

Obtaining retirement credit for military service—CSRS employees



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As noted in last month's column, almost 25 percent of the members of the NALC are veterans of the U.S. Armed Forces. All veterans who remain actively employed at the Postal Service 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 time 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" military time.

The costs of making deposit for military time for CSRS-covered employees are generally about twice as much as the costs for FERS-covered employees. However, the benefits for CSRS-covered employees are also about twice as much as the benefits for FERS-covered employees. Additionally, some of the rules for making deposit for CSRS-covered employees are significantly more complex than the rules for FERS-covered employees. The October 2015 retirement column addressed making deposit for military time for FERS employees. This column addresses making deposit for CSRS employees.

The following information applies to employees covered by the CSRS.

The cost of making deposit for military time is 7 percent of the basic pay earned during the period of military service, plus interest (depending on when the deposit is paid).

The financial benefit of making deposit is generally an increase in annuity of 2 percent of high-3 average annual salary times years of service being "bought back." Most veterans will find the financial benefits of making deposit will far outweigh the costs.

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.

2. An individual first employed in a position covered by CSRS on or after Oct. 1, 1982, must make a deposit in order to receive retirement credit for post-1956 military service.
3. An individual first employed in a position covered by CSRS before Oct. 1, 1982, may receive credit for post-1956 military service if he or she retires from civilian service prior to age 62, without making deposit. However, if the employee does not make a military service deposit, the time of military service is factored out of the computation of CSRS benefits when the employee reaches age 62, if the employee is entitled (or upon application would be entitled) to Social Security benefits at that time.
4. The deposit must be paid directly to the Postal Service.
5. 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 CSRS. For employees first employed prior to Oct. 1, 1983, interest started accruing Oct. 1, 1985.
6. Interest is charged at a rate determined by the Secretary of the Treasury for each calendar year.
7. Receipt of military retired pay bars the crediting of military service toward a CSRS 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 for 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 7 percent deposit (with 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 in installments by deductions from your pay over time.

* The CSRS benefit calculation formula is 1.5 percent times the first five years of service, plus 1.75 percent times the next five years of service, plus 2 percent for each year of service after the first 10 years, times the high-3 average annual salary. Therefore, a veteran who has more than 10 years of service with the Postal Service will receive an annuity increase of 2 percent of the high-3 average annual salary for each year of military service "bought back."