



OFFICE OF THE ASSISTANT SECRETARY OF DEFENSE  
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DEC 17 1997


FORCE MANAGEMENT  
POLICY

MEMORANDUM FOR DEPUTY ASSISTANT SECRETARY OF THE ARMY  
(MILITARY PERSONNEL MANAGEMENT AND EQUAL  
OPPORTUNITY POLICY)  
DEPUTY ASSISTANT SECRETARY OF THE NAVY  
(MANPOWER)  
DEPUTY ASSISTANT SECRETARY OF THE AIR FORCE  
(FORCE MANAGEMENT AND PERSONNEL)  
DIRECTOR, DEFENSE FINANCE AND ACCOUNTING SERVICE

SUBJECT: Fiscal Year 1998 Adjustments to Military Retired and Retainer Pay, Survivor  
Annuities and Premiums and Related Matters

Attached is a list of adjustments pertaining to retired and retainer pay and survivor annuities and premiums. These adjustments are provided for in law as noted in each numbered paragraph.

The adjustments made in accordance with the provisions of section 1401a, title 10, United States Code, and those which are linked to the adjustments of such section, are effective December 1, 1997, and are based on increases in the Consumer Price Index for Urban Wage Earners and Clerical Workers (CPI-W) through the month of September 1997.

  
NORMAND G. LEZY  
Lieutenant General, USAF  
Deputy Assistant Secretary  
(Military Personnel Policy)

Attachment:  
As stated

cc:  
Deputy Chief of Staff for Personnel, U.S. Army  
Deputy Chief of Naval Operations (Manpower and Personnel), U. S. Navy  
Deputy Chief of Staff, Personnel, U.S. Air Force  
Deputy Chief of Staff for Manpower and Reserve Affairs, U.S.M.C.  
Director, Office of Personnel Management, Public Health Service  
Director, National Oceanic and Atmospheric Administration  
Corps Operations-NC  
Director of Personnel Management, United States Coast Guard



**ADJUSTMENTS IN RETIRED/RETAINER PAY,  
SURVIVOR ANNUITIES AND PREMIUMS, AND DUAL COMPENSATION  
LIMITATIONS**

In the following descriptions of cost-of-living adjustments, the term retired pay includes retainer pay and the term members includes former members. Unless otherwise noted, all changes are effective December 1, 1997, and are based on the increase in the Consumer Price Index for Urban Wage Earners and Clerical Workers (CPI-W) through September 1997.

1. Retired pay of members who first entered service before August 1, 1986, and whose retired pay has been computed under active duty basic pay rates in effect before January 1, 1997: 2.1 percent (ref: 10 U.S.C. 1401a (b) (2)).
2. Retired pay of members who first entered service on or after August 1, 1986, and who became entitled to retired or retainer pay before January 1, 1997: 1.1 percent (ref: 10 U.S.C. 1401a (b) (3)).
3. Retired pay of members who first entered service before September 8, 1980, and who become entitled to an initial amount of retired pay as computed on the January 1, 1997, basic pay rates: 1.3 percent (ref: 10 U.S.C. 1401a(c)(2)).
4. Retired pay of members who first entered service on or after September 8, 1980 but before August 1, 1986, and who become entitled to an initial amount of retired pay on or after January 1, 1997: a pro rata adjustment as follows (ref: 10 U.S.C. 1401a (d)).

| <u>Retired Pay Effective Date</u> | <u>Percent Increase</u> |
|-----------------------------------|-------------------------|
| January 1 - March 31, 1997        | 1.3 percent             |
| April 1 - June 30, 1997           | 0.8 percent             |
| July 1 - September 30, 1997       | 0.4 percent             |
| October 1 - December 31, 1997     | 0.0 percent             |

5. Retired pay of members who first entered service on or after August 1, 1986, and who become entitled to an initial amount of retired pay on or after January 1, 1997: a pro rata adjustment as follows (ref: 10 U.S.C. 1401a(e)).

| <u>Retired Pay Effective Date</u> | <u>Percent Increase</u> |
|-----------------------------------|-------------------------|
| January 1 - March 31, 1997        | 0.6 percent             |
| April 1 - June 30, 1997           | 0.3 percent             |
| July 1 - September 30, 1997       | 0.1 percent             |
| October 1 - December 31, 1997     | 0.0 percent             |

6. Retired Serviceman's Family Protection Plan annuities payable on November 30, 1997, under the provisions of subchapter I of chapter 73, title 10, United States Code, to the spouse or child of a member who died on or before March 20, 1974: 2.1 percent (ref: 10 U.S.C. 1434 (e)).

7. For survivors of members who first entered service before September 8, 1980, Survivor Benefit Plan and Reserve Component Survivor Benefit Plan annuities payable under the provisions of subchapter II of chapter 73, title 10, United States Code; Supplemental SBP annuities payable under the provisions of subchapter III of chapter 73, title 10, United States Code, and section 5 of Public Law 96-402, will be increased by (ref: 10 U.S.C. 1451 (g) and 10 U.S.C. 1457(d)(1)):
  - (a) 2.1 percent for survivors of members who were retired before January 1, 1997, and were deceased before December 1, 1997; and
  - (b) 1.3 percent for survivors of members who were retired on or after January 1, 1997, with retired or retainer pay calculated on the January 1, 1997, basic pay rates and were deceased before December 1, 1997.
8. For survivors of members who first entered service on or after September 8, 1980, but before August 1, 1986, survivor annuities payable under the provisions of subchapter II of chapter 73, title 10, United States Code; and Supplemental SBP annuities payable under the provisions of subchapter III of chapter 73, title 10, United States Code, will be increased by (ref: 10 U.S.C. 1451 (g) and 10 U.S.C. 1457(d)(1)):
  - (a) 2.1 percent for survivors of members who became entitled to retired pay before January 1, 1997, and were deceased before December 1, 1997; and
  - (b) a pro rata percentage by quarter of retirement as indicated in paragraph 4 above for survivors of members who became entitled to retired pay on or after January 1, 1997, and were deceased before December 1, 1997.
9. For survivors of members who first entered service on or after August 1, 1986, survivor annuities payable under the provisions of subchapter II of chapter 73, title 10, United States Code; and Supplemental SBP annuities payable under the provisions of subchapter III of chapter 73, title 10, United States Code, will be increased by (ref: 10 U.S.C. 1451 (g) and 10 U.S.C. 1457(d)(1)):
  - (a) 1.1 percent for survivors of members who became entitled to retired or retainer pay before January 1, 1997, and were deceased before December 1, 1997; and
  - (b) a pro rata percentage by quarter of retirement as indicated in paragraph 5 above for survivors of members who became entitled to retired or retainer pay on or after January 1, 1997, and were deceased before December 1, 1997.
10. The supplemental annuity paid to certain low income widows of members who were deceased before November 1, 1953: 2.1 percent (ref: section 653 (c), Public Law 100-456).

11. In accordance with title 5, United States Code, Section 5532 (b), concerning retired officers of the Regular Component, effective December 1, 1996, the amount of military retired or retainer pay exempt from reduction for persons who:
  - (a) First became a member of a Uniformed Service before August 1, 1986, is increased 2.1 percent, from \$10,104.46 to \$10,316.65 annually.
  - (b) First became a member of a Uniformed Service on or after August 1, 1986, is increased by 1.1 percent, from \$9,170.26 to \$9,271.13 annually.
12. Effective January 1, 1998, the Executive Schedule Level V rate of basic pay will be increased from \$108,200 to \$110,700. This 2.3 percent increase corresponds to the 2.3 percent increase in the basic pay rates of the General Schedule for Federal civilian employees. The retired pay of members of a Uniformed Service may be reduced when they are employed in a "position" as defined by section 5531, title 5, United States Code. Paragraph (c), section 5532, title 5, United States Code, limits the retired pay of certain members whose total annual civilian pay plus retired pay exceeds the rate of that for the Executive Schedule Level V. In computing the applicable reduction in retired pay, locality-based comparability payments made under the provisions of section 5304, title 5, United States Code, will not be included as part of the annual basic pay for the Federal civilian position.
13. In accordance with section 1452(a)(4)(B), title 10, United States Code, previous amounts with respect to which the 2.5 percent factor of the SBP premium (cost) formula apply are adjusted effective December 1, 1997, in conjunction with the adjustments in retired pay made under the provisions of section 1401a, title 10, United States Code. A table of such amounts is included as attachment 1-1.

**Change Effective January 1, 1998, due to the increase in rates of basic pay under the provisions of section 601(b), Public Law 105-85, November 18, 1997**

14. Under the provisions of section 1452(a)(4)(A), title 10, United States Code, the amount with respect to which the percentage factor of 2.5 is applied is increased 2.8 percent effective January 1, 1998, from \$434 to \$446.