



FORCE MANAGEMENT
POLICY

OFFICE OF THE ASSISTANT SECRETARY OF DEFENSE
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WASHINGTON, DC 20301-4000

10 DEC 1999

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 2000 Adjustments to Military Retired and Retainer Pay, Survivor
Annuities and Premiums and Other Related Matters

Attachment 1 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. Adjustments under the provisions of section 1401a, title 10, United States Code and those linked to adjustments of such section, are effective December 1, 1999. These adjustments are based on increases in the Consumer Price Index for Urban Wage Earners and Clerical Workers (CPI-W) through the month of September 1999.


Section 651, Public Law 106-65, October 5, 1999, repeals section 5532 of title 5, United States Code (5 USC 5532) effective October 1, 1999. As a result, reductions in military retired pay based on 5 USC 5532 will not apply to periods of entitlement on or after October 1, 1999. This includes partial reductions applicable to retired Regular officers as well as reductions based on the total pay limitation of Level V of the Executive Schedule. Necessary corrections and adjustments for periods before October 1, 1999, will be made according to previously existing provisions of law applicable during the month of entitlement. The Defense Finance and Accounting Service and the Defense Manpower Data Center must continue to maintain data on Federal employment of military retirees and their salaries at this time. However, the requirement for employment-related information may later be revised due to this change of law.

Section 601(d) provides for increased limits on the rates of basic pay. Section 601(e) provides for a recomputation of retired pay effective January 1, 2000, for certain members in grades O-7 and above who retired during the period April 30, through December 31, 1999. Detailed guidance on these provisions is provided at attachment 2 to this memorandum.

Section 641, Public Law 106-65, October 5, 1999, modifies the Cost-of-Living Adjustments (COLAs) applicable to those Uniformed Service members who first became members on or after August 1, 1986. The reduced COLA mechanisms applicable to such members now apply only to members and survivors of members who elect the bonus provided by



section 642 of the Act. As no members have yet been offered this bonus, no reduced COLAs will apply this year.


P.A. TRACEY
Vice Admiral, USN
Deputy Assistant Secretary
(Military Personnel Policy)

Attachments: 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

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, 1999, and are based on the increase in the Consumer Price Index for Urban Wage Earners and Clerical Workers (CPI-W) through September 1999.

1. Retired pay of members whose retired pay has been computed under active duty basic pay rates in effect before January 1, 1999: 2.4 percent (ref: 10 U.S.C. 1401a (b) (2)).
2. 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, 1999, basic pay rates: 2.0 percent (ref: 10 U.S.C. 1401a(c)(2)).
3. Retired pay of members who first entered service on or after September 8, 1980, and who become entitled to an initial amount of retired pay on or after January 1, 1999: 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, 1999	2.0 percent
April 1 - June 30, 1999	1.7 percent
July 1 - September 30, 1999	0.7 percent
October 1 - December 31, 1999	0.0 percent

4. Retired Serviceman's Family Protection Plan annuities payable on November 30, 1999, 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: 2.4 percent (ref: 10 U.S.C. 1434 (e)).
5. For survivors of members who first entered service before September 8, 1980, Survivor Benefit Plan (SBP) and Reserve Component Survivor Benefit Plan (RCSBP) 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) 2.4 percent for survivors of members who were retired before January 1, 1999, and were deceased before December 1, 1999; and
 - (b) 2.0 percent for survivors of members who were retired on or after January 1, 1999, with retired pay calculated on the January 1, 1999, basic pay rates and were deceased before December 1, 1999.
6. For survivors of members who first entered service on or after September 8, 1980, 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) 2.4 percent for survivors of members who became entitled to retired pay before January 1, 1999, and were deceased before December 1, 1999; and
 - (b) a pro rata percentage by quarter of retirement as indicated in paragraph 3 above for survivors of members who became entitled to retired pay on or after January 1, 1999, and were deceased before December 1, 1999.
7. The supplemental annuity paid to certain low income widows of members who were deceased before November 1, 1953: 2.4 percent (ref: section 653 (c), Public Law 100-456).
8. 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, 1999, 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.

**Changes Effective January 1, 2000, and July 1, 2000, due to the increase in rates of basic pay under the respective provisions of section 601(b) and section 601(c),
Public Law 106-65, October 5, 1999**

9. 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 4.8% effective January 1, 2000 from \$462 to \$484 (premium for this coverage would be \$12.10).
10. 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 further increased 1.4% effective July 1, 2000 from \$484 to \$491 (premium for this coverage would be \$12.27).

**LOW-COST THRESHOLD FOR SBP COST COMPUTATIONS
EFFECTIVE AS OF DECEMBER 1, 1999**

**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	\$457.81	Aug - Sep 86	\$414.18
1-Oct-85	\$471.55	Oct - Dec 86	\$414.18
1-Jan-87	\$476.73	Jan - Mar 87	\$428.30
1-Jan-88	\$464.81	Apr - Jun 87	\$423.34
1-Jan-89	\$463.53	Jul - Sep 87	\$417.97
1-Jan-90	\$458.97	Oct - Dec 87	\$413.03
1-Jan-91	\$449.78	Jan - Mar 88	\$418.38
1-Jan-92	\$456.04	Apr - Jun 88	\$417.14
1-Jan-93	\$459.14	Jul - Sep 88	\$413.06
1-Jan-94	\$458.24	Oct - Dec 88	\$408.56
1-Jan-95	\$456.88	Jan - Mar 89	\$421.68
1-Jan-96	\$457.03	Apr - Jun 89	\$418.40
1-Jan-97	\$456.05	Jul - Sep 89	\$411.84
1-Jan-98	\$461.27	Oct - Dec 89	\$409.80
1-Jan-99	\$471.24	Jan - Mar 90	\$421.53
FOR THOSE WHO FIRST BECAME MEMI OF A UNIFORMED SERVICE SEPTEMBER 8, 1980 THROUGH JULY 31, 1986		Apr - Jun 90	\$415.44
		Jul - Sep 90	\$412.61
		Oct - Dec 90	\$406.51
		Jan - Mar 91	\$416.63
		Apr - Jun 91	\$415.40
		Jul - Sep 91	\$413.76
		Oct - Dec 91	\$411.68
		Jan - Mar 92	\$426.61
		Apr - Jun 92	\$425.35
		Jul - Sep 92	\$422.39
Oct 85 Thru 1986	\$471.55	Oct - Dec 92	\$420.30
During 1987	\$476.73	Jan - Mar 93	\$434.15
During 1988	\$464.81	Apr - Jun 93	\$432.01
During 1989	\$463.53	Jul - Sep 93	\$429.85
During 1990	\$458.97	Oct - Dec 93	\$428.98
During 1991	\$449.78	Jan - Mar 94	\$437.13
During 1992	\$456.04	Apr - Jun 94	\$436.24
During 1993	\$459.14	Jul - Sep 94	\$434.11
During 1994	\$458.24	Oct - Dec 94	\$431.09
During 1995	\$456.88	Jan - Mar 95	\$440.54
Jan - Mar 96	\$457.03	Apr - Jun 95	\$438.35
Apr - Jun 96	\$452.57	Jul - Sep 95	\$435.74
Jul - Sep 96	\$448.12	Oct - Dec 95	\$434.88
Oct - Dec 96	\$445.88	Jan - Mar 96	\$444.59
Jan - Mar 97	\$456.05	Apr - Jun 96	\$441.53
Apr - Jun 97	\$453.80	Jul - Sep 96	\$438.03
Jul - Sep 97	\$451.99	Oct - Dec 96	\$437.16
Oct - Dec 97	\$450.19	Jan - Mar 97	\$448.42
Jan - Mar 98	\$461.27	Apr - Jun 97	\$447.09
Apr - Jun 98	\$460.81	Jul - Sep 97	\$446.19
Jul - Sep 98	\$458.53	Oct - Dec 97	\$445.75
Oct - Dec 98	\$456.70	Jan - Mar 98	\$458.08
Jan - Mar 99	\$471.24	Apr - Jun 98	\$458.53
Apr - Jun 99	\$469.85	Jul - Sep 98	\$457.16
Jul - Sep 99	\$465.23	Oct - Dec 98	\$456.70
Oct - Dec 99	\$462.00	Jan - Mar 99	\$471.24
		Apr - Jun 99	\$469.85
		Jul - Sep 99	\$465.23
		Oct - Dec 99	\$462.00

**RECOMPUTATION OF RETIRED PAY
FOR CERTAIN MEMBERS
RETIRED DURING THE PERIOD
APRIL 30 THROUGH DECEMBER 31, 1999
SECTION 601(D) AND 601(E)
PUBLIC LAW 106-65, OCTOBER 5, 1999**

Section 601(d) of Public Law 106-65, October 5, 1999, revises the limits imposed on the rates of basic pay for members of the Uniformed Services. Pay rates for grades O-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. Further, 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 O-9 with over 26 years of service and O-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. Such rates shall be increased by the 2.0% COLA specified in paragraph 2, of attachment 1, to this memorandum.

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

FY99 Retired Pay Cost-of-Living Adjustments (COLAs) Based on the Consumer Price Index for Wage Earners and Clerical Workers (CPI-W)

FY 99 COLAs for retired pay and survivor annuities will be effective December 1, 1998. They will be first paid in checks of January 4, 1999. These COLAs are based on the average CPI-W index for the third quarter of 1998 (3Q/98—called the New Base Quarter) in comparison to the average CPI-W index for 3Q/97 (called the Old Base Quarter). The respective indices are 160.0 compared to 157.9, and the computation is:

The old index is subtracted from the new index	160.0 - 157.9 = 2.1
Then divided by the old index	2.1 ÷ 157.9 = .013
Then multiplied by 100 for the percentage	.013 x 100 = 1.3%

This 1.3% is commonly cited as the FY 98 COLA and applies to most retirees and survivors. Some retirees will receive less, depending 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). Members retired during calendar year 1998 typically receive a reduced COLA because their retired pay is based on rates of pay considered more recent than the Old Base Quarter which is the date to which other retirees were last adjusted. Applicable COLAs are:

Members who first entered Service before September 8, 1980

Date of Retirement	Old Base Qtr	Average CPI-W	Computation	FY 98 COLA
Before 1998	3Q/97	157.9	$(160.0 - 157.9) \div 157.9 = .013$	1.3%
During 1998	4Q/97	158.4	$(160.0 - 158.4) \div 158.4 = .010$	1.0%

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

Date of Retirement	Old Base Qtr	Average CPI-W	Computation	FY 98 COLA
Before 1998	3Q/97	157.9	$(160.0 - 157.9) \div 157.9 = .013$	1.3%
Jan-Mar 1998	4Q/97	158.4	$(160.0 - 158.4) \div 158.4 = .010$	1.0%
Apr-Jun 1998	1Q/98	158.5	$(160.0 - 158.5) \div 158.5 = .009$	0.9%
Jul-Sep 1998	2Q/98	159.4	$(160.0 - 159.4) \div 159.4 = .004$	0.4%
Oct-Dec 1998	3Q/98	160.0	$(160.0 - 157.9) \div 157.9 = .000$	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 3Q98 (Rounded adjustments are based on unrounded full CPI values and may not be self-evident from the figures below). This formula has some aberrant results as shown below.

Date of Retirement	Old Base Qtr	Full CPI	Prorated Reduction	FY98 COLA
Before 1998	Q/97	1.3%	1.00% (4 quarters)	0.3%
Jan-Mar 1998	4Q/97	1.0%	0.75% (3 quarters)	0.3%
Apr-Jun 1998	1Q/98	0.9%	0.50% (2 quarters)	0.4%
Jul-Sep 1998	2Q/98	0.4%	0.25% (1 quarter)	0.1%
Oct-Dec 1998	3Q/98	0.0%	0.00%	0.0%