Cost of Living Allowance (COLA)
- Determining COLA
- Implementing COLA Adjustments
- Currency Adjustments
- Calculating COLA Payments
- Common COLA Misperceptions



DTMO Allowances Program Management

Acquires data, performs analysis, and prescribes rates for:

- **Overseas Cost of Living Allowance (COLA)**
- CONUS COLA
- Overseas Housing Allowance (OHA)
- Basic Allowance for Housing (BAH)
- Currency Adjustments
- Per Diem rates for all Federal travelers for all locations that are within the United States, but outside CONUS





COLA

- A \$ 2 billion dollar program, paid to 250,000 members, at approximately 600 overseas locations, including Alaska and Hawaii
- Governed by law in Title 37, Sec 405
- Implemented by the Joint Federal Travel Regulations (JFTR)
- Parallels Department of State Post Allowance





COLA (continued)

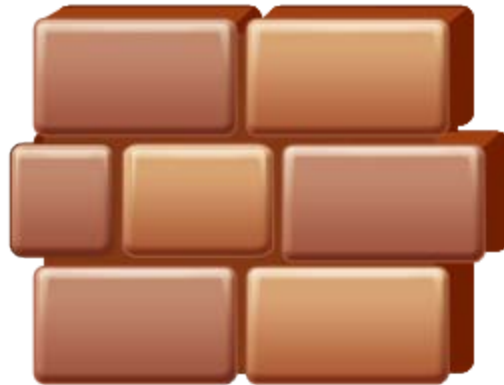
- Designed to offset the higher prices of non-housing goods and services overseas so that Service members can afford to purchase the same level of goods and services as if they were stationed in the CONUS
- Ensures economic parity with CONUS counterparts' spending patterns and levels
- Compares prices of goods and services overseas with prices in CONUS for equivalent goods and services





COLA: The Building Blocks

- Retail Price Schedule (RPS) – Reports actual prices of goods and services
- Bureau of Labor Statistics (BLS) Consumer Expenditure Survey (CES) – Determines weights for each category
- Living Pattern Survey (LPS) – Reports member shopping behavior
- CONUS Market Basket Updates – Prices updated quarterly





The Retail Price Schedule

- Once a year, POCs complete a Retail Price Schedule (RPS) to collect local prices for a market basket of 120 goods and services representing twelve categories purchased at:
 - Local market outlets (off-base)
 - U.S. Government facilities (military or embassy commissaries and military exchanges (on-base))
- Reporting locations are required to submit an annual RPS, but may report more frequently if unusual changes occur, such as extreme inflation and/or price fluctuations, etc.





The Living Pattern Survey

- Service members at overseas locations participate in a Living Pattern Survey (LPS), typically every 3 years, to report shopping patterns
- Survey identifies shopping patterns at the overseas location. Members report percentage of purchases made at:
 - Local Market Outlets (Off-base shopping in Local currency)
 - Military or Embassy Commissary or Exchange (US \$)
 - Mail Order, Internet, Export Companies
 - Supplies Brought to Post (Purchased in U.S. for use overseas)
 - Other



Determining COLA: Market Basket Categories

Major Category	Weight	Category Examples	Example Weight
Food Consumed at Home	10.5	Beef	13.3
Food Away	10.2	Dinner	33.3
Clothing	9.7	Woman's Skirt	11.8
Personal Care	3.0	Man's Haircut	5.7
Tobacco, Alcohol	3.0	Beer	39.0
Miscellaneous	15.0	Auto Purchase	15.0
Medical	2.5	Medical Care	2.5
Household Services	4.8	Day Care	70.0
Household Furnishings	12.0	Washing Machine	33.1
Recreation	10.5	Bicycle	21.7
Transportation	16.2	Auto Insurance	34.1
Telephone	2.7	Local Residence	53.5



Determining COLA: Why Weight?

- Weights determine the relative importance and use for each category item
- Weights ensure more dollar significance placed on heavily weighted items (i.e., car insurance, gasoline, day care etc.)
- The RPS individually weights each of the 12 major categories as well as each of the 120 market basket items within the categories
- BLS collects shopping behavior data specific to military families
- The BLS CES carefully details how military families allocate their spendable income across all COLA types of goods and services
- DTMO's Allowances Branch updates weights annually in conjunction with BLS updates



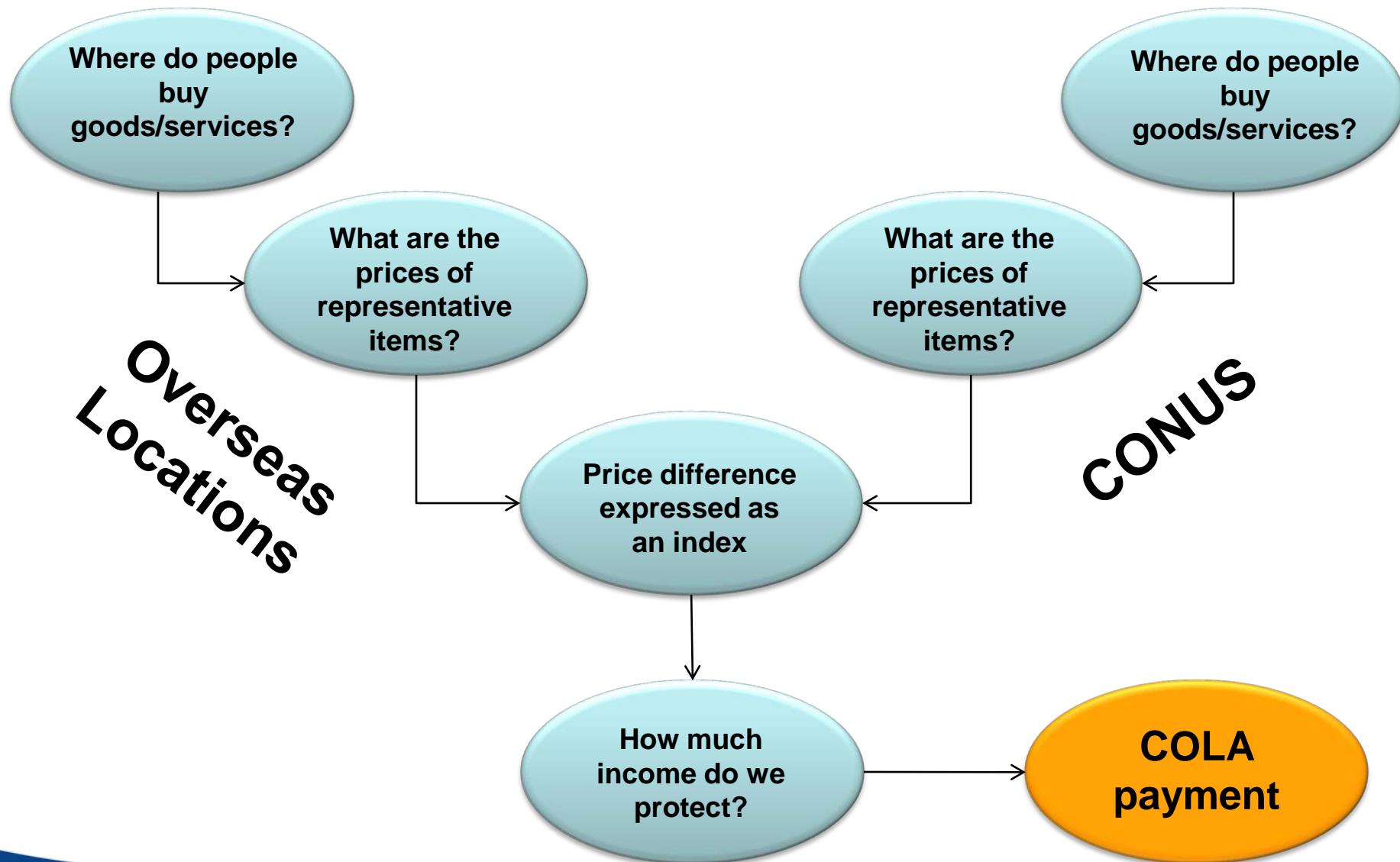
Determining COLA: Calculations

Affected by two different types of changes:

- **Data** that measures the cost difference between overseas prices and average CONUS prices
 - Living Pattern Survey (LPS)
 - Retail Price Schedule (RPS) data
 - Bureau of Labor Statistics (BLS) Consumer Expenditure Survey (CES)
 - CONUS Market Basket Updates
- **Currency** fluctuations
 - Overseas COLA will fluctuate based on the current exchange rate and can go up or down from pay period to pay period



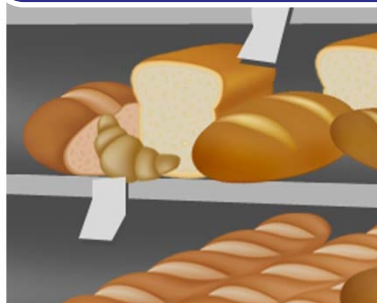
COLA: Computation and Payment





Computing a Price Index: Bread as an Example

Overseas Data



CONUS Data

- Living Pattern Survey
Commissary purchases 20% Local 80%
- Retail Price Schedule
Commissary price \$2.20 Local \$2.80

$$\text{Weight } (20\% \times \$2.20) + (80\% \times \$2.80) = \$2.68$$

- Living Pattern Survey
Commissary purchases 40% Local 60%
- Retail Price Schedule
Commissary price \$2.00 Local \$2.50

$$\text{Weight } (40\% \times \$2.00) + (60\% \times \$2.50) = \$2.30$$

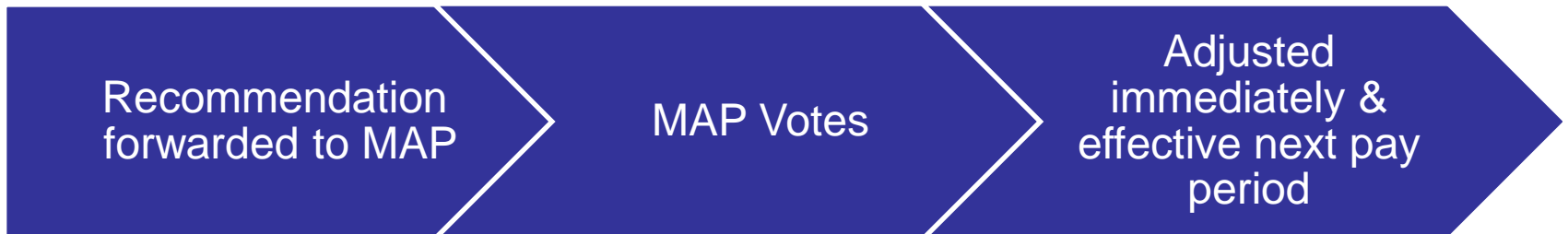
$$\text{Overseas Price/U.S. Price} = (\$2.68/\$2.30) = 116$$

Done for 120 goods & services



Implementing COLA Adjustments

- Adjustments are based on location specific RPS and LPS survey data
- Adjustments are either immediate or made incrementally, depending on whether the payment will increase or decrease
- If data changes result in an increase or no change
 - Recommendation is forwarded to the Military Advisory Panel (MAP)
 - MAP approves/disapproves
 - On approval, the index is adjusted immediately and effective next available pay period
 - Country POC is notified of increase and effective date





Implementing COLA Reductions

- If the data changes indicate a reduction:
 - Recommended change is forwarded to the MAP
 - MAP approves/disapproves
- With MAP approval:
 - Recommended reduction is forwarded to the Principals, a group composed of Deputy Assistant Secretaries and Directors representing each of the Uniformed Services for final approval
- Principals have 30 days to reply
- When Principals' approval received, country POC is notified of pending reduction, effective 45 days after country/command notification
- Reductions are taken at 2 points per month
- Implementation delayed a minimum of 75 days due to additional processing time



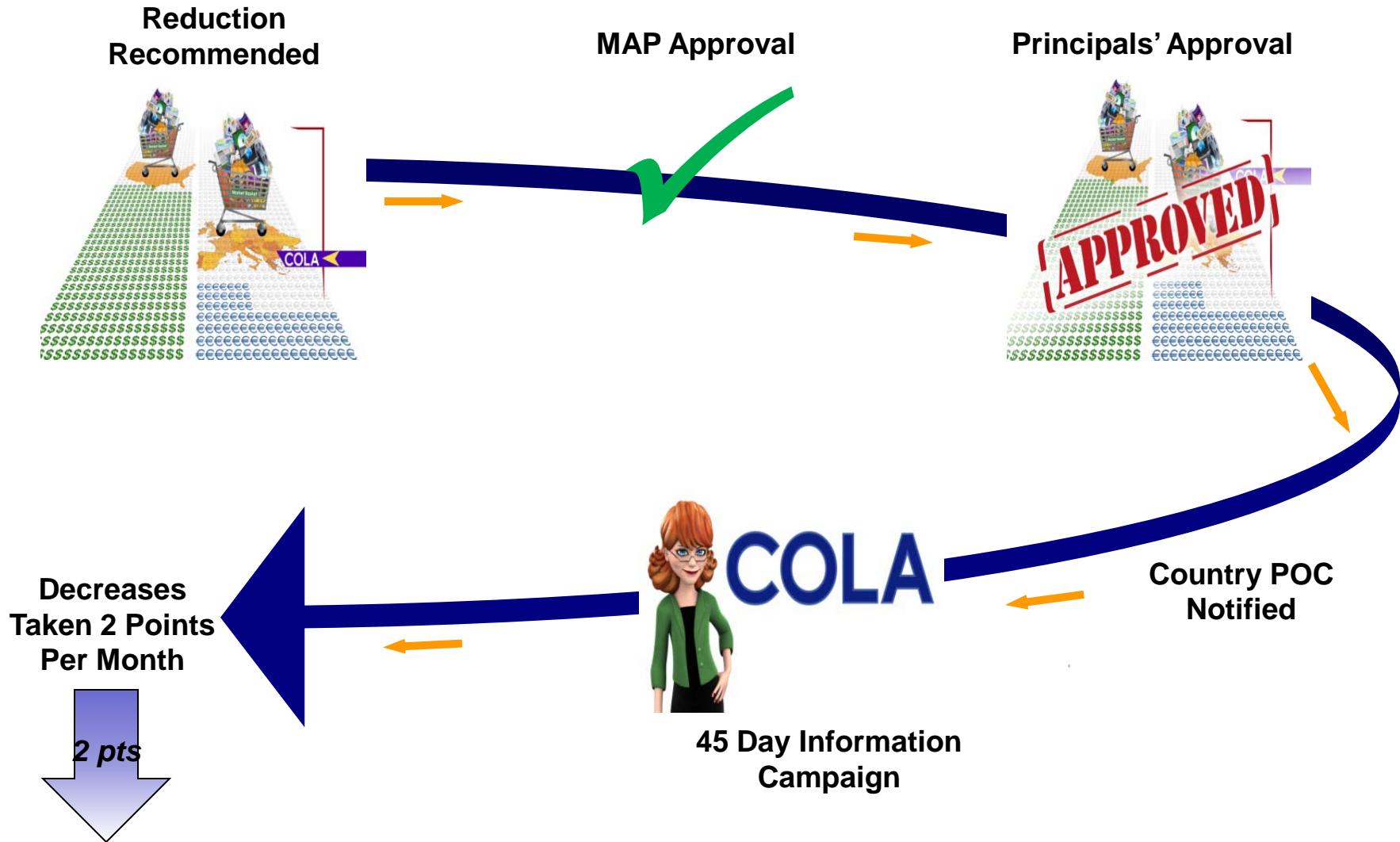
Military Advisory Panel

- Composed of one member from each of the seven uniformed services
- For DoD Services, either current or former Service member
- Reviews and approves all allowance recommendations
- Provides a Service perspective
- Provides field input
- Works as an excellent education resource for Services and the field
- Reacts quickly to emerging issues





COLA Reduction Process Summary





Currency Adjustments

Total amount of COLA a Service member receives is also adjusted for the current exchange rate on the day in which it is paid

- DTMO's Allowances Branch monitors exchange rates using a tracking model and algorithm
- Tracking model recommends currency adjustments that result in an increase, decrease or no change to the COLA index
- COLA adjustments for currency are automatic, no MAP approval is required
- Exchange rates are reviewed every two weeks and can be adjusted semi-monthly, if necessary. Adjustments are made exactly the same way whether the dollar is increasing or decreasing in value
- The exchange rate and COLA index are adjusted immediately, effective with the next available pay period



Example Currency Adjustment

- Current COLA index = 124 and LPS data tells us:
 - 50 points are attributed to on-base (Commissary and Exchange) purchases
 - 74 points are attributed to off-base (local) purchases
- Only local purchases are adjusted for currency changes
 - For example, the Dollar declines 5% against the Euro
 - 74 points (local purchases) x 5% Dollar decline = 3.7 (rounded to 4.0)
 - 124 index + 4-points for currency adjustment = 128 adjusted index



Calculating COLA Payments:

1

- Determine the member's Regular Military Compensation

2

- Determine member's average annual Spendable Income (SI)

3

- Locate COLA index for duty station from Appendix J

4

- Subtract 100 from prescribed COLA Index ($124 - 100 = 24$). This number indicates that it is 24% more expensive at this duty station

5

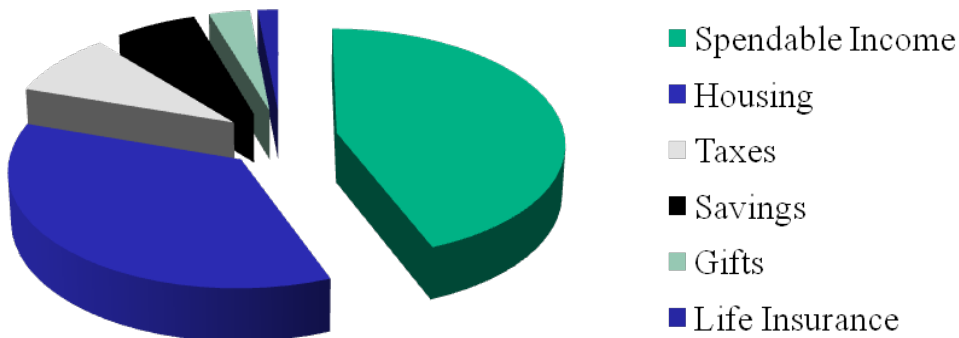
- Multiply this percentage by the SI amount, and divide by 360 for the daily rate

All compensation tables (RMC & Spendable Income) and COLA Index information (App J) are available at: <http://www.defensetravel.dod.mil/perdiem/>



Why Spendable Income?

- COLA is calculated based on member's spendable income, not total disposable income
- COLA only compensates for COLA types of goods & services
 - Spendable Income (SI) = Total Regular Military Compensation (RMC) minus housing, taxes, savings, life insurance, gifts and contributions
 - Spendable income varies from member to member based on rank, years of service, and number of dependents





Spendable Income Example

1 Oct 2010 (FY11)

- Spendable Income (SI) varies based on RMC & number of command sponsored dependents at Permanent Duty Station (PDS)
- RMC for E6, 10 years of service is \$64,179; with 3 dependents member's SI is \$32,900
- Example index of 124: $\$32,900 \times 24\% = \$7,944$ divided by 360 = \$22.07 per day
- SI table updated annually and effective with each Fiscal Year

**Cost-of-Living Allowance (COLA)
Average Annual Spendable Income Table
Effective 1 October 2010 (FY 11)**

Annual Compensation	Number of Dependents (Excluding Self)					
	0	1	2	3	4	= or > 5
> 139,000	44,900	50,500	56,200	59,000	64,600	67,400
132,000 - 138,999	42,400	47,700	53,000	55,700	61,000	63,600
125,000 - 131,999	40,700	45,800	50,900	53,400	58,500	61,100
118,000 - 124,999	39,000	43,900	48,800	51,200	56,100	58,500
112,000 - 117,999	37,400	42,100	46,800	49,100	53,800	56,200
106,000 - 111,999	36,000	40,500	45,000	47,200	51,700	54,000
100,000 - 105,999	34,500	38,800	43,100	45,300	49,600	51,800
95,000 - 99,999	33,100	37,300	41,400	43,500	47,700	49,700
90,000 - 94,999	31,900	35,900	39,900	41,900	45,900	47,900
85,000 - 89,999	30,700	34,500	38,400	40,300	44,100	46,000
80,000 - 84,999	29,400	33,100	36,800	38,600	42,300	44,200
75,000 - 79,999	28,200	31,700	35,300	37,000	40,500	42,300
71,000 - 74,999	27,100	30,500	33,900	35,500	38,900	40,600
67,000 - 70,999	26,100	29,300	32,600	34,200	37,500	39,100
63,000 - 66,999	25,100	28,200	31,400	32,900	36,100	37,600
59,000 - 62,999	24,100	27,100	30,100	31,600	34,600	36,100
55,000 - 58,999	23,100	26,000	28,800	30,300	33,200	34,600
51,000 - 54,999	22,100	24,800	27,600	29,000	31,700	33,100
48,000 - 50,999	21,200	23,800	26,500	27,800	30,500	31,800
45,000 - 47,999	20,400	23,000	25,500	26,800	29,400	30,600
42,000 - 44,999	19,700	22,100	24,600	25,800	28,300	29,500
< 41,999	18,900	21,300	23,600	24,800	27,200	28,400

Footnotes:
 **Source: BLS Table 2 & Table 2301 Income and Higher Income before taxes: Average annual expenditures and characteristics, Consumer Expenditure Survey Data 2008 Released 2010
 ** Rounded to the nearest \$100

SI Table and RMC Tables can be accessed at:

<http://www.defensetravel.dod.mil/site/cola.cfm/>



Using the COLA Calculator

- Service members can calculate their COLA rate at www.defensetravel.dod.mil
- The calculation tool is updated with the current COLA amounts each pay period





Calculating OCOLA Using the Query Tool

- Service members can calculate their COLA rate at: <http://www.defensetravel.dod.mil/site/colaCalc.cfm>
- The calculation tool is updated with the current COLA amounts each pay period
 - Enter locality code from App J or use drop down box to enter locality name
 - Use drop boxes to enter:
 - Rank
 - Years of service
 - Number of dependents
 - Living in barracks
 - Click *Submit* button

The screenshot displays the 'Overseas COLA Calculator' interface. The page header includes the Defense Travel Management Office logo and navigation tabs: Home, About, Programs & Services, News & Events, and References. A search bar and 'Login to DTS' button are also visible. The main content area is titled 'ALLOWANCES' and features a sidebar with various allowance categories like Basic Allowance for Housing (BAH), COMUS COLA, Currency, and Overseas Cost of Living Allowances (COLA). The calculator form includes the following fields:

- SELECT PAY PERIOD:**
 - YEAR: 2011
 - MONTH: February
 - PERIOD: 1st-15th
- LOCATION:**
 - NOTE: The location drop-down menu below contains only current locations. Use the LOCALITY CODE LOOK UP for all PAST RATES. Make a note of it and enter into Locality Code field below.
 - SELECT LOCATION BY NAME: OR LOCALITY CODE:
 - AFGHANISTAN, AF999
- MEMBER INFORMATION:**
 - PAY GRADE: E-1
 - YEARS OF SERVICE: < 2
 - # OF DEPENDENTS: 0
 - LIVING IN BARRACKS: NO

A 'CALCULATE' button is located at the bottom of the form.

Sample Member Data



DEFENSE TRAVEL MANAGEMENT OFFICE
THE DOD CENTER FOR TRAVEL EXCELLENCE

Home About Programs & Services News & Events References Search: Go

DTS is available. EWTG is available. Login to DTS

ALLOWANCES

Basic Allowance for Housing (BAH)
 CONUS COLA
 Currency
 Other Rates and Allowances
 Overseas Cost of Living Allowances (COLA)
 Overseas Housing Allowance (OHA)
 Per Diem Rates
 Station Allowance Changes

Programs & Services > Allowances > Overseas Cost of Living Allowances (COLA) > Overseas COLA Calculator

Overseas COLA Calculator

To calculate your Overseas COLA rate, select the Year, Month, Period, Locality Name or Code, and Member Information from the drop-downs below. Click Calculate when complete.

SELECT PAY PERIOD		
YEAR:	MONTH:	PERIOD:
2011	February	1st-15th

LOCATION

NOTE: The location drop-down menu below contains only current locations. Use the LOCALITY CODE LOOK UP for all PAST RATES. Make a note of it and enter into Locality Code field below.

SELECT LOCATION BY NAME: OR LOCALITY CODE:

ALASKA, ANCHORAGE (INCL EAGLE RIVER), AK005

MEMBER INFORMATION			
PAY GRADE:	YEARS OF SERVICE:	# OF DEPENDENTS:	LIVING IN BARRACKS:
E-9	20	3	NO

CALCULATE

Locality Code: AK005

Locality: Anchorage, Alaska

Paygrade: E9

Years of Service: 20

No of Dependents: 3

Living in Barracks: No



OCOLA Calculation Result

- The OCOLA Query tool automatically calculates the daily COLA rate as well as the monthly payment

OVERSEAS COST OF LIVING ALLOWANCE	
PAY PERIOD: 2-01-2011 thru 2-15-2011	
Rank:	E9
Years of Service:	20
Number of Dependents:	3
Country/State:	ALASKA
City:	ANCHORAGE (INCLUDING EAGLE RIVER)
Location Code:	AK005
COLA Index:	0.28
Effective Date:	20110201
Daily COLA:	\$ 33.833
Daily Unique:	\$ 0

COLA Payment for Pay Period	
2-01-2011 thru 2-15-2011	
COLA:	\$ 507.50
UNIQUE:	\$ 0

TOTAL PAY PERIOD ALLOWANCE:	\$ 507.50



COLA and Inflation

Overseas Inflation	Expected Result
Higher than in U.S.	COLA increase
Lower than in U.S.	COLA reduction
About the same as U.S.	COLA does not change

- DTMO's Allowances Branch does not use Consumer Price Index (CPI) or inflation rates to set overseas COLA indices
- Inflation is sustained increase in the general level of prices resulting in a decrease in purchasing power
- Closely related to cost of living, for example the cost of a hot dog today may be \$2.00, and a year from now \$3.00 resulting in a 50% inflation rate



Common Overseas COLA Misperceptions

- Price growth in CONUS has no effect on COLA
- Should be higher in locations without commissaries & exchanges
- Decreases a lot faster when the dollar is strong and increases at a slower pace when the dollar is weak
- Should compensate for lifestyle changes and loss of spousal income
- Intended to compensate for remoteness, hardship, or non-availability of goods and services
- Often thought of as “quality of life” allowance



Additional Information

- Website:

www.defensetravel.dod.mil

- Service points of contact:

<http://www.defensetravel.dod.mil/site/pdcContacts.cfm>

- Contact us:

allowances@dtmo.pentagon.mil

