



DEFENSE FINANCE AND ACCOUNTING SERVICE

1931 JEFFERSON DAVIS HIGHWAY
ARLINGTON, VA 22240-5291

FEB - 7 1997

DFAS-HQ/FMM

MEMORANDUM FOR DIRECTOR, DEFENSE FINANCE AND ACCOUNTING SERVICE
- CLEVELAND CENTER
DIRECTOR, DEFENSE FINANCE AND ACCOUNTING SERVICE
- DENVER CENTER

SUBJECT: Update to Department of Defense Financial Management
Regulation (DoDFMR), Volume 7, Part B, December 1996
Cost-of-Living Adjustment (DFAS Item F-80)

This is an Interim Change Number R6 - 97 to the DoDFMR,
Volume 7B. This change is effective immediately.

We have evaluated your comments on the draft change to the
DoDFMR, Volume 7B. The attached final version of the change
includes your comments where appropriate. Assignment of an
interim change number is your authority to initiate a procedural
modification to facilitate this change.

We have determined that this policy change does not require
a change to the current pay system. For the Denver Center, use
the attached to initiate the formal printed change to the DoDFMR.

Our point of contact, Mr. Fiti Malufau may be contacted at
DSN 327-5061 or Commercial (703) 607-5061. Our Fax number is
DSN 332-5271 or Commercial (703) 602-5271.

Roger W. Scarce
Brigadier General, USA
Deputy Director for Finance

Attachment:
As stated

cc: ASD (FMP)
DGC (F)
DFAS-DE/DG
DFAS-IN
DFAS-KC/FSP
Service Liaisons
USCG/NOAA PHS Liaisons

whose retired pay has been computed under active duty pay rates in effect before 1 Jan 1996 receive a 2.9 percent adjustment.

(b) Members who first entered service before 8 Sep 1980 and who become entitled to an initial amount of retired pay computed on the 1 Jan 1996 active duty pay rate receive a 2.5 percent adjustment.

(c) Members who first entered service after 7 Sep 1980 but before 1 Aug 1986 and who became entitled to an initial amount of retired pay on or after 1 Jan 1996 are entitled to a pro rata initial adjustment as follows:

<u>Retired Pay Effective Date</u>	<u>Percent Increase</u>
1 Jan - 31 Mar 1996	2.5
1 Apr - 30 Jun 1996	1.5
1 Jul - 30 Sep 1996	.5
1 Oct - 31 Dec 1996	0

(2) Post-Aug 1986 members:

(a) Members who first entered service on or after 1 Aug 1986 and who became entitled to retired pay before 1 Jan 1996 receive a 1.9 percent adjustment.

(b) Members who first entered service on or after 1 Aug 1986 and who became entitled to an initial amount of retired pay on or after 1 Jan 1996 are entitled to a pro rata initial adjustment as follows:

<u>Retired Pay Effective Date</u>	<u>Percent Increase</u>
1 Jan - 31 Mar 1996	1.7
1 Apr - 30 Jun 1996	1.0
1 Jul - 30 Sep 1996	.2
1 Oct - 31 Dec 1996	0"

10. Add the following new subparagraph 20404ce:

"ce. Executive Order 13033 effective 1 Jan 1997 provides:

(1) Increased basic pay rates.

(2) No increase for members retired before 1 Jan 1997.

(3) Members who retired on 1 Jan 1997 and who were subject to the Uniform Retirement Date Act, warrant officers, Fleet Reservists, and Fleet Marine Corps Reservists (31 Dec 1996 transfers) were not entitled to pay computed on the 1 Jan 1997 basic pay rates."

11. Revise Table 9-8-1, SBP Threshold Amount, to show the following change/addition after Rule 21:

29-1

Survivor Benefit Plan Threshold Amount			
RULE	A	B	C
	if retired pay is based on active duty rates effective	and increased by COLADJ	then the SBP threshold is
22	1 Jan 96 - 2.4 %		421.00
23		1 Dec 96-- Pre-Aug 86 and Pre-8 Sep 80 Mbr: 2.5% Pre-Aug 86 and Post-7 Sep 80 Mbr: Retired Jan-Mar 96 2.5 % Retired Apr-Jun 96 1.5 % Retired Jul-Sep 96 .5 % Retired Oct-Dec 96 0 % Post-Aug 86 Mbr: Retired Jan-Mar 96 1.7 % Retired Apr-Jun 96 1.0 % Retired Jul-Sep 96 .2 % Retired Oct-Dec 96 0 %	431.53 431.53 427.32 423.11 421.00 428.16 425.21 421.84 421.00
24	1 Jan 97 - 3.0%		434.00

12. Revise Appendix 13 to show the following addition:

<u>Year of Retirement</u>	<u>Maximum Pay By Social Security</u>
"1997	\$65,400"

13. Revise Appendix 21 to show the following:

2nd Qtr FY 96	3rd Qtr FY 96	4th Qtr FY 96
1st Qtr CY 96	2nd Qtr CY 96	3rd Qtr CY 96
"Jan 96 151.7	Apr 96 153.6	Jul 96 154.3
Feb 96 152.2	May 96 154.0	Aug 96 154.5
Mar 96 152.9	Jun 96 154.1	Sep 96 155.1
AVG CPI 152.3	AVG CPI 153.9	AVG CPI 154.6"

14. Bibliography Changes. Replace the bibliography for Part Two, Chapter 3 with the following:

<u>Paragraph</u>	<u>Citation</u>
20301a	OASD/FM&P (MPP) Memo, 29 Apr 1996 51 Comp. Gen. 98
20301b	10 U.S.C. 1402a
20301c	Public Law 98-525, Sec. 655, 19 Oct 1984
20302b	Public Law 96-342, Sec. 813, 8 Sep 1980
20303	10 U.S.C. 1402(a), footnote 1
20303a(2)	MS Comp. Gen. B-234888,

16 Jul 1990

20303b	69 Comp. Gen. 141
20305a(2)	51 Comp. Gen. 137
20305b	44 Comp. Gen. 510
20305c	10 U.S.C. 1402(a)
20305c(3)	10 U.S.C. 1402(a) 10 U.S.C. 6150 (repealed)
20305d	47 Comp. Gen. 289
20305d(2)	10 U.S.C. 1402(e)
20305e(2)	10 U.S.C. 1402(e) 10 U.S.C. 1402a(e)
20306b	10 U.S.C. 1402(b) 10 U.S.C. 1402a(b)
20306c	10 U.S.C. 1402(c) 10 U.S.C. 1402a(c)
20306d	10 U.S.C. 1402(d) 10 U.S.C. 1402a(d)
20306e	10 U.S.C. 1402(d)
20306f	10 U.S.C. 1402(e) 10 U.S.C. 1402a(e)
20307	10 U.S.C. 1402(f) 10 U.S.C. 1402a(f)

TABLE 2-3-1

SERVICE REVERT--RATES OF ENTITLEMENT UPON REVERSION TO RETIRED LIST (10 U.S.C. 1402) (WITH AT LEAST 2 YEARS' ACTIVE SERVICE 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 applicable at time of recomputation (note 8)	and apply later COLADJ per table 2-3-3, rule (notes 5, 9)
71	1 Dec 95- 31 Dec 95	1 Jan 95	1 Jan 94	1 Jan 94	2.2 + 2.6	37 through end
72	1 Jan 96- 30 Nov 96	1 Jan 96	1 Jan 95	1 Jan 95	2.0	37 through end
73	1 Dec 96- 31 Dec 96				2.0 + 2.9	--
74	1 Jan 97-	1 Jan 97	1 Jan 96	1 Jan 96	2.5	--

Add new Notes 8 and 9:

8. See part two, chapter 4, paragraph 20404 for the applicable first COLA adjustment for members who enter a Uniformed Service after 31 Jul 1986, or before 1 Aug 1986 and whose retired pay is computed using a retired pay average (high 36 month pay average).

9. Members who enter a Uniformed Service on or after 1 August 1986 receive the difference between the full COLADJ and 1% vice the full COLA adjustment shown on table 2-3-3.

TABLE 2-3-2

DISABILITY REVERT-RATES OF ENTITLEMENT UPON REVERSION TO RETIRED LIST (10 U.S.C. 1402) (WITH 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	increased by COLADJ applicable at time of recomputation (note 6)	and apply later COLADJ per table 2-3-3, rule (notes 6, 7)
69	1 Jan 95- 30 Nov 95	1 Jan 95	1 Jan 95	1 Jan 95		2.0 and rule 37 through end (See paragraph 20404cd for post-Aug 86 mbr)
70	1 Dec 95- 31 Dec 95				2.0 (See paragraph 20404cb for post-Aug 86 mbr)	37 through end
71	1 Jan 96- 30 Nov 96	1 Jan 96	1 Jan 96	1 Jan 96		2.5 (See paragraph 20404cd for post-Aug 86 mbr)
72	1 Dec 96- 31 Dec 96				2.5	--
73	1 Jan 97	1 Jan 97	1 Jan 97	1 Jan 97	--	--

Add new Notes 6 and 7:

6. See part two, chapter 4, paragraph 20404 for the applicable first COLA adjustment for members who enter a Uniformed Service after 31 Jul 1986, or before 1 Aug 1986 and whose retired pay is computed using a retired pay average (high 36 month pay average).

7. Members who enter a Uniformed Service on or after 1 August 1986 receive the difference between the full COLADJ and 1% vice the full COLA adjustment shown on table 2-3-3.

COMPUTATION OF RETIRED PAY UPON REVERSION TO THE RETIRED LIST

R U L E	A	B	C	D	E	F
	If	and	take	multiply by	add	subtract (note 3)
1	member reverts and is entitled to pay based on years of service	member first became member before 8 Sep 1980	monthly basic pay (note 1) of the grade in which member would be eligible: (1) to retire if retiring upon that release from active duty; or (2) to transfer to the FR or FMCR if transferring to either upon that release from active duty	2-1/2 percent of the sum of: (1) the years of service that may be credited to the retiree in computing retired pay; and (2) years of active service after becoming entitled to retired or retainer pay (note 2)		excess over 75 percent of pay upon which computation is based
2		member first became member after 7 Sep 1980	retired pay base or retainer pay base to which member would be entitled to use if: (1) retiring upon release from that active duty; or (2) transferring to the FR or FMCR upon that release from active duty	the retired pay multiplier or the retainer pay multiplier (with reduction under paragraph 20403o for post-1 Aug 1986 members) for the sum of: (1) the years of service that may be credited to the retiree in computing retired pay; and (2) years of active service after becoming entitled to retired or retainer pay		excess over 75 percent of retired or retainer pay base upon which computation is based
3	member reverts with a disability rating of 30 percent or more	member first became member before 8 Sep 1980	highest monthly basic pay that member received while on active duty after retirement or after date member's name was placed on the Temporary Disability Retired List (TDRL)	as member elects- (1) 2-1/2 percent of years of service credited under 10 U.S.C. 1208 (note 2); or (2) the highest disability percentage attained while on active duty after retirement or after the date member's name was placed on the TDRL	amount necessary to increase product of columns C and D to 50 percent of pay upon which computation is based, if member is on TDRL	excess over 75 percent of pay upon which computation is based
4		member first became member after 7 Sep 1980	the retired pay base	as member elects- (1) 2-1/2 percent of years of service credited under 10 U.S.C. 1208 (note 2); or (2) the highest disability percentage attained while on active duty after retirement or after the date when member's name was placed on TDRL	amount necessary to increase product of columns C and D to 50 percent of pay upon which computation is based, if member is on TDRL	excess over 75 percent of retired or retainer pay base upon which computation is based

NOTES:
For a member who has been entitled, for a continuous period of at least 2 years, to basic pay under the rates of basic pay in effect upon that release from active duty, compute under those rates. For a member who has been

entitled to basic pay for a continuous period of at least 2 years upon that release from active duty, but who is not covered by the preceding sentence, compute under the rates of basic pay replaced by those in effect upon that release from active duty. For any other member, compute under the

rates of basic pay under which the member's retired pay or
Retainer pay was computed when member entered on that
active duty.

2. Before applying percentage factor, credit each full month of service that is in addition to the number of full years of service creditable to the member as one-twelfth of a year. Disregard any remaining fractional part of a month.

3. If member was initially retired on or after 1 Oct 1983, the amount computed, if not a multiple of \$1, shall be rounded to the next lower multiple of \$1. Any future adjustments to such pay must be made on the rounded figure. Retired pay of members retired on 30 Sep 1983 will not be rounded until there is an adjustment under 10 U.S.C. 1401a; then, with each subsequent adjustment, the amount as adjusted, if not a multiple of \$1, shall be rounded to the next lower multiple of \$1. The rounded amount becomes the member's entitlement and any future adjustments shall be based on this rounded entitlement.