

OVERSEAS COLA ADJUSTMENT KEY MESSAGES

The Department will implement Overseas Cost-of-Living Allowance (OCOLA) decreases effective May 15 and November 15, 2023. Rate reductions based on the annual cost-of-living assessment (greater than two index points) will be implemented in 50% increments while OCOLA decreases based on currency fluctuations will be implemented in full each cycle. OCOLA increases will continue to be implemented when warranted during the year.

Whenever possible, the Department will notify Combatant Commanders (CCMDs) and overseas points of contact (POCs) at least 30 days prior to implementation of the first 50% reduction of an approved OCOLA decrease (for decreases based on data) to ensure Service members have time to prepare financially for the changes. In the case of the May 15 reductions, CCMDs and overseas points of contact were notified of the new rates prior to March.

The Department will keep CCMDs/POCs abreast of the potential effects of currency fluctuations on OCOLA rates throughout the year as the implementation dates approach.

On December 8, 2022, the Department implemented a 90-day pause to OCOLA reductions to provide relief to Service members stationed outside the contiguous U.S. (OCONUS) experiencing OCOLA decreases due to high CONUS inflation and a strengthening U.S. Dollar. Service members stationed OCONUS did not sustain computed OCOLA decreases during this time; however, OCOLA increases continue to be implemented.

- OCOLA decreases on hold since December 8, 2022 will now be effective May 15, 2023. Service members in affected OCONUS locations will see the decreases in their June 1, 2023 paychecks.

The Department will continue to implement OCOLA *increases* when warranted throughout the year.

GENERAL OCOLA KEY MESSAGES

OCOLA is a non-taxable allowance designed to ensure Service members assigned OCONUS (i.e., foreign countries, U.S. territories, Alaska, and Hawaii) maintain an equivalent level of purchasing power as their CONUS counterparts—not less purchasing power, but not more either.

The Department updates OCOLA rates based on assessment of three primary data points: the triennial Living Pattern Survey (LPS), the annual Retail Price Schedule (RPS), and, for foreign locations, changes in currency exchange rates (referred to as currency fluctuations).

- **The triennial LPS** measures where Service members shop and the proportion of shopping that occurs on a military installation, such as at commissaries and exchanges, at local community outlets, and from online purchases.
- **The RPS** measures the cost of a 150-item market basket of non-housing goods and services (e.g. groceries and clothing) from the stores where Service members shop. Utilities or housing costs are accounted for separately through the housing allowance.
- **Currency fluctuations** measure, for purchases typically made in a foreign retail outlet, the relative purchasing power in the foreign currency as compared to the U.S. dollar.

The OCONUS LPS and RPS data collected is compared to the average of the same data collected in CONUS to establish OCOLA for the OCONUS location.

The OCOLA rate pays a differential to Service members in OCONUS locations for the increased cost of buying the same non-housing goods and services at the OCONUS location.

Because OCOLA is computed based on a comparison to CONUS, CONUS inflation has a major impact on OCOLA. If CONUS prices rise at a greater rate than OCONUS prices, OCOLA may decrease. OCOLA may increase if OCONUS prices rise at a greater rate than CONUS prices.

Additionally, as the U.S. dollar strengthens against a foreign currency, OCOLA may decrease to maintain purchasing power in the local currency; OCOLA may increase if the foreign currency strengthens against the U.S. Dollar.

Additional information on the OCOLA program is at: <https://www.travel.dod.mil/Allowances/Overseas-Cost-of-Living-Allowance/>