



Military Service Buybacks

Welcome

- » Our audience today
- » Q&A – the ProFeds Support Team standing by
- » Handouts – available for download
- » Recorded – how to get the replay
- » Stay until the end!

Military Service Buybacks

Your ProFeds Presenter



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- » ProFeds Founder
- » Developer of the FedImpact Retirement Workshop
- » Host of the FedImpact Podcast



Support Team

- » Standing by for your questions

Military Service Buybacks

Breaking Down the Military Service Buybacks

**When it's possible, when it's worth it,
and when to avoid it altogether**

Quick Poll:

**In which branch
of the military
did you serve?**

Military Service Buybacks

Agenda

- » The 4 categories of military service
- » What does it mean to 'buy back' military service?
- » How military buybacks affect eligibility & the pension
- » Review 5 case studies to assess outcomes
- » Step-by-step process to complete the buyback

Military Service Buybacks

The 4 Categories of Military Service

- » Honorable, active service
 - Active Duty
 - Reserves
 - Academy
 - Retirees
- Special note:
- National Guard
 - Military Reserve Technicians

Military Service Buybacks

The 2 Ways Military Service “Counts” in FERS

- » For military service to count in FERS, a “military deposit” is required (i.e. “buying back your time”)
- » If a deposit is made, that time will count toward:
 - **Retirement Eligibility** (perhaps allowing you to meet the ‘service years’ requirement earlier)
 - **Pension Calculation** (increasing the pension calculation due to extra service included)

NOTE: Military service NEVER counts in the calculation of the FERS Special Retirement Supplement (except in cases of USERRA when a member is recalled to military service from a federal position).

Military Service Buybacks

Service Computation Dates

- » Leave SCD:
 - Found on the pay stub (for most employees)
 - Represents ALL of an employee's service for annual leave accrual purposes ONLY
- » Retirement SCD:
 - Agency provides or can be manually calculated
 - Represents the length of service from today backwards that counts for retirement purposes

Military Service Buybacks

Service Computation Dates

- » Example:
 - Employee's pay stub shows their LSCD of 7/1/1990
 - They have 4 years of military service that they have decided NOT to make a deposit for
 - The LSCD is adjusted forward by 4 years (to 7/1/1994) to remove the military service altogether – this date is known as the RSCD
 - If they were to make a deposit, the LSCD and RSCD would be the same

Military Service Buybacks

FERS credit for post-1956 military service

If military service occurred:	and a deposit is:	Then credit is given towards:	
		Eligibility	Pension
Before January 1, 1957	not required	✓	✓
On or after January 1, 1957	paid	✓	✓
On or after January 1, 1957	not paid	✗	✗

Military Service Buybacks

Deciding if it is “Worth it”

- » Step 1: What does it COST you?
 - How much is the deposit?
 - Do you have to give up anything else?
- » Step 2: What does it GET you?
 - More money?
 - Retire earlier?
 - Enhance another calculation?

Military Service Buybacks

Assumptions

- » Regular FERS
- » Not retired from military service
- » \$100,000 high-3



Military Service Buybacks

Our Case Studies for Military Buybacks

Sara



5 Years
Active Duty
Service

Rick



10 Years
Reserve
Service

Zach



4 Years
Academy
Service

Military Service Buybacks

CASE STUDY: Sara is 60 with 20 years of FERS time

Sara



5 Years
Active Duty
Service

What does it COST?

Deposit owed
(with interest):
\$8,000

Break even point:
1.6 years

What does she GET?

Adds 5 years
of service to the pension

\$5,000/year
for the rest of her life

Military Service Buybacks

CASE STUDY: Rick is 58 with 28 years of FERS time

Rick



10 Years
Reserve
Service

What does it COST?

Deposit owed
(with interest):
\$6,000

Break even point:
2.4 years

What does he GET?

Adds 2.5 years
of service to the pension

\$2,500/year
for the rest of his life

Plus, with the extra 2.5
years, **he is now
fully-eligible to retire!**

Military Service Buybacks

CASE STUDY: Zach is 62 with 18 years of FERS time

Zach



4 Years
Academy
Service

What does it COST?

Deposit owed
(with interest):

\$2,000

Break even point:

.5 year

What does he GET?

Adds 4 years
of service to the pension

\$4,000/year
for the rest of his life

Plus, with the extra 4
years, **he qualifies for the
1.1% calculation for all of
his years!**

Military Service Buybacks

Assumptions

- » Regular FERS
- » Retired from military service
- » \$100,000 high-3



Military Service Buybacks

Our Case Studies for Military Buybacks

Jose



20 Years
Active Duty
Retired

Kacey



20 Years
Reserve
Retired

Military Service Buybacks

Military Retirees

- » Active duty retirees
 - May make a deposit for active service
 - Must waive military pension upon receipt of CSRS/FERS pension
- » Reserve retirees & certain Disability retirees
 - May make a deposit for active service
 - May draw military pension and CSRS/FERS pension simultaneously without penalty

Military Service Buybacks

CASE STUDY: Jose is 58 with 18 years of FERS time

Jose



20 Years
Active Duty
Retired

What does it COST?

Deposit owed
(with interest):
\$15,000

Break even point:
.75 year*

***Must waive \$22k
military retired pay upon
retiring from FERS**

What does he GET?

Adds 20 years
of service to the pension

\$20,000/year*
for the rest of his life

Plus, with the extra 20
years, **he is fully-eligible
and now qualifies for
the SRS.**

Military Service Buybacks

CASE STUDY: Kacey is 60 with 20 years of FERS time

Kacey



20 Years
Reserve
Retired

What does it COST?

Deposit owed
(with interest):
\$9,000

Break even point:
1.28 years

What does she GET?

Adds 7 years
of service to the pension

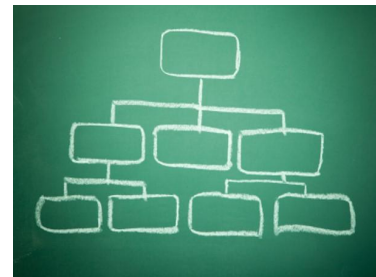
\$7,000/year
for the rest of her life

**Does NOT waive military
retired pay upon retiring
from FERS**

Quick Poll:

Do you already know
how much you owe to get
credit for your military service?

Retiring Early Under MRA+10 Rules



The Process of Buying Back Military Service



Military Service Buybacks

Making the Deposit for Military Service

- » You are not permitted to buy back only part of a piece of service (you have to buy back the whole chunk)
 - broken service periods are treated separately, so you are permitted to pick and choose which chunks you buy back
- » For FERS, the military deposit owed is:
 - 3% of pay earned during that period of military service, plus
 - Interest (which is compounded)
- » Pay prior to retiring (lump-sum/payroll deduction)

Military Service Buybacks

Getting Started in Your Decision

- » Know your numbers:
 - Identify the dates and military earnings with DFAS
 -  Estimated Earnings During Military Service
RI 20-97
 - Calculate how much you owe (i.e. “the deposit amount”)
 -  Application to Make Deposit or Redeposit
SF-3108 (FERS)
 - After completing the SF-3108, your agency will provide you a letter with your final “deposit owed” amount and payment options

Retiring Early Under MRA+10 Rules

**So is it worth it
to buy back
your military
service?**



Military Service Buybacks

Get the Rest of the Story



CSRS & FERS Pensions • FLT/CP • TSP
Survivor Benefit Plan • Social Security
FERS Supplement • FEGLI • FEHB

**TAKE THE GUESSWORK OUT OF
RETIRING FROM FEDERAL SERVICE**

"The workshop you delivered yesterday was phenomenal. I enjoyed the presentation as well as the class participation and interaction."
U.S. Office of Personnel Management

"The most information I have ever received and received in my 20/20 military and federal years."
U.S. Department of Defense

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