

Military deposit after 41 years and 11 months of CSRS service



Dan Toth

Civil Service Retirement System (CSRS) employees should consider making a deposit for their military service, even if they have, or will have, exceeded the maximum annuity of 80 percent. The maximum is achieved after 41 years and 11 months of service.

Any time one considers a deposit for military time, an informed decision starts with understanding the cost of the deposit and the benefit received. Compare the cost of the deposit to the annual increase in your annuity that the service would provide, and determine the number of years necessary to break even. If the payback time is within your life expectancy, then it may be a wise

financial decision to make the deposit. Typically, a deposit for military time will break even in just a few years, and the decision to make a deposit is clear. Each person should make this comparison for themselves and decide if the deposit is in their (or their spouse's) best interest.

“However, there still is a possible benefit for those considering a deposit for military service beyond 41 years and 11 months of total federal service.”

By law, CSRS employees have a maximum annuity of 80 percent, not including any unused sick leave at retirement. When CSRS employees have exceeded or plans to exceed the 41 years and 11 months of service maximum, they may assume there is no reason to make a deposit for their military service. This is because they correctly believe that their annuity will not exceed the 80 percent maximum (except for unused sick leave), so the deposit is paid for no additional annuity. However, there still is a possible benefit for those considering a deposit for military service beyond 41 years and 11 months of total federal service.

When CSRS employees reach 41 years and 11 months of service, they continue making the same employee contributions they've made their whole career (whether or not they want to). But after retirement, the Office of Personnel Management (OPM) will refund the retirement contributions made during those excess years. Interest is paid on

the refund payment at the rate of three percent per year, compounded annually.

When, as a CSRS employee over the 41 years and 11 months maximum, you make a deposit for your military service, you are effectively changing the date you have reached the maximum 80 percent benefit, and thus increased the number of excess years. The result is making a deposit for military service prior to your career; in exchange, you receive excess contributions from the end of your postal career.

Because the cost of a deposit for military service is based on pay earned, and for most CSRS employees this military service will be more than 30 years ago, the base pay will be relatively small compared to a present-day top step letter carrier. CSRS employees contribute 7 percent of their base pay toward retirement. As step 0 (top step) letter carriers receive approximately \$65,000 per year, this results in approximately \$4,550 in employee contributions per year.

Like the method used earlier when determining the financial impact of a military deposit, one should weigh the cost of the deposit versus the approximate amount of excess contributions that would be owed at retirement. This again would be a separate calculation for each carrier depending on the earned base pay and when the military service was performed (which affects the compounding interest). In many situations I've seen, the cost of the military deposit is outweighed by the refund of excess contributions.

If you are one of the few remaining CSRS employees but you have not considered making a deposit for your military service, you should consider taking the first step by starting the process to see how much the deposit will cost. This is the only way for you to make an informed decision.

Federal Employees Retirement System (FERS) carriers aren't faced with the same situation, as there is no maximum FERS annuity. All FERS carriers should consider making a deposit for military service by comparing the cost to the benefit, as mentioned earlier.

To receive credit for military service, the deposit must be completed prior to separation. To begin the process, contact the Human Resources Shared Service Center (HRSSC) at 877-477-3273, option 5, or TTD/TTY at 866-260-7507.

