



OFFICE OF THE ASSISTANT SECRETARY OF DEFENSE
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FORCE MANAGEMENT
POLICY

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

SUBJECT: Fiscal Year 1999 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, 1998, and are based on increases in the Consumer Price Index for Urban Wage Earners and Clerical Workers (CPI-W) through the month of September 1998.


NORMAN 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, USMC
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, 1998, and are based on the increase in the Consumer Price Index for Urban Wage Earners and Clerical Workers (CPI-W) through September 1998.

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, 1998: 1.3 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, 1998: 0.3 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, 1998, basic pay rates: 1.0 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, 1998: 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, 1998 | 1.0 percent |
| April 1 - June 30, 1998 | 0.9 percent |
| July 1 - September 30, 1998 | 0.4 percent |
| October 1 - December 31, 1998 | 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, 1998: 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, 1998 | 0.3 percent |
| April 1 - June 30, 1998 | 0.4 percent |
| July 1 - September 30, 1998 | 0.1 percent |
| October 1 - December 31, 1998 | 0.0 percent |

6. Retired Serviceman's Family Protection Plan annuities payable on November 30, 1998, 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: 1.3 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) 1.3 percent for survivors of members who were retired before January 1, 1998, and were deceased before December 1, 1998; and
 - (b) 1.0 percent for survivors of members who were retired on or after January 1, 1998, with retired or retainer pay calculated on the January 1, 1998, basic pay rates and were deceased before December 1, 1998.
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) 1.3 percent for survivors of members who became entitled to retired pay before January 1, 1998, and were deceased before December 1, 1998; 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, 1998, and were deceased before December 1, 1998.
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) 0.3 percent for survivors of members who became entitled to retired or retainer pay before January 1, 1998, and were deceased before December 1, 1998; 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, 1998, and were deceased before December 1, 1998.
10. The supplemental annuity paid to certain low income widows of members who were deceased before November 1, 1953: 1.3 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, 1998, 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 1.3 percent, from \$10,316.65 to \$10,450.77 annually.

(b) First became a member of a Uniformed Service on or after August 1, 1986, is increased by 0.3 percent, from \$9,271.13 to \$9,298.94 annually.

12. The Executive Schedule Level V rate of basic pay will not be increased this year. It remains \$110,700. Increases in Executive Schedule pay rates which are normally linked to increases in the General Schedule, were blocked by enactment of Public Law 105-277, Omnibus Appropriations Act, October 21, 1998. 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, 1998, 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, 1999, due to the increase in rates of basic pay under the provisions of section 601(b), Public Law 105-261, October 17, 1998

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 3.6% effective January 1, 1999, from \$446 to \$462.

**LOW-COST THRESHOLD FOR SBP COST COMPUTATIONS
EFFECTIVE AS OF DECEMBER 1, 1998**

**FOR THOSE WHO FIRST BECAME MEMBERS
OF A UNIFORMED SERVICE**

| BEFORE SEPTEMBER 8, 1980 | | AFTER JULY 31, 1986 | |
|---|-------------------|----------------------------------|-------------------|
| If Retired Pay Is Based On Rates | | If Retired During The | |
| Effective: | Amount Is: | Period Of: | Amount Is: |
| Pre 1 Oct 85 | \$447.08 | Aug - Sep 86 | \$404.47 |
| 1-Oct-85 | \$460.50 | Oct - Dec 86 | \$404.47 |
| 1-Jan-87 | \$465.56 | Jan - Mar 87 | \$418.26 |
| 1-Jan-88 | \$453.92 | Apr - Jun 87 | \$413.42 |
| 1-Jan-89 | \$452.67 | Jul - Sep 87 | \$408.17 |
| 1-Jan-90 | \$448.21 | Oct - Dec 87 | \$403.35 |
| 1-Jan-91 | \$439.24 | Jan - Mar 88 | \$408.57 |
| 1-Jan-92 | \$445.35 | Apr - Jun 88 | \$407.36 |
| 1-Jan-93 | \$448.38 | Jul - Sep 88 | \$403.38 |
| 1-Jan-94 | \$447.50 | Oct - Dec 88 | \$398.98 |
| 1-Jan-95 | \$446.17 | Jan - Mar 89 | \$411.80 |
| 1-Jan-96 | \$446.32 | Apr - Jun 89 | \$408.59 |
| 1-Jan-97 | \$445.36 | Jul - Sep 89 | \$402.19 |
| 1-Jan-98 | \$450.46 | Oct - Dec 89 | \$400.20 |

**FOR THOSE WHO FIRST BECAME MEMBERS
OF A UNIFORMED SERVICE
SEPTEMBER 8, 1980 THROUGH
JULY 31, 1986**

| Period Of: | Amount Is: |
|-------------------|-------------------|
| Pre 1 Oct 85 | \$447.08 |
| Oct 85 Thru 1986 | \$460.50 |
| During 1987 | \$465.56 |
| During 1988 | \$453.92 |
| During 1989 | \$452.67 |
| During 1990 | \$448.21 |
| During 1991 | \$439.24 |
| During 1992 | \$445.35 |
| During 1993 | \$448.38 |
| During 1994 | \$447.50 |
| During 1995 | \$446.17 |
| Jan - Mar 96 | \$446.32 |
| Apr - Jun 96 | \$441.96 |
| Jul - Sep 96 | \$437.62 |
| Oct - Dec 96 | \$435.43 |
| Jan - Mar 97 | \$445.36 |
| Apr - Jun 97 | \$443.16 |
| Jul - Sep 97 | \$441.40 |
| Oct - Dec 97 | \$439.64 |
| Jan - Mar 98 | \$450.46 |
| Apr - Jun 98 | \$450.01 |
| Jul - Sep 98 | \$447.78 |
| Oct - Dec 98 | \$446.00 |

| | |
|--------------|----------|
| Apr - Jun 90 | \$405.70 |
| Jul - Sep 90 | \$402.94 |
| Oct - Dec 90 | \$396.98 |
| Jan - Mar 91 | \$406.87 |
| Apr - Jun 91 | \$405.66 |
| Jul - Sep 91 | \$404.06 |
| Oct - Dec 91 | \$402.03 |
| Jan - Mar 92 | \$416.61 |
| Apr - Jun 92 | \$415.38 |
| Jul - Sep 92 | \$412.49 |
| Oct - Dec 92 | \$410.45 |
| Jan - Mar 93 | \$423.97 |
| Apr - Jun 93 | \$421.88 |
| Jul - Sep 93 | \$419.78 |
| Oct - Dec 93 | \$418.93 |
| Jan - Mar 94 | \$426.88 |
| Apr - Jun 94 | \$426.02 |
| Jul - Sep 94 | \$423.94 |
| Oct - Dec 94 | \$420.99 |
| Jan - Mar 95 | \$430.21 |
| Apr - Jun 95 | \$428.08 |
| Jul - Sep 95 | \$425.53 |
| Oct - Dec 95 | \$424.69 |
| Jan - Mar 96 | \$434.17 |
| Apr - Jun 96 | \$431.18 |
| Jul - Sep 96 | \$427.76 |
| Oct - Dec 96 | \$426.91 |
| Jan - Mar 97 | \$437.91 |
| Apr - Jun 97 | \$436.61 |
| Jul - Sep 97 | \$435.73 |
| Oct - Dec 97 | \$435.30 |
| Jan - Mar 98 | \$447.34 |
| Apr - Jun 98 | \$447.78 |
| Jul - Sep 98 | \$446.45 |
| Oct - Dec 98 | \$446.00 |

FY98 Retired Pay Cost-of-Living Adjustments (COLAs) Based on the Consumer Price Index for Wage Earners and Clerical Workers (CPI-W)

FY 98 COLAs for retired pay and survivor annuities will be effective December 1, 1997, and first in paychecks of January 2, 1998. These COLAs are based on the average CPI-W index for the third quarter of 1997 (3Q/97) in comparison to the average CPI-W index for 3Q/96. The respective indices are 154.6 compared to 150.2, and the computation is:

| | |
|--|---------------------|
| The old index is subtracted from the new index | 157.9 - 154.6 = 3.3 |
| Then divided by the old index | 3.3 ÷ 154.6 = .021 |
| Then multiplied by 100 for the percentage | .021 x 100 = 2.1% |

This 2.1% will be commonly cited as the FY 98 COLA and will apply to most retirees and survivors, but some will receive less. COLAs depend on when the member first entered military service and when the member retired (or at least the effective date of the pay rates upon which his/her retired pay is computed). The different COLAs that will apply are as follows:

Members who first entered Service before September 8, 1980

| Date of Retirement | Old Base Qtr | Average CPI-W | Computation | FY 97 COLA |
|--------------------|--------------|---------------|-------------------------------------|------------|
| Before 1997 | 3Q/96 | 154.6 | $(157.9 - 154.6) \div 154.6 = .021$ | 2.1% |
| During 1997 | 4Q/96 | 155.8 | $(157.9 - 155.8) \div 155.8 = .013$ | 1.3% |

Members first entering Service after September 7, 1980, but before August 1, 1986

| Date of Retirement | Old Base Qtr | Average CPI-W | Computation | FY 97 COLA |
|--------------------|--------------|---------------|-------------------------------------|------------|
| Before 1997 | 3Q/96 | 157.9 | $(157.9 - 155.6) \div 154.6 = .021$ | 2.1% |
| Jan-Mar 1997 | 4Q/96 | 155.8 | $(157.9 - 155.8) \div 155.8 = .013$ | 1.3% |
| Apr-Jun 1997 | 1Q/97 | 156.7 | $(157.9 - 156.7) \div 156.7 = .008$ | 0.8% |
| Jul-Sep 1997 | 2Q/97 | 157.3 | $(157.9 - 157.3) \div 157.3 = .004$ | 0.4% |
| Oct-Dec 1997 | 3Q/97 | 157.9 | $(157.9 - 157.9) \div 157.9 = .000$ | 0.0% |

Members first entering Service on or after August 1, 1986

These members are under the Military Retirement Reform Act (MRRA) of 1986, sometimes called the REDUX system and receive COLAs that are 1% less than the CPI increase (CPI-1). Those retired this year receive a prorated reduction of .25% for each quarter their old base quarter precedes 3Q97 (Rounded adjustments are based on unrounded full CPI values and may not be self-evident from the figures below).

| Date of Retirement | Old Base Qtr | Full CPI | Prorated Reduction | FY97 COLA |
|--------------------|--------------|----------|--------------------|-----------|
| Before 1997 | Q/96 | 2.1% | 1.00% (4 quarters) | 1.1% |
| Jan-Mar 1997 | 4Q/96 | 1.3% | 0.75% (3 quarters) | 0.6% |
| Apr-Jun 1997 | 1Q/97 | 0.8% | 0.50% (2 quarters) | 0.3% |
| Jul-Sep 1997 | 2Q/97 | 0.4% | 0.25% (1 quarter) | 0.1% |
| Oct-Dec 1997 | 3Q/97 | 0.0% | 0.00% | 0.0% |

ODASD(FMP)(MPP)Comp
December 2, 1997