



Defense Travel Management Office



OCONUS COLA

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SOUTHCOM SCO Spouse Conference

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Overview

- Overseas Cost of Living Allowance (OCOLA)
- OCOLA Challenges
- Determining OCOLA
- Implementing OCOLA Adjustments
- Currency Adjustments
- Common OCOLA Misperceptions



Overseas Cost of Living Allowance (OCOLA)

- A \$1.8 billion dollar program, paid to 250,000 members at approximately 600 overseas locations, including Alaska and Hawaii
- Governed in law by Title 37, Sec 405
- Implemented by policy across the services, and Joint Federal Travel Regulations (JFTR)
- Parallels Department of State Post Allowance
- Repeated studies have reviewed the COLA system
 - Most recently by Lewin Group & 10th Quad
 - Found to be economically sound in comparison to similar government and business programs



OCOLA (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 U.S.
- Ensures economic parity with CONUS counterpart's spending patterns and levels
- Compares prices of goods and services overseas with prices in CONUS for equivalent goods and services





OCOLA Challenges

- Most visible, contested allowance
- At least 70% of customer contact involves OCOLA
- High visibility at the MACOM level
- Viewed by members and commands as a vehicle for compensation when other programs are either absent or inadequate – i.e., cover non-COLA items/costs



Determining OCOLA: Calculations

Effected by two different types of changes:

- **Data** that measures the cost difference between overseas prices and 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
 - OCOLA will fluctuate based on the current exchange rate and can go up or down from pay period to pay period



Determining COLA: The Building Blocks

- Living Pattern Survey (LPS) – Reports member shopping behavior
- 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
- CONUS Market Basket Updates – Prices updated quarterly





Determining OCOLA: Living Pattern Survey

- Service members at overseas locations participate in a Living Pattern Survey (LPS) every 3 years to report shopping patterns
- Survey identifies shopping patterns at the overseas location. Members report percentage of purchases made:
 - 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: Identifies on- and off-base percentages



Determining OCOLA: Retail Price Survey

- Once a year, POCs complete a Market Basket Survey (Retail Price Schedule (RPS)) to collect local prices
- The RPS reports the actual overseas prices for a market basket of 129 goods and services representing twelve categories purchased at:
 - Local market outlets (off-base)
 - U.S. Government facilities (military or embassy commissaries or 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.



Determining OCOLA: Market Basket Categories

Major Category	Weight	Category Examples	Example Weight
Food Consumed at Home	10.6	Beef	30.5
Food Away	10.2	Dinner	3.0
Clothing	9.7	Woman's Skirt	11.1
Personal Care	3.0	Man's Haircut	12.9
Tobacco, Alcohol	3.0	Beer	44.8
Miscellaneous	14.9	Auto Purchase	9.4
Medical	2.5	Pain Reliever	10.3
Household Services	4.7	Day Care	78.2
Household Furnishings	11.9	Washing Machine	33.4
Recreation	10.5	Bicycle	15.1
Transportation	16.2	Auto Insurance	17.4
Telephone	2.7	Local Residence	48.7

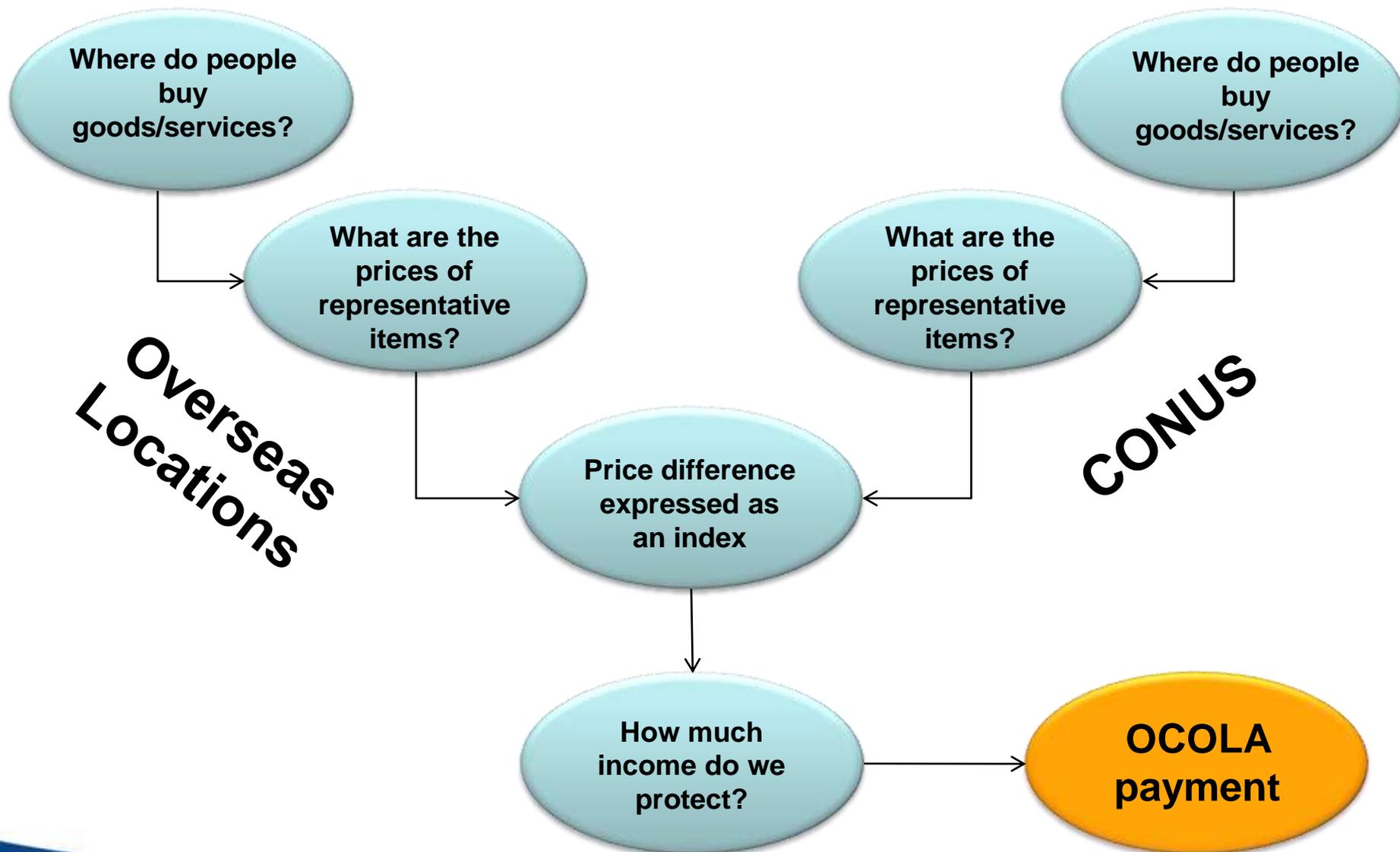


Determining OCOLA: Why Weight?

- 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 129 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 OCOLA: 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 Schedule
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 OCOLA Adjustments

- Adjustments are based on location specific LPS and RPS 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 OCOLA 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 pts per month
- Implementation delayed a minimum of 75 days due to additional processing time

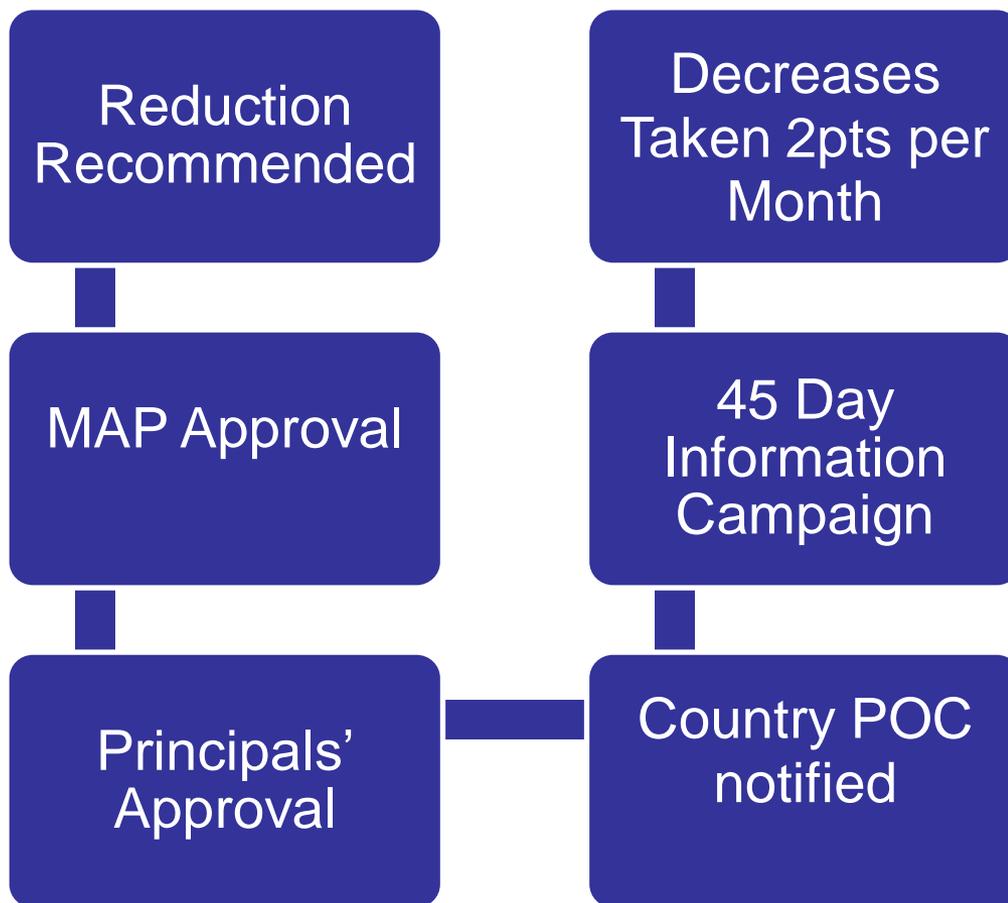


Military Advisory Panel

- 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



OCOLA Reduction Process Summary





Currency Adjustments

Total amount of OCOLA 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 OCOLA 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 ($124 - 100 = 24$)

5

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

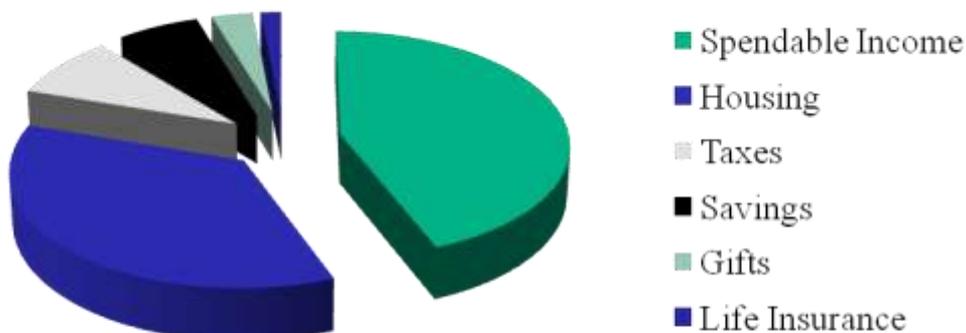
All compensation tables (RMC & Spendable Income) and COLA Index information (App J) are available at:

<http://www.defensetravel.dod.mil/perdiem/trvlregs.html>



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 2008 (FY09)

- Spendable Income varies based on RMC & number of command sponsored dependents at PDS
- RMC for E6, 10 YOS is \$59,409; with 3 dependents member's SI is \$31,400
- Example index of 124: \$31,400 X 24% = \$7,536 divided by 360 = \$20.93 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 2008 (FY 09)**

Annual Compensation	Number of Dependents (Excluding Self)					
	0	1	2	3	4	= or > 5
> 139,000	42,200	47,500	52,800	55,400	60,700	63,300
132,000 - 138,999	40,300	45,300	50,400	52,900	57,900	60,500
125,000 - 131,999	39,000	43,800	48,700	51,100	56,000	58,500
118,000 - 124,999	37,600	42,300	47,000	49,300	54,000	56,400
112,000 - 117,999	36,300	40,800	45,300	47,600	52,100	54,400
106,000 - 111,999	35,000	39,400	44,000	46,000	50,300	52,500
100,000 - 105,999	33,700	38,000	42,200	44,300	48,500	50,600
95,000 - 99,999	32,500	36,600	40,700	42,700	46,800	48,800
90,000 - 94,999	31,400	35,400	39,300	41,300	45,200	47,100
85,000 - 89,999	30,300	34,100	37,900	39,800	43,600	45,400
80,000 - 84,999	29,100	32,800	36,400	38,200	41,900	43,700
75,000 - 79,999	28,000	31,500	35,000	36,700	40,200	41,900
71,000 - 74,999	26,900	30,200	33,600	35,300	38,600	40,300
67,000 - 70,999	25,900	29,100	32,400	34,000	37,200	38,900
63,000 - 66,999	24,900	28,000	31,200	32,700	35,800	37,400
59,000 - 62,999	23,900	27,000	29,900	31,400	34,400	35,900
55,000 - 58,999	22,900	25,800	28,600	30,100	33,000	34,400
51,000 - 54,999	21,900	24,600	27,300	28,700	31,400	32,800
48,000 - 50,999	21,000	23,600	26,200	27,500	30,100	31,400
45,000 - 47,999	20,200	22,700	25,200	26,500	29,000	30,300
42,000 - 44,999	19,400	21,800	24,200	25,400	27,900	29,000
< 41,999	18,600	20,900	23,200	24,400	26,700	27,900

Footnotes:
 **Source: BLS Table 2 & Table 2301 Income and Higher Income before taxes: Average annual expenditures and characteristics, Consumer Expenditure Survey Data 2006
 Released 2007
 ** Rounded to the nearest \$100

SI Table and RMC Tables can be accessed at:

<http://ww.defensetravel.dod.mil/perdiem/ocform.html>



Calculating OCOLA Using the Query Tool

- Service members can calculate their COLA rate at: <http://ww.defensetravel.dod.mil/perdiem/ocform.html>
- 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 shows the "Overseas COLA Query" web page. At the top, there are navigation links for "SHORTCUTS" (BAH, C-COLA, DLA, PER DIEM, O-COLA, OHA, MILEAGE, COLA & OHA SURVEYS) and a search bar. Below this is a header for the "Department of Defense PER DIEM, TRAVEL AND TRANSPORTATION ALLOWANCE COMMITTEE" with a navigation menu including "Home", "Rates & Allowances", "Travel Regulations", "Lodging & Dining Availability & SWS", "Telephone Directory", "Frequently Asked Questions", "Send a Message to POTATAC", and "Other Related Sites".

The main content area is titled "Overseas COLA Query" and includes a descriptive paragraph: "The *Overseas Cost of Living Allowance* is a supplement designed to equalize purchasing power between members overseas and their CONUS-based counterparts. The average supplement is \$300 per month. The basic measurement is a comparison of CONUS shopping behavior and the aggregate shopping behavior at each overseas location."

Below the text is a "RATE QUERY" form with the following sections:

- SELECT PAY PERIOD:** Includes dropdowns for YEAR (2009), MONTH (January), and PERIOD (1st - 15th).
- LOCATION:** Includes a note: "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." It has a "SELECT LOCATION BY NAME" dropdown (currently showing "ALASKA, ANCHORAGE (INCL EAGLE RIVER), AIGIS") and a "LOCALITY CODE" input field.
- MEMBER INFORMATION:** Includes dropdowns for RANK (E-1), YEARS OF SERVICE (< 2), # OF DEPENDENTS (0), and LIVING IN BARRACKS (NO).

An "EXECUTE" button is located at the bottom of the form.



Sample Member Data

SHORTCUTS: BAH | C-COLA | DLA | PER DIEM | O-COLA | OHA | MILEAGE | COLA & OHA SURVEYS SEARCH: GO

JFTR & JTR Portal | IMMEDIATE CHGS | MONTHLY CHGS Updates | Site Map | Mailing List | Civilian Notice | Survey

Department of Defense
PER DIEM, TRAVEL AND TRANSPORTATION ALLOWANCE COMMITTEE

Home | Rates & Allowances | Travel Regulations | Lodging & Dining Availability & Svcs | Telephone Directory | Frequently Asked Questions | Send a Message to PDTATAC | Other Related Sites

Overseas COLA Query

The *Overseas Cost of Living Allowance* is a supplement designed to equalize purchasing power between members overseas and their CONUS-based counterparts. The average supplement is \$300 per month. The basic measurement is a comparison of CONUS shopping behavior and the aggregate shopping behavior at each overseas location.

R A T E Q U E R Y

SELECT PAY PERIOD

YEAR: MONTH: PERIOD:

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:

MEMBER INFORMATION

RANK: YEARS OF SERVICE: # OF DEPENDENTS: LIVING IN BARRACKS:

EXECUTE

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: 1-01-2009 thru 1-15-2009	
Rank:	E9
Years of Service:	20
Number of Dependents:	3
Country/State:	ALASKA
City:	ANCHORAGE (INCLUDING EAGLE RIVER)
Location Code:	AK005
COLA Index:	0.22
Effective Date:	20050316
Daily COLA:	\$ 25.239
Daily Unique:	\$ 0

**COLA Payment for Pay Period
1-01-2009 thru 1-15-2009**

COLA: \$ 378.58



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 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 OCOLA Misperceptions

- Price growth in CONUS has no effect on OCOLA
- 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 life style 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