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

SUBJECT: Fiscal Year 2004 Adjustments to Military Retired and Retainer Pay, Survivor Annuities and Premiums, and Related Matters

This memorandum and attachment 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.

The attachment specifies COLAs for retired and retainer pay, survivor annuities, and premium determinations effective December 1, 2003, unless specified otherwise. These COLAs reflect the cost-of-living as measured by the Consumer Price Index for Urban Wage Earners and Clerical Workers through the third calendar quarter of 2003 (July, August, September 2003). Particular attention should be given to members who first entered service before September 8, 1980, who retired after December 31, 2002, and who are entitled to retired pay based, in full or in part, on rates of pay from the January 1, 2003, pay table.

William J. Carr
Acting Deputy Under 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 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)
December 2, 2003

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

The following Cost-of-Living Adjustments (COLAs) are effective December 1, 2003, based on the increase in the Consumer Price Index for Urban Wage Earners and Clerical Workers (CPI-W) through September 2003. 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:

<table>
<thead>
<tr>
<th>Rates of Pay Effective</th>
<th>Percent Increase</th>
<th>10 U.S.C. Authority</th>
</tr>
</thead>
<tbody>
<tr>
<td>Before January 1, 2003</td>
<td>2.1 percent</td>
<td>1401a(b)(2)</td>
</tr>
<tr>
<td>January 1, 2003</td>
<td>1.7 percent</td>
<td>1401a(c)</td>
</tr>
</tbody>
</table>

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:

<table>
<thead>
<tr>
<th>Retirement Effective:</th>
<th>Percent Increase</th>
<th>10 U.S.C. Authority</th>
</tr>
</thead>
<tbody>
<tr>
<td>Before January 1, 2003</td>
<td>2.1 percent</td>
<td>1401a(b)(2)</td>
</tr>
<tr>
<td>January 1 - March 31, 2003</td>
<td>1.7 percent</td>
<td>1401a(d)</td>
</tr>
<tr>
<td>April 1 - June 30, 2003</td>
<td>0.7 percent</td>
<td>1401a(d)</td>
</tr>
<tr>
<td>July 1 - September 30, 2003</td>
<td>0.4 percent</td>
<td>1401a(d)</td>
</tr>
<tr>
<td>October 1 - December 31, 2003</td>
<td>0.0 percent</td>
<td>1401a(d)</td>
</tr>
</tbody>
</table>

COLAs for Survivor Annuities

3. Retired Serviceman's Family Protection Plan annuities payable on November 30, 2003, under the provisions of subchapter I, 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)).

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.
December 2, 2003

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: **2.1 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 **2.1 percent** from $188.36 to $192.32 effective December 1, 2003. (ref: P.L. 105-85, see 644).

**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, 2003, 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 4.1% **effective January 1, 2003**, from $572 to $595 (premium for this coverage would be $14.87 and the breakeven base amount would be $1,275) (ref: 10 U.S.C. 1452(a)(4)(A) and section 601(b), FY 2004 NDAA, Public Law 108-136, November 24, 2003). Rates of pay are increased an average of 4.1% effective January 1, 2004.

**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 22, 2003 (Volume 68, Number 204), pages 60,437 - 60,442. The following changes affect the annuity computations of the SBP/RC-SBP social security offset for those individuals with an eligibility year of 2004 and later:

a. Average of total wages for 2002 is $33,252.09.

b. The maximum taxable wages pertaining to Old Age Survivor and Disability Insurance (OASDI) benefits is increased from $87,000 in 2003 to $87,900 in 2004. There is no maximum taxable wage base for the Hospital Insurance (HI) portion (1.45 percent) of social security taxes. Earnings in 2004 above $87,900 will not be used to determine survivor benefits.

c. The Primary Insurance Amount (PIA) for benefit eligibility in 2004 is computed on the basis of the Average Indexed Monthly Earnings (AIME) as follows:

- 90 percent of the first $612 of the AIME, plus
- 32 percent of the AIME over $612 and through $3,689 plus
- 15 percent of the AIME over $3,689.

December 2, 2003
Attachment 1 - Page 2
### Before September 9, 1990

<table>
<thead>
<tr>
<th>Effective PerIOD</th>
<th>Amount</th>
<th>Effective PerIOD</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Aug 30 - 31, 90</td>
<td>$222.00</td>
<td>Aug 30 - 31, 90</td>
<td>$222.00</td>
</tr>
<tr>
<td>Sep 1 - 30, 90</td>
<td>$240.62</td>
<td>Sep 1 - 30, 90</td>
<td>$240.62</td>
</tr>
<tr>
<td>Nov 1 - 30, 90</td>
<td>$253.17</td>
<td>Nov 1 - 30, 90</td>
<td>$253.17</td>
</tr>
<tr>
<td>Dec 1 - 31, 90</td>
<td>$259.18</td>
<td>Dec 1 - 31, 90</td>
<td>$259.18</td>
</tr>
</tbody>
</table>

### After July 31, 1996

<table>
<thead>
<tr>
<th>Effective PerIOD</th>
<th>Amount</th>
<th>Effective PerIOD</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Aug 30 - 31, 96</td>
<td>$435.78</td>
<td>Aug 30 - 31, 96</td>
<td>$435.78</td>
</tr>
<tr>
<td>Sep 1 - 30, 96</td>
<td>$441.79</td>
<td>Sep 1 - 30, 96</td>
<td>$441.79</td>
</tr>
<tr>
<td>Oct 1 - 31, 96</td>
<td>$447.36</td>
<td>Oct 1 - 31, 96</td>
<td>$447.36</td>
</tr>
<tr>
<td>Nov 1 - 30, 96</td>
<td>$453.18</td>
<td>Nov 1 - 30, 96</td>
<td>$453.18</td>
</tr>
<tr>
<td>Dec 1 - 31, 96</td>
<td>$459.18</td>
<td>Dec 1 - 31, 96</td>
<td>$459.18</td>
</tr>
</tbody>
</table>

### Retirement Effective

<table>
<thead>
<tr>
<th>Effective PerIOD</th>
<th>Amount</th>
<th>Effective PerIOD</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Jul 1, 90</td>
<td>$465.69</td>
<td>Jul 1, 90</td>
<td>$465.69</td>
</tr>
</tbody>
</table>

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For those who first became members of a uniformed service.

**Notes:**
- Before September 9, 1990:
  - If retired, the amount includes both service and pay.
  - If retired during the period, the amount includes only service.
- After July 31, 1996:
  - If retired, the amount is based on both service and pay.
  - If retired during the period, the amount is based on service only.

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**Attachment 1-1**
After Dec 31, 90, $395.50
*Effective 1-Jan-94*