



Understanding Overseas Cost of Living Allowance Adjustments

The Overseas Cost of Living Allowance (COLA) is a non-taxable supplemental pay allowance, designed to offset overseas prices of non-housing goods and services. It affects approximately 250,000 Service members at 600 locations overseas, including Alaska and Hawaii. Approximately \$2 billion is paid in Overseas Cost of Living Allowances annually.

To calculate COLA rates using the Overseas COLA Rates Query tool, visit:

<http://www.defensetravel.dod.mil/site/colaCalc.cfm>

For more information on Overseas COLA, visit:

<http://www.defensetravel.dod.mil/site/cola.cfm>

Understanding COLA Calculations

A standardized methodology establishes COLA for Service members at overseas duty locations to ensure that they can afford to purchase the same level of goods and services overseas as if stationed in the Continental United States (CONUS).

Two surveys determine the relative cost of living overseas compared with CONUS. The Living Pattern Survey (LPS), conducted every three years, captures input from Service members and their families to establish *where and how* they purchase goods and services. The Retail Price Schedule (RPS), conducted every year, collects prices for approximately 120 goods and services.

Overseas COLA is intended to equalize purchasing power so that Service members can purchase the same level of goods and services overseas as they could if they were stationed in CONUS. The COLA index is a measured indicator of the differences in the cost of goods and services between the CONUS average and an overseas location. The index takes into consideration the importance and items such as car insurance, gasoline, and day care to ensure that more dollar significance is placed on these items. An index of 100 or higher means that prices in a particular location are equal to or higher than in CONUS; an index below 100 signifies that prices are less expensive than in CONUS. If average prices in CONUS are rising at a greater rate than those overseas, COLA will decrease. However, if prices rise or fall at the same rate, COLA will stay the same. Overseas COLA fluctuations should be considered in household budgeting, and fixed expenses, such as car payments, should be based on what a Service member can afford without COLA.

COLA Approval Process

COLA reductions become final following review and approval by the Compensation Representatives of the Uniformed Services. Overseas COLA is not a fixed amount and adjustments are either immediate or made incrementally, depending on whether the payment will increase or decrease. Increases in COLA are made immediately; whereas, COLA reductions are phased in to help minimize the impact. Pay grade, years of service and number of dependents determine the actual COLA payment. These adjustments do not consider any changes due to currency fluctuations.

Influencing COLA Indexes

Service members can have a direct impact on their COLA indexes by participating in the Living Pattern Survey (LPS). If you are asked to complete a survey, or serve as a price collector, you are being asked to serve in a critical role. The more households that participate in the surveys, the more accurate the COLA will be.

Service members can calculate their COLA rate at <http://www.defensetravel.dod.mil/site/colaCalc.cfm>. The calculation tool is updated with the current COLA amounts each pay period.

The Allowances Division, Directorate of Military Compensation Policy manages the results of COLA surveys. Comprehensive information about COLA, to include an informational video and FAQs, is located on the DTMO website at www.defensetravel.dod.mil.