



## Military service credit

**L**ast month's article dealt with the redeposit of CSRS refunds. In keeping with our desire to have our membership "retirement ready," let's look at another area that requires consideration of paying now to get something perhaps of much greater value later. Frequently, our office answers questions regarding the use or crediting of military service time toward retirement. Some of the questions relate to whether the individual should "buy back" or make a deposit for the military service time. The date of federal employment as well as the type of retirement plan both come into play in this decision.

Listed below are dates and requirements in effect at this time regarding the use of prior military time toward a CSRS or a FERS postal retirement.

### Employment date prior to October 1, 1982

Any military time service performed *prior to January 1, 1957*, is automatically credited for federal service credit unless that time is the basis for a military pension not rewarded as a result of disability incurred in combat. No deposit is required for this service time. For military service performed after January 1, 1957, the time is also credited toward a CSRS pension at the time of retirement. However, a deposit may be required based upon their Social Security entitlement. If a person retires prior to age 62, whether they make deposit or not, they will receive credit for the military time (unless that time is the basis for a military pension not rewarded as a result of a total disability incurred in combat). When they reach age 62, *if they are eligible for Social Security*, they would lose credit for those years and their annuity would be reduced for those years.

The reduction is 2 percent for each year of service lost. Some see this 2 percent as only 2 percent of their monthly pension. In fact, it is 2 percent of the annuity base percentage toward the high-3 calculation. In easier terms to understand, if a person used three years military time to reach 30 years service time, their annuity would be 56.25 percent of their high-3 earnings. If they lose the three years at age 62, they do not lose 6 percent for the three years, but in fact lose 5/56.25th, or 10.67 percent of their retirement.

If the retiree is not eligible at age 62 for Social Security, then no loss of credit would occur. Should the person not

be eligible at age 62 but become eligible at a later age, the annuity would not be reduced.

So this person buys the military time back determined by their Social Security eligibility. If eligible, then the deposit should be given strong consideration. If they know they will not become eligible by age 62, then deposit would be unnecessary.

### Employment on or after October 1, 1982

**Anyone employed on or after October 1, 1982, is required** to make a deposit for the military service time credit for such time to count toward retirement eligibility and their annuity amount. This deposit is required regardless of being in the CSRS, CSRS-offset, or FERS retirement category.

### Rules of deposit

The necessary deposit into the CSRS Fund for military service time is 7 percent of the earnings from the military base pay, plus interest. The interest rate is compounded and varies year to year, so if a deposit is planned, it is best to do it as early as possible.

Deposit for FERS workers is 3 percent of the total earnings from the military base pay, plus interest. However, the FERS deposit does allow for a two-year interest-free grace period for deposits. This grace period starts from time of employment with the federal agency. Both CSRS and FERS deposits can be made in lump sum or installments, but the deposits must be fully made prior to your retirement date.

If you are interested in looking into military deposits, you should fill out and submit OPM Form RI 20-97 and submit it to the appropriate Military Finance Center. A copy of the DD 214 needs to be attached to the RI 20-97. These forms can be downloaded from the Office of Personnel Management website, [opm.gov](http://opm.gov), or requested through HR Shared Service Center at 877-477-3273, option 5.

**Attention delegates:** If you are interested in attending the retirement breakfast on Thursday at the Boston convention, check for ticket availability at our booth.

**Note:** Our toll-free number will be unavailable July 21-25, when the Retirement Department staff will be attending NALC's 66th Biennial Convention. ☒