

Overseas Cost-of-Living Allowance Adjustments

The Overseas Cost-of-Living Allowance (OCOLA) ensures Service members who are assigned to a permanent duty station (PDS) outside the contiguous U.S. (OCONUS) (i.e., foreign countries, U.S. territories, Alaska, and Hawaii) maintain the same level of purchasing power as Service members stationed in average CONUS—**not less purchasing power, but not more either**.

OCOLA pays a differential to Service members in OCONUS locations for the increased cost of buying a market basket of non-housing goods and services. Based upon changes in cost-of-living data and on foreign currency exchange rate fluctuations, OCOLA rates may increase, decrease, or remain unchanged over time.

How OCOLA Rates Are Assessed

The Department updates OCOLA rates based on an assessment of three primary data points:

- **A triennial Living Pattern Survey (LPS)**, which measures where Service members shop and the proportion of shopping that occurs on a military installation, at commissaries and exchanges, at local community outlets, and from online purchases.
- **An annual Retail Price Schedule (RPS)**, which measures the cost of a 150-item market basket of non-housing goods and services (e.g., groceries, transportation, clothing) from the outlets where Service members indicate they shop.
- **For applicable foreign locations, currency fluctuations**, which affect the relative purchasing power in the foreign currency as compared to the U.S. Dollar.

Annually, on a rolling schedule depending on location, the Department compares OCONUS LPS and RPS data to the same data collected in CONUS to establish an OCOLA rate (index) for the OCONUS location. If CONUS prices of non-housing goods and services increase at a greater rate than OCONUS prices over the past year, OCOLA may decrease; conversely, if OCONUS prices of non-housing goods and services increase at a greater rate than CONUS prices, OCOLA may increase.

Foreign exchange rates are collected daily and where applicable, are adjusted twice a month to maintain members' purchasing power in foreign currency. As the U.S. Dollar strengthens against a foreign currency, fewer dollars are required to purchase the same level of goods and services, and OCOLA may decrease. Conversely, as the U.S. Dollar weakens, more dollars are required to purchase the same level of goods and services, and OCOLA may increase.

Based on the National Defense Authorization Act for Fiscal Year 2023 (FY23 NDAA) legislation:

- The Department implemented the first phase of OCOLA decreases effective May 15, 2023 and scheduled the next phase of decreases for November 15, 2023. Rate reductions (greater than two index points) based on cost-of-living data are implemented in 50% increments, while OCOLA decreases based on currency fluctuations, and data decreases of only two points, are implemented in full in each phase. OCOLA increases are implemented as warranted throughout the year.
- The Department has notified Combatant Commands' staffs and overseas points-of-contact (POCs) of all approved OCOLA data decreases to ensure Service members have time to financially adjust for the upcoming November 15 changes. Additionally, pending decreases based on currency fluctuations are provided to POCs twice a month.
- Approved OCOLA decreases pending since June 1, 2023, are effective November 15, 2023. POCs will be notified of FINAL November 15 index changes no later than November 13. Service members in affected OCONUS locations will see the decreases in their December 1, 2023, paychecks.
- Implementation dates for decreases after November 15, 2023, will be determined after the FY24 NDAA is signed into law.

The Department provides an OCOLA calculator Service members may use to compute current or future OCOLA payments based on changes in a Service member's OCOLA rate, PDS, pay grade, years of service, or number of dependents. It is located at: <https://www.travel.dod.mil/Allowances/Overseas-Cost-of-Living-Allowance/Overseas-COLA-Rate-Lookup/>.

Communication documents provided during the May announcement of the new OCOLA implementation policy are available at: <https://www.travel.dod.mil/Allowances/Overseas-Cost-of-Living-Allowance/> under '2023 OCOLA Adjustment Process'.