

Answers to Your Questions about Purchasing Retirement Credit for Military Service Prior to PERS Employment (ORS 238.157)

1. What is the military purchase?

A member of the United States armed services can purchase up to four years of military time served prior to working for a PERS employer. This purchase is in addition to the credit which can be acquired for military time served following employment in a PERS-covered position.

2. Who is eligible to purchase military time?

The purchase can be made by any PERS member who meets the following requirements:

- entered or reentered active service after January 1, 1950, or was in active service on January 1, 1950;
- was in active service for other than active duty for training;
- was other than dishonorably discharged;
- was in active service before employment with a PERS-participating employer; and
- is neither receiving nor eligible to receive a military pension or retirement pay at the time of PERS retirement.

You are also eligible if you went into the reserves from active military service, are not eligible to receive a military reserve pension until age 60, and are less than age 60 at the time of retirement from PERS.

3. What military benefits are considered retirement pay?

A benefit *is classified* as a military pension or retirement pay if a member of the armed services becomes entitled to “retired pay,” as defined in federal law, based on age, length of service, or disability. Retirement pay would not include non-pension benefits such as a lump-sum disability severance payment.

4. How much time can be purchased?

You can purchase all or part of your eligible military time up to a maximum of four years.

5. When can the purchase be made?

The purchase must be made within 90 days before or after your effective retirement date. It cannot be made sooner than 90 days before your effective retirement date. If you have not reached earliest retirement age, the purchase must be made within 90 days before your effective retirement date.

6. How will the purchase cost be calculated?

The amount to be paid to PERS is the full cost to the system of providing the retirement credit to the member. The formulas and factors used to calculate the purchase cost represent the present value of the additional retirement credit that a member can acquire. This present value includes future cost-of-living increases and any health insurance subsidies that may be applicable as a result of purchasing additional retirement credit.

You may elect any benefit calculation methodology for which you are eligible, even if the method does not produce the highest benefit. This allows you to choose either the lowest purchase cost, which produces a lower monthly benefit, or a higher purchase cost, which produces a higher monthly benefit. If you decide to make the purchase, a fee of \$145 will be added to the cost to cover administrative costs in processing the purchase.

7. How can I find out the cost of purchasing my military time prior to working for a PERS employer?

You can receive an estimate of the cost of Option 1 for each benefit calculation method for which you are eligible by doing the following:

- request an Estimate Request form,
- complete the Estimate Request form, and
- send it with a copy of your DD 214 to:

Customer Service Center, P.O. Box 23700, Tigard, OR 97281-3700.

PERS' actuary has determined that the average cost for a full four-year purchase is \$40,000 for members retiring under a Full Formula calculation and \$10,000 for members retiring under a Money Match calculation. Since this is an average, some will be higher and some lower. The closer you are to your PERS retirement, the more accurate the estimated purchase cost.

8. Can the exact cost be determined before I retire?

The exact full cost of this purchase cannot be determined until you retire and your actual retirement benefit has been calculated. Any changes in the effective retirement date, member account balance, final average salary, or service time may increase or decrease the cost to purchase this retirement credit.

If you make the purchase during the 90 days before your retirement and the actual cost is more than the estimated amount paid, PERS will invoice you for the additional amount required to fund the full cost of the benefit increase. The invoice must be paid, and you cannot cancel the election. If the actual cost is less, PERS will send you a check for the difference.

9. Where does PERS credit the purchase cost?

Funds will be retained in the PERS trust to pay the monthly retirement benefit attributed to the additional retirement credit for military time. There is no statutory authority to credit the cost to your member account.

10. Will SB 656 and HB 3349 tax remedy benefit increases be applicable to retirement credit for service in the military?

Yes. If you are eligible for the SB 656 increase, the increase would apply to your entire benefit, including any portion of the benefit that is attributable to purchased service credit under SB 656. If you are eligible for the HB 3349 increase, the purchased retirement credit will be included to determine your benefit increase.

Neither SB 656 nor HB 3349 applies to any person who established membership on or after July 14, 1995, even if the period of retirement credit purchased took place before that date.

11. Is the retirement credit purchased for military service counted in determining if I can retire with unreduced benefits?

Yes. Purchased retirement credit is treated as creditable service for the purposes of PERS retirement law, ORS chapter 238.

Purchased retirement credit will be included to determine your eligibility for an unreduced retirement benefit.

12. Is the retirement credit purchased for military time counted for eligibility for other purchases?

Purchased retirement credit is treated as “creditable service” for purposes of determining whether you are eligible for either a waiting time purchase under ORS 238.125 or a seasonal time purchase under ORS 238.135.

Retirement credit will not be counted to determine your eligibility to purchase refunded (forfeited) service time under ORS 238.115(1) or (3).

13. What is required to verify the period of time I was on active service in the armed forces?

A copy of your DD-214 form or other document must be submitted to PERS showing the type of service, dates of enlistment and discharge, and evidence that service was for active duty other than for training.

14. Can I receive retirement credit for service in the armed forces after I was employed by an employer participating in PERS?

You may be eligible to receive retirement credit under a federal law known as the Uniformed Services Employment and Reemployment Rights Act of 1994 (USERRA) or by making a military purchase under ORS 238.156.

This Q&A is for general informational purposes only and is not intended to provide legal advice. If there is any conflict between this brochure and federal law, Oregon law, or administrative rules, the law and administrative rules shall prevail.