

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

1. What is a military service time purchase?

A military service time purchase is a full cost purchase option available to a PERS Tier One or Tier Two member who was in active service in the United States uniformed services prior to working for a PERS-participating employer. The purchase allows eligible members to obtain up to four years of retirement credit, which may potentially increase their PERS retirement benefit.

2. Who is eligible to purchase military service time?

The purchase can be made by a PERS Tier One or Tier Two member who meets the following requirements:

- entered or reentered active service in the uniformed services after January 1, 1950, or was in active service on January 1, 1950;
- was other than dishonorably discharged;
- began employment with a PERS-participating employer after discharge; and
- is neither receiving nor eligible to receive a military pension or retirement pay for the same period of time (at the time of retirement from PERS).

3. What military benefits are considered pension or retirement pay?

A military benefit is considered pension or retirement pay if a member of the uniformed services becomes entitled to the payment based upon meeting the plan's retirement criteria, such as the plan's minimum retirement age or completion of a minimum length of service.

4. How much time can be purchased?

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

5. When can the purchase be made?

Generally, the purchase may be made within 90 days before or after your effective retirement date.

However, the purchase must be made within 90 days before your effective retirement date if:

- you have not reached earliest retirement age, and
- your retirement eligibility requires the purchase of the additional retirement credit (i.e., the purchase of retirement credit would make you eligible to retire based upon a combined total of 30 years or more of creditable service and retirement credit).

6. How will the purchase cost be calculated?

To make a military purchase, a member must pay PERS the **full cost to the system** of providing the additional retirement credit to the member, plus a \$145 fee to cover administrative costs of processing the purchase.

In simple terms, the amount of the full cost military purchase is determined by subtracting the cost of the retirement benefit without the purchase from the cost of the retirement benefit with the purchase.

The difference represents the present value of the benefit of the additional

retirement credit (the full, actuarial cost to PERS of providing additional benefits). Additional information can be provided upon member request.

The actual cost of your military purchase will depend on a number of personal factors, including:

- The benefit calculation method you elect (i.e., Full Formula, Formula Plus Annuity, Money Match).
- The number of years of membership before your effective retirement date.
- Your final average salary.
- Your eligibility to retire without the purchase and whether you will receive an actuarially reduced benefit (i.e., whether you will have reached early or normal retirement age at your effective retirement date). **[Note: It will cost less for a member who has already reached normal retirement age to make the purchase than a member who has not reached normal retirement age.]**
- Your service classification (General Service, Police Officer & Firefighter).
- Future cost-of-living increases, any tax remedy increases, and any health insurance subsidies that may result from the purchase.

From 2016 to 2018, the average full cost purchase was \$120,600 (Median: \$81,300), with actual costs ranging from \$145 to over \$785,000. **Actual costs will depend on your specific situation.**

Note that 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 is usually associated with a lower monthly benefit), or a higher purchase cost (which is usually associated with a higher monthly benefit).

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

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

- complete the [Estimate Request](#) form, and
- send it with a copy of your DD-214 and any other required documentation to:
PERS, P.O. Box 23700, Tigard, OR 97281-3700.

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

No. The exact full cost of this purchase cannot be determined until you retire and your actual retirement benefit has been calculated. Any changes in your 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 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. If the actual cost is less, PERS will send you a check for the difference.

9. Where does PERS credit the purchase payment?

The purchase payment will be transferred to the PERS trust fund and will be used to pay the monthly retirement benefit attributed to the additional retirement credit for military service time.

10. Do tax remedy benefit increases apply to purchased military service time?

Yes. If you are eligible* for tax remedy benefit increases, and you make the military service time purchase, the tax remedy benefit increases will apply to your entire benefit.

*You are eligible for the tax remedy benefit increases if: (1) you are a Tier One member hired before July 14, 1995, who has service time before October 1, 1991, or at least 10 years of creditable service; and (2) you are an Oregon resident for the purpose of paying Oregon income taxes.

11. Does retirement credit obtained from a military service purchase count in determining if I can retire with unreduced benefits based upon length of service?

Yes. Purchased retirement credit is included in determining your retirement eligibility for an unreduced retirement benefit based upon length of service.

12. Does purchased military service time count towards creditable service if I want to make other purchases that require a minimum amount of creditable service time?

Yes, a military service time purchase provides additional retirement credit to the member. Retirement credit is treated as “creditable service” for purposes of determining whether you are eligible for purchases that require a minimum amount of creditable service time, such as a waiting time purchase under ORS 238.125, or a seasonal time purchase under ORS 238.135.

However, purchased retirement credit does not count for purposes of determining your eligibility to purchase refunded (forfeited) service time under ORS 238.115, because that purchase specifically requires a minimum amount of service as an active member.

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

A copy of your DD-214 form or other employer-issued documentation must be submitted to PERS showing the type of service, dates of enlistment, and discharge.

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

Yes, under ORS 238.156, you may receive retirement credit for service in the uniformed services or armed forces after employment with a PERS participating employer if you meet certain requirements.

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.

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