



DEFENSE FINANCE AND ACCOUNTING SERVICE

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MAR 2 2001



DFAS-DFM

MEMORANDUM FOR DIRECTOR, MILITARY PAY OPERATIONS, DEFENSE
FINANCE AND ACCOUNTING SERVICE
(DFAS-PM/CL)

SUBJECT Interim Change to Department of Defense Financial Management
Regulation (DoDFMR), Volume 7B, Regarding December 1999,
1999, Cost-of-Living Adjustment (DFAS Item J-46)

The attached, Interim Change **R03-01** to Chapters 3, 8, 9, Tables 7-1 and 7-2, 7-3, 49-1, Appendices M and U of the DoDFMR, Volume 7B, which implements the military retired pay cost-of-living adjustment effective in December 1, 1999, and the January 1, 2000, basic pay increase authorized by the National Defense Authorization Act for Fiscal Year 2000, Section 601.

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

Attachment:
As stated

cc: DASD(MPP)(COMP)
ODGC(F)
DFAS-GAM/DE
DFAS-PR/KC
Services Liaisons
USCG/NOAA/PHS Liaisons
DFAS-PRR/DE
DFAS-PRR/CL

1. Add the following new subparagraph 030404.C as follows:

"Section 601(e) of Public Law 106-65, October 5, 1999, provides that retired pay be recomputed effective January 1, 2000, for certain members who retired during the period April 30, 1999 through December 31, 1999. As a result, the retired pay of members grade 0-9 with over 26 years of service and 0-10s with over 16 years of service will be recomputed. The new rates will be for months beginning on or after January 1, 2000, and will be computed as if the Level III limit had applied at the time of a qualified member's retirement. No increased amount is payable for any period before January 1, 2000, as a result of this provision. Retired pay rates for affected members should be recomputed-for their entitlement for January 2000 as though the following rates of basic pay had been applicable at the time of retirement:

0-9	Over 26 years of service:	\$9,528.00
0-10	Over 16 years of service:	\$9,528.00
0-10	Over 18 years of service:	\$9,528.00
0-10	Over 20 years of service:	\$10,167.00
0-10	Over 22 years of service:	\$10,167.00
0-10	Over 24 years of service:	\$10,167.00
0-10	Over 26 years of service:	\$10,491.60"

2. Revise Tables 7-1 and 7-2 in Volume 7B to add/chancere as follows:

" Table 7 - 1

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)

	A	B	C	D	E	F
R	If date of	and the	then	and entitle-	increased by	and apply
U	release from	current	revert	ment at time	COLADJ appli-	later COLADJ
L	active duty	active duty	to active	of recompu-	cable at time	per table 7-3
E	is during	rate is	duty rate	tation is	of recomputa-	rule (notes 5,
				(note 4)	tion (note 8)	9)
79	Dec 1,99 -	Jan 1, 99	Jan 1, 98	Jan 1, 98	1.0 + 2.4	- -
	Dec 31, 99					

Table 7-2

DISABILITY REVERT - RATES OF ENTITLEMENT UPON REVERSION TO RETIRED LIST (10 U.S.C. 1402) (WITH DISABILITY OF AT LEAST 30 PERCENT AFTER RECALL)

	A	B	C	D	E	F
R U L E	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	increased by COLADJ applicable at time of recomputation (notes 6, 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	- -

3. Update Table 7-3 in Volume 7E, Cost of-Living Adjustment Percentage Table, to show the following addition after no. 39:

" 4 0 Dec 1, 99 (note 2) 2.4 Pre-Aug 86 member"

4. Add the following new subparagraph 080488 in Volume 7B:

"A cost-of-living adjustment effective Dec 1, 1999, provided for:

A. Pre-Aug 86 members:

1. Members who first entered service before August 1, 1986, and whose retired pay has been computed under active duty pay rates in effect before January 1, 1999, received a 2.4 percent adjustment.

2. Members who first entered service before September 8, 1980, and who became entitled to an initial amount of retired pay computed on the January 1, 1999, active duty basic pay rate received a 2 percent adjustment.

3. Members who first entered service after September 7, 1980, but before Aug 1, 1986, and who became entitled to an initial amount of retired pay on or after January 1, 1999, are entitled to a pro rata adjustment as follows:

<u>Retired Pay Effective Date</u>	<u>Percent Increase</u>
Jan 1, 1999 - Mar 31, 1999	2.0 percent
Apr 1, 1999 - Jun 30, 1999	1.7 percent
Jul 1, 1999 - Sep 30, 1999	0.7 percent
Oct 1, 1999 - Dec 31, 1999	0.0 percent

B. Officers in Grades 0-7 through 0- 10. Recomputation of retired pay for certain members retired during the period April 30 through December 31, 1999.

1. Section 601(d) of Public Law 106-65, October 5, 1999, revised the limits imposed on the rates of basic pay for members of the Uniformed Services. Pay rates for grades 0-7 and above will be limited, effective January 1, 2000, to the pay rate for Level III of the Executive Schedule. Newly published pay rates effective January 1, 2000, and later will reflect these new limits. See Volume 7A, Chapter 2, Table 2-5, of this regulation.

2. Section 601(e) provides that retired pay be recomputed effective January 1, 2000, for certain members who retired during the period April 30, 1999, through December 31, 1999. As a result, the retired pay of members grade 0-9 with over 26 years of service and 0- 10s with over 16 years of service will be recomputed. The new rates will be for months beginning on or after January 1, 2000, and will be computed as if the Level III of the Executive Schedule limit had applied at the time of a qualified member's retirement. No increased amount is payable for any period before January 1, 2000, as a result of this provision. Retired pay rates for affected members should be recomputed for their entitlement for January 2000 as though the following rates of basic pay had been applicable at the time of retirement:

O-9	Over 26 years of service:	\$9,528.90
O-10	Over 16 years of service:	\$9,528.90
O-10	Over 18 years of service:	\$9,528.90
O-10	Over 20 years of service:	\$10,167.00
O-10	Over 22 years of service:	\$10,167.00
O-10	Over 24 years of service:	\$10,167.00
O-10	Over 26 years of service:	\$10,491.60"

5. Add the following new subparagraph 080489 in Volume 7B:

"Executive Order 13144 effective January 1, 2000 provides:

- A. Increased basic pay rates.
- B. No increase for members retired before January 1, 2 000.

C. No entitlement to pay computed on the January 1, 2000, basic pay rates for members who retired on January 1, 2000, and who were subject to the URDA (reference (x))warrant officers, Fleet Reservists, and Fleet Marine Corps Reservists (December 31, 1999, transfers).

6. Correct Table 49-1, Survivor Benefit Plan Threshold Amount, Rule 28, Column A to read: January 1, 1999 - 3.6%

7. Revise Table 49-1, Survivor Benefit Plan Threshold Amount in Volume 7B, to show the following change/addition after rule 28:

	A	B	C
R	If retired pay		
U	is based on		
L	active duty rates	and increased by	then the SBP
E	effective	by COLADJ	threshold is
29		Dec 1, 99	
		Pre-Sep 80 Mbr	2.0%
			\$471.24
		Pre-Aug 1986 Mbr	
		Retired Jan-Mar 99	2.0%
		Retired Apr-Jun 99	1.7%
		Retired Jul-Sep 99	.7%
		Retired Oct-Dec 99	.0
			471.24
			469.85
			465.23
			462.00
30	January 1, 2000 - 4.8%		484.00
	*July 1, 2000 - 1.4%		491.00
	*Section 601 (c) of PL 106-65, Oct 5, 1999		

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

<u>Year of Retirement</u>	<u>Maximum Pay By Social Security</u>
"2000	76,200"

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

<u>1st Qtr FY 99</u>	<u>2nd Qtr FY 99</u>	<u>3rd Qtr FY 99</u>	<u>4th Qtr FY 99</u>				
<u>4th Qtr CY 98</u>	<u>1st Qtr CY 99</u>	<u>2nd Qtr CY 99</u>	<u>3rd Qtr CY 99</u>				
Oct 98	160.6	Jan 99	161.0	Apr 99	162.8	Jul 99	163.3
Nov 98	160.7	Feb 99	161.1	May 99	162.8	Aug 99	163.8
Dec 98	<u>160.7</u>	Mar 99	<u>161.5</u>	Jun 99	<u>162.9</u>	Sep 99	<u>164.8</u>
AVG CPI	160.7	AVG CPI	161.2	AVG CPI	162.8	AVG CPI	163.9

10. Add the following references to the Bibliography:

<u>Paragraph</u>	<u>Citation</u>
080488	OSD (FMP) (Comp) memo, Dec 10, 1999
080489	Executive Order 13144, Dec 21, 1999