



**DEFENSE FINANCE AND ACCOUNTING SERVICE
ARLINGTON**

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DFAS-DFM

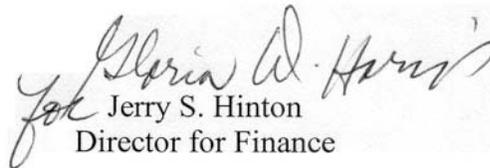
FEB 27 2004

MEMORANDUM FOR DIRECTOR, CONTINUING GOVERNMENT ACTIVITY,
DEFENSE FINANCE AND ACCOUNTING SERVICE
(DFAS-PDO/CL)

SUBJECT: Interim Change to the Department of Defense Financial Management Regulation
(DoDFMR), Volume 7, Part B, Regarding December 2003 Cost-of-Living
Adjustment (DFAS Item M-81)

The attached Interim Change **R05-04** to the DoDFMR, Volume 7B to implement the
military retired pay cost-of-living adjustment. This change is effective December 1, 2003.

We have evaluated your comments on the proposed change and included your comments
where appropriate. Assignment of the interim change number is your authority to initiate
procedural modifications to implement this change. Use the attached to initiate the formal
change to the DoDFMR, Volume 7B.


Jerry S. Hinton
Director for Finance

Attachments:

As stated:

cc: DUSD(MPP)(Comp)
OUSD(C)(OCDFO)(FP)
ODGC(F)
DFAS-GA/DE
Service Liaisons
USCG/NOAA/PHS Liaisons
DFAS-PMJE/DE

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 recom- putation (note 8)	and apply later COLADJ per table 7-3 rule (notes 5 & 9)
81	Dec 1, 00 -Dec 31, 00				2.0 + 3.5	42 through end
82	Jan 1, 01 -Nov 30, 01	Jan 1, 01	Jan 1, 00	Jan 1, 00	2.8 (Note 10)	43 through end
83	Dec 1, 01 - Dec 31, 01				2.8 +2.6	
84	Jan 1, 02 – Nov 30, 02	Jan 1, 02	Jan 1, 01	Jan 1, 01	2.0 (Note 11)	44 through end
85	Dec 1, 02 – Dec 31, 02				2.0 + 1.4	
86	Jan 1, 03 – Nov 30, 03	Jan 1, 03	Jan 1, 02	Jan 1, 02	1.4	
87	Dec 1, 03 – Dec 30, 03				1.4 + 2.1	
88	Jan 1, 04	Jan 1, 04	Jan 1, 03	Jan 1, 03	1.7	

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 appli-cable at time of recomputation (notes 6, and 7)	and apply later COLADJ per table 7-3 rule (notes 6, 7)
77	Jan 1, 99 – Nov 30, 99	Jan 1, 99	Jan 1, 99	Jan 1, 99		2.0
78	Dec 1, 99 – Dec 31, 99				2.0	
79	Jan 1, 00 – Nov 30, 00	(Note 8)	Jan 1, 00	Jan 1, 00		2.8
80	Dec 1, 00 – Dec 31, 00				2.8 (Note 9)	
81	Jan 1, 01 – Nov 30, 01	Jan 1, 01	Jan 1, 01	Jan 1, 01		2.0
82	Dec 1, 01 –Dec 31, 01				2.0 (Note 10)	
83	Jan 1, 02 – Nov 30, 02	Jan 1, 02	Jan 1, 02	Jan 1, 02		1.4
84	Dec 1, 02 – Dec 31, 02				1.4	
85	Jan 1, 03 – Nov 30, 03	Jan 1, 03	Jan 1, 03	Jan 1, 03		1.7
86	Dec 1, 03 – Dec 31, 03				1.7	

3. Update Table 7-3 in Volume 7B, Cost of-Living Adjustment Percentage Table, to show the following addition after no. 43:

43	Dec 1, 02 (Note 2)	1.4 post September 7, 1980 member
44	Dec 1, 03 (Note 2)	2.1 post September 7, 1980 member

4. Add new subparagraph 080496 as follows:

080496. A cost-of-living adjustment (COLA) effective December 1, 2003:

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, 2003	2.1 percent	1401a(b)(2)
January 1, 2003	1.7 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, 2003	2.1 percent	1401a(b)(2)
Jan 1, 2003 – Mar 31, 2003	1.7 percent	1401a(d)
Apr 1, 2003 – Jun 30, 2003	0.7 percent	1401a(d)
Jul 1, 2003 – Sep 30, 2003	0.4 percent	1401a(d)
Oct 1, 2003 – Dec 31, 2003	0.0 percent	1401a(d)

5. Add new subparagraph 080497 as follows:

080497. Public Law 108-136, November 24, 2003, and Executive Order 13322 effective January 1, 2004, provide:

- A. Increased basic pay rates.
- B. No increase for members retired before January 1, 2004.
- C. No entitlement to pay computed on the January 1, 2004, basic pay rates for members who retired on January 1, 2003, and who were subject to the URDA (reference (x)), warrant officers, Fleet Reservists, and Fleet Marine Corps Reservists (December 31, 2003 transfers)."

6. Revise Table 49-1, Survivor Benefit Plan Threshold Amount in Volume 7B, to show the following change/addition after rule 27:

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
34	January 1, 2002 – 1.4%		\$547.00
		December 1, 2002 Pre-September 8, 1980 Member January 1, 2002 – 1.4%	\$554.66
		Post September 8, 1980 Member	
		Retired January – March 02 1.4%	\$554.66
		Retired April – June 02 1.4%	\$554.66
	Retired July – September 02 .5%	\$549.74	
	Retired October – December 02 0%	\$547.00	
35	January 1, 2003 – 2.1		572.00
		December 1, 2003 Pre September 8, 1980 Member January 1, 2003 – 1.7%	580.01
		Post September 8, 1980 Member	
		Retired January – March 03 1.7%	580.01
		Retired April – June 03 .7%	576.00
		Retired July – September 03 .4%	574.29
		Retired October – December 03 0%	572.00
36	January 1, 2004		595.00

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

<u>Year of Retirement</u>	<u>Maximum Pay By Social Security</u>
“2004	87,900”

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

1 st Qtr	FY 03	2 nd Qtr	FY 03	3 rd Qtr	FY 03	4 th Qtr	FY 03
4 th Qtr	CY 02	1 st Qtr	CY 03	2 nd Qtr	CY 03	3 rd Qtr	CY 03
Oct 01	177.3	Jan 02	177.7	Apr 02	179.8	Jul 02	179.6
Nov 01	177.4	Feb 02	179.2	May 02	179.4	Aug 02	180.3
Dec 01	177.0	Mar 02	180.3	Jun 02	179.6	Sep 02	181.0
AVG CPI	177.2	AVG CPI	179.1	AVG CPI	179.6	AVG CPI	180.3

9. Add the following to the bibliography:

Paragraph

Citation

080496

OSD (FMP)(MPP) Comp Memo, December 8, 2003