



## Defense Primer: Military Pay Raise

The phrase “military pay raise,” frequently used in discussions of military compensation, almost always refers to the annual increase in *basic pay* for members of the uniformed services. By law, basic pay is automatically increased at the start of each calendar year by an amount linked to the change in the Employment Cost Index (ECI), although the President or Congress may override this statutory adjustment.

### Pay Raise for 2020

Basic pay was increased by 3.1% on January 1, 2020.

### What Is Basic Pay?

Basic pay is one component of the military compensation package, which also includes housing, subsistence, health care, and retirement benefits. For most servicemembers, it is the largest element of the compensation they receive in their paycheck and typically accounts for about two-thirds of an individual’s *regular military compensation* (RMC). RMC is “the total of the following elements that a member of the uniformed services accrues or receives, directly or indirectly, in cash or in kind every payday: basic pay, basic allowance for housing, basic allowance for subsistence, and Federal tax advantage accruing to the aforementioned allowances because they are not subject to Federal income tax.” (37 U.S.C. §101(25)).

The rate of basic pay an individual receives varies based on his or her paygrade (rank) and years of military service. For example, a newly enlisted recruit (paygrade E-1) with four or more months of service and less than two years of service receives \$1,733.10 in basic pay per month in 2020, while a more senior enlisted person (paygrade E-6) with between 10 and 12 years of service receives \$3,769.80 per month. A newly joined officer (paygrade O-1) with less than two years of service receives \$3,287.10 in basic pay per month in 2020, while a more senior officer (paygrade O-4) with between 10 and 12 years of service receives \$7,460.40 per month.

Pay tables are available at <https://www.dfas.mil/militarymembers/payentitlements/Pay-Tables/PayTableArchives.html>.

### How Is the Annual Increase in Basic Pay Calculated?

Section 1009(c) of Title 37 provides a permanent formula for an automatic annual increase in basic pay that is indexed to the annual increase in the ECI for “wages and salaries, private industry workers.” The automatic adjustment is equal to the increase in the ECI from the third quarter of the third preceding year to the third quarter of the second preceding year. For example, in the 12-month period between the quarter that ended in September 2014 and the quarter that ended in September 2015, the ECI increased by 2.1%. Hence the pay raise for calendar year 2017, as calculated by the statutory formula, was 2.1%.

However, under subsection (e) of this statute, the President can specify an alternative pay adjustment that supersedes the automatic adjustment. Additionally, Congress may pass a law to specify the annual pay raise, superseding the automatic adjustment and/or any presidential adjustment.

### Statutory Formula for 2020

The prescribed adjustment in basic pay for calendar year 2020 under the statutory formula is 3.1% (reflecting the increase in the ECI between the third quarter of 2017 and the third quarter of 2018).

### Congressional and Presidential Action for 2020

The FY2020 President’s Budget requested a 3.1% increase in basic pay, equivalent to the statutory formula. Section 606 of the House-passed version of the National Defense Authorization Act (NDAA) for FY2020, H.R. 2500, directed a 3.1% increase in basic pay. Section 607 of the House bill directed that the statutory formula of 37 U.S.C. §1009 take effect, also resulting in a 3.1% increase in basic pay. The Senate-passed version of the FY2020 NDAA, S. 1790, did not contain a provision specifying the increase in basic pay, thereby leaving the 3.1% automatic adjustment provided by 37 U.S.C. §1009 in place. Section 609 of the enacted version of the National Defense Authorization Act for Fiscal Year 2020 (P.L. 116-92) specified a 3.1% increase in basic pay effective January 1, 2020.

### Statutory Formula for 2021

The adjustment in basic pay for calendar year 2021 under the statutory formula is 3.0% (reflecting the increase in the ECI between the third quarter of 2018 and the third quarter of 2019). The actual increase in basic pay for 2021 may be different, depending on presidential or congressional action.

**Table 1. Historical Increases in Basic Pay**

Pay raise figures do not include targeted increases (“pay table reform,” or PTR), which are discussed in the comment column

Calendar Year in Which Pay Raise Was Effective	Statutory Formula	Increase in ECI	Budget Request	PAA	Provision Enacted into Law (NDAA)	Increase in Basic Pay	Comments
2002	=ECI +0.5%	4.1%	5.0%+PTR	n.a.	5.0%+PTR	<b>5.0%+PTR</b>	PTR: Additional increases for most servicemembers, but focused on midgrade and senior enlisted members, midgrade officers and some warrant officers.
2003	=ECI +0.5%	3.6%	4.1%+PTR	n.a.	4.1%+PTR	<b>4.1%+PTR</b>	PTR: Additional increases for midgrade and senior enlisted, midgrade officers, and some warrant officers.
2004	=ECI +0.5%	3.2%	2.0%+PTR	n.a.	3.7%+PTR	<b>3.7%+PTR</b>	PTR: Additional increases for midgrade and senior enlisted, and some warrant officers.
2005	=ECI +0.5%	3.0%	3.5%	n.a.	3.5%	<b>3.5%</b>	
2006	=ECI +0.5%	2.6%	3.1%	n.a.	3.1%	<b>3.1%</b>	
2007	= ECI	2.2%	2.2%	n.a.	2.2%+PTR	<b>2.2%+PTR</b>	PTR: Additional increases for midgrade enlisted and some warrant officers; pay table extended to 40 years of service.
2008	= ECI	3.0%	3.0%	n.a.	3.5%	<b>3.5%</b>	
2009	= ECI	3.4%	3.4%	n.a.	3.9%	<b>3.9%</b>	
2010	= ECI	2.9%	2.9%	n.a.	3.4%	<b>3.4%</b>	
2011	= ECI	1.4%	1.4%	n.a.	NGP	<b>1.4%</b>	
2012	= ECI	1.6%	1.6%	n.a.	NGP	<b>1.6%</b>	
2013	= ECI	1.7%	1.7%	n.a.	1.7%	<b>1.7%</b>	
2014	= ECI	1.8%	1.0%	1.0%	NGP	<b>1.0%</b>	
2015	= ECI	1.8%	1.0%	1.0%	NGP	<b>1.0%</b>	No increase for paygrades O-7 and higher.
2016	= ECI	2.3%	1.3%	1.3%	NGP	<b>1.3%</b>	No increase for paygrades O-7 and higher.
2017	=ECI	2.1%	1.6%	1.6%	2.1%	<b>2.1%</b>	
2018	=ECI	2.4%	2.1%	2.1%	2.4%	<b>2.4%</b>	
2019	=ECI	2.6%	2.6%	n.a.	NGP	<b>2.6%</b>	
2020	=ECI	3.1%	3.1%	n.a.	3.1%	<b>3.1%</b>	
2021	=ECI	3.0%					

**Sources:** Statutory formula from 37 U.S.C. 1009; increase in ECI from Bureau of Labor Statistics; presidential alternative adjustment from presidential notification to Congress; provision enacted into law from relevant NDAA.

**Notes:** PAA = presidential alternative adjustment; PTR = pay table reform (targeted changes in certain cells of the pay table, thereby giving certain groups higher pay raises than provided by the general increase); NGP = no general statutory provision; n.a. = not applicable.

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