



OFFICE OF THE UNDER SECRETARY OF DEFENSE
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PERSONNEL AND
READINESS

MEMORANDUM FOR DEPUTY ASSISTANT SECRETARY OF THE ARMY
(HUMAN RESOURCES)
PRINCIPAL DEPUTY ASSISTANT SECRETARY OF THE
NAVY (PERSONNEL PROGRAMS)
DEPUTY ASSISTANT SECRETARY OF THE AIR FORCE
(FORCE MANAGEMENT AND PERSONNEL)
DIRECTOR, DEFENSE FINANCE AND ACCOUNTING
SERVICE

SUBJECT: Fiscal Year 2003 Adjustments to Military Retired and Retainer Pay,
Survivor Annuities and Premiums, and Related Matters

This memorandum and attachments provide detailed guidance regarding Cost-of-Living Adjustments (COLAs) and other computation procedures applicable to military retired and retainer pay and survivor annuities. Retired pay and survivor entitlements are to be adjusted and computed as prescribed herein.

Attachment 1 specifies COLAs for retired and retainer pay and for survivor annuities and premium determinations effective December 1, 2002, unless specified otherwise. These COLAs reflect the cost-of-living as measured by the Consumer Price Index for Urban Wage Earners and Clerical Workers (CPI-W) through the third calendar quarter of 2002 (July, August, September 2002). Particular attention should be given to members who first entered service before September 8, 1980, who retired after December 31, 2001, and who are entitled to retired pay based, in full or in part, on rates of pay from the January 1, 2002, pay table.

William J. Carr
Acting Deputy Under Secretary
(Military Personnel Policy)

Attachments:
As stated

cc:
See Distribution List

Distribution List:

Deputy Chief of Staff for Personnel, U.S. Army

Deputy Chief of Naval Operations (Manpower and Personnel), U. S. Navy

Deputy Chief of Staff for Personnel, U.S. Air Force

Deputy Chief of Staff Manpower and Reserve Affairs, U.S. Marine Corps

Assistant Commandant for Human Resources, U.S. Coast Guard

Director, Division of Commissioned Personnel, U.S. Public Health Service

Director, National Oceanic and Atmospheric Administration Corps Operations-NC

DoD Chief Actuary

Deputy General Counsel (Fiscal)

**ADJUSTMENTS IN RETIRED/RETAINER PAY,
SURVIVOR ANNUITIES AND PREMIUMS
AND RELATED FACTORS**

The following Cost-of-Living Adjustments (COLAs) are effective December 1, 2002, based on the increase in the Consumer Price Index for Urban Wage Earners and Clerical Workers (CPI-W) through September 2002. The term "retired pay" includes retainer pay and the term "members" includes former members.

COLAs for Retired Pay

1. The 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, 2002	1.4 percent	1401a(b)(2)
January 1, 2002	1.4 percent*	1401a(c)

*The adjustment specified by 1401a(c)(1) would have been 1.8% but for the limitation imposed by section 633, P.L. 107-314, December 2, 2002. As a result, the adjustment for those whose retired pay is based on the rates of pay effective January 1, 2002 is limited to the increase for those retired before January 1, 2002, or 1.4%.

2. The 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, 2002	1.4 percent	1401a(b)(2)
January 1 - March 31, 2002	1.4 percent*	1401a(d)
April 1 - June 30, 2002	1.4 percent*	1401a(d)
July 1 - September 30, 2002	0.5 percent	1401a(d)
October 1 - December 31, 2002	0.0 percent	1401a(d)

*These partial adjustments would have been 1.8% and 1.6% respectively but for the limitation imposed by section 633, P.L. 107-314, December 2, 2002. As a result, these adjustments are limited to 1.4%.

COLAs for Survivor Annuities

3. Retired Serviceman's Family Protection Plan annuities payable on November 30, 2002, 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: **1.4 percent** (ref: 10 U.S.C. 1434 (e)).
4. Annuities under the Survivor Benefit Plan (SBP) and Reserve Component Survivor Benefit Plan (RCSBP) under the provisions of subchapter II of chapter 73, title 10, United States Code; Supplemental SBP annuities under the provisions of subchapter III of chapter 73, title 10, United States Code; and benefits payable under the provisions of section 5 of Public Law 96-402, will be increased by the same percentage specified in paragraphs 1 or 2 above by which the retired pay of the person providing the annuity would have been increased at such time if the person were alive and otherwise entitled to such pay. (ref: 10 U.S.C. 1451 (g) and 10 U.S.C. 1457(d)(1)).
5. COLAs for supplemental annuities paid to certain low income widows of members who were deceased before November 1, 1953: **1.4 percent** (ref: section 653 (c), Public Law 100-456).
6. Annuities for Certain Military Surviving Spouses (ACMSS) payable monthly under the provisions of section 644, Public Law 105-85, November 18, 1997, are increased **1.4 percent** from \$185.76 to \$188.36 effective December 1, 2002. (ref: P.L. 105-85, sec 644). This adjustment reflects a .1% COLA correction made last year to do an error in the CPI.

Increase in the SBP Low-Cost Premium Threshold

7. Previous amounts with respect to which the 2.5 percent factor of the SBP premium (cost) formula apply are adjusted effective December 1, 2002, in conjunction with the adjustments in retired pay made under the provisions of section 1401a, title 10, United States Code (ref: 10 U.S.C. 1452(a)(4)(B)). A table of such amounts is included as attachment 1-1.
8. The amount with respect to which the 2.5 percent factor of the SBP premium (cost) is applied for participation upon retirement will be increased **4.7% effective January 1, 2003**, from \$547 to \$572 (premium for this coverage would be \$14.30 and the breakeven base amount would be \$1,225.71) (ref: 10 U.S.C. 1452(a)(4)(A) and section 601b, P.L. 107-314, December 2, 2002).

Adjustments in Social Security Factors

9. The so-called social security offset (reduction) in SBP and RC-SBP annuities under the provisions of section 1451(e)(4) of title 10 U.S.C. is based upon figures published by the Social Security Administration (SSA). This year's changes are published in the Federal Register, October 25, 2002 (Volume 67, Number 207), pages 65,620 - 65,625. The following changes affect the annuity computations of the SBP/RC-SBP social security offset for those individuals with an eligibility year of 2003 and later:

- a. Average of total wages for 2001 is \$32,921.92.
- b. The maximum taxable wages pertaining to Old Age Survivor and Disability Insurance (OASDI) benefits is increased from \$ 84,900 in 2002 to \$87,000 in 2003. There is no maximum taxable wage base for the Hospital Insurance (HI) portion (1.45 percent) of social security taxes. Earnings in 2003 above \$87,000 will not be used to determine survivor benefits.
- c. The Primary Insurance Amount (PIA) for benefit eligibility in 2003 is computed on the basis of the Average Indexed Monthly Earnings (AIME) as follows:
 - 90 percent of the first \$606 of the AIME, plus
 - 32 percent of the AIME over \$606 and through \$3,653 plus
 - 15 percent of the AIME over \$3,653.

**LOW-COST THRESHOLD FOR SBP COST COMPUTATIONS
EFFECTIVE AS OF DECEMBER 1, 2002**

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

BEFORE SEPTEMBER 8, 1980		AFTER JULY 31, 1986	
If Retired Pay Is Based On		If Retired During The	
Rates		Period Of: Amount Is:	
Effective: Amount Is:		Period Of: Amount Is:	
Pre 1 Oct 85	\$493.44	Aug - Sep 86	\$446.41
1-Oct-85	\$508.25	Oct - Dec 86	\$446.41
1-Jan-87	\$513.83	Jan - Mar 87	\$461.64
1-Jan-88	\$500.99	Apr - Jun 87	\$456.29
1-Jan-89	\$499.62	Jul - Sep 87	\$450.49
1-Jan-90	\$494.69	Oct - Dec 87	\$445.18
1-Jan-91	\$484.79	Jan - Mar 88	\$450.94
1-Jan-92	\$491.53	Apr - Jun 88	\$449.60
1-Jan-93	\$494.88	Jul - Sep 88	\$445.21
1-Jan-94	\$493.90	Oct - Dec 88	\$440.34
1-Jan-95	\$492.44	Jan - Mar 89	\$454.51
1-Jan-96	\$492.60	Apr - Jun 89	\$450.96
1-Jan-97	\$491.54	Jul - Sep 89	\$443.89
1-Jan-98	\$497.16	Oct - Dec 89	\$441.71
1-Jan-99	\$507.91	Jan - Mar 90	\$454.33
1-Jan-00	\$517.64	Apr - Jun 90	\$447.76
1-Jul-00	\$514.40	Jul - Sep 90	\$444.72
1-Jan-01	\$526.45	Oct - Dec 90	\$438.14
1-Jul-01	\$519.17	Jan - Mar 91	\$449.06
		Apr - Jun 91	\$447.72
		Jul - Sep 91	\$445.97
		Oct - Dec 91	\$443.72
		Jan - Mar 92	\$459.82
		Apr - Jun 92	\$458.45
		Jul - Sep 92	\$455.27
		Oct - Dec 92	\$453.00
		Jan - Mar 93	\$467.93
		Apr - Jun 93	\$465.64
		Jul - Sep 93	\$463.31
		Oct - Dec 93	\$462.37
		Jan - Mar 94	\$471.13
		Apr - Jun 94	\$470.19
		Jul - Sep 94	\$467.90
		Oct - Dec 94	\$464.64
		Jan - Mar 95	\$474.83
		Apr - Jun 95	\$472.47
		Jul - Sep 95	\$469.66
		Oct - Dec 95	\$468.73
		Jan - Mar 96	\$479.20
		Apr - Jun 96	\$475.89
		Jul - Sep 96	\$472.12
		Oct - Dec 96	\$471.19
		Jan - Mar 97	\$483.32
		Apr - Jun 97	\$481.88
		Jul - Sep 97	\$480.91
		Oct - Dec 97	\$480.44
		Jan - Mar 98	\$493.73
		Apr - Jun 98	\$494.20
		Jul - Sep 98	\$492.74
		Oct - Dec 98	\$492.25
		Jan - Mar 99	\$507.91
		Apr - Jun 99	\$505.92
		Jul - Sep 99	\$500.95
		Oct - Dec 99	\$497.47
		Jan - Mar 00	\$517.64
		Apr - Jun 00	\$512.60
		Jul - Sep 00	\$514.40
		Oct - Dec 00	\$510.82
		Jan - Mar 01	\$526.45
		Apr - Jun 01	\$521.80
		Jul - Sep 01	\$519.17
		Oct - Dec 01	\$519.17
		Jan - Mar 02	\$554.66
		Apr - Jun 02	\$554.66
		Jul - Sep 02	\$549.74
		Oct - Dec 02	\$547.00

**AFTER SEPTEMBER 8, 1980
BUT BEFORE AUGUST 1, 1986**

**If Retirement Effective
During The
Period Of: Amount Is:**

Pre 1 Oct 85	\$493.44
Oct 85 Thru 1986	\$508.25
During 1987	\$513.83
During 1988	\$500.99
During 1989	\$499.62
During 1990	\$494.69
During 1991	\$484.79
During 1992	\$491.53
During 1993	\$494.88
During 1994	\$493.90
During 1995	\$492.44
Jan - Mar 96	\$492.60
Apr - Jun 96	\$487.79
Jul - Sep 96	\$483.00
Oct - Dec 96	\$480.59
Jan - Mar 97	\$491.54
Apr - Jun 97	\$489.11
Jul - Sep 97	\$487.19
Oct - Dec 97	\$485.23
Jan - Mar 98	\$497.16
Apr - Jun 98	\$496.67
Jul - Sep 98	\$494.20
Oct - Dec 98	\$492.25
Jan - Mar 99	\$507.91
Apr - Jun 99	\$505.92
Jul - Sep 99	\$500.95
Oct - Dec 99	\$497.47
Jan - Mar 00	\$517.64
Apr - Jun 00	\$512.60
Jul - Sep 00	\$514.40
Oct - Dec 00	\$510.82
Jan - Mar 01	\$526.45
Apr - Jun 01	\$521.80
Jul - Sep 01	\$519.17
Oct - Dec 01	\$519.17
Jan - Mar 02	\$554.66
Apr - Jun 02	\$554.66
Jul - Sep 02	\$549.74
Oct - Dec 02	\$547.00