

Obtaining retirement credit for military service—FERS employees



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Almost 25 percent of the members of the NALC are veterans of the U.S. Armed Forces. That percentage is consistent with overall Postal Service employment of veterans, including the fact that the Postal Service is the second largest employer of veterans in the nation. Active NALC members who are military veterans should carefully consider whether it is in their interest to obtain retirement credit for their time served in the military.

Since years of service is one of the two main factors that determine the dollar amount of a postal employee's retirement annuity and years of service can be increased by obtaining credit for military service,

the financial benefits of obtaining credit for military service can be significant. Most veterans will want to weigh the costs of obtaining credit for their military service against the benefits they will receive as a result of paying the costs. The process for paying the costs of obtaining credit is called "making deposit for" or "buying back" your military time.

The costs, the resulting benefits, and the procedures and regulations for making deposit for military time are very different depending on your retirement system (the Civil Service Retirement System or the Federal Employees Retirement System). This column will address making deposit for military time for employees covered by the FERS. A later column will be published for employees covered by the CSRS.

The following information applies only to employees covered by the FERS.

The cost of making deposit for military time is 3 percent of the basic pay earned during the period of military service, plus interest (depending on when you pay the deposit).

The financial benefit of buying back military time is either 1 percent or 1.1 percent* of high-3 average annual salary times years of service. In addition to the financial benefit, military time that is bought back also counts toward *eligibility* to retire.

Most veterans will find the financial benefits of making deposit far outweigh the costs. This is so for a number of reasons. The 3 percent *cost* is calculated only on the pay earned during the years in the military (plus interest in some cases), but the 1 percent (or 1.1 percent) *benefit* is applied to all the creditable years of federal service. In addition, for most veterans, the pay received in the military will have been considerably less than end-of-career pay in

the Postal Service, so the 3 percent cost is applied to the lower military pay while the 1 percent (or 1.1 percent) benefit is applied to the higher Postal Service pay. Finally, the 3 percent cost (plus interest in some cases) is a one-time payment, while the 1 percent (or 1.1 percent) benefit will be an ongoing benefit for the lifetime of the retiree (and the lifetime of his or her spouse if survivor benefits are elected at retirement).

There are important basic rules for making deposit for military time:

1. Military service performed prior to Jan. 1, 1957, is creditable for retirement without payment. No deposit is required for this service to be creditable. Military service performed after Dec. 31, 1956, is creditable only when a deposit is made.
2. Full payment of the required deposit must be made prior to separation from the Postal Service.
3. The deposit must be paid directly to the Postal Service.
4. There is a grace period of two years. No interest is charged if the deposit is *completed* prior to three years from the date the employee first became covered under FERS.
5. Interest is charged at a rate determined by the Secretary of the Treasury for each calendar year.
6. Receipt of military retired pay bars the crediting of military service toward a FERS annuity, unless 1) the veteran waives the military retired pay and makes deposit for the years of military service, 2) the military retired pay was awarded for a service-connected disability incurred in combat with an enemy of the United States, or caused by an instrumentality of war and incurred in the line of duty during a period of war, or 3) the military retired pay was based on certain non-regular service pertaining to retirement from a reserve component of the Armed Forces (see 10 USC 67 and 10 USC 1223).

To begin the process of making deposit for military time, call the USPS Shared Services Center at 877-477-3273, Option 5. The Postal Service will then contact the appropriate military branch, obtain documentation of your military pay records, calculate the 3 percent deposit (with the annual interest rates if applicable) and advise you of the dollar amount required. If you decide to make the deposit, you can pay it in a lump sum (necessarily if you are close to retirement) or installments by deductions from your pay over time.

* The formula for calculating the FERS annuity benefit is 1 percent times years of service times high-3 average annual salary. However, if an employee retires at or after age 62 with at least 20 years of service, the calculation is 1.1 percent times years of service times high-3 average annual salary.

Military Deposit FERS

Total military earnings: \$43,005.00
Principal: \$1,290.00 (3.00% of earnings)
Start of interest-free period: 7/21/01

Year	Interest	Balance	Interest Rate (%)
2004	\$56.40	\$1,346.40	4.3719
2005	\$55.93	\$1,402.33	4.1542
2006	\$59.39	\$1,461.72	4.2354
2007	\$66.42	\$1,528.14	4.5438
2008	\$73.43	\$1,601.57	4.8052
2009	\$68.25	\$1,669.82	4.2615
2010	\$57.71	\$1,727.53	3.4563
2011	\$50.37	\$1,777.90	2.9156

Principal = \$1,290.00
Interest = \$487.90
Total = \$1,777.90

Military Buyback Instructions

1. Call the USPS HR Shared Service Center at 1-877-477-3273, Option 5. Tell the representative that you wish to buy back your military time.
2. The USPS will send you a packet which includes a form for obtaining your estimated earnings during military service. Follow the instructions in the packet for obtaining your estimated earnings and also your DD 214 (Report of Separation). An official copy of your DD 214 must accompany your request for estimated earnings. The DD 214 must be a "Member 4" copy or one which contains character of service and time lost information. If you are unable to locate a copy of your DD 214, you will need to order an Undeleted copy at <http://vetrecs.archives.gov> or complete and mail the SF180 form enclosed in the packet. It may also be in your eOPF on LiteBlue.
3. After obtaining your estimated earnings from the U.S. Military, send the completed forms back to the Postal Service's HR Shared Service Center. Use the return mailing label included in the packet.
4. If you wish to make payment for your military service, you will need to complete Section 12, Election of Payment, on PS Form 2805, Military Deposit Worksheet and SF 3108, Application to Make Service Credit Payment (instructions and forms included in packet). You may make a lump sum payment by check or money order, installment payments (\$50.00 minimum) also by check or money order, or payroll deductions (in \$5.00 increments).
5. When the deposit has been paid in full, your retirement computation date will be adjusted to include your military service.