



# Civilian Pay Fact Sheet

## Military Service Deposit

### Military Service Deposit Background and Purpose:

Military Deposits are for employees who have served in the military and want to buy back their military time to credit toward their civilian service. Military Deposits are voluntary; employees are not required to buy back their time. This is not a debt. The Military Service Deposit program is used to enter Military Service Deductions/Cash Payments and Military Service History for the period of time the employee is buying back. Interest on Post-56 military service accrues and compounds annually on the employee's Interest Accrual Date ( IAD). Post-56-Deposit amounts

are calculated at a percentage of the employee's military basic pay. These calculations are computed differently depending on the employee's Federal Retirement System. The Military Services are responsible for determining each employee's Post-56 creditable service periods (can be multiple periods). Newly appointed employees have a 2-year grace period for repaying their deposit amount without a charge to interest, but only if the deposit is paid-in-full on the day before their IAD, (which equates to a 3-year period to pay their deposit in full).

Refer to the OPM website for the current forms (SF 2803A, SF 3108A), specific instructions and additional information.

<http://www.opm.gov/forms/standard-forms/>

### Military Service Deposit Information:

Military service deposits are paid into a federal retirement system by employees who have served in the U.S. military and want to apply the military service time towards their civilian service retirement by buying back their military time. Military deposits are voluntary. To have service time considered for civil service retirement, a former military member must obtain the estimated earnings from the appropriate agency record keeper. However, if they have a record of their actual earnings, they do not need to obtain estimated earnings. It is important to note that if the employee starts payroll deductions or makes a payment(s) for military service then decides not to follow through with the processes, the employee will not receive a refund until separating from civilian service. At that point, the employee must request the refund from OPM. The payroll office will not issue a refund.

For Military Service Credit deposits that do not result in a break of civilian service, the calculated amount required to buy back the military time is 3% of military earnings with the exception for the years 1999-2000 which have a slightly higher percentage rate. For a Uniformed Services Employment and Reemployment Rights Act (USERRA) time frame, the buy-back is a comparison of the amount of missed civilian retirement contributions against the calculated rate. If the buy-back has not been paid in full within three years, interest will begin to accrue on the balance due.

To apply for military service buy back, an employee must submit to their agency's Human Resource Office (HRO) an Application to Make Deposit or Redeposit (SF 2803 for Civil Service Retirement System [CSRS] employees or SF 3108 for Federal Employees Retirement System [FERS] employees), a copy of the DD Form 214, Certificate of Release or Discharge from Active Duty, and Estimated Earnings information. The HRO completes the application and forwards all documents to the Civilian Payroll Office (PRO) via GoDocs or Remedy.

The OPM Web Site at [www.opm.gov](http://www.opm.gov), CSRS and FERS Handbook for Personnel and Payroll Offices, Chapters 23, Service Credit Payments for Post-1956 Military Service,





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### **Military Service Deposit Information Continued:**

provides detailed procedures for both CSRS and FERS military deposits.

### **Military Service Deposit Eligibility:**

The types of military service that are eligible for the buy-back program include:

1. Non-retired military
2. Active duty service performed under Title 10 which terminated under honorable conditions
3. Graduates from Military Service Academies are eligible to buy back academy time
4. Retired military members who have waived Military Retired Pay
5. Reserve and National Guard members even if they qualify for a military retirement under provisions of 10 U.S.C. 12731-12739
6. Civilian employees who have been activated by Reserves or National Guard causing a break in civilian service
7. Military Service must have been performed after 12/31/1956
8. Peace Corps
9. Public Health service

### **Military Service Deposit Ineligibility:**

1. Dishonorable Discharge
2. Clemency Discharge
3. Neutral or Uncharacterized Discharge
4. Officer Dismissal

### **Military Deposit Application Process:**

Initially, a civilian employee should contact their service component or agency's consolidated benefits office to receive information regarding the benefits of a military service buy-back as well as the requirements needed to start the buy-back process. Once the employee determines that they wish to continue with the buy-back process, they must submit an application and supporting documentation to their Human Resource Office (HRO).

The following documents are requirements of the Military Service Deposit Application Process: FERS Application to make Service Credit Payment, Forms SF-3108 Part A, SF-3018 Part B, and SF-3108A.

Note that if the employee is a participant in the CSRS program, the forms will be numbered as SF-2803 in lieu of SF-3108.

### **Military Service Deposit Obtaining Service Documentation:**

In order to determine the employee's eligibility for military service buy-back and to calculate the amount to be repaid, documentation of the service period must be provided by the employee. The documents required for verification are:

1. Form RI 20-97 Estimated Earnings During Military Service, and





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#### Military Service Deposit Obtaining Service Documentation Continued:

##### 2. DD 214 - Certificate of Release or Discharge from Active Duty

Instructions on requesting estimated earnings is included on side B of the RI 20-97. Information is also available on the [DFAS.mil](http://DFAS.mil) web site at

[www.dfas.mil/civilianemployees/militaryservice/militarydeposits.html](http://www.dfas.mil/civilianemployees/militaryservice/militarydeposits.html)

In the event that the employee does not have their original DD 214 available,

service records can be requested online via [www.archives.gov](http://www.archives.gov) or by mailing an SF 180 to:

National Personnel Records Center (Military Personnel Records)

1 Archives Drive

St. Louis, MO 63138-1002

Documentation other than DD 214 may be acceptable if the following information is included:

1. Service start and stop dates
2. Statement of military rank escalation during timeframe
3. Notation of lost time
4. Type of discharge (Character of Service)
5. Military Academy
6. Academic Record of Classes (Transcript)
7. Memo from Academy certifying time (Dean or Registrar)

#### Military Service Deposit Obtaining Service Documentation Continued:

When the employee has obtained all required documentation, it is to be presented to their employing agency HRO. The HRO will complete their section of the application. Once completed, they will then submit the completed application and documentation to the payroll office via GoDocs or Remedy. When received by the payroll office, a payroll technician will review the application request to ensure it has been properly completed. If any required documentation is missing or application fields were not completed appropriately, the request will be returned to the HRO for resubmission.

Upon receipt of an acceptable application, the payroll office will proceed with processing the service buy-back request by verifying the calculation of amount owed, entering the data into the Defense Civilian Payroll System (DCPS), then issuing a letter to the employee notifying them of the application receipt and providing payment guidance.

#### Military Service Deposit Submission:

When the employee has obtained all required documentation, it is to be presented to their employing agency HRO. The HRO will complete their section of the application. Once completed, they will then submit the completed application and





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### Military Service Deposit

#### Military Service Deposit Submission Continued:

documentation to the payroll office via GoDocs or Remedy. When received by the payroll office, a payroll technician will review the application request to ensure it has been properly completed. If any required documentation is missing or application fields were not completed appropriately, the request will be returned to the HRO for resubmission.

Upon receipt of an acceptable application, the payroll office will proceed with processing the service buy-back request by verifying the calculation of amount owed,

entering the data into the Defense Civilian Payroll System (DCPS), then issuing a letter to the employee notifying them of the application receipt and providing payment guidance.

#### Military Service Deposit Processing:

Upon receipt of a valid application for a military service deposit along with all of the required documents, the Payroll Technician will begin the process of establishing a new military service deposit in DCPS. DCPS is capable of tracking multiple Military Service Deposits with different Interest Accrual Dates and periods of Service History to the employee's Military Service Deposit record.

#### Military Service Deposit Interest Accrual Date:

The first step in the process is to verify that the Interest Accrual Date (IAD), which is usually found on the SF 3108A (FERS) or SF 2803A (CSRS) Form (provided by HRO) is correct. The Payroll Technician should review the date on the First Date Covered After Post-1956 Military Service line. The PRO Technician can verify the IAD from the Entered-On-Duty (EOD) date found in Part B, Block 2 of the SF 3108A for FERS or the SF 2803A for CSRS. HRO should also fill out the IAD in Part A of the forms; however, PROs should verify its accuracy.

The FERS law provides a two-year grace period. Because interest accrues annually, there is effectively a three-year interest free period if the deposit is paid in full before the first IAD. Interest will accrue during the year following the two-year grace period on any amounts not paid in full before the IAD.

#### Military Service Deposit IAD Example:

A FERS employee's military service date indicates that the First Date Covered is 06/08/2008. The two-year grace period ends on 06/08/2010. The employee has until 06/07/2011 (IAD) to pay the deposit in full without interest being applied to the account. Therefore, if the employee pays the deposit on or before 06/07/2011, there is no accrual of interest. If the employee does not pay the deposit until after 06/07/2011, the employee is charged interest on the remaining balance.

#### Military Service Deposit Computation:

Next, compute/verify the principal amount owed based off the forms provided by HRO. If there are multiple periods with the same IAD, the Payroll Technician should compute all periods indicated to determine the total deposit amount.





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#### Military Service Deposit Computation Continued:

The following rules apply to this computation:

For FERS employees, multiply the basic military service wages times three percent except for the following periods of time:

Prior to 1999 3.0%

01/01/99 through 12/31/99 3.25%

01/01/00 through 12/31/00 3.40%

01/01/01 rate resumes at 3.0%

For CSRS employees, multiply the basic military service wages times seven percent except for the following periods of time:

Prior to 1999 7.0%

01/01/99 through 12/31/99 7.25%

01/01/00 through 12/31/00 7.40%

01/01/01 rate resumes at 7.0%

Round the amount owed up or down to the nearest whole dollar amount.

#### Military Service Deposit Principal Amount Example:

For a FERS employee with \$23,850.00 of military basic pay, the following computation applies:

\$23,850.00 multiplied by .03 equals \$715.50.

The principal amount owed is \$716.00.

#### Military Service Deposit Computation Continued:

DCPS has been programmed to calculate the total amount of interest on the remaining balance to include retroactive interest and current interest calculation. Existing records will have interest calculated for the most current year only. Interest calculation in the system will be the same as it is done today, on an annual basis.

Note that CSRS employees who have been employed in the federal service since October 1, 1983, and have not paid the deposit balance in full are charged interest on any unpaid military service deposit amount. The military interest is computed on a calendar year basis, January 1 through December 31.

The Office of Personnel Management (OPM) is responsible for notifying agencies of the interest percentage rate on military service deposits for each year. Interest rates are determined by the Department of Treasury. These percentage rates can fluctuate from year to year and are titled Variable Interest Rates.

The last step is to calculate the total service. The Payroll Technician must calculate the total service for each period separately. The total service is needed for entry in DCPS's Military Service History screen. When calculating the total service, always subtract the start date from the end date.







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### Military Service Deposit Total Service Examples:

Example 1: The Employee Service Start Date is 01-04-10, and the End Date is 04-11-10. Write the date in the following format: Years/Months/Days. First, subtract the days and add 1. Second, subtract the months. Last, subtract the years.

	Years	Months	Days
End Date	2010	04	11
Start Date	<u>2010</u>	<u>01</u>	<u>04</u>
	00	03	07
			<u>+1</u>
			08

Example 2: The Employee Service Start Date is 10-01-09, and the End Date is 05-15-11. Write the date in the following format: Years/Months/Days. First, subtract the days and add 1. Second, subtract the months. Last, subtract the years.

	Years	Months	Days
End Date	2011	05	15
Start Date	<u>2009</u>	<u>10</u>	<u>01</u>
			14
			<u>+1</u>
			15

For the months, 10 cannot be subtracted from 05. The years must be recalculated. There are 12 months in a year. Add 12 to the months already given, and subtract a year from the Years column. The equation becomes:

	Years	Months	Days
End Date	2011	17	15
Start Date	<u>2009</u>	<u>10</u>	<u>01</u>
	01	07	14
			<u>+1</u>
			15

The correct Total Service for this time period, in the correct format, Years/Months/Days, is: 01/07/15.

Example 3: The Employee Service Start Date is 05-13-08, and the End Date is 07-08-11. Write the date in the following format: Years/Months/Days. First, subtract the days and add 1. Second, subtract the months. Last, subtract the years.

	Years	Months	Days
End Date	2011	07	08
Start Date	<u>2008</u>	<u>05</u>	<u>13</u>

Thirteen (13) cannot be subtracted from 8. Recalculate the months. There are 30 days in a month (do not use 31 days). Add the 30 days to the days already given and subtract a month from the Months column. The new equation becomes:

	Years	Months	Days
End Date	2011	06	38
Start Date	<u>2008</u>	<u>05</u>	<u>13</u>
	03	01	25
			<u>+1</u>
			26

The Correct Total Service for that time period, in the correct format, Years/Months/Days, is: 03/01/26.

NOTE: If either the end date or the start date is the 31st, do not add the 1.





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### Military Service Deposit Notification Letter:

Payroll Technicians must send a letter notifying the employee of payment options. After receiving the letter, it is the employee's responsibility to submit a payroll deduction form or a signed statement requesting that military service deposit payments can be deducted from their paycheck. The minimum payment option is \$25.00. Employees may make payments by payroll deduction, check, lump sum, or cash. However, if an employee has multiple periods of service with different Interest Accrual Dates (IAD), they must state which period they wish payment(s) to be applied. If they do not indicate a specific service period, payment will be applied to

the oldest IAD on record.

The deposit notification letter and associated calculations are generated by inputting an employee's data into the MSC Processing Application. The MSC Processing Application was designed to automate the Military Service Deposit (MSD) process. This program creates an MSD record by SSN. The record contains the SSN, name, address, database, beneficiary and box for deceased status. Within this record, documents such as worksheets, a new MSD letter and paid in full letters can be created. The MSC Processing Application can house multiple service periods with different Interest Accrual Dates (IAD). This program is utilized alongside the Defense Civilian Payroll System (DCPS). The application allows the MSD section to run a batch that captures all letters generated and print them out at one time for mailing.

### Military Service Deposit Record in DCPS:

DCPS allows the manual entry of multiple Military Service Deposits (MSDs) with different IADs. In order to create a Military Service Deposit Record in DCPS, the Technician must obtain the following personal information about the employee:

Employee's Social Security Number (SSN), Employee's Retirement Code. The options are: FERS, CSRS, Foreign Service Retirement and Disability System (FSRDS), FSRDS Offset, or Foreign Service Pension System (FSPS). IAD. Total Service. Branch of Service (found on the DD Form 214 or on the Estimated Earnings Sheet).

- Air Force – Code: AF
- Army – Code: AR
- Coast Guard – Code: CG
- National Oceanic and Atmospheric Administration – Code: NO
- Navy and Marines – Code: NV
- Public Health – Code: PH

Service Start Date and Service End Date (found on the DD Form 214 or SF 3108/SF 2803). Principal amount owed.

When the Military Deposit has been established in DCPS, the Master Employee Inquiry, Deductions screen will reflect Deduction Code X5. As deductions are withheld from employee's pay, the deductions record and Military Deposit record are both updated with the payment information.





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#### Military Service Deposit Payment:

An employee may elect to make payments to their MSD online through [pay.gov](https://pay.gov), by check or money order sent directly to DFAS (Cleveland Disbursing) and/or have a payroll deduction taken biweekly.

When a payment is processed by the Disbursing Office, a transaction is generated on the S0110 Report that shows the amount of payment, voucher number and the date on which the payment was posted in Disbursing. The PRO uses information from the report to record the payment date, amount and voucher number in DCPS.

It is also possible for a payment to be made outside of Disbursing operations. It is common for some agencies, such as the Department of Veteran Affairs (VA), to accept payments on-site. These payments are received by the servicing agency and are then transferred to Treasury Disbursing through the Defense Cash Accountability System (DCAS).

It is important to post payments in a timely manner as the employee may have an approaching IAD. DCPS will systematically calculate and post interest to an employee's MSD record on the pay period in which the IAD falls. The amount of accrued interest posts to the Military Service Deposit Worksheet and is included in the Total Amount field of the Military Deposit record. It is also reflected on the Master Employee Inquiry, Deductions screen. As interest is calculated, a remark indicating the amount of interest that accrued in that pay period will appear on the employee's Leave and Earnings Statement (LES).

If the payment is dated prior to the IAD but entered in DCPS after the IAD, and if the payment would have paid the military deposit in full had it been posted prior to the IAD, the Payroll Technician must remove the erroneous interest. If a payment does not pay the military deposit in full, the interest must be recomputed with the consideration that it should have been posted prior to the interest accrual causing the interest to be overstated. The following table lists the steps to post cash payments.

#### Military Service Deposit Paid-in-Full Letter:

Once an employee has paid their military deposit in full by check, money order or [pay.gov](https://pay.gov), the payroll office must issue a Paid-in-Full Letter. myPay will also receive a copy of this letter. If the military deposit is paid-in-full by payroll deductions, the employee must request a Paid-in-Full Letter through their servicing agency's Human Resources Office (HRO) or Customer Service Representative (CSR). This letter is intended to be added to the employee's official personnel record. Upon retirement, the letter will serve as verification of the service periods bought back and amount paid so that the Office of Personnel Management (OPM) will know it is to be included in the annuity calculation.

