

Buy Back Needed to Add Military Time for Retirement

By Catherine Ferguson

Defense Finance and Accounting Service

WASHINGTON, March 3, 1997 – Waiting until the last moment before thinking about retirement might end up costing some civilian federal employees more than stress. Civilian employees with prior military service may not have as many years of federal service for retirement as they thought.

Before military time can be applied toward civil service retirement, in most cases the employee has to "buy back" the active duty time.

Public Law 97-253, dated Sept. 8, 1982, provides federal employees the opportunity to buy into the civil service retirement fund for military service performed after 1956. The law divides employees into two groups -- those covered by the Civil Service Retirement System prior to Oct. 1, 1982, and those who first became subject to Civil Service Retirement System deductions after Oct. 1, 1982. Those in the latter group must pay the deposit to receive credit for military service in their CSRS or Federal Employee Retirement System annuity.

Those covered by CSRS prior to Oct. 1, 1982, may choose not to pay the deposit and still receive credit for their service in their annuities. But if they are eligible for Social Security benefits (i.e., they have 40 quarters of Social Security coverage at age 62), at that time they will lose credit for military service in their CSRS annuities and their annuities will be reduced. If they pay the deposit, they will receive credit for their military service under both CSRS and Social Security.

Many have worked as civilians for years under the mistaken assumption military service is automatically credited toward civil service retirement. In one recent case, an employee was informed one week before retirement he would have to buy back his military time to have it credited toward his retirement.

According to Mary Sugar, chief, Agency Support Services, Office of Personnel Management Retirement and Insurance Service, "People should start planning long before retirement by asking questions. Our advice is that people should start formal planning for retirement about five years in advance."

It is not mandatory for civilians to buy back active duty time, said Sugar. For many people, it is a good idea to buy back time, but for others, it may not be a good investment.

"Someone with military retirement pay who wants to retire under the Federal Employee Retirement System would probably be better off keeping their military retirement pay. People just have to do the arithmetic and figure out how that would affect their retirement check. It's a very personal decision," said Sugar.

Although active duty time is automatically considered for reduction in force purposes, it is not automatically considered for retirement pay, according to Sugar.

New civilian employees with active duty service have three years to buy back their time. After that, the government charges interest on the money that needs to be paid back to buy retirement time. Therefore, it is best that employees

request the amount of military earnings soon after beginning work. Employees then know how much the deposit is and can choose to pay it before interest begins accruing.

The interest is charged on a percentage of their military earnings, and the rate is tied to Treasury earnings. In 1997, it is 6.875 percent. "But in the past, it has gone as high as 13 percent," said Sugar.

To "buy back" military service time for civil service retirement, former military members must get their estimated earnings from the appropriate finance center.

Employees must use a separate request for each branch of service. They attach a copy of their DD Form 214 or equivalent and any available records of pay or promotions to the Request for Earnings during Military Service form provided by their civilian personnel office. If they do not have a DD Form 214 or equivalent, they can get a Standard Form 180 from their personnel office and have their service verified before forwarding the request form to the pay center. The pay center cannot provide estimated earnings unless verification of service is attached.

For more DoD pay information, please visit www.dfas.mil.

(Ferguson is the DFAS public affairs officer.)