

The FEDERAL EDGE

Question of the Week:

Should my clients buy back their military time?

Answer:

The answer to this question is “most of the time.”

... Read more below

Topic of the Week: Capturing Military Service Credit

The rules for buying back military time



Buying Military Time

This is probably one of the most common questions you will get asked while working with federal employees. Most often the answer will be yes, it is usually beneficial for federal employees to buy back old military time. The cases where it's not beneficial is usually when the person is retired from the military and is receiving a military pension. But for your own protection you still need to make sure you advise your clients to do a cost comparison to verify if the buyback would be a good idea or not.

The Basics

The military service that is eligible for buyback is service that is:

- 1) Performed before the date of separation
- 2) Active duty
- 3) Not used in computation of military retiree pay,

as mentioned before (disability excluded).

Buybacks are credited for both federal retirement service time and the Social Security system. The buyback percentage is different for FERS and CSRS. FERS are required to pay back 3% of their basic military pay while CSRS are required to pay 7% of their basic military pay. And the earlier the buyback takes place, the better. If it occurs within three years from when the military service ended, there is no interest charged. After three years interest begins to accrue and all of it must be paid. In addition to the deposit, the employee must also waive their military retired pay effective the date the civilian retirement annuity begins. However, if the military retirement pay was awarded for disability incurred in combat or caused by an instrumentality of war,

or for reserve service under U.S.C. Chapter 67, Title 10 then the military does not have to be waived.

Further rules for CSRS

There is one other rule to keep in mind regarding CSRS dates of employment. If a CSRS was hired before 10/1/1982, they can either make a normal deposit to receive military time or they can receive service credit without making the deposit. However with the latter, their annuity will be recomputed at age 62 with the military time removed if they are eligible for Social Security. This rule is known as the “Catch-62” rule. If they aren't eligible for S.S. at 62 then the annuity is not recomputed. Therefore if a CSRS was hired before 10/1/1982 and they do not have enough credits for S.S., there is no advantage in making a deposit for military time.