

By *Linda Duncan*

Federal Employees' Retirement Planning Guide
<http://federalretirement.net>

The Advantage of Making a Military Deposit

If you are a current federal employee with prior military service you should consider making a deposit for your military service. There are two reasons why making a military deposit may be beneficial:

1. You could retire sooner, or
2. You can increase your retirement annuity.

By making this deposit, your years of military service are included in your civilian retirement computation, just as if you performed that service under your current retirement system. Unless you are receiving a military retirement, making a military deposit is usually a great deal, often paying for itself within a year or two of retirement.

Retire Sooner: A military deposit may allow you to retire from your civilian position earlier than with your civilian service alone. If you reach your [Minimum Retirement Age \(MRA\)](#) *before* you attain the required years of service, this may be your ticket to retire earlier than anticipated. For example, if you began your federal civilian career at age 28 as a FERS employee and, you were born in 1955, your MRA is 56, but you will not attain 30 years of federal civilian service until you reach age 58. If you made a deposit for your four years of active duty military service, you could retire at the MRA of 56 – two years earlier than if you did not make the deposit. (Note: If you are covered under the Special Retirement provisions for Law Enforcement Officers, Firefighters, Air Traffic Controllers, and Military Reserve Technicians the military service cannot be credited towards the 20 years of special retirement coverage for retirement eligibility, but will be used in computing your annuity.)

Increased Annuity: Making a military deposit will increase your [federal retirement annuity](#). By making the deposit, you are purchasing a guaranteed monthly annuity payable when you retire. The annuity is paid directly to you in the form of monthly payments for the rest of your life (and your spouse's life if you elect a spousal annuity). **The military deposit is fully refundable if you change your mind and want a refund of the deposit.**

To determine if this deposit is advantageous to you, simply compare the total military deposit amount to the increase in retirement income. Then determine how long before the increase in your retirement annuity will pay for the military deposit amount.

For example, let's say you have four years of military service and five years of federal service as a FERS employee.

High-three Salary: You don't know what your high-three salary will be when you retire, but you decide to use your current salary of \$60,000 as your high-three salary.

By Linda Duncan

Military Deposit Amount: Your payroll or HR office determines your military deposit amount will be \$2,600 for four years of military service.

Computation: If you are a FERS employee, your retirement annuity is increased 1% for each additional year of service. So the computation is:

4 years of additional service x 1% per year x \$60,000 = \$2400 yearly increase in retirement income attributable directly to the one-time military deposit. That is a \$200 per month increase in your annuity payable for your entire life.

Conclusion: In this example, it took just one year and one month of retirement income attributable to the military service to equal the entire military deposit amount. This is the break even point. The higher annuity income continues for as long as you live, and will be also used to compute a spousal annuity if applicable. If you plan to spend more than 13 months receiving this annuity, the deposit is beneficial.

If you are a CSRS employee the military deposit amount is higher, but the return is also higher:
X years of military service x 2% per year x high 3 salary = annual annuity increase.

This calculation does not include the time value of money considerations. For those analytical types, TVM calculations would be appropriate, for everyone else, let's keep it simple since this is normally such a short period of time.

Retired Military: Making the military deposit is not for everyone. If you are retired military and are receiving full military retirement pay, it is usually not advantageous to make a military deposit, because you must waive your military retired pay for the service period to be included in the civilian retirement annuity. Usually the full military retirement is of greater value than the civilian retirement annuity. Use the computation method above to determine if making the deposit would be beneficial or consult with your HR/Benefit Specialist.

Military Disability Retirement & Reserve Retirement: You must waive your military retired pay in order to receive credit for military service in a civilian annuity, unless your military retirement is based on:

- A service-connected disability incurred in combat with an enemy of the US;
- On account of a service-connected disability caused by an instrumentality of war and incurred in the line of duty during a period of war; or
- Under provisions of 10 U.S.C. 12731-12739 (retired members of the reserves).

A deposit is still required for the active duty military service to be credited in your civilian retirement annuity.

Creditable Military Service: As a general rule, military service in the Armed Forces of the United States is creditable for retirement purposes if it was active service terminated under honorable conditions, and performed prior to your separation from civilian service for retirement. If you are in the FERS retirement system or your civilian service began after October 1, 1982 a deposit is required to receive credit for the service.

By Linda Duncan

But what would a federal regulation be without an exception? Here is information about additional rules and regulations that may be applicable to you and your service:

[Military service which interrupts your civilian service \(called to active duty\)](#)

[Military service performed before 1957 is creditable without deposit.](#)

[CSRS retirement with civilian service performed before 10/1/82 \(Catch 62\)](#)

Overview: [Military time buyback, forms and additional resources](#)

What else you need to know:

- ***The deposit must be paid in full while you are a federal employee*** and cannot be paid after you separate from federal service. Otherwise it will not be creditable for retirement purposes.
- ***Retirement Eligibility*** for [CSRS and FERS](#) requires that you must have at least five years of creditable civilian service and be covered under the CSRS or FERS retirement system on the date of retirement. Therefore, you cannot be a civilian employee for just one year and pay back your four years of military service to equal five years for retirement eligibility. You must have at least five years of civilian service for civilian retirement eligibility.
- ***Your Service Computation Date*** (SCD) can be confusing. There are at least four different SCD dates used by HR. The SCD that appears on your Notification of Personnel Action, SF-52 is your Leave SCD. You do not have to make a deposit for your military service to be included for leave accrual purposes. This date is different than your Retirement SCD, which only includes the military service if there is proof the deposit was paid in full.
- ***Plan ahead*** because making the deposit requires several steps that take time. The steps include [requesting information from your military payroll office](#) and your civilian payroll office. Start the process well before your anticipated retirement date. For more information review [How to make a military deposit](#).
- ***The amount of the deposit*** is determined by the amount of your military base pay, your civilian retirement system, and how long you have been a federal employee. The military income amount does not include housing allowances, combat pay or similar extra pay. The deposit amount is 3% of military base pay for FERS employees and 7% of military base pay for CSRS employees. You may make the deposit at any time you are a federal employee. The deposit can be made in one single payment, multiple payments, or through payroll deductions, normally for as little as \$25-\$50.
- ***The interest rate*** is variable computed and added to your deposit amount on a calendar basis. There is a two-year interest free period that begins on your date of hire. However, since the interest is added on an annual basis, if the deposit amount is paid in full prior to three years of your hire date the deposit is interest free. This calculator should help you in computing the interest due: [Computing your military deposit amount](#).
- ***Keep all information*** about the military deposit until retirement. When the deposit is complete, you should receive a letter from your payroll office indicating the deposit is made in full. Payroll does not normally provide this document to your

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HR office. You should give a copy of the letter to your HR office to be included in your Official Personnel Folder and keep a copy for yourself to provide with your retirement documents when you retire.

Visit <http://federalretirement.net> often to learn more about retirement options, benefits, and estate planning issues and I suggest signing up to receive my [FREE monthly benefits newsletter](#).

The information provided may not cover unique or special circumstances and federal regulations are subject to change. To ensure the accuracy of this information, contact your HR specialist or benefits coordinator and ask them to review your official personnel file and circumstances concerning this issue. Retirees can contact the OPM retirement center.

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Visit our other informative sites

<http://federaljobs.net> (Federal Career & Job Center)

<http://federalretirement.net> (FREE Retirement Planning Guide)

<http://federalretirement.net/jobs.htm> (Retiree Job Opportunities)

<http://fedcareer.info> (Career Development Center)

<http://postofficejobs.info> (Postal Career Center)

<http://ehsjobs.org> (Environmental Health & Safety Job Center)

<http://stolenplates.com> (What to do if this happens to you)

[Educational Opportunities](#) (Find educational opportunities in your area)