



## DEFENSE FINANCE AND ACCOUNTING SERVICE

1931 JEFFERSON DAVIS HIGHWAY  
ARLINGTON, VA 22240-5291

APR 1, 2002

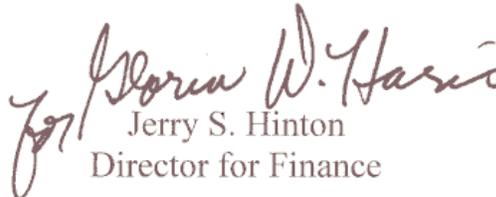
DFAS-DFM

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

**SUBJECT:** Interim Change to the Department of Defense Financial Management Regulation (DoDFMR), Volume 7, Part B, Regarding December 2001 Cost-of-Living Adjustment (DFAS Item L-5)

The attached is Interim Change **R 07-02** to the DoDFMR, Volume 7B which implement the military pay cost-of-living adjustment is effective December 1, 2001.

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:** DASD(MPP)(Comp)  
OUSD(C)(OCDFO)(FP)  
ODGC(F)  
DFAS-GAM/DE  
Service Liaisons  
USCG/NOAA/PHS Liaisons  
DFAS-PDO/CL  
DFAS-PDOA  
DFAS-PMJE/DE

**1. Revise Table 7-1 to add/change the following:**

<b>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)</b>						
<b>R U L E</b>	<b>A</b>	<b>B</b>	<b>C</b>	<b>D</b>	<b>E</b>	<b>F</b>
	<b>If date of release from active duty is during</b>	<b>and the current active duty rate is</b>	<b>then revert to active duty rate</b>	<b>and entitlement at time of recomputation is (note 4)</b>	<b>increased by COLADJ applicable at time of recomputation (note 8)</b>	<b>and apply later COLADJ per table 7-3 rule (notes 5 &amp; 9)</b>
77	Dec 1, 98 - Dec 31, 98	Jan 1, 98	Jan 1, 97	Jan 1, 97	1.3 + 1.3	40 through end
78	Jan 1, 99 -Nov 30, 99	Jan 1, 99	Jan 1, 98	Jan 1, 98	1.0	
79	Dec 1, 99 -Dec 31, 99				1.0 +2.4	41 through end
80	Jan 1, 00 -Nov 30, 00	Jan 1, 00	Jan 1, 99	Jan 1, 99	2.0	
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)	
83	Dec 1, 01 - Dec 31, 01				2.8 +2.6	
84	Jan 1, 02 -	Jan 1, 02	Jan 1, 01	Jan 1, 01	2.0 (Note 11)	

**2. Table 7-1, add the following Notes:**

10. For those using rates effective January 1, 2000: 2.8 percent (ref. 10 U.S.C. 1401a(c)(2)). This includes any member whose retired pay is computed on a pay cell of the July 1, 2000 pay table that was unchanged from the rate of January 1, 2000. For those using rates effective July 1, 2000: 0.7 percent (ref. 10 U.S.C 1401a(c)(2)). Note: This includes any member whose retired pay is computed on a pay cell of the July 1, 2000 pay table that was changed from the rate of January 1, 2000.

11. See paragraph 080492 of this volume

**3. Revise Table 7-2 to add/change the following:**

<b>DISABILITY REVERT – RATES OF ENTITLEMENT UPON REVERSION TO RETIRED LIST (10 U.S.C. 1402) (WITH DISABILITY OF AT LEAST 30 PERCENT AFTER RECALL)</b>						
<b>R U L E</b>	<b>A</b>	<b>B</b>	<b>C</b>	<b>D</b>	<b>E</b>	<b>F</b>
	<b>If date of release from active duty is during</b>	<b>and the current active duty rate is</b>	<b>then revert to active duty rate</b>	<b>and entitlement at time of recomputation is (note 4)</b>	<b>increased by COLADJ applicable at time of recomputation (notes 6, 7)</b>	<b>and apply later COLADJ per table 7-3 rule (notes 6, 7)</b>
77	Jan 1, 99 – Nov 1, 99	Jan 1, 99	Jan 1, 99	Jan 1, 99		--
78	Dec 1, 99 – Dec 31, 99				2.0	
79	Jan 1, 00 – Nov 30, 00	Jan 1, 00	Jan 1, 00	Jan 1, 00		-
80	Dec 1, 00 – Dec 31, 00				2.8 (Note 8)	
81	Jan 1, 01 – Nov 30, 01	Jan 1, 01	Jan 1, 01	Jan 1, 01		-
82	Dec 1, 01 – Dec 31, 01				2.0 (Note 9)	
83	Jan 1, 02	Jan 1, 02	Jan 1, 02	Jan 1, 02	--	--

**4. Table 7-2, add the following Notes:**

8. For those using rates effective Jan 1, 2000: 2.8 percent. This includes any member whose retired pay is computed on a pay cell of the July 1, 2000 pay table that was unchanged from the rate of January 1, 2000. For those using rates effective July 1, 2000, use 0.7 percent. This includes any member whose retired pay is computed on a pay cell of the July 1, 2000 pay table that was changed from the rate of January 1, 2000.
9. See paragraph 080492 of this volume.

**5. Update Table 7-3 in Volume 7B, Cost of-Living Adjustment Percentage Table, to show the following addition after no. 41:**

40	Dec 1, 99 (Note 2)	2.4 post- September 7, 1980 member
41	Dec 1, 00 (Note 2)	3.5 post September 7, 1980 member
42	Dec 1, 01 (Note 2)	2.6 post September 7, 1980 member

**6. Add new subparagraph 080492 as follows:**

080492. A cost-of-living adjustment (COLA) effective December 1, 2001:

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, 2001	2.6 percent	1401a(b)(2)
January 1, 2001**	2.0 percent	1401a(c)
July 1, 2001***	0.0 percent	1401a(c)

\* The effective date of a pay cell (i.e., a pay rate specified for a given grade and years of service) in the July 1, 2001, table is considered to be January 1, 2001, if the pay rate for that cell is unchanged from the January rate.

\*\* Includes those whose retired pay is computed on a pay cell of the July 1, 2001, pay table unchanged from the rate for that pay cell in the January 1, 2001 pay table.

\*\*\* Includes those whose retired pay is computed on a pay cell of the July 1, 2001, pay table changed from the rate for that pay cell in the January 1, 2001 pay table.

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, 2001	2.6 percent	1401a(b)(2)
Jan 1, 2001 – Mar 31, 2001	2.0 percent	1401a(d)
Apr 1, 2001 – Jun 30, 2001	1.1 percent	1401a(d)
Jul 1, 2001 – Sep 30, 2001	0.0 percent	1401a(d)
Oct 1, 2001 – Dec 31, 2001	0.0 percent	1401a(d)

**NOTE:** Because of an error in the Consumer Price Index, all accounts were underpaid by .01 percent effective December 1999. All accounts affected were corrected, recomputed and paid by December 2001.

**7. Add new subparagraph 080493 as follows:**

“080493. Executive Order 13249 effective January 1, 2002 provides:

A. Increased basic pay rates.

B. No increase for members retired before January 1, 2002.

C. No entitlement to pay computed on the January 1, 2002 basic pay rates for members who retired on January 1, 2002, and who were subject to the URDA (reference (x)), warrant officers, Fleet Reservists, and Fleet Marine Corps Reservists (December 31, 2001 transfers).”

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

<b>R U L E</b>	<b>A</b>	<b>B</b>	<b>C</b>
	<b>If retired pay is based on active duty pay rates effective</b>	<b>And increased by COLADJ</b>	<b>then the threshold is</b>
<b>28</b>	January 1, 1999 -- 3.5%		\$462.00
<b>29</b>		December 1, 1999 Pre-September 8, 1980 Member 2.0%	\$471.24
		Post-September 7, 1980 Member Retired January – March 1999 2.0%	\$471.24
		Retired April – June 1999 1.7%	\$469.85
		Retired July – September 1999 .7%	\$465.23
		Retired October – December 1999 .0%	\$462.00
<b>30</b>	January 1, 2000 – 4.8% *July 1, 2000 1.4%		\$484.00 \$491.00
<b>31</b>	*Section 601(c) of P.L. 106-65, Oct 5,1999	December 1, 2000 Pre-September 8, 1980 Member (January 1, 2000) 2.8% (July 1, 2000) ----- .7%	\$497.55 \$494.44
		Post September 7, 1980 Member Retired January - March 00 2.8%	\$497.55
		Retired April – June 00 1.8%	\$492.71
		Retired July September 00 .7%	\$494.44
		Retired October - December 00 .0%	\$491.00
<b>32</b>	January 1, 2001 – 3.7% *July 1, 2001 .7%		\$509.00 \$512.00
<b>33</b>	*Sec 602(a) of P.L. 106-398, Oct 30, 2000	December 1, 2001 Pre-September 8, 1980 Member (January 1, 2001) 2.0% (July 1, 2001) .7%	\$519.00 \$512.00
		Post September 7, 1980 Member Retired January -March 01 2.0%	\$519.18
		Retired April-June 01 1.1%	\$514.60
		Retired July-September 01 .7%	\$512.00
		Retired October-December 01 0%	\$512.00
<b>34</b>	January 1, 2002		\$547.00

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

<u>Year of Retirement</u>	<u>Maximum Pay By Social Security</u>
“2002”	84,900”

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

<u>1<sup>st</sup> Qtr</u>	<u>FY 01</u>	<u>2<sup>nd</sup> Qtr</u>	<u>FY 01</u>	<u>3<sup>rd</sup> Qtr</u>	<u>FY 01</u>	<u>4<sup>th</sup> Qtr</u>	<u>FY 01</u>
<u>4<sup>th</sup> Qtr</u>	<u>CY 00</u>	<u>1<sup>st</sup> Qtr</u>	<u>CY 01</u>	<u>2<sup>nd</sup> Qtr</u>	<u>CY 01</u>	<u>3<sup>rd</sup> Qtr</u>	<u>CY 01</u>
Oct 00	170.6	Jan 01	171.7	Apr 01	173.5	Jul 01	173.8
Nov 99	170.9	Feb 01	172.4	May 01	174.4	Aug 01	173.8
Dec 99	170.7	Mar 01	172.6	Jun 01	174.6	Sep 01	174.8
AVG CPI	170.7	AVG CPI	172.2	AVG CPI	174.2	AVG CPI	174.1

**11. Update the bibliography as follows:**

<u>Paragraph</u>	<u>Citation</u>
080492	OSD (FMP)(MPP) Comp Memo, December 20, 2001
080493	Executive Order No. 13249