



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



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- 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



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- 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.



Bureau of Labor Statistics (BLS) Consumer Expenditure Survey (CES)



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- 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



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- 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



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- 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



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- 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



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

www.defensetravel.dod.mil