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9.0: Miscellaneous

Buy Back Time

Your primer on the Civil Service Retirement System in regards to military service.

By MAJ Mathew B. Tully, NYARNG

Q: I am both an active Reservist and also a federal employee. When I return from a period of military service I have to "buy back" the time I was on military service from my agency so that it is calculated towards my retirement plan. But how much do I have to pay to buy back the time?

A: The answer hinges on whether your retirement plan is with the Civil Service Retirement System (CSRS) or through the Federal Employees Retirement System (FERS). In each of these systems there are many detailed nuances. The answers below are generally applicable.

CSRS was created by the enactment of the Civil Service Retirement Act of 1920. This plan covers most employees hired before 1984 and is not open to new members. Generally, individuals who became employees or members under CSRS on or after October 1, 1982, need to complete a deposit in an amount equal to 7 percent of their basic military pay plus any interest for each full period of military service performed after December 1956. Military service performed prior to January 1957 will be counted towards the annuity regardless of whether a deposit was made for service after Dec. 31, 1956.

For individuals who became employees or members under CSRS before Oct. 1, 1982, to "buy back" service performed after Dec. 31, 1956, the deposit is also 7 percent of basic military pay for an employee, member, or survivor who is entitled, or upon application would be entitled, to monthly old-age or survivors benefits under section 202 of the Social Security Act based on the individual's wages or self-employment income. Military service performed prior to January 1957 will still be counted towards the annuity regardless of whether a deposit was made for service after Dec. 31, 1956.

FERS, on the other hand, was created under the Federal Employees' Retirement System Act of 1986. This plan covers civilian employees hired after January 1984 and employees who switch to it from CSRS.

Under FERS, generally, an employee or member, who has performed military service after Dec. 31, 1956, and before the date of the separation on which the entitlement to any annuity is based, may pay 3 percent of the amount of the basic pay paid under the Pay & Allowances of the Uniformed Services provisions under 37 U.S.C. 204 (military pay) to the agency by which the employee is employed (if a member or Congressional employee, to the Secretary of the Senate or the Chief Administrative Officer of the House of Representatives) and "buy back" that time during which military service was performed. For any period of military service performed during 1999, the percentage is 3.25, and for 2000 it is 3.4 percent. You will be required to pay interest on any deposit made more than two years after the later of Jan. 1, 1987, or the date on which you become an employee following the period of military service for which such deposit is due. In any case, the deposit amount may not exceed that amount which would have been deducted and withheld had military service not interrupted creditable civilian service. In short, you pay the lesser of 3 percent of your military pay or the amount that would have been deducted if you did not perform military service.

MAJ Tully, a founding partner of Tully, Rinckey, & Associates, P.L.L.C., in Albany, N.Y. (www.fedattorney.com) is a field artillery officer with the New York Army National Guard Field Artillery and an Operation Iraqi Freedom III veteran. He specializes in handling USERRA cases for federal employees.