

## APPENDIX J

## COST OF LIVING ALLOWANCE (COLA)

## UNIFORMED MEMBERS ONLY

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## APPENDIX J: COST OF LIVING ALLOWANCE (COLA)

### PART 1: INTRODUCTION

#### UNIFORMED MEMBERS ONLY

A. Purpose. A cost-of-living allowance (COLA) is paid to a member assigned to high cost OCONUS area to help maintain the equivalent purchasing power of the member's CONUS-based counterparts. The COLA system compares the cost differences between goods and services (excluding housing) purchased in an OCONUS area to the price of goods and services purchased in CONUS. Price comparisons determine the COLA amount needed to equalize purchasing power between an OCONUS-based member and CONUS-based counterparts. COLA compensates the member if the costs of these goods and services are higher in the OCONUS area than they are in CONUS.

B. Surveys. The COLA surveys include the Living Pattern Survey (LPS) and the Retail Price Schedule (RPS). The LPS and the RPS are the two OCONUS surveys conducted which determine OCONUS prices. See App M, Part I for more detailed information about the LPS and RPS data surveys. COLA indexes are determined using the data provided via these two surveys.

1. LPS. The LPS is the individual member survey that:

- a. Is **required** at least once every three years but may be submitted more frequently (see App M);
- b. Determines from where the service members purchase their goods/services, i.e.;
  - (1) Local market outlets (on the economy); and/or
  - (2) Commissary/exchange;
- c. Determines the purchase percentage from each source (local market and/or commissary/exchange); and
- d. Is conducted before the RPS.

2. RPS. The RPS is the market basket survey that:

- a. Is **required** annually but may be submitted more frequently (see App M),
- b. Reports actual prices paid by service members for a goods/services market basket (approximately 120 items) at the OCONUS location, and
- c. Includes selected items ordinarily purchased by CONUS-based families and items that are also available in most OCONUS areas.

C. Indexes. The COLA index represents the purchasing power difference between the OCONUS location and a CONUS location. For example, a COLA index of 110 indicates that the prices in the OCONUS area are **overall** 10 percent more expensive than in CONUS. An index of 100 indicates that the **overall** cost of the 120 goods/services is approximately the same at the OCONUS/CONUS locations and no COLA is warranted.

D. Payments. A member's COLA payment is determined using data from three individual sources/tables. The three tables include the [Annual Compensation Table](#), [Spendable Income Table](#), and the [COLA Index Table](#) in App J. See App J, Part 3.

E. Spendable Income. For COLA, spendable income is that portion of the member's annual compensation used to purchase items in the RPS. Members receive a COLA payment as a *percentage of, and based on, their spendable incomes; COLA is not based on total income*. Spendable income differs according to the member's:

1. Grade,
2. Years of service, and
3. Number of command-sponsored dependents.

F. Required Member Information. To determine a COLA, the following member information is required:

1. Grade,
2. Years of service,
3. Number of command-sponsored dependents,
4. Annual compensation - see this App, Part 3, Table I,
5. Average annual spendable income - see this App, Part 3, Table II, and
6. Member's PDS and COLA index - see this App, Part 3, Table III.

G. Computation Steps

Step 1: Determine the member's annual compensation based on grade, years of service, and dependency status (see this App, Part 3, Table I).

Step 2: Determine the member's average annual spendable income (see this App, Part 3, Table II),

- a. In table matrix column one, locate the dollar range for the appropriate 'Annual Compensation' amount as determined in Step 1 above,
- b. Follow this dollar range (line) to the right to the applicable column for the number of command-sponsored dependents,
- c. This number is the member's 'average annual spendable income'.

Step 3: Determine the member's COLA index based on PDS (see this App, Part 3, Table III).

Step 4: Subtract 100 from the prescribed COLA index and convert the remainder to a percentage, i.e., a remainder of 20 becomes 20% or .20.

Step 5: Multiply the member's average annual spendable income from Step 2 above by the percentage from Step 4 above. The result is the member's *annual* COLA. To determine the monthly allowance:

- a. Divide the annual COLA amount by 360 (days),
- b. Carry the result to 5 digits to the right of the decimal,
- c. Multiply the result in item b by the number of days in the month for which the allowance is payable, and
- d. Round the amount to the nearest cent.

**COLA CALCULATION EXAMPLE**

Effective 1 July 2011, a member in grade E-8 with 22 years of service is assigned to an OCONUS PDS. The prescribed [COLA index](#) for this locality is 120. The member is accompanied by a spouse and three children and is authorized COLA for July (31 days).

1. For an E-8 with 22 years of service, the [Annual Compensation Table](#) indicates the member's annual compensation is \$87,593.
2. The [Spensible Income Table](#) indicates the member's average annual spendable income is \$42,700 (based on the annual compensation amount from Step 1 that falls into the dollar range of \$85,000-\$89,999 and four dependents).
3. The [COLA index](#) for member's PDS the [COLA Indexes Table](#) is 120.
4. 100 subtracted from the [COLA index](#) of 120 from Step 3 leaves a remainder of 20 that converts to a decimal multiplier of .20.
5. Multiply the member's average [annual spendable income](#) (\$42,700) determined in Step 2 by the .20 multiplier from Step 4. This results in an annual COLA of \$8,540 (.20 x \$42,700 = \$8,540),
  - a. Divide \$8,540 by 360 (days) with 5 digits to the right of the decimal ( $\$8,540/\text{annum}/360 \text{ days/annum} = \$23.72222/\text{day}$ ),
  - b. Multiply the result by the number of days for which the allowance is payable ( $\$23.72222/\text{day} \times 31 \text{ days}/31\text{-day month} = \$735.38882/31\text{-day month}$ ),
  - c. Round to the nearest cent - \$735.39 is the member's payable COLA for July.

H. Foreign Currency Exchange Rates. PDTATAC reviews and adjusts (*when necessary*) exchange rates for countries where members are assigned. For more currency adjustment information see App M, Part 2. Based solely on the currency fluctuations, adjustments are made as frequently as twice monthly to COLA.

I. Significant COLA Expenses. In some areas, members must incur significant expenses for items that CONUS-based members do not purchase. For additional information on COLA unique expenses see App J, Part 2.

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## APPENDIX J: COST OF LIVING ALLOWANCE (COLA)

### PART 2: COLA UNIQUE EXPENSES

#### UNIFORMED MEMBERS ONLY

A. Purpose. In some OCONUS areas, a member and/or dependent incurs significant mandatory and excessive expenses for items that a CONUS-based member never incurs. Since the expenses are not incurred in CONUS they cannot be made a part of the ordinary [COLA index](#) calculation. For these expenses, payment is a dollar for dollar reimbursement for a specifically authorized expense at designated authorized locations.

B. Criteria. A mandatory and excessive expense incurred periodically (i.e., annually, semiannually, etc.) that must meet all of the criteria below to be an authorized as a COLA - Unique Expense eligible for reimbursement. ***PDTATAC does not accept requests from individual members for COLA - Unique Expense authorization.*** All requests for specific expenses at specific locations must be forwarded through the Major Command level, then via the applicable Service representative (indicated under the heading "Feedback Reporting" in the JTR introduction) to PDTATAC. The Secretary Concerned or Secretarial Process, at Service discretion, may reimburse COLA Unique Expenses for the locations and specific expenses cited in par. C of this Part with no further PDTATAC action required. There is no requirement for recovery of any amount refunded to a member by the foreign government agency involved. Each individual mandatory and excessive expense must be:

1. Incurred by a clear *majority* of members assigned at a duty station, and
2. An item/expense that exceeds 1% of [Spensible Income](#) for the typical uniformed member, and
3. An item/expense that is not purchased or paid by CONUS-based members, and
4. Specifically authorized/approved by PDTATAC for reimbursement are listed in par. C below, and
5. Verified by a valid receipt, and
6. Paid on or after 1 July 2006. No expenses paid before this date can be reimbursed.

C. Authorized Locations. Locations authorized a COLA-unique expense reimbursement (no other locations or expenses authorized):

1. Singapore. Mandatory and excessive Road Tax for one POV may be reimbursed as substantiated by receipts. Mandatory and excessive Registration/Transfer fees for one POV may be reimbursed as substantiated by receipts.

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## APPENDIX J: COST OF LIVING ALLOWANCE (COLA)

### PART 3: COLA INDEX TABLES

#### UNIFORMED MEMBERS ONLY

A. General. For current geographic COLA information, and the following tables, please see the DTMO website at: <http://www.defensetravel.dod.mil/site/travelreg.cfm/>.

B. Table I - Annual Compensation for Members with and without Dependents. On the DTMO website, select 'Programs & Services', 'Allowances', 'Overseas Cost of Living Allowance (COLA)', 'Overseas COLA Pay Tables', 'paytablesYYYY.pdf'..

C. Table II - Average Annual Spendable Income. On the DTMO website select 'Programs & Services', 'Allowances', 'Overseas Cost of Living Allowance (COLA)', 'Overseas COLA Spendable Income Tables', 'Spendable-Income-Table(YYYY-MM-DD).pdf.

D. Table III - Cost-of-Living Allowance Indexes. On the DTMO website select 'Programs & Services', 'Allowances', 'Overseas Cost of Living Allowance (COLA)', 'Overseas COLA Indices', 'YYYY-COLA-Indexes.pdf'.

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