Overseas Cost of Living Allowance

Installation Personnel Administration Center

MCAS Iwakuni, Japan
Determining COLA: Calculations

COLA calculations are 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.
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 overseas use)
  - Other
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 BLS and CES carefully details how military families allocate their spendable income across all COLA types of goods and services.

• Defense Travel Management Office’s Allowances Branch updates weights annually in conjunction with BLS updates.
CONUS Market Basket Updates

- Compares prices of goods and services overseas with prices in CONUS for equivalent goods and services:
  - Food Consumed at Home - Food Away
  - Clothing - Personal Care
  - Tobacco, Alcohol - Miscellaneous
  - Medical - Household Services
  - Household Furnishings - Recreation
  - Transportation - Telephone
CONUS Market Basket Updates

• 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.
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
Overseas COLA Calculator and Additional Information

• Service members can find more detailed information and calculate their COLA rate at:

www.defensetravel.dod.mil