



Tips and Tidbits
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Question: What is military service credit buy back? What is the process to buy back military time for retirement under the Civil Service Retirement System (CSRS) and the Federal Employee Retirement System (FERS)?

If an employee happens to have prior military service, waiting until the last moment before thinking about retirement might end up costing more than stress. Many are not aware that prior military service does not automatically count toward years of Federal service for retirement purposes. In most cases, in order for military service years to count toward Federal service retirement, employees hired on or after October 1, 1982, must pay a military service credit deposit.

Military service credit deposits into the CSRS or FERS retirement system may be made by Federal employees for honorable active military service performed after 1956 in the Army, Navy, Air Force, Marine Corps, or Coast Guard. Deposits may also be made for honorable active service after June 30, 1960 in the Commissioned Corps of the Public Health Service, and after June 30, 1961 in the Commissioned Corps of the National Oceanic and Atmospheric Administration and its predecessor agency.

Military Buyback Deposit (CSRS): Deposits for post-1956 military service consist of payments to the employing agency equal to 7% of military basic pay earned during the period of military service prior to 1999, and 7.25% for service during 1999 for CSRS employees. The earliest interest begins to accrue is October 1, 1986 or on employees' third anniversary of entry into a CSRS position. Interest continues to accrue until the deposit is paid or retirement is effective.

Military Buyback Deposit (FERS): Deposits for post-1956 military service consist of payments to the employing agency equal to 3% of military basic pay earned during the period of military service prior to 1999 and 3.25% for service during 1999 for FERS employees. For FERS employees, the earliest interest begins to accrue is January 1, 1989 or two years from the date employees were first subject to FERS. The interest is not posted until the third year, which is the interest accrual date (IAD). Military service will not be creditable towards retirement eligibility or FERS retirement benefit calculations if the deposit is not paid.

Military Buyback Deposit (FERS Employees with a CSRS Component): If employees are not eligible for Social Security at age 62, no deposit is required for the military service performed after January 1, 1957. However, a deposit is required if employees are first hired on or after October 1, 1982. This is regardless of whether or not the employee is eligible for Social Security.

If employees transfer to FERS and have a CSRS component, they continue to be under CSRS military deposit rules for service performed before the transfer.

The following example depicts the changes in the annuity computation if employees do not make a deposit for Post-56 service subject to CSRS rules:

- Age at Retirement = 55
- Years of service = 30 (military and civilian)
- Years of military service = 10 (Post-56)

- At age 62, if eligible for Social Security, annuity will be re-computed eliminating 10 years of Post-56 service.
- With over 10 years of service, the annuity formula uses 2% for each year over 10; therefore, the annuity will lose 2% x 10 (military service) or 20%.

On October 26, 2006, the Office of Personnel Management (OPM) announced that the interest rate for 2007 would be 4.875 percent. The interest rate that will actually be applied is a composite rate that is based on the rates in effect during the 12 month period preceding the interest accrual date (IAD). For example, the rate that will be applied on October 1, 2007 will reflect a composite interest rate of 4.688% (three months at the 2006 interest rate of 4.125% and nine months at 4.875%). Interest continues to accrue until the deposit is paid. Conversely, no interest is charged if employees pay the deposit, in full, before the first IAD.

Procedures to Make a Military Deposit (CSRS & FERS): Employees must complete a RI 20-97, Estimated Earnings during Military Service, and mail to the appropriate military finance center with a copy of the DD Form 214. A list of the appropriate mailing addresses for Army, Navy, Air Force, Marine Corps, Coast Guard, Public Health Service, and National Oceanic and Atmospheric Administration is located at <https://www.abc.army.mil/Information/ABCRetirement/Information/CSRSPost56.htm> . The appropriate military finance center will complete the form and send estimated earning notification to the employee. When the notification is received, the employee must complete the personal information on SF 2803, Application to Make Deposit or Redeposit (CSRS) or SF 3108, Application to Make Service Credit Payment (FERS) as appropriate. The SF 2803 and SF 3108 are located at <http://www.opm.gov/forms/html/sf.asp> . Employees must forward the application, along with the RI 20-97 and DD Form 214, to Army Benefits Center-Civilian (ABC-C) at the following address:

Department of the Army
Office of the Assistant Secretary
Manpower and Reserve Affairs
Southwest Civilian Personnel Center
ATTN: ABC-C
301 Marshall Avenue
Fort Riley, KS 66442-5004.

The ABC-C will then coordinate with the CPOC to complete the agency portion of the OPM Form 1514 and forwarded it to the Defense Finance and Accounting Service (DFAS). DFAS will notify the employee of the required deposit amount, interest rates, and payment options. Upon response from the DFAS office, employees who want to pay the deposit required to buy back military time must make arrangements with DFAS. The local payroll office may provide employees with the address of the DFAS Regional Payroll Center and ask employees to mail the request directly to the servicing DFAS center.

For additional information please log on to the following websites:

http://www.opm.gov/fers_election/facts/ri83-2.htm.
<http://www.opm.gov/asd/hod/pdf/C023.pdf>

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