



# CURRENCY ADJUSTMENTS FOR OVERSEAS ALLOWANCES

## Pay System Exchange Rate

Finance systems are programmed to incorporate one exchange rate per pay period, which is the basis for adjusting Overseas COLA and OHA payments for currency; this exchange rate is called the Pay System Exchange Rate.

To determine the Pay System Exchange Rate, the DoD employs a currency adjustment model which aims to achieve three main goals:

- 1) to function the same regardless of appreciation or depreciation of foreign currency,
- 2) to select a Pay System Exchange Rate as close to the foreign market exchange rate as possible, and
- 3) to maintain service members' purchasing power over time.

## Impact on Overseas COLA

When DoD updates the Pay System Exchange Rate, only the portion of the Overseas COLA index based on local economy purchases (in foreign currency) is adjusted.

When the U.S. Dollar...	Overseas COLA...
Appreciates	Decreases
Depreciates	Increases

## Impact on Overseas Housing Allowance

OHA rates are typically set in foreign currency. Finance centers use the Pay System Exchange Rate to convert the required amount of local currency (based on the OHA permitted) to U.S. Dollars.



## Overview

The Overseas Cost-of-Living Allowance (COLA) and Overseas Housing Allowance (OHA) are paid to service members in U.S. Dollars, but many of their expenses incurred overseas are paid in foreign currency. This necessitates periodic adjustments to these allowances.

The Department of Defense (DoD) reviews exchange rates and makes adjustments to Overseas COLA and OHA based on exchange rate fluctuations to maintain service members' purchasing power in the local currency. When warranted, exchange rate adjustments are implemented and are effective the 1<sup>st</sup> and 16<sup>th</sup> of every month.

## Key Facts

There is a lag in the Pay System Exchange Rate adjustment process.

When the Pay System Exchange Rate is...	Service members are...
> Foreign Market Exchange Rate	Out-of-pocket
< Foreign Market Exchange Rate	In-pocket

The currency adjustment model ensures all in- and out-of-pocket periods zero out over time.

## Helpful Resources

### COLA Calculator

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

### OHA Calculator

<https://www.defensetravel.dod.mil/site/ohaCalc.cfm>