

# Interruptive Military Service Credit

## Description Of Issue

The SCPP considered whether members should receive up to five years of free service credit for periods of public employment that is interrupted by military service during a period of war as defined in RCW 41.04.005.

## Policy Highlights

- ❖ The SCPP recommended legislation on this issue in 2008 that did not provide refunds for members who had already paid for interruptive military service during a period of war.
- ❖ Stakeholders and policy makers wanted more consistent treatment of members who served during the same period of war.
- ❖ A refund policy allows members serving within the same period of war to be treated more consistently.

## Policy Options For Applying The Benefit

- ❖ **Option 1: Prospective Service Only.**
  - Less generous than the 2008 bill.
  - Results in inconsistent treatment for service in ongoing conflicts.
- ❖ **Option 2: All Service, No Refunds.**
  - Same as the SCPP's 2008 bill.
  - Led to complaints of inconsistency.
- ❖ **Option 3: All Service, Some Refunds.**
  - Refunds only for service in Operation Iraqi Freedom and Operation Enduring Freedom, including Afghanistan.
  - Provides consistency for participants in ongoing conflicts, but not to those who participated in earlier periods of war.
- ❖ **Option 4: All Service, All Refunds.**
  - Refunds for any period in member's career.
  - Provides the most consistent treatment of members.

## Committee Activity

Staff briefed the Committee in September and November. The Committee held a public hearing in December and took executive action to recommend Option 4.

## Recommendation To 2009 Legislature

Allow members of the open plans to receive up to five years of free service credit for interruptive military service during a period of war as defined in RCW 41.04.005, with refunds to members who have already made payments for such service.

## Staff Contact

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## In Brief

### ISSUE

*Should members receive up to five years of free service credit for periods of public employment that are interrupted by military service during a period of war? If so, should this benefit be applied to past service? Should members who already paid to reinstate past service receive refunds?*

### MEMBER IMPACT

*All active members of the open plans in all systems could potentially be impacted, since all plans provide for interruptive military service credit. OSA estimates that one out of 4,000 members could be impacted by this proposal in a given year.*

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# Interruptive Military Service

## Current Situation

“Interruptive military service” includes the following:

- ❖ The member leaves public employment to serve in the uniformed services.
- ❖ The service is honorable.
- ❖ The member returns to public employment upon completion of the service.

Employment practices related to interruptive military service are governed by federal law. At a minimum, public employers must provide their members with the protections specified in the Uniformed Services Employment and Re-employment Rights Act (USERRA). Included in USERRA’s re-employment rights is the right to restore retirement plan benefits such as service credit.

Currently, to reinstate service credit for interruptive military service completed on or after October 6, 1994, a member must pay employee contributions (no interest). If the service was completed on or after March 31, 1992, and before October 6, 1994, the member must pay the employee contributions plus interest. For interruptive military service completed on or after October 1, 1977, and before March 31, 1992, the member must pay both the employer and employee contributions plus interest.

A member who cannot return to public employment due to a total disability must also repay contributions to receive interruptive military service credit. In the case of a military death, the member’s survivor can pay what would have been the member cost to receive the service credit.

Generally, members must make the required payments within five years of resuming service with their employer, or prior to retirement, whichever comes first. Members who fail to make timely payment have the option of purchasing the service credit by paying the actuarial cost of the resulting increase in their benefits. Survivors must pay the member cost within five years or prior to receiving a benefit.

*When the benefit is more generous than what USERRA provides, the Legislature can set parameters for granting the benefit.*

The state can be more generous to members than required by USERRA if it so chooses. For example, the Legislature may choose to provide free service credit for members whose public employment is interrupted by military service during a period of war. When the benefit is more generous than what is already provided under federal law, the Legislature can set its own parameters for granting the additional benefit.

### Example A

A member voluntarily joins the armed forces during peace time. The member's military service interrupts public employment and the member serves honorably. The member complies with USERRA and repays contributions. The state retirement system must grant interruptive military service credit to the member.

### Example B

The Legislature chooses in an upcoming session to improve benefits. The retirement system already complies with USERRA, but the Legislature decides to amend the retirement plan to provide up to five years of free interruptive military service credit for serving honorably during a period of war. [See RCW 41.04.005(2), attached, which defines "period of war."] A plan member can then apply for **free** service credit for those periods of interruptive military service that are defined in **state** law. The parameters for granting free service credit (Example B) are more strict than those for granting standard interruptive military service credit (Example A).

### History

The SCPP first studied interruptive military service credit in the 2004 Interim. At that time, the SCPP concluded that USERRA did not adequately address members who were unable to return to public employment due to a death or total disability while serving in the uniformed services. As a result, the SCPP recommended legislation to address this issue. Chapter 64, Laws of 2005 provided that a member with a total disability or a survivor of a deceased member

may purchase service credit for interruptive military service up to the date of death or disability. The law requires repayment of member contributions to reinstate service credit for the period of interruptive military service.

The SCPP also studied interruptive military service in the 2007 Interim. The Committee decided that more should be done for retirement system members whose public employment was interrupted by military service during a period of war.

*The SCPP recommended a bill for the 2008 Legislative Session that would have granted up to five years of free service credit for interruptive military service during a period of war.*

The SCPP recommended a bill for the 2008 Legislative Session that would have granted up to five years of free service credit for interruptive military service during a period of war. Period of war is defined in RCW 41.04.005(2) (copy attached). The bill was endorsed by the Law Enforcement Officers' and Fire Fighters' Plan 2 Board (LEOFF 2 Board). SSB 6645 (2008) passed Senate Ways and Means and was not heard in the House.

During the current interim, the SCPP received correspondence from the LEOFF 2 Board requesting that the Board and the SCPP work cooperatively to submit a bill in 2009 on this issue. The LEOFF 2 Board seeks to eliminate members' obligation to pay contributions to obtain service credit for interruptive military service during a period of war. The Board identified the issue as priority number three out of five issues for SCPP coordination. The LEOFF 2 Board also requested that the SCPP explore possible retroactive application of the bill.

## Policy Analysis

### **The SCPP Can Give Better Benefits Than Those Required By Federal Law.**

*USERRA treats employees as if they had been continuously employed during the period of interruptive military service.*

Interruptive military service is governed by federal law. At a minimum, public employers must provide the protections specified in USERRA. This law provides for the re-employment of individuals who leave employment to serve in the "uniformed services," a term that is federally defined and includes most types of military service. Included in USERRA's re-employment rights is the right to restoration of retirement plan benefits.

For employers, the fundamental requirement of USERRA as it relates to retirement plan benefits is to provide for

recovery of the benefits that a re-employed participant did not receive due to qualifying military service. The employee must be treated for vesting and benefit accrual purposes as if he or she had been continuously employed. Thus, the member must pay the contributions that would have been paid during the period of service, and can receive service credit as if there had been no interruption in employment.

USERRA pre-empts state retirement policy in that all public employers must meet the minimum requirements of this federal law. However as mentioned above, employers have the discretion to go beyond USERRA and grant benefits for periods of interruptive service that are more generous than those available under the act. Employers who choose to go beyond USERRA may do so by using a variety of methods. They can grant free service credit for periods of interruptive military service. They can reward active duty by paying all or part of the contributions that the member would have paid during the period of active duty. Employers may also provide all or part of the member's salary during such periods. Enhanced benefits can be limited as long as the basic USERRA protections remain intact for all interruptive military service in the uniformed services.

*Most of Washington's closed plans provide free interruptive military service credit.*

### **Comparison With Other Washington Plans**

Currently, free interruptive military service credit is available to members in most of the closed plans, including Plan 1 of the Public Employees' Retirement System (PERS 1), Plan 1 of the Law Enforcement Officers' and Fire Fighters' Retirement System (LEOFF 1), and Plan 1 of the Washington State Patrol Retirement System (WSPRS). This benefit is not available in Plan 1 of the Teachers' Retirement System (TRS).

### **Comparison With Other States\***

*\*This research was conducted for the SCPP in the 2007 Interim.*

California, Idaho, Iowa, and Wisconsin provide free interruptive military service credit. None of these states limit free credit to declared wars or armed conflicts.

Ohio allows members to purchase interruptive military service credit under USERRA, and also grants free service

*Washington's peer states are split on the issue.*

credit to members under more restrictive conditions, including requirements that members participate in the retirement system on a contributing basis for one year prior to and one year after the interruptive military service.

Florida is a non-contributory state, meaning members do not contribute to their retirement benefits. Thus, there are no member contributions to repay in order to receive interruptive military service credit under USERRA.

Missouri's plans differ. The State Employees' plan is non-contributory like Florida's. The Public School Plan allows members to purchase service under USERRA. The Local Government Plan provides free interruptive service for USERRA-qualified service.

The remaining states – Colorado, Minnesota, and Oregon – require members to repay contributions.

### Reasons For And Against Providing Free Service Credit

The following table summarizes some of the policy pros and cons of providing special or increased benefits to members based on military service:

*Free military service credit has pros and cons.*

| No Additional Special Benefits  | Additional Special Benefits  |
|---|--|
| Members serve voluntarily; no draft requires them to leave employment   | Encourage military service; help avoid need for a draft  |
| Members already receive adequate federal compensation and benefits for military service                                   | Support ability to recruit more military personnel into state service and more state personnel into military service   |
| Other members and employers would not have to absorb extra costs for these members  | Support view that all WA citizens benefit, directly or indirectly, from military service rendered by public employees  |
| More favorable service credit treatment is already given to these members via federal law (no interest, 5 years to repay) | Recognize that members who serve in conflicts are at higher risk for injury or death; pension plans typically offer extra support for high risk occupations that serve the public at large |
| Military service is unrelated to the service rewarded by state pension plans  | Supplement federal benefits, which may not be viewed as adequate   |

*The LEOFF 2 Board asked the SCPP to give additional consideration to how the benefit is applied. Four options are outlined here.*

### **How Should The Benefit Be Applied?**

In testimony before the SCPP at its July 15, 2008, meeting, the LEOFF 2 Board's Executive Director asked that the SCPP consider possible retroactive application of the bill. There are several options that policy-makers might choose for determining who would be eligible to receive free interruptive military service credit for periods of war. The options range from a prospective application of the benefit to a retroactive application with refunds.

#### **Option 1 – Prospective Service Only**

Under this option, only up to five years of interruptive military service after the effective date of the bill would be free and credited to members without repayment of member contributions. This approach is the least generous to members of the four options described but is also the least costly. It is the more common approach to benefit improvements, as it allows for contributions to be adjusted along with the implementation of the benefit improvement. This approach is also consistent with principles of intergenerational equity (meaning that each generation of taxpayers should pay only for the benefits associated with the services rendered to that generation of taxpayers). One possible concern with this approach is that service within the same conflict is treated differently – some is free and some is not.

#### **Option 2 – Past And Prospective Service With No Refunds**

Under this option, up to five years of free interruptive military service credit would be available to members who apply for the service credit after the effective date of the bill. Members can apply for interruptive military service credit any time up to their retirement. Thus, active members who have not yet retired could pick up five years of free service credit for any periods of war in their career for which service credit was not already restored by repaying contributions– even those periods that were prior to the effective date of the bill. This option corresponds to last year's SCPP bill.

The SCPP's 2008 bill did not provide for refunds. A concern with this approach has been that persons who already paid for their interruptive military service credit may feel that they are being unfairly treated.

### **Option 3 – Past And Prospective Service With Refunds For Recent Service**

This option seeks to provide the same free service as in Option 2, but would also pay refunds to those who already reinstated service credit for the following periods of war: Operation Iraqi Freedom (Persian Gulf) and/or Operation Enduring Freedom (southern or central Asia, including Afghanistan).

Refunding member contributions creates administrative burdens and increases cost. On the other hand, this approach may provide consistent benefits for all members participating in ongoing periods of war.

### **Option 4 – Past And Prospective Service With Refunds For All Service**

This option would provide the same free service as in Option 2, but would also pay refunds to those who already reinstated service credit for any period of war during their career. Even more refunds would be paid from plan funds than under Option 3. This option would be the most generous to members, the most costly and the hardest to administer. It may help provide consistent benefits for members who participated in periods of war.

## **Committee Activity**

Staff briefed the Committee on this issue in September and November. The Committee held a public hearing in December and took executive action recommending Option 4 to the 2009 Legislature.

## **Executive Committee Recommendation**

Option 3: Past and prospective service with refunds for recent service. Recommended November 18, 2008.

## Recommendation To 2009 Legislature

Allow members of the open plans to receive up to five years of free service credit for interruptive military service during a period of war as defined in RCW 41.04.005, with refunds to members who have already made payments for such service (Option 4). Recommended December 16, 2008.

### Stakeholder Input

*Correspondence attached from:*

*Kelly Fox, Chair, LEOFF 2 Board, 5/12/2008 and 6/30/2008.*

*Correspondence on file from:*

*John Kvamme, WASA & AWSP Consultant, 5/12/2008.*

### Bill Draft

A Code Reviser bill draft implementing the Committee's recommendation is attached (Z-0408.1/09).

### Draft Fiscal Note

Attached.

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**BILL REQUEST - CODE REVISER'S OFFICE**

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BILL REQ. #: Z-0408.1/09

ATTY/TYPIST: LL:lel

BRIEF DESCRIPTION: Addressing interruptive military service credit within plans 2 and 3 of the public employees' retirement system, plans 2 and 3 of the school employees' retirement system, plans 2 and 3 of the teachers' retirement system, plan 2 of the law enforcement officers' and firefighters' retirement system, plan 2 of the Washington state patrol retirement system, and the public safety employees' retirement system.

1 AN ACT Relating to interruptive military service credit within  
2 plans 2 and 3 of the public employees' retirement system, plans 2 and  
3 3 of the school employees' retirement system, plans 2 and 3 of the  
4 teachers' retirement system, plan 2 of the law enforcement officers'  
5 and firefighters' retirement system, plan 2 of the Washington state  
6 patrol retirement system, and the public safety employees' retirement  
7 system; and amending RCW 41.40.710, 41.40.805, 41.37.260, 41.35.470,  
8 41.35.650, 41.32.810, 41.32.865, 41.26.520, and 43.43.260.

9 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF WASHINGTON:

10 **Sec. 1.** RCW 41.40.710 and 2005 c 64 s 2 are each amended to read  
11 as follows:

12 (1) A member who is on a paid leave of absence authorized by a  
13 member's employer shall continue to receive service credit as provided  
14 for under the provisions of RCW 41.40.610 through 41.40.740.

15 (2) A member who receives compensation from an employer while on an  
16 authorized leave of absence to serve as an elected official of a labor  
17 organization, and whose employer is reimbursed by the labor  
18 organization for the compensation paid to the member during the period  
19 of absence, may also be considered to be on a paid leave of absence.

1 This subsection shall only apply if the member's leave of absence is  
2 authorized by a collective bargaining agreement that provides that the  
3 member retains seniority rights with the employer during the period of  
4 leave. The compensation earnable reported for a member who establishes  
5 service credit under this subsection may not be greater than the salary  
6 paid to the highest paid job class covered by the collective bargaining  
7 agreement.

8 (3) Except as specified in subsection (4) of this section, a member  
9 shall be eligible to receive a maximum of two years service credit  
10 during a member's entire working career for those periods when a member  
11 is on an unpaid leave of absence authorized by an employer. Such  
12 credit may be obtained only if:

13 (a) The member makes both the plan 2 employer and member  
14 contributions plus interest as determined by the department for the  
15 period of the authorized leave of absence within five years of  
16 resumption of service or prior to retirement whichever comes sooner; or

17 (b) If not within five years of resumption of service but prior to  
18 retirement, pay the amount required under RCW 41.50.165(2).

19 The contributions required under (a) of this subsection shall be  
20 based on the average of the member's compensation earnable at both the  
21 time the authorized leave of absence was granted and the time the  
22 member resumed employment.

23 (4) A member who leaves the employ of an employer to enter the  
24 uniformed services of the United States shall be entitled to retirement  
25 system service credit for up to five years of military service. This  
26 subsection shall be administered in a manner consistent with the  
27 requirements of the federal uniformed services employment and  
28 reemployment rights act.

29 (a) The member qualifies for service credit under this subsection  
30 if:

31 (i) Within ninety days of the member's honorable discharge from the  
32 uniformed services of the United States, the member applies for  
33 reemployment with the employer who employed the member immediately  
34 prior to the member entering the uniformed services; and

35 (ii) The member makes the employee contributions required under RCW  
36 41.45.061 and 41.45.067 within five years of resumption of service or  
37 prior to retirement, whichever comes sooner; or

1 (iii) Prior to retirement and not within ninety days of the  
2 member's honorable discharge or five years of resumption of service the  
3 member pays the amount required under RCW 41.50.165(2); or

4 (iv) Prior to retirement the member provides to the director proof  
5 that the member's interruptive military service was during a period of  
6 war as defined in RCW 41.04.005. Any member who made payments for  
7 service credit for interruptive military service in a period of war as  
8 defined in RCW 41.04.005 may, prior to retirement and on a form  
9 provided by the department, request a refund of the funds standing to  
10 his or her credit for up to five years of such service, and this amount  
11 shall be paid to him or her. Members with one or more periods of  
12 interruptive military service during a period of war may receive no  
13 more than five years of free retirement system service credit under  
14 this subsection.

15 (b) Upon receipt of member contributions under (a)(ii), (d)(iii),  
16 or (e)(iii) of this subsection, or adequate proof under (a)(iv),  
17 (d)(iv), or (e)(iv) of this subsection, the department shall establish  
18 the member's service credit and shall bill the employer for its  
19 contribution required under RCW 41.45.060, 41.45.061, and 41.45.067 for  
20 the period of military service, plus interest as determined by the  
21 department.

22 (c) The contributions required under (a)(ii), (d)(iii), or (e)(iii)  
23 of this subsection shall be based on the compensation the member would  
24 have earned if not on leave, or if that cannot be estimated with  
25 reasonable certainty, the compensation reported for the member in the  
26 year prior to when the member went on military leave.

27 (d) The surviving spouse or eligible child or children of a member  
28 who left the employ of an employer to enter the uniformed services of  
29 the United States and died while serving in the uniformed services may,  
30 on behalf of the deceased member, apply for retirement system service  
31 credit under this subsection up to the date of the member's death in  
32 the uniformed services. The department shall establish the deceased  
33 member's service credit if the surviving spouse or eligible child or  
34 children:

35 (i) Provides to the director proof of the member's death while  
36 serving in the uniformed services;

37 (ii) Provides to the director proof of the member's honorable  
38 service in the uniformed services prior to the date of death; and

1 (iii) Pays the employee contributions required under chapter 41.45  
2 RCW within five years of the date of death or prior to the distribution  
3 of any benefit, whichever comes first; or

4 (iv) Prior to the distribution of any benefit, provides to the  
5 director proof that the member's interruptive military service was  
6 during a period of war as defined in RCW 41.04.005. If the deceased  
7 member made payments for service credit for interruptive military  
8 service during a period of war as defined in RCW 41.04.005, the  
9 surviving spouse or eligible child or children may, prior to the  
10 distribution of any benefit and on a form provided by the department,  
11 request a refund of the funds standing to the deceased member's credit  
12 for up to five years of such service, and this amount shall be paid to  
13 the surviving spouse or eligible child or children. Members with one  
14 or more periods of interruptive military service during a period of war  
15 may receive no more than five years of free retirement system service  
16 credit under this subsection.

17 (e) A member who leaves the employ of an employer to enter the  
18 uniformed services of the United States and becomes totally  
19 incapacitated for continued employment by an employer while serving in  
20 the uniformed services is entitled to retirement system service credit  
21 under this subsection up to the date of discharge from the uniformed  
22 services if:

23 (i) The member obtains a determination from the director that he or  
24 she is totally incapacitated for continued employment due to conditions  
25 or events that occurred while serving in the uniformed services;

26 (ii) The member provides to the director proof of honorable  
27 discharge from the uniformed services; and

28 (iii) The member pays the employee contributions required under  
29 chapter 41.45 RCW within five years of the director's determination of  
30 total disability or prior to the distribution of any benefit, whichever  
31 comes first; or

32 (iv) Prior to retirement the member provides to the director proof  
33 that the member's interruptive military service was during a period of  
34 war as defined in RCW 41.04.005. Any member who made payments for  
35 service credit for interruptive military service during a period of war  
36 as defined in RCW 41.04.005 may, prior to retirement and on a form  
37 provided by the department, request a refund of the funds standing to  
38 his or her credit for up to five years of such service, and this amount

1 shall be paid to him or her. Members with one or more periods of  
2 interruptive military service credit during a period of war may receive  
3 no more than five years of free retirement system service credit under  
4 this subsection.

5 **Sec. 2.** RCW 41.40.805 and 2005 c 64 s 3 are each amended to read  
6 as follows:

7 (1) A member who is on a paid leave of absence authorized by a  
8 member's employer shall continue to receive service credit.

9 (2) A member who receives compensation from an employer while on an  
10 authorized leave of absence to serve as an elected official of a labor  
11 organization, and whose employer is reimbursed by the labor  
12 organization for the compensation paid to the member during the period  
13 of absence, may also be considered to be on a paid leave of absence.  
14 This subsection shall only apply if the member's leave of absence is  
15 authorized by a collective bargaining agreement that provides that the  
16 member retains seniority rights with the employer during the period of  
17 leave. The earnable compensation reported for a member who establishes  
18 service credit under this subsection may not be greater than the salary  
19 paid to the highest paid job class covered by the collective bargaining  
20 agreement.

21 (3) Except as specified in subsection (4) of this section, a member  
22 shall be eligible to receive a maximum of two years service credit  
23 during a member's entire working career for those periods when a member  
24 is on an unpaid leave of absence authorized by an employer. Such  
25 credit may be obtained only if:

26 (a) The member makes the contribution on behalf of the employer,  
27 plus interest, as determined by the department; and

28 (b) The member makes the employee contribution, plus interest, as  
29 determined by the department, to the defined contribution portion.

30 The contributions required shall be based on the average of the  
31 member's earnable compensation at both the time the authorized leave of  
32 absence was granted and the time the member resumed employment.

33 (4) A member who leaves the employ of an employer to enter the  
34 uniformed services of the United States shall be entitled to retirement  
35 system service credit for up to five years of military service if  
36 within ninety days of the member's honorable discharge from the  
37 uniformed services of the United States, the member applies for

1 reemployment with the employer who employed the member immediately  
2 prior to the member entering the uniformed services. This subsection  
3 shall be administered in a manner consistent with the requirements of  
4 the federal uniformed services employment and reemployment rights act.

5 The department shall establish the member's service credit and  
6 shall bill the employer for its contribution required under RCW  
7 41.45.060 and 41.45.067 for the period of military service, plus  
8 interest as determined by the department. Service credit under this  
9 subsection may be obtained only if the member makes the employee  
10 contribution to the defined contribution portion as determined by the  
11 department, or prior to retirement, the member provides to the director  
12 proof that the member's interruptive military service was during a  
13 period of war as defined in RCW 41.04.005. Any member who made  
14 payments for service credit for interruptive military service during a  
15 period of war as defined in RCW 41.04.005 may, prior to retirement and  
16 on a form provided by the department, request a refund of the funds  
17 standing to his or her credit for up to five years of such service, and  
18 this amount shall be paid to him or her. Members with one or more  
19 periods of interruptive military service during a period of war may  
20 receive no more than five years of free retirement system service  
21 credit under this subsection.

22 The contributions required shall be based on the compensation the  
23 member would have earned if not on leave, or if that cannot be  
24 estimated with reasonable certainty, the compensation reported for the  
25 member in the year prior to when the member went on military leave.

26 (a) The surviving spouse or eligible child or children of a member  
27 who left the employ of an employer to enter the uniformed services of  
28 the United States and died while serving in the uniformed services may,  
29 on behalf of the deceased member, apply for retirement system service  
30 credit under this subsection up to the date of the member's death in  
31 the uniformed services. The department shall establish the deceased  
32 member's service credit if the surviving spouse or eligible child or  
33 children:

34 (i) Provides to the director proof of the member's death while  
35 serving in the uniformed services;

36 (ii) Provides to the director proof of the member's honorable  
37 service in the uniformed services prior to the date of death; and

1 (iii) Pays the employee contributions required under this  
2 subsection within five years of the date of death or prior to the  
3 distribution of any benefit, whichever comes first; or

4 (iv) Prior to the distribution of any benefit, provides to the  
5 director proof that the member's interruptive military service was  
6 during a period of war as defined in RCW 41.04.005. If the deceased  
7 member made payments for service credit for interruptive military  
8 service during a period of war as defined in RCW 41.04.005, the  
9 surviving spouse or eligible child or children may, prior to the  
10 distribution of any benefit and on a form provided by the department,  
11 request a refund of the funds standing to the deceased member's credit  
12 for up to five years of such service, and this amount shall be paid to  
13 the surviving spouse or children. Members with one or more periods of  
14 interruptive military service during a period of war may receive no  
15 more than five years of free retirement system service credit under  
16 this subsection.

17 (b) A member who leaves the employ of an employer to enter the  
18 uniformed services of the United States and becomes totally  
19 incapacitated for continued employment by an employer while serving in  
20 the uniformed services is entitled to retirement system service credit  
21 under this subsection up to the date of discharge from the uniformed  
22 services if:

23 (i) The member obtains a determination from the director that he or  
24 she is totally incapacitated for continued employment due to conditions  
25 or events that occurred while serving in the uniformed services;

26 (ii) The member provides to the director proof of honorable  
27 discharge from the uniformed services; and

28 (iii) The member pays the employee contributions required under  
29 this subsection within five years of the director's determination of  
30 total disability or prior to the distribution of any benefit, whichever  
31 comes first; or

32 (iv) Prior to retirement the member provides to the director proof  
33 that the member's interruptive military service was during a period of  
34 war as defined in RCW 41.04.005. Any member who made payments for  
35 service credit for interruptive military service during a period of war  
36 as defined in RCW 41.04.005 may, prior to retirement and on a form  
37 provided by the department, request a refund of the funds standing to  
38 his or her credit for up to five years of such service, and this amount

1 shall be paid to him or her. Members with one or more periods of  
2 interruptive military service credit during a period of war may receive  
3 no more than five years of free retirement system service credit under  
4 this subsection.

5 **Sec. 3.** RCW 41.37.260 and 2005 c 64 s 11 are each amended to read  
6 as follows:

7 (1) A member who is on a paid leave of absence authorized by a  
8 member's employer shall continue to receive service credit as provided  
9 for under RCW 41.37.190 through 41.37.290.

10 (2) A member who receives compensation from an employer while on an  
11 authorized leave of absence to serve as an elected official of a labor  
12 organization, and whose employer is reimbursed by the labor  
13 organization for the compensation paid to the member during the period  
14 of absence, may also be considered to be on a paid leave of absence.  
15 This subsection shall only apply if the member's leave of absence is  
16 authorized by a collective bargaining agreement that provides that the  
17 member retains seniority rights with the employer during the period of  
18 leave. The compensation earnable reported for a member who establishes  
19 service credit under this subsection may not be greater than the salary  
20 paid to the highest paid job class covered by the collective bargaining  
21 agreement.

22 (3) Except as specified in subsection (4) of this section, a member  
23 shall be eligible to receive a maximum of two years service credit  
24 during a member's entire working career for those periods when a member  
25 is on an unpaid leave of absence authorized by an employer. This  
26 credit may be obtained only if:

27 (a) The member makes both the employer and member contributions  
28 plus interest as determined by the department for the period of the  
29 authorized leave of absence within five years of resumption of service  
30 or prior to retirement whichever comes sooner; or

31 (b) If not within five years of resumption of service but prior to  
32 retirement, pay the amount required under RCW 41.50.165(2).

33 The contributions required under (a) of this subsection shall be  
34 based on the average of the member's compensation earnable at both the  
35 time the authorized leave of absence was granted and the time the  
36 member resumed employment.

1 (4) A member who leaves the employ of an employer to enter the  
2 uniformed services of the United States shall be entitled to retirement  
3 system service credit for up to five years of military service. This  
4 subsection shall be administered in a manner consistent with the  
5 requirements of the federal uniformed services employment and  
6 reemployment rights act.

7 (a) The member qualifies for service credit under this subsection  
8 if:

9 (i) Within ninety days of the member's honorable discharge from the  
10 uniformed services of the United States, the member applies for  
11 reemployment with the employer who employed the member immediately  
12 prior to the member entering the uniformed services; and

13 (ii) The member makes the employee contributions required under RCW  
14 41.37.220 within five years of resumption of service or prior to  
15 retirement, whichever comes sooner; or

16 (iii) Prior to retirement and not within ninety days of the  
17 member's honorable discharge or five years of resumption of service the  
18 member pays the amount required under RCW 41.50.165(2); or

19 (iv) Prior to retirement the member provides to the director proof  
20 that the member's interruptive military service was during a period of  
21 war as defined in RCW 41.04.005. Any member who made payments for  
22 service credit for interruptive military service during a period of war  
23 as defined in RCW 41.04.005 may, prior to retirement and on a form  
24 provided by the department, request a refund of the funds standing to  
25 his or her credit for up to five years of such service, and this amount  
26 shall be paid to him or her. Members with one or more periods of  
27 interruptive military service credit during a period of war may receive  
28 no more than five years of free retirement system service credit under  
29 this subsection.

30 (b) Upon receipt of member contributions under (a)(ii), (d)(iii),  
31 or (e)(iii) of this subsection, or adequate proof under (a)(iv),  
32 (d)(iv), or (e)(iv) of this subsection, the department shall establish  
33 the member's service credit and shall bill the employer for its  
34 contribution required under RCW 41.37.220 for the period of military  
35 service, plus interest as determined by the department.

36 (c) The contributions required under (a)(ii), (d)(iii), or (e)(iii)  
37 of this subsection shall be based on the compensation the member would

1 have earned if not on leave, or if that cannot be estimated with  
2 reasonable certainty, the compensation reported for the member in the  
3 year prior to when the member went on military leave.

4 (d) The surviving spouse or eligible child or children of a member  
5 who left the employ of an employer to enter the uniformed services of  
6 the United States and died while serving in the uniformed services may,  
7 on behalf of the deceased member, apply for retirement system service  
8 credit under this subsection up to the date of the member's death in  
9 the uniformed services. The department shall establish the deceased  
10 member's service credit if the surviving spouse or eligible child or  
11 children:

12 (i) Provides to the director proof of the member's death while  
13 serving in the uniformed services;

14 (ii) Provides to the director proof of the member's honorable  
15 service in the uniformed services prior to the date of death; and

16 (iii) Pays the employee contributions required under chapter 41.45  
17 RCW within five years of the date of death or prior to the distribution  
18 of any benefit, whichever comes first; or

19 (iv) Prior to the distribution of any benefit, provides to the  
20 director proof that the member's interruptive military service was  
21 during a period of war as defined in RCW 41.04.005. If the deceased  
22 member made payments for service credit for interruptive military  
23 service during a period of war as defined in RCW 41.04.005, the  
24 surviving spouse or eligible child or children may, prior to the  
25 distribution of any benefit and on a form provided by the department,  
26 request a refund of the funds standing to the deceased member's credit  
27 for up to five years of such service, and this amount shall be paid to  
28 the surviving spouse or children. Members with one or more periods of  
29 interruptive military service during a period of war may receive no  
30 more than five years of free retirement system service credit under  
31 this subsection.

32 (e) A member who leaves the employ of an employer to enter the  
33 uniformed services of the United States and becomes totally  
34 incapacitated for continued employment by an employer while serving in  
35 the uniformed services is entitled to retirement system service credit  
36 under this subsection up to the date of discharge from the uniformed  
37 services if:

1 (i) The member obtains a determination from the director that he or  
2 she is totally incapacitated for continued employment due to conditions  
3 or events that occurred while serving in the uniformed services;

4 (ii) The member provides to the director proof of honorable  
5 discharge from the uniformed services; and

6 (iii) The member pays the employee contributions required under  
7 chapter 41.45 RCW within five years of the director's determination of  
8 total disability or prior to the distribution of any benefit, whichever  
9 comes first; or

10 (iv) Prior to retirement the member provides to the director proof  
11 that the member's interruptive military service was during a period of  
12 war as defined in RCW 41.04.005. Any member who made payments for  
13 service credit for interruptive military service during a period of war  
14 as defined in RCW 41.04.005 may, prior to retirement and on a form  
15 provided by the department, request a refund of the funds standing to  
16 his or her credit for up to five years of such service, and this amount  
17 shall be paid to him or her. Members with one or more periods of  
18 interruptive military service credit during a period of war may receive  
19 no more than five years of free retirement system service credit under  
20 this subsection.

21 **Sec. 4.** RCW 41.35.470 and 2005 c 64 s 4 are each amended to read  
22 as follows:

23 (1) A member who is on a paid leave of absence authorized by a  
24 member's employer shall continue to receive service credit as provided  
25 for under the provisions of RCW 41.35.400 through 41.35.599.

26 (2) A member who receives compensation from an employer while on an  
27 authorized leave of absence to serve as an elected official of a labor  
28 organization, and whose employer is reimbursed by the labor  
29 organization for the compensation paid to the member during the period  
30 of absence, may also be considered to be on a paid leave of absence.  
31 This subsection shall only apply if the member's leave of absence is  
32 authorized by a collective bargaining agreement that provides that the  
33 member retains seniority rights with the employer during the period of  
34 leave. The compensation earnable reported for a member who establishes  
35 service credit under this subsection may not be greater than the salary  
36 paid to the highest paid job class covered by the collective bargaining  
37 agreement.

1 (3) Except as specified in subsection (4) of this section, a member  
2 shall be eligible to receive a maximum of two years service credit  
3 during a member's entire working career for those periods when a member  
4 is on an unpaid leave of absence authorized by an employer. Such  
5 credit may be obtained only if:

6 (a) The member makes both the plan 2 employer and member  
7 contributions plus interest as determined by the department for the  
8 period of the authorized leave of absence within five years of  
9 resumption of service or prior to retirement whichever comes sooner; or

10 (b) If not within five years of resumption of service but prior to  
11 retirement, pay the amount required under RCW 41.50.165(2).

12 The contributions required under (a) of this subsection shall be  
13 based on the average of the member's compensation earnable at both the  
14 time the authorized leave of absence was granted and the time the  
15 member resumed employment.

16 (4) A member who leaves the employ of an employer to enter the  
17 uniformed services of the United States shall be entitled to retirement  
18 system service credit for up to five years of military service. This  
19 subsection shall be administered in a manner consistent with the  
20 requirements of the federal uniformed services employment and  
21 reemployment rights act.

22 (a) The member qualifies for service credit under this subsection  
23 if:

24 (i) Within ninety days of the member's honorable discharge from the  
25 uniformed services of the United States, the member applies for  
26 reemployment with the employer who employed the member immediately  
27 prior to the member entering the uniformed services; and

28 (ii) The member makes the employee contributions required under RCW  
29 41.35.430 within five years of resumption of service or prior to  
30 retirement, whichever comes sooner; or

31 (iii) Prior to retirement and not within ninety days of the  
32 member's honorable discharge or five years of resumption of service the  
33 member pays the amount required under RCW 41.50.165(2); or

34 (iv) Prior to retirement the member provides to the director proof  
35 that the member's interruptive military service was during a period of  
36 war as defined in RCW 41.04.005. Any member who made payments for  
37 service credit for interruptive military service during a period of war  
38 as defined in RCW 41.04.005 may, prior to retirement and on a form

1 provided by the department, request a refund of the funds standing to  
2 his or her credit for up to five years of such service, and this amount  
3 shall be paid to him or her. Members with one or more periods of  
4 interruptive military service credit during a period of war may receive  
5 no more than five years of free retirement system service credit under  
6 this subsection.

7 (b) Upon receipt of member contributions under (a)(ii), (d)(iii),  
8 or (e)(iii) of this subsection, or adequate proof under (a)(iv),  
9 (d)(iv), or (e)(iv) of this subsection, the department shall establish  
10 the member's service credit and shall bill the employer for its  
11 contribution required under RCW 41.35.430 for the period of military  
12 service, plus interest as determined by the department.

13 (c) The contributions required under (a)(ii), (d)(iii), or (e)(iii)  
14 of this subsection shall be based on the compensation the member would  
15 have earned if not on leave, or if that cannot be estimated with  
16 reasonable certainty, the compensation reported for the member in the  
17 year prior to when the member went on military leave.

18 (d) The surviving spouse or eligible child or children of a member  
19 who left the employ of an employer to enter the uniformed services of  
20 the United States and died while serving in the uniformed services may,  
21 on behalf of the deceased member, apply for retirement system service  
22 credit under this subsection up to the date of the member's death in  
23 the uniformed services. The department shall establish the deceased  
24 member's service credit if the surviving spouse or eligible child or  
25 children:

26 (i) Provides to the director proof of the member's death while  
27 serving in the uniformed services;

28 (ii) Provides to the director proof of the member's honorable  
29 service in the uniformed services prior to the date of death; and

30 (iii) Pays the employee contributions required under chapter 41.45  
31 RCW within five years of the date of death or prior to the distribution  
32 of any benefit, whichever comes first; or

33 (iv) Prior to the distribution of any benefit, provides to the  
34 director proof that the member's interruptive military service was  
35 during a period of war as defined in RCW 41.04.005. If the deceased  
36 member made payments for service credit for interruptive military  
37 service during a period of war as defined in RCW 41.04.005, the  
38 surviving spouse or eligible child or children may, prior to the

1 distribution of any benefit and on a form provided by the department,  
2 request a refund of the funds standing to the deceased member's credit  
3 for up to five years of such service, and this amount shall be paid to  
4 the surviving spouse or children. Members with one or more periods of  
5 interruptive military service during a period of war may receive no  
6 more than five years of free retirement system service credit under  
7 this subsection.

8 (e) A member who leaves the employ of an employer to enter the  
9 uniformed services of the United States and becomes totally  
10 incapacitated for continued employment by an employer while serving in  
11 the uniformed services is entitled to retirement system service credit  
12 under this subsection up to the date of discharge from the uniformed  
13 services if:

14 (i) The member obtains a determination from the director that he or  
15 she is totally incapacitated for continued employment due to conditions  
16 or events that occurred while serving in the uniformed services;

17 (ii) The member provides to the director proof of honorable  
18 discharge from the uniformed services; and

19 (iii) The member pays the employee contributions required under  
20 chapter 41.45 RCW within five years of the director's determination of  
21 total disability or prior to the distribution of any benefit, whichever  
22 comes first; or

23 (iv) Prior to retirement the member provides to the director proof  
24 that the member's interruptive military service was during a period of  
25 war as defined in RCW 41.04.005. Any member who made payments for  
26 service credit for interruptive military service during a period of war  
27 as defined in RCW 41.04.005 may, prior to retirement and on a form  
28 provided by the department, request a refund of the funds standing to  
29 his or her credit for up to five years of such service, and this amount  
30 shall be paid to him or her. Members with one or more periods of  
31 interruptive military service credit during a period of war may receive  
32 no more than five years of free retirement system service credit under  
33 this subsection.

34 **Sec. 5.** RCW 41.35.650 and 2005 c 64 s 5 are each amended to read  
35 as follows:

36 (1) A member who is on a paid leave of absence authorized by a  
37 member's employer shall continue to receive service credit.

1 (2) A member who receives compensation from an employer while on an  
2 authorized leave of absence to serve as an elected official of a labor  
3 organization, and whose employer is reimbursed by the labor  
4 organization for the compensation paid to the member during the period  
5 of absence, may also be considered to be on a paid leave of absence.  
6 This subsection shall only apply if the member's leave of absence is  
7 authorized by a collective bargaining agreement that provides that the  
8 member retains seniority rights with the employer during the period of  
9 leave. The earnable compensation reported for a member who establishes  
10 service credit under this subsection may not be greater than the salary  
11 paid to the highest paid job class covered by the collective bargaining  
12 agreement.

13 (3) Except as specified in subsection (4) of this section, a member  
14 shall be eligible to receive a maximum of two years service credit  
15 during a member's entire working career for those periods when a member  
16 is on an unpaid leave of absence authorized by an employer. Such  
17 credit may be obtained only if:

18 (a) The member makes the contribution on behalf of the employer,  
19 plus interest, as determined by the department; and

20 (b) The member makes the employee contribution, plus interest, as  
21 determined by the department, to the defined contribution portion.

22 The contributions required shall be based on the average of the  
23 member's earnable compensation at both the time the authorized leave of  
24 absence was granted and the time the member resumed employment.

25 (4) A member who leaves the employ of an employer to enter the  
26 uniformed services of the United States shall be entitled to retirement  
27 system service credit for up to five years of military service if  
28 within ninety days of the member's honorable discharge from the  
29 uniformed services of the United States, the member applies for  
30 reemployment with the employer who employed the member immediately  
31 prior to the member entering the uniformed services. This subsection  
32 shall be administered in a manner consistent with the requirements of  
33 the federal uniformed services employment and reemployment rights act.

34 The department shall establish the member's service credit and  
35 shall bill the employer for its contribution required under RCW  
36 41.35.720 for the period of military service, plus interest as  
37 determined by the department. Service credit under this subsection may  
38 be obtained only if the member makes the employee contribution to the

1 defined contribution portion as determined by the department, or prior  
2 to retirement, the member provides to the director proof that the  
3 member's interruptive military service was during a period of war as  
4 defined in RCW 41.04.005. Any member who made payments for service  
5 credit for interruptive military service during a period of war as  
6 defined in RCW 41.04.005 may, prior to retirement and on a form  
7 provided by the department, request a refund of the funds standing to  
8 his or her credit for up to five years of such service, and this amount  
9 shall be paid to him or her. Members with one or more periods of  
10 interruptive military service during a period of war may receive no  
11 more than five years of free retirement system service credit under  
12 this subsection.

13 The contributions required shall be based on the compensation the  
14 member would have earned if not on leave, or if that cannot be  
15 estimated with reasonable certainty, the compensation reported for the  
16 member in the year prior to when the member went on military leave.

17 (a) The surviving spouse or eligible child or children of a member  
18 who left the employ of an employer to enter the uniformed services of  
19 the United States and died while serving in the uniformed services may,  
20 on behalf of the deceased member, apply for retirement system service  
21 credit under this subsection up to the date of the member's death in  
22 the uniformed services. The department shall establish the deceased  
23 member's service credit if the surviving spouse or eligible child or  
24 children:

25 (i) Provides to the director proof of the member's death while  
26 serving in the uniformed services;

27 (ii) Provides to the director proof of the member's honorable  
28 service in the uniformed services prior to the date of death; and

29 (iii) Pays the employee contributions required under this  
30 subsection within five years of the date of death or prior to the  
31 distribution of any benefit, whichever comes first; or

32 (iv) Prior to the distribution of any benefit, provides to the  
33 director proof that the member's interruptive military service was  
34 during a period of war as defined in RCW 41.04.005. If the deceased  
35 member made payments for service credit for interruptive military  
36 service during a period of war as defined in RCW 41.04.005, the  
37 surviving spouse or eligible child or children may, prior to the  
38 distribution of any benefit and on a form provided by the department,

1 request a refund of the funds standing to the deceased member's credit  
2 for up to five years of such service, and this amount shall be paid to  
3 the surviving spouse or children. Members with one or more periods of  
4 interruptive military service during a period of war may receive no  
5 more than five years of free retirement system service credit under  
6 this subsection.

7 (b) A member who leaves the employ of an employer to enter the  
8 uniformed services of the United States and becomes totally  
9 incapacitated for continued employment by an employer while serving in  
10 the uniformed services is entitled to retirement system service credit  
11 under this subsection up to the date of discharge from the uniformed  
12 services if:

13 (i) The member obtains a determination from the director that he or  
14 she is totally incapacitated for continued employment due to conditions  
15 or events that occurred while serving in the uniformed services;

16 (ii) The member provides to the director proof of honorable  
17 discharge from the uniformed services; and

18 (iii) The member pays the employee contributions required under  
19 this subsection within five years of the director's determination of  
20 total disability or prior to the distribution of any benefit, whichever  
21 comes first; or

22 (iv) Prior to retirement the member provides to the director proof  
23 that the member's interruptive military service was during a period of  
24 war as defined in RCW 41.04.005. Any member who made payments for  
25 service credit for interruptive military service during a period of war  
26 as defined in RCW 41.04.005 may, prior to retirement and on a form  
27 provided by the department, request a refund of the funds standing to  
28 his or her credit for up to five years of such service, and this amount  
29 shall be paid to him or her. Members with one or more periods of  
30 interruptive military service credit during a period of war may receive  
31 no more than five years of free retirement system service credit under  
32 this subsection.

33 **Sec. 6.** RCW 41.32.810 and 2005 c 64 s 7 are each amended to read  
34 as follows:

35 (1) A member who is on a paid leave of absence authorized by a  
36 member's employer shall continue to receive service credit as provided  
37 for under the provisions of RCW 41.32.755 through 41.32.825.

1 (2) A member who receives compensation from an employer while on an  
2 authorized leave of absence to serve as an elected official of a labor  
3 organization, and whose employer is reimbursed by the labor  
4 organization for the compensation paid to the member during the period  
5 of absence, may also be considered to be on a paid leave of absence.  
6 This subsection shall only apply if the member's leave of absence is  
7 authorized by a collective bargaining agreement that provides that the  
8 member retains seniority rights with the employer during the period of  
9 leave. The earnable compensation reported for a member who establishes  
10 service credit under this subsection may not be greater than the salary  
11 paid to the highest paid job class covered by the collective bargaining  
12 agreement.

13 (3) Except as specified in subsection (6) of this section, a member  
14 shall be eligible to receive a maximum of two years service credit  
15 during a member's entire working career for those periods when a member  
16 is on an unpaid leave of absence authorized by an employer. Such  
17 credit may be obtained only if the member makes both the employer and  
18 member contributions plus interest as determined by the department for  
19 the period of the authorized leave of absence within five years of  
20 resumption of service or prior to retirement whichever comes sooner.

21 (4) If a member fails to meet the time limitations of subsection  
22 (3) of this section, the member may receive a maximum of two years of  
23 service credit during a member's working career for those periods when  
24 a member is on unpaid leave of absence authorized by an employer. This  
25 may be done by paying the amount required under RCW 41.50.165(2) prior  
26 to retirement.

27 (5) For the purpose of subsection (3) of this section, the  
28 contribution shall not include the contribution for the unfunded  
29 supplemental present value as required by RCW 41.32.775. The  
30 contributions required shall be based on the average of the member's  
31 earnable compensation at both the time the authorized leave of absence  
32 was granted and the time the member resumed employment.

33 (6) A member who leaves the employ of an employer to enter the  
34 uniformed services of the United States shall be entitled to retirement  
35 system service credit for up to five years of military service. This  
36 subsection shall be administered in a manner consistent with the  
37 requirements of the federal uniformed services employment and  
38 reemployment rights act.

1 (a) The member qualifies for service credit under this subsection  
2 if:

3 (i) Within ninety days of the member's honorable discharge from the  
4 uniformed services of the United States, the member applies for  
5 reemployment with the employer who employed the member immediately  
6 prior to the member entering the uniformed services; and

7 (ii) The member makes the employee contributions required under RCW  
8 41.32.775 within five years of resumption of service or prior to  
9 retirement, whichever comes sooner; or

10 (iii) Prior to retirement and not within ninety days of the  
11 member's honorable discharge or five years of resumption of service the  
12 member pays the amount required under RCW 41.50.165(2); or

13 (iv) Prior to retirement the member provides to the director proof  
14 that the member's interruptive military service was during a period of  
15 war as defined in RCW 41.04.005. Any member who made payments for  
16 service credit for interruptive military service during a period of war  
17 as defined in RCW 41.04.005 may, prior to retirement and on a form  
18 provided by the department, request a refund of the funds standing to  
19 his or her credit for up to five years of such service, and this amount  
20 shall be paid to him or her. Members with one or more periods of  
21 interruptive military service credit during a period of war may receive  
22 no more than five years of free retirement system service credit under  
23 this subsection.

24 (b) Upon receipt of member contributions under (a)(ii), (d)(iii),  
25 or (e)(iii) of this subsection, or adequate proof under (a)(iv),  
26 (d)(iv), or (e)(iv) of this subsection, the department shall establish  
27 the member's service credit and shall bill the employer for its  
28 contribution required under RCW 41.32.775 for the period of military  
29 service, plus interest as determined by the department.

30 (c) The contributions required under (a)(ii), (d)(iii), or (e)(iii)  
31 of this subsection shall be based on the compensation the member would  
32 have earned if not on leave, or if that cannot be estimated with  
33 reasonable certainty, the compensation reported for the member in the  
34 year prior to when the member went on military leave.

35 (d) The surviving spouse or eligible child or children of a member  
36 who left the employ of an employer to enter the uniformed services of  
37 the United States and died while serving in the uniformed services may,  
38 on behalf of the deceased member, apply for retirement system service

1 credit under this subsection up to the date of the member's death in  
2 the uniformed services. The department shall establish the deceased  
3 member's service credit if the surviving spouse or eligible child or  
4 children:

5 (i) Provides to the director proof of the member's death while  
6 serving in the uniformed services;

7 (ii) Provides to the director proof of the member's honorable  
8 service in the uniformed services prior to the date of death; and

9 (iii) Pays the employee contributions required under chapter 41.45  
10 RCW within five years of the date of death or prior to the distribution  
11 of any benefit, whichever comes first; or

12 (iv) Prior to the distribution of any benefit, provides to the  
13 director proof that the member's interruptive military service was  
14 during a period of war as defined in RCW 41.04.005. If the deceased  
15 member made payments for service credit for interruptive military  
16 service during a period of war as defined in RCW 41.04.005, the  
17 surviving spouse or eligible child or children may, prior to the  
18 distribution of any benefit and on a form provided by the department,  
19 request a refund of the funds standing to the deceased member's credit  
20 for up to five years of such service, and this amount shall be paid to  
21 the surviving spouse or children. Members with one or more periods of  
22 interruptive military service during a period of war may receive no  
23 more than five years of free retirement system service credit under  
24 this subsection.

25 (e) A member who leaves the employ of an employer to enter the  
26 uniformed services of the United States and becomes totally  
27 incapacitated for continued employment by an employer while serving in  
28 the uniformed services is entitled to retirement system service credit  
29 under this subsection up to the date of discharge from the uniformed  
30 services if:

31 (i) The member obtains a determination from the director that he or  
32 she is totally incapacitated for continued employment due to conditions  
33 or events that occurred while serving in the uniformed services;

34 (ii) The member provides to the director proof of honorable  
35 discharge from the uniformed services; and

36 (iii) The member pays the employee contributions required under  
37 chapter 41.45 RCW within five years of the director's determination of

1 total disability or prior to the distribution of any benefit, whichever  
2 comes first; or

3 (iv) Prior to retirement the member provides to the director proof  
4 that the member's interruptive military service was during a period of  
5 war as defined in RCW 41.04.005. Any member who made payments for  
6 service credit for interruptive military service during a period of war  
7 as defined in RCW 41.04.005 may, prior to retirement and on a form  
8 provided by the department, request a refund of the funds standing to  
9 his or her credit for up to five years of such service, and this amount  
10 shall be paid to him or her. Members with one or more periods of  
11 interruptive military service credit during a period of war may receive  
12 no more than five years of free retirement system service credit under  
13 this subsection.

14 **Sec. 7.** RCW 41.32.865 and 2005 c 64 s 8 are each amended to read  
15 as follows:

16 (1) A member who is on a paid leave of absence authorized by a  
17 member's employer shall continue to receive service credit.

18 (2) A member who receives compensation from an employer while on an  
19 authorized leave of absence to serve as an elected official of a labor  
20 organization, and whose employer is reimbursed by the labor  
21 organization for the compensation paid to the member during the period  
22 of absence, may also be considered to be on a paid leave of absence.  
23 This subsection shall only apply if the member's leave of absence is  
24 authorized by a collective bargaining agreement that provides that the  
25 member retains seniority rights with the employer during the period of  
26 leave. The earnable compensation reported for a member who establishes  
27 service credit under this subsection may not be greater than the salary  
28 paid to the highest paid job class covered by the collective bargaining  
29 agreement.

30 (3) Except as specified in subsection (4) of this section, a member  
31 shall be eligible to receive a maximum of two years service credit  
32 during a member's entire working career for those periods when a member  
33 is on an unpaid leave of absence authorized by an employer. Such  
34 credit may be obtained only if:

35 (a) The member makes the contribution on behalf of the employer,  
36 plus interest, as determined by the department; and

1 (b) The member makes the employee contribution, plus interest, as  
2 determined by the department, to the defined contribution portion.

3 The contributions required shall be based on the average of the  
4 member's earnable compensation at both the time the authorized leave of  
5 absence was granted and the time the member resumed employment.

6 (4) A member who leaves the employ of an employer to enter the  
7 uniformed services of the United States shall be entitled to retirement  
8 system service credit for up to five years of military service if  
9 within ninety days of the member's honorable discharge from the  
10 uniformed services of the United States, the member applies for  
11 reemployment with the employer who employed the member immediately  
12 prior to the member entering the uniformed services. This subsection  
13 shall be administered in a manner consistent with the requirements of  
14 the federal uniformed services employment and reemployment rights act.

15 The department shall establish the member's service credit and  
16 shall bill the employer for its contribution required under chapter  
17 239, Laws of 1995 for the period of military service, plus interest as  
18 determined by the department. Service credit under this subsection may  
19 be obtained only if the member makes the employee contribution to the  
20 defined contribution portion as determined by the department, or prior  
21 to retirement, the member provides to the director proof that the  
22 member's interruptive military service was during a period of war as  
23 defined in RCW 41.04.005. Any member who made payments for service  
24 credit for interruptive military service during a period of war as  
25 defined in RCW 41.04.005 may, prior to retirement and on a form  
26 provided by the department, request a refund of the funds standing to  
27 his or her credit for up to five years of such service, and this amount  
28 shall be paid to him or her. Members with one or more periods of  
29 interruptive military service during a period of war may receive no  
30 more than five years of free retirement system service credit under  
31 this subsection.

32 The contributions required shall be based on the compensation the  
33 member would have earned if not on leave, or if that cannot be  
34 estimated with reasonable certainty, the compensation reported for the  
35 member in the year prior to when the member went on military leave.

36 (a) The surviving spouse or eligible child or children of a member  
37 who left the employ of an employer to enter the uniformed services of  
38 the United States and died while serving in the uniformed services may,

1 on behalf of the deceased member, apply for retirement system service  
2 credit under this subsection up to the date of the member's death in  
3 the uniformed services. The department shall establish the deceased  
4 member's service credit if the surviving spouse or eligible child or  
5 children:

6 (i) Provides to the director proof of the member's death while  
7 serving in the uniformed services;

8 (ii) Provides to the director proof of the member's honorable  
9 service in the uniformed services prior to the date of death; and

10 (iii) Pays the employee contributions required under this  
11 subsection within five years of the date of death or prior to the  
12 distribution of any benefit, whichever comes first; or

13 (iv) Prior to the distribution of any benefit, provides to the  
14 director proof that the member's interruptive military service was  
15 during a period of war as defined in RCW 41.04.005. If the deceased  
16 member made payments for service credit for interruptive military  
17 service during a period of war as defined in RCW 41.04.005, the  
18 surviving spouse or eligible child or children may, prior to the  
19 distribution of any benefit and on a form provided by the department,  
20 request a refund of the funds standing to the deceased member's credit  
21 for up to five years of such service, and this amount shall be paid to  
22 the surviving spouse or children. Members with one or more periods of  
23 interruptive military service during a period of war may receive no  
24 more than five years of free retirement system service credit under  
25 this subsection.

26 (b) A member who leaves the employ of an employer to enter the  
27 uniformed services of the United States and becomes totally  
28 incapacitated for continued employment by an employer while serving in  
29 the uniformed services is entitled to retirement system service credit  
30 under this subsection up to the date of discharge from the uniformed  
31 services if:

32 (i) The member obtains a determination from the director that he or  
33 she is totally incapacitated for continued employment due to conditions  
34 or events that occurred while serving in the uniformed services;

35 (ii) The member provides to the director proof of honorable  
36 discharge from the uniformed services; and

37 (iii) The member pays the employee contributions required under

1 this subsection within five years of the director's determination of  
2 total disability or prior to the distribution of any benefit, whichever  
3 comes first; or

4 (iv) Prior to retirement the member provides to the director proof  
5 that the member's interruptive military service was during a period of  
6 war as defined in RCW 41.04.005. Any member who made payments for  
7 service credit for interruptive military service during a period of war  
8 as defined in RCW 41.04.005 may, prior to retirement and on a form  
9 provided by the department, request a refund of the funds standing to  
10 his or her credit for up to five years of such service, and this amount  
11 shall be paid to him or her. Members with one or more periods of  
12 interruptive military service during a period of war may receive no  
13 more than five years of free retirement system service credit under  
14 this subsection.

15 **Sec. 8.** RCW 41.26.520 and 2005 c 64 s 9 are each amended to read  
16 as follows:

17 (1) A member who is on a paid leave of absence authorized by a  
18 member's employer shall continue to receive service credit as provided  
19 for under the provisions of RCW 41.26.410 through 41.26.550.

20 (2) A member who receives compensation from an employer while on an  
21 authorized leave of absence to serve as an elected official of a labor  
22 organization, and whose employer is reimbursed by the labor  
23 organization for the compensation paid to the member during the period  
24 of absence, may also be considered to be on a paid leave of absence.  
25 This subsection shall only apply if the member's leave of absence is  
26 authorized by a collective bargaining agreement that provides that the  
27 member retains seniority rights with the employer during the period of  
28 leave. The basic salary reported for a member who establishes service  
29 credit under this subsection may not be greater than the salary paid to  
30 the highest paid job class covered by the collective bargaining  
31 agreement.

32 (3) Except as specified in subsection (7) of this section, a member  
33 shall be eligible to receive a maximum of two years service credit  
34 during a member's entire working career for those periods when a member  
35 is on an unpaid leave of absence authorized by an employer. Such  
36 credit may be obtained only if the member makes the employer, member,

1 and state contributions plus interest as determined by the department  
2 for the period of the authorized leave of absence within five years of  
3 resumption of service or prior to retirement whichever comes sooner.

4 (4) A law enforcement member may be authorized by an employer to  
5 work part time and to go on a part-time leave of absence. During a  
6 part-time leave of absence a member is prohibited from any other  
7 employment with their employer. A member is eligible to receive credit  
8 for any portion of service credit not earned during a month of part-  
9 time leave of absence if the member makes the employer, member, and  
10 state contributions, plus interest, as determined by the department for  
11 the period of the authorized leave within five years of resumption of  
12 full-time service or prior to retirement whichever comes sooner. Any  
13 service credit purchased for a part-time leave of absence is included  
14 in the two-year maximum provided in subsection (3) of this section.

15 (5) If a member fails to meet the time limitations of subsection  
16 (3) or (4) of this section, the member may receive a maximum of two  
17 years of service credit during a member's working career for those  
18 periods when a member is on unpaid leave of absence authorized by an  
19 employer. This may be done by paying the amount required under RCW  
20 41.50.165(2) prior to retirement.

21 (6) For the purpose of subsection (3) or (4) of this section the  
22 contribution shall not include the contribution for the unfunded  
23 supplemental present value as required by RCW 41.45.060, 41.45.061, and  
24 41.45.067. The contributions required shall be based on the average of  
25 the member's basic salary at both the time the authorized leave of  
26 absence was granted and the time the member resumed employment.

27 (7) A member who leaves the employ of an employer to enter the  
28 uniformed services of the United States shall be entitled to retirement  
29 system service credit for up to five years of military service. This  
30 subsection shall be administered in a manner consistent with the  
31 requirements of the federal uniformed services employment and  
32 reemployment rights act.

33 (a) The member qualifies for service credit under this subsection  
34 if:

35 (i) Within ninety days of the member's honorable discharge from the  
36 uniformed services of the United States, the member applies for  
37 reemployment with the employer who employed the member immediately  
38 prior to the member entering the uniformed services; and

1 (ii) The member makes the employee contributions required under RCW  
2 41.45.060, 41.45.061, and 41.45.067 within five years of resumption of  
3 service or prior to retirement, whichever comes sooner; or

4 (iii) Prior to retirement and not within ninety days of the  
5 member's honorable discharge or five years of resumption of service the  
6 member pays the amount required under RCW 41.50.165(2); or

7 (iv) Prior to retirement the member provides to the director proof  
8 that the member's interruptive military service was during a period of  
9 war as defined in RCW 41.04.005. Any member who made payments for  
10 service credit for interruptive military service during a period of war  
11 as defined in RCW 41.04.005 may, prior to retirement and on a form  
12 provided by the department, request a refund of the funds standing to  
13 his or her credit for up to five years of such service, and this amount  
14 shall be paid to him or her. Members with one or more periods of  
15 interruptive military service credit during a period of war may receive  
16 no more than five years of free retirement system service credit under  
17 this subsection.

18 (b) Upon receipt of member contributions under (a)(ii), (d)(iii),  
19 or (e)(iii) of this subsection, or adequate proof under (a)(iv),  
20 (d)(iv), or (e)(iv) of this subsection, the department shall establish  
21 the member's service credit and shall bill the employer and the state  
22 for their respective contributions required under RCW 41.26.450 for the  
23 period of military service, plus interest as determined by the  
24 department.

25 (c) The contributions required under (a)(ii), (d)(iii), or (e)(iii)  
26 of this subsection shall be based on the compensation the member would  
27 have earned if not on leave, or if that cannot be estimated with  
28 reasonable certainty, the compensation reported for the member in the  
29 year prior to when the member went on military leave.

30 (d) The surviving spouse or eligible child or children of a member  
31 who left the employ of an employer to enter the uniformed services of  
32 the United States and died while serving in the uniformed services may,  
33 on behalf of the deceased member, apply for retirement system service  
34 credit under this subsection up to the date of the member's death in  
35 the uniformed services. The department shall establish the deceased  
36 member's service credit if the surviving spouse or eligible child or  
37 children:

1 (i) Provides to the director proof of the member's death while  
2 serving in the uniformed services;

3 (ii) Provides to the director proof of the member's honorable  
4 service in the uniformed services prior to the date of death; and

5 (iii) Pays the employee contributions required under chapter 41.45  
6 RCW within five years of the date of death or prior to the distribution  
7 of any benefit, whichever comes first; or

8 (iv) Prior to the distribution of any benefit, provides to the  
9 director proof that the member's interruptive military service was  
10 during a period of war as defined in RCW 41.04.005. If the deceased  
11 member made payments for service credit for interruptive military  
12 service during a period of war as defined in RCW 41.04.005, the  
13 surviving spouse or eligible child or children may, prior to the  
14 distribution of any benefit and on a form provided by the department,  
15 request a refund of the funds standing to the deceased member's credit  
16 for up to five years of such service, and this amount shall be paid to  
17 the surviving spouse or children. Members with one or more periods of  
18 interruptive military service during a period of war may receive no  
19 more than five years of free retirement system service credit under  
20 this subsection.

21 (e) A member who leaves the employ of an employer to enter the  
22 uniformed services of the United States and becomes totally  
23 incapacitated for continued employment by an employer while serving in  
24 the uniformed services is entitled to retirement system service credit  
25 under this subsection up to the date of discharge from the uniformed  
26 services if:

27 (i) The member obtains a determination from the director that he or  
28 she is totally incapacitated for continued employment due to conditions  
29 or events that occurred while serving in the uniformed services;

30 (ii) The member provides to the director proof of honorable  
31 discharge from the uniformed services; and

32 (iii) The member pays the employee contributions required under  
33 chapter 41.45 RCW within five years of the director's determination of  
34 total disability or prior to the distribution of any benefit, whichever  
35 comes first; or

36 (iv) Prior to retirement the member provides to the director proof  
37 that the member's interruptive military service was during a period of  
38 war as defined in RCW 41.04.005. Any member who made payments for

1 service credit for interruptive military service during a period of war  
2 as defined in RCW 41.04.005 may, prior to retirement and on a form  
3 provided by the department, request a refund of the funds standing to  
4 his or her credit for up to five years of such service, and this amount  
5 shall be paid to him or her. Members with one or more periods of  
6 interruptive military service credit during a period of war may receive  
7 no more than five years of free retirement system service credit under  
8 this subsection.

9 (8) A member receiving benefits under Title 51 RCW who is not  
10 receiving benefits under this chapter shall be deemed to be on unpaid,  
11 authorized leave of absence.

12 **Sec. 9.** RCW 43.43.260 and 2005 c 64 s 10 are each amended to read  
13 as follows:

14 Upon retirement from service as provided in RCW 43.43.250, a member  
15 shall be granted a retirement allowance which shall consist of:

16 (1) A prior service allowance which shall be equal to two percent  
17 of the member's average final salary multiplied by the number of years  
18 of prior service rendered by the member.

19 (2) A current service allowance which shall be equal to two percent  
20 of the member's average final salary multiplied by the number of years  
21 of service rendered while a member of the retirement system.

22 (3)(a) Any member commissioned prior to January 1, 2003, with  
23 twenty-five years service in the Washington state patrol may have the  
24 member's service in the uniformed services credited as a member whether  
25 or not the individual left the employ of the Washington state patrol to  
26 enter such uniformed services: PROVIDED, That in no instance shall  
27 military service in excess of five years be credited: AND PROVIDED  
28 FURTHER, That in each instance, a member must restore all withdrawn  
29 accumulated contributions, which restoration must be completed on the  
30 date of the member's retirement, or as provided under RCW 43.43.130,  
31 whichever occurs first: AND PROVIDED FURTHER, That this section shall  
32 not apply to any individual, not a veteran within the meaning of RCW  
33 41.06.150.

34 (b) A member who leaves the Washington state patrol to enter the  
35 uniformed services of the United States shall be entitled to retirement  
36 system service credit for up to five years of military service. This

1 subsection shall be administered in a manner consistent with the  
2 requirements of the federal uniformed services employment and  
3 reemployment rights act.

4 (i) The member qualifies for service credit under this subsection  
5 if:

6 (A) Within ninety days of the member's honorable discharge from the  
7 uniformed services of the United States, the member applies for  
8 reemployment with the employer who employed the member immediately  
9 prior to the member entering the uniformed services; and

10 (B) The member makes the employee contributions required under RCW  
11 41.45.0631 and 41.45.067 within five years of resumption of service or  
12 prior to retirement, whichever comes sooner; or

13 (C) Prior to retirement and not within ninety days of the member's  
14 honorable discharge or five years of resumption of service the member  
15 pays the amount required under RCW 41.50.165(2); or

16 (D) If the member was commissioned on or after January 1, 2003,  
17 and, prior to retirement, the member provides to the director proof  
18 that the member's interruptive military service was during a period of  
19 war as defined in RCW 41.04.005. Any member who made payments for  
20 service credit for interruptive military service during a period of war  
21 as defined in RCW 41.04.005 may, prior to retirement and on a form  
22 provided by the department, request a refund of the funds standing to  
23 his or her credit for up to five years of such service, and this amount  
24 shall be paid to him or her. Members with one or more periods of  
25 interruptive military service credit during a period of war may receive  
26 no more than five years of free retirement system service credit under  
27 this subsection.

28 (ii) Upon receipt of member contributions under (b)(i)(B),  
29 (b)(iv)(C), and (b)(v)(C) of this subsection, or adequate proof under  
30 (b)(i)(D), (b)(iv)(D), or (b)(v)(D) of this subsection, the department  
31 shall establish the member's service credit and shall bill the employer  
32 for its contribution required under RCW 41.45.060 for the period of  
33 military service, plus interest as determined by the department.

34 (iii) The contributions required under (b)(i)(B), (b)(iv)(C), and  
35 (b)(v)(C) of this subsection shall be based on the compensation the  
36 member would have earned if not on leave, or if that cannot be  
37 estimated with reasonable certainty, the compensation reported for the  
38 member in the year prior to when the member went on military leave.

1 (iv) The surviving spouse or eligible child or children of a member  
2 who left the employ of an employer to enter the uniformed services of  
3 the United States and died while serving in the uniformed services may,  
4 on behalf of the deceased member, apply for retirement system service  
5 credit under this subsection up to the date of the member's death in  
6 the uniformed services. The department shall establish the deceased  
7 member's service credit if the surviving spouse or eligible child or  
8 children:

9 (A) Provides to the director proof of the member's death while  
10 serving in the uniformed services;

11 (B) Provides to the director proof of the member's honorable  
12 service in the uniformed services prior to the date of death; and

13 (C) If the member was commissioned on or after January 1, 2003,  
14 pays the employee contributions required under chapter 41.45 RCW within  
15 five years of the date of death or prior to the distribution of any  
16 benefit, whichever comes first; or

17 (D) If the member was commissioned on or after January 1, 2003,  
18 and, prior to the distribution of any benefit, provides to the director  
19 proof that the member's interruptive military service was during a  
20 period of war as defined in RCW 41.04.005. If the deceased member made  
21 payments for service credit for interruptive military service during a  
22 period of war as defined in RCW 41.04.005, the surviving spouse or  
23 eligible child or children may, prior to the distribution of any  
24 benefit and on a form provided by the department, request a refund of  
25 the funds standing to the deceased member's credit for up to five years  
26 of such service, and this amount shall be paid to the surviving spouse  
27 or children. Members with one or more periods of interruptive military  
28 service during a period of war may receive no more than five years of  
29 free retirement system service credit under this subsection.

30 (v) A member who leaves the employ of an employer to enter the  
31 uniformed services of the United States and becomes totally  
32 incapacitated for continued employment by an employer while serving in  
33 the uniformed services is entitled to retirement system service credit  
34 under this subsection up to the date of discharge from the uniformed  
35 services if:

36 (A) The member obtains a determination from the director that he or  
37 she is totally incapacitated for continued employment due to conditions  
38 or events that occurred while serving in the uniformed services;

1 (B) The member provides to the director proof of honorable  
2 discharge from the uniformed services; and

3 (C) If the member was commissioned on or after January 1, 2003, the  
4 member pays the employee contributions required under chapter 41.45 RCW  
5 within five years of the director's determination of total disability  
6 or prior to the distribution of any benefit, whichever comes first; or

7 (D) If the member was commissioned on or after January 1, 2003,  
8 and, prior to retirement, the member provides to the director proof  
9 that the member's interruptive military service was during a period of  
10 war as defined in RCW 41.04.005. Any member who made payments for  
11 service credit for interruptive military service during a period of war  
12 as defined in RCW 41.04.005 may, prior to retirement and on a form  
13 provided by the department, request a refund of the funds standing to  
14 his or her credit for up to five years of such service, and this amount  
15 shall be paid to him or her. Members with one or more periods of  
16 interruptive military service during a period of war may receive no  
17 more than five years of free retirement system service credit under  
18 this subsection.

19 (4) In no event shall the total retirement benefits from  
20 subsections (1), (2), and (3) of this section, of any member exceed  
21 seventy-five percent of the member's average final salary.

22 (5) Beginning July 1, 2001, and every year thereafter, the  
23 department shall determine the following information for each retired  
24 member or beneficiary whose retirement allowance has been in effect for  
25 at least one year:

26 (a) The original dollar amount of the retirement allowance;

27 (b) The index for the calendar year prior to the effective date of  
28 the retirement allowance, to be known as "index A";

29 (c) The index for the calendar year prior to the date of  
30 determination, to be known as "index B"; and

31 (d) The ratio obtained when index B is divided by index A.

32 The value of the ratio obtained shall be the annual adjustment to  
33 the original retirement allowance and shall be applied beginning with  
34 the July payment. In no event, however, shall the annual adjustment:

35 (i) Produce a retirement allowance which is lower than the original  
36 retirement allowance;

37 (ii) Exceed three percent in the initial annual adjustment; or

1 (iii) Differ from the previous year's annual adjustment by more  
2 than three percent.

3 For the purposes of this section, "index" means, for any calendar  
4 year, that year's average consumer price index for the Seattle-Tacoma-  
5 Bremerton Washington area for urban wage earners and clerical workers,  
6 all items, compiled by the bureau of labor statistics, United States  
7 department of labor.

8 The provisions of this section shall apply to all members presently  
9 retired and to all members who shall retire in the future.

--- END ---

# DRAFT ACTUARY'S FISCAL NOTE

|                                    |            |                |                              |
|------------------------------------|------------|----------------|------------------------------|
| RESPONDING AGENCY:                 | CODE:      | DATE:          | PROPOSAL [NAME or Z-NUMBER]: |
| <b>Office of the State Actuary</b> | <b>035</b> | <b>1/02/09</b> | <b>Z-0408.1 / Z-0409.1</b>   |

## WHAT THE READER SHOULD KNOW

The Office of the State Actuary (“we”) prepared this draft fiscal note based on our understanding of the proposal as of the date shown above. We intend this draft fiscal note to be used by the Select Committee on Pension Policy and Law Enforcement Officers’ and Fire Fighters’ (LEOFF) Retirement System Plan 2 throughout the 2008 Interim only. If a legislator introduces this proposal as a bill during the next legislative session, we will prepare a final fiscal note based on that bill language. The actuarial results shown in this draft fiscal note may change when we prepare our final version for the Legislature.

We advise readers of this draft fiscal note to seek professional guidance as to its content and interpretation, and not to rely upon this communication without such guidance. Please read the analysis shown in this draft fiscal note as a whole. Distribution of, or reliance on, only parts of this draft fiscal note could result in its misuse, and may mislead others.

## SUMMARY OF RESULTS

This proposal would allow up to five years free retirement system service credit for members whose interruptive military service is during a period of war as defined in RCW 41.04.005. It would also provide refunds to members who have already made payments for such service.

| <b>Impact on Pension Liability</b>                   |                |                 |              |
|--|----------------|-----------------|--------------|
| <i>(Dollars in Millions)</i>                         | <b>Current</b> | <b>Increase</b> | <b>Total</b> |
| <b>Today's Value of All Future Pensions</b>          | \$67,081       | \$1.3           | \$67,082     |
| <b>Earned Pensions Not Covered by Today's Assets</b> | \$4,957        | \$0.0           | \$4,957      |

| <b>Impact on Contribution Rates: (Effective 9/1/2009)</b> |              |              |              |              |              |              |
|---|--------------|--------------|--------------|--------------|--------------|--------------|
| <b>2009-2011 State Budget</b>                             | <b>PERS</b>  | <b>TRS</b>   | <b>SERS</b>  | <b>PSERS</b> | <b>LEOFF</b> | <b>WSPRS</b> |
| <b>Employee (Plan 2)</b>                                  | 0.00%        | 0.00%        | 0.00%        | 0.00%        | 0.00%        | 0.00%        |
| <b>Employer:</b>  |              |              |              |              |              |              |
| Current Annual Cost                                       | 0.00%        | 0.00%        | 0.00%        | 0.00%        | 0.00%        | 0.00%        |
| Plan 1 Past Cost  | <u>0.00%</u> | <u>0.00%</u> | <u>0.00%</u> | <u>0.00%</u> | <u>0.00%</u> | <u>0.00%</u> |
| <b>Total</b>  | 0.00%        | 0.00%        | 0.00%        | 0.00%        | 0.00%        | 0.00%        |
| <b>State</b>  |              |              |              |              | 0.00%        |              |

| <b>Budget Impacts</b>        |                  |                  |                |
|------------------------------|------------------|------------------|----------------|
| <i>(Dollars in Millions)</i> | <b>2009-2011</b> | <b>2011-2013</b> | <b>25-Year</b> |
| <b>General Fund-State</b>    | \$0.0            | \$0.1            | \$1.1          |
| <b>Total Employer</b>        | \$0.0            | \$0.2            | \$4.0          |

See the Actuarial Results section of this draft fiscal note for additional detail.

## **WHAT IS THE PROPOSED CHANGE?**

### **Summary Of Benefit Improvement/Change**

This proposal impacts the following systems:

- Public Employees' Retirement System (PERS) Plans 2/3
- Teachers' Retirement System (TRS) Plans 2, 3
- School Employees' Retirement System (SERS) Plans 2/ 3
- Public Safety Employees' Retirement System (PSERS)
- Law Enforcement Officers' and Fire Fighters' Retirement System (LEOFF) Plan 2
- Washington State Patrol Retirement System (WSPRS) Plan 2

The proposal would eliminate the member obligation to repay member contributions in order to receive up to five years of service credit for interruptive military service during a period of war. In the case of a military death, the survivor would also be relieved of paying the member cost for interruptive military service credit during a period of war. "Period of war" is defined in RCW 41.04.005.

The proposal also provides for refunds of member payments made for up to five years of interruptive military service credit during a period of war.

Assumed Effective Date: 90 days after session.

### **What Is The Current Situation?**

Currently, for interruptive military service completed on or after October 6, 1994, a member must pay the missed employee contributions (no interest) to receive service credit. For interruptive military service completed on or after March 31, 1992, and before October 6, 1994, the member must pay the missed contributions plus interest to receive service credit. For interruptive military service completed on or after October 1, 1977, and before March 31, 1992, the member must pay both the missed employer and employee contributions plus interest to receive service credit.

Members must make the required contributions within five years of resuming service with their employer, or prior to retirement, whichever comes first. Members who fail to make timely payment have the option of purchasing the service credit by paying the actuarial cost of the resulting increase in their benefits. In the case of a military death, a survivor who applies for the member's interruptive military service credit must pay the member cost within five years of the member's death or prior to receiving a benefit, whichever comes first.

## **Who Is Impacted And How?**

We estimate that all 120,625 active members of PERS Plan 2, all 24,422 active members of PERS Plan 3, all 6,752 active members of TRS Plan 2, all 51,856 active members of TRS Plan 3, all 17,767 active members of SERS Plan 2, all 33,058 active members of SERS Plan 3, all 2,755 active members of PSERS Plan 2, all 16,099 active members of LEOFF Plan 2, and all 152 active members of WSPRS Plan 2 could be affected by this bill through improved benefits. However, we only expect approximately 1 out of 4,000 to be impacted in a given year.

We estimate that for a typical Plan 2 member impacted by this bill, the increase in benefits would be free interruptive military service credit versus the choice to pay for interruptive military service credit. For example, a 36 year old male in PERS 2 with 7 years of service and a \$46,600 salary would receive free interruptive military service credit valued at approximately \$2,500 per year of military service, whereas without this benefit the member could choose to purchase interruptive military service credit for that same amount.

The benefit for a typical Plan 3 member is the removal of the required contribution to their defined contribution account upon purchase of military service.

Additionally, Plan 2 members would be affected by this proposal through increased contribution rates in future biennia.

## **WHY THIS PROPOSAL HAS A COST AND WHO PAYS FOR IT**

### **Why This Proposal Has A Cost**

This bill has a cost because the system will now absorb the value of the portion of interruptive military service credit that is free to the affected members.

### **Who Will Pay For These Costs?**

This bill does not allow for an alternate funding method. The individual plans will subsidize the increase in liability that results from this bill in the usual way. The result may be an increase in future contribution rates for members and employers of the respective systems.

## **HOW WE VALUED THESE COSTS**

### **Assumptions We Made**

We valued two pieces separately – future purchases of service credit and refunds of past purchases of service credit.

For the future purchases of service credit we assumed a certain number of members would purchase service in a given year. We adjusted this number based on which plan the member was in. For example, we assumed that more members in public safety plans would purchase interruptive military service than members in TRS.

Next, we assumed how much service they would buy. We based this assumption on past data. Lastly, based on the same data, we assumed when the service would be purchased. The time when the service is purchased is important because it costs a lot more if it is purchased at retirement rather than within five years of the interruptive military service.

For the refunds of past purchases we used data provided by the Department of Retirement Systems (DRS) to determine how many members will get refunds. We assumed that all military service would qualify for this proposal.

For more detail please see Appendix A.

### **How We Applied These Assumptions**

We valued two pieces separately – future purchases of service credit and refunds of past purchases of service credit.

For the future purchases of service credit we gathered grouped data for the members of each system. We ran the grouped data through a spreadsheet which models the likelihood of purchasing service credit and the associated cost of the service credit purchase.

For the refunds of past purchases we used the data provided by DRS. We started with the amount of the purchase and added interest until the effective date of this proposal. We then discounted the amount back to June 30, 2007, to be consistent with the future purchases portion.

For more detail please see Appendix B.

### **Special Data Needed**

DRS sent us a file containing all past purchases that have been made for interruptive military service credit. The file contained the member's system, payment date, death date (if applicable), months of service credit purchased, begin date of interruptive service, end date of interruptive service, and payment amount. We relied on all the information provided as complete and accurate.

Otherwise, we developed these costs using the same assets and data as disclosed in the 2007 Actuarial Valuation Report (AVR).

## ACTUARIAL RESULTS

### How The Liabilities Changed

This proposal will impact the actuarial funding of the systems by increasing the present value of future benefits payable under the systems as shown below.

| <b>Impact on Pension Liability</b>   |                  |                 |                  |
|--|------------------|-----------------|------------------|
| <i>(Dollars in Millions)</i>   | <b>Current</b>   | <b>Increase</b> | <b>Total</b>     |
| <b>Actuarial Present Value of Projected Benefits</b>   |                  |                 |                  |
| <i>(The Value of the Total Commitment to all Current Members)</i>  |                  |                 |                  |
| PERS 1   | \$14,061         | \$0.0           | \$14,061         |
| PERS 2/3   | <u>20,634</u>    | <u>0.5</u>      | <u>20,635</u>    |
| <b>PERS Total</b>  | <b>\$34,695</b>  | <b>\$0.5</b>    | <b>\$34,696</b>  |
| TRS 1  | 11,021           | 0.0             | 11,021           |
| TRS 2/3  | <u>7,078</u>     | <u>0.0</u>      | <u>7,078</u>     |
| <b>TRS Total</b>   | <b>\$18,099</b>  | <b>\$0.0</b>    | <b>\$18,099</b>  |
| <b>SERS 2/3</b>  | <b>\$2,698</b>   | <b>\$0.0</b>    | <b>\$2,698</b>   |
| <b>PSERS 2</b>   | <b>\$225</b>     | <b>\$0.0</b>    | <b>\$225</b>     |
| LEOFF 1  | 4,358            | 0.0             | 4,358            |
| LEOFF 2  | <u>6,149</u>     | <u>0.7</u>      | <u>6,150</u>     |
| <b>LEOFF Total</b>   | <b>\$10,507</b>  | <b>\$0.7</b>    | <b>\$10,508</b>  |
| <b>WSPRS 1/2</b>   | <b>\$856</b>     | <b>\$0.0</b>    | <b>\$856</b>     |
| <b>Unfunded Actuarial Accrued Liability</b>  |                  |                 |                  |
| <i>(The Portion of the Plan 1 Liability that is Amortized to 2024)</i>   |                  |                 |                  |
| <b>PERS 1</b>  | <b>\$3,609</b>   | <b>\$0.0</b>    | <b>\$3,609</b>   |
| <b>TRS 1</b>   | <b>\$2,288</b>   | <b>\$0.0</b>    | <b>\$2,288</b>   |
| <b>LEOFF 1</b>   | <b>(\$939)</b>   | <b>\$0.0</b>    | <b>(\$939)</b>   |
| <b>Unfunded PUC Liability</b>  |                  |                 |                  |
| <i>(The Value of the Total Commitment to all Current Members Attributable to Past Service that is not covered by current assets)</i> |                  |                 |                  |
| PERS 1   | \$3,990          | \$0.0           | \$3,990          |
| PERS 2/3   | <u>(2,470)</u>   | <u>0.3</u>      | <u>(2,469)</u>   |
| <b>PERS Total</b>  | <b>\$1,520</b>   | <b>\$0.3</b>    | <b>\$1,521</b>   |
| TRS 1  | 2,552            | 0.0             | 2,552            |
| TRS 2/3  | <u>(1,229)</u>   | <u>0.0</u>      | <u>(1,229)</u>   |
| <b>TRS Total</b>   | <b>\$1,323</b>   | <b>\$0.0</b>    | <b>\$1,323</b>   |
| <b>SERS 2/3</b>  | <b>(\$443)</b>   | <b>\$0.0</b>    | <b>(\$443)</b>   |
| <b>PSERS 2</b>   | <b>(\$2)</b>     | <b>\$0.0</b>    | <b>(\$2)</b>     |
| LEOFF 1  | (975)            | 0.0             | (975)            |
| LEOFF 2  | <u>(974)</u>     | <u>0.4</u>      | <u>(973)</u>     |
| <b>LEOFF Total</b>   | <b>(\$1,949)</b> | <b>\$0.4</b>    | <b>(\$1,948)</b> |
| <b>WSPRS 1/2</b>   | <b>(\$121)</b>   | <b>\$0.0</b>    | <b>(\$121)</b>   |

*Note: Totals may not agree due to rounding.*

## How Contribution Rates Changed

The increase in the required actuarial contribution rate does not round up to the minimum supplemental contribution rate of 0.01 percent; therefore, the proposal will not affect contribution rates in the current biennium. However, we will use the un-rounded rate increase to measure the fiscal budget changes in future biennia.

| <b>Impact on Contribution Rates: (Effective 9/1/2009)</b> |               |               |               |               |               |               |
|---|---------------|---------------|---------------|---------------|---------------|---------------|
| <b>System/Plan</b>  | <b>PERS</b>   | <b>TRS</b>    | <b>SERS</b>   | <b>PSERS</b>  | <b>LEOFF</b>  | <b>WSPRS</b>  |
| <b>Current Members</b>                                    |               |               |               |               |               |               |
| <b>Employee (Plan 2)</b>                                  | 0.000%        | 0.000%        | 0.000%        | 0.001%        | 0.002%        | 0.000%        |
| <b>Employer:</b>  |               |               |               |               |               |               |
| Normal Cost   | 0.000%        | 0.000%        | 0.000%        | 0.001%        | 0.001%        | 0.000%        |
| Plan 1 UAAL   | <u>0.000%</u> | <u>0.000%</u> | <u>0.000%</u> | <u>0.000%</u> | <u>0.000%</u> | <u>0.000%</u> |
| <b>Total</b>  | 0.000%        | 0.000%        | 0.000%        | 0.001%        | 0.001%        | 0.000%        |
| <b>State</b>  |               |               |               |               | 0.001%        |               |
| <b>New Entrants*</b>                                      |               |               |               |               |               |               |
| <b>Employee (Plan 2)</b>                                  | 0.000%        | 0.000%        | 0.000%        | 0.001%        | 0.002%        | 0.000%        |
| <b>Employer:</b>  |               |               |               |               |               |               |
| Normal Cost   | 0.000%        | 0.000%        | 0.000%        | 0.001%        | 0.001%        | 0.000%        |
| Plan 1 UAAL   | <u>0.000%</u> | <u>0.000%</u> | <u>0.000%</u> | <u>0.000%</u> | <u>0.000%</u> | <u>0.000%</u> |
| <b>Total</b>  | 0.000%        | 0.000%        | 0.000%        | 0.001%        | 0.001%        | 0.000%        |
| <b>State</b>  |               |               |               |               | 0.001%        |               |

*\*Rate change applied to future new entrant payroll and used to determine budget impacts only. Current members and new entrants pay the same contribution rate.*

## How This Impacts Budgets And Employees

| <i>(Dollars in Millions)</i> | Budget Impacts |              |              |              |              |              | Total        |
|------------------------------|----------------|--------------|--------------|--------------|--------------|--------------|--------------|
|                              | PERS           | TRS          | SERS         | PSERS        | LEOFF        | WSPRS        |              |
| <b>2009-2011</b>             |                |              |              |              |              |              |              |
| General Fund                 | \$0.0          | \$0.0        | \$0.0        | \$0.0        | \$0.0        | \$0.0        | \$0.0        |
| Non-General Fund             | <u>0.0</u>     | <u>0.0</u>   | <u>0.0</u>   | <u>0.0</u>   | <u>0.0</u>   | <u>0.0</u>   | <u>0.0</u>   |
| <b>Total State</b>           | <b>\$0.0</b>   | <b>\$0.0</b> | <b>\$0.0</b> | <b>\$0.0</b> | <b>\$0.0</b> | <b>\$0.0</b> | <b>\$0.0</b> |
| Local Government             | <u>0.0</u>     | <u>0.0</u>   | <u>0.0</u>   | <u>0.0</u>   | <u>0.0</u>   | <u>0.0</u>   | <u>0.0</u>   |
| <b>Total Employer</b>        | <b>\$0.0</b>   | <b>\$0.0</b> | <b>\$0.0</b> | <b>\$0.0</b> | <b>\$0.0</b> | <b>\$0.0</b> | <b>\$0.0</b> |
| <b>Total Employee</b>        | <b>\$0.0</b>   | <b>\$0.0</b> | <b>\$0.0</b> | <b>\$0.0</b> | <b>\$0.0</b> | <b>\$0.0</b> | <b>\$0.0</b> |
| <b>2011-2013</b>             |                |              |              |              |              |              |              |
| General Fund                 | \$0.0          | \$0.0        | \$0.0        | \$0.0        | \$0.0        | \$0.0        | \$0.1        |
| Non-General Fund             | <u>0.0</u>     | <u>0.0</u>   | <u>0.0</u>   | <u>0.0</u>   | <u>0.0</u>   | <u>0.0</u>   | <u>0.0</u>   |
| <b>Total State</b>           | <b>\$0.0</b>   | <b>\$0.0</b> | <b>\$0.0</b> | <b>\$0.0</b> | <b>\$0.0</b> | <b>\$0.0</b> | <b>\$0.1</b> |
| Local Government             | <u>0.1</u>     | <u>0.0</u>   | <u>0.0</u>   | <u>0.0</u>   | <u>0.0</u>   | <u>0.0</u>   | <u>0.1</u>   |
| <b>Total Employer</b>        | <b>\$0.1</b>   | <b>\$0.0</b> | <b>\$0.0</b> | <b>\$0.0</b> | <b>\$0.1</b> | <b>\$0.0</b> | <b>\$0.2</b> |
| <b>Total Employee</b>        | <b>\$0.1</b>   | <b>\$0.0</b> | <b>\$0.0</b> | <b>\$0.0</b> | <b>\$0.1</b> | <b>\$0.0</b> | <b>\$0.2</b> |
| <b>2009-2034</b>             |                |              |              |              |              |              |              |
| General Fund                 | \$0.3          | \$0.0        | \$0.0        | \$0.0        | \$0.7        | \$0.0        | \$1.1        |
| Non-General Fund             | <u>0.5</u>     | <u>0.0</u>   | <u>0.0</u>   | <u>0.0</u>   | <u>0.0</u>   | <u>0.0</u>   | <u>0.5</u>   |
| <b>Total State</b>           | <b>\$0.8</b>   | <b>\$0.0</b> | <b>\$0.0</b> | <b>\$0.0</b> | <b>\$0.7</b> | <b>\$0.0</b> | <b>\$1.6</b> |
| Local Government             | <u>1.2</u>     | <u>0.0</u>   | <u>0.0</u>   | <u>0.0</u>   | <u>1.1</u>   | <u>0.0</u>   | <u>2.4</u>   |
| <b>Total Employer</b>        | <b>\$2.0</b>   | <b>\$0.1</b> | <b>\$0.1</b> | <b>\$0.0</b> | <b>\$1.9</b> | <b>\$0.0</b> | <b>\$4.0</b> |
| <b>Total Employee</b>        | <b>\$1.4</b>   | <b>\$0.0</b> | <b>\$0.0</b> | <b>\$0.0</b> | <b>\$1.9</b> | <b>\$0.0</b> | <b>\$3.4</b> |

*Note: Totals may not agree due to rounding.*

The analysis of this proposal does not consider any other proposed changes to the systems. The combined effect of several changes to the systems could exceed the sum of each proposed change considered individually.

As with the costs developed in the actuarial valuation, the emerging costs of the systems will vary from those presented in the AVR or this draft fiscal note to the extent that actual experience differs from the actuarial assumptions.

### HOW THE RESULTS CHANGE WHEN THE ASSUMPTIONS CHANGE

To determine the sensitivity of the actuarial results to the best-estimate assumptions or methods selected for this pricing we varied the following assumption:

- The number of members expected to purchase free interruptive military service credit in the future.

The number of members expected to purchase free interruptive military service credit in the future would have to increase dramatically for this proposal to impact contribution rates in the current biennium. The table below shows the multiple of how many more

members would need to receive free military service credit before the rate impact would reach 0.005 percent for each system. For example, in LEOFF 2, the employee rate impact would reach 0.005 percent if three times as many members as expected receive free interruptive military service credit in the future.

| <b>System</b> | <b>Multiple</b> |
|---------------|-----------------|
| PERS          | 16              |
| TRS           | 175             |
| SERS          | 67              |
| PSERS         | 8               |
| LEOFF         | 3               |
| WSPRS         | 35              |

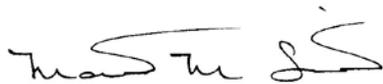
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## ACTUARY'S CERTIFICATION

The undersigned hereby certifies that:

1. The actuarial cost methods are appropriate for the purposes of this pricing exercise.
2. The actuarial assumptions used are appropriate for the purposes of this pricing exercise.
3. The data on which this draft fiscal note is based are sufficient and reliable for the purposes of this pricing exercise.
4. Use of another set of methods, assumptions, and data may also be reasonable, and might produce different results.
5. This draft fiscal note has been prepared for the Select Committee on Pension Policy and Law Enforcement Officers' and Fire Fighters' Retirement System Plan 2 Board.
6. This draft fiscal note has been prepared, and opinions given, in accordance with Washington State law and accepted actuarial standards of practice as of the date shown on page 1 of this draft fiscal note.

This draft fiscal note is a preliminary actuarial communication and the results shown may change. While this draft fiscal note is meant to be complete, the undersigned is available to provide extra advice and explanations as needed.



Matthew M. Smith, FCA, EA, MAAA  
State Actuary

## **APPENDIX A – ASSUMPTIONS WE MADE**

We valued two pieces separately – future purchases of service credit and refunds of past purchases of service credit.

For the future purchases of service credit we assumed a certain number of members would purchase service in a given year. We used data from a DRS service credit report dated September 30, 2006, to estimate the number of members who would purchase future service. We used the average number of members from PERS over the 5-year period, which resulted in an assumption of 0.000214, or 1 in every 4,700 per year. We adjusted this number based on which plan the member was in. For example, we assumed that more members in public safety plans would purchase interruptive military service than members in TRS. More specifically, TRS and SERS were assumed to be at half of the assumed rate, whereas PSERS was assumed to be 1.5 times the assumed rate, and LEOFF and WSPRS were assumed to be at twice the assumed rate.

Next, we assumed how much service they would buy. We based this assumption on the same service credit report mentioned above. The average amount of service credit purchased was 10.6 months, which we used as the assumption in this pricing.

Lastly, based on the same data, we assumed when the service would be purchased. The time when the service is purchased is important because it costs a lot more if it is purchased at retirement rather than within five years of the interruptive military service. 209 of the 214 purchases were made within five years of the interruptive military service, while 5 of the 214 purchases were made at retirement. We used this data for our assumption of future purchases.

For simplicity, we assumed the population affected would be 100 percent male.

For the refunds of past purchases we used data provided by DRS to determine how many members will get refunds. We assumed that all military service would qualify for refunds.

Otherwise, we developed these costs using the same assumptions as disclosed in the AVR.

## APPENDIX B – HOW WE APPLIED THESE ASSUMPTIONS

We valued two pieces separately – future purchases of service credit and refunds of past purchases of service credit.

For the future purchases of service credit we gathered average salary, average years of service, and total count for each age group of each system. We ran the grouped data through a spreadsheet which models the likelihood of purchasing service credit and the associated cost of the service credit purchase for each year of their future service. The likelihood of purchasing credit was based on the assumed rate of 0.000214, adjusted by system. The cost of the service credit purchase was the probability of purchasing the service within five years times the missed contributions times the assumed 10.6 months of service purchased plus the probability of purchasing the service at retirement times the actuarial value. This formula is shown below:

[ $209/214 * \text{average of last 5 year's contribution rates} * \text{salary} * 10.6/12 \text{ months} + 5/214 * \text{Early Retirement Factor (ERF)} * \text{annuity factor} * 0.02 * 10.6/12 \text{ months} * \text{final average salary}$ ]

Within the formula, future contribution rates must be assumed. Future contribution rates are consistent with contribution rates found on our website. Future contribution rates beyond 2013 are equal to the 2013 contribution rates.

The result for each grouping was multiplied by survivorship and discounted with 8 percent annual interest to determine the present value of future benefits. The sum of the present value of future benefits for each group was added up to determine the liability for each system.

For the refunds of past purchases we used the data provided by DRS. We started with the amount of the purchase and added 5.5 percent annual interest until the effective date of this proposal - September 1, 2009. We then discounted, at 8 percent, the amount back to June 30, 2007, to be consistent with the future purchases portion.

Otherwise, we developed these costs using the same methods as disclosed in the AVR.

We used the Entry Age Normal Cost Method to determine the fiscal budget changes for future new entrants. We used the Aggregate actuarial funding method to determine the fiscal budget changes for current plan members.

## GLOSSARY OF ACTUARIAL TERMS

**Actuarial Accrued Liability:** Computed differently under different funding methods, the actuarial accrued liability generally represents the portion of the present value of fully projected benefits attributable to service credit that has been earned (or accrued) as of the valuation date.

**Actuarial Present Value:** The value of an amount or series of amounts payable or receivable at various times, determined as of a given date by the application of a particular set of actuarial assumptions (i.e. interest rate, rate of salary increases, mortality, etc.).

**Aggregate Funding Method:** The Aggregate Funding Method is a standard actuarial funding method. The annual cost of benefits under the Aggregate Method is equal to the normal cost. The method does not produce an unfunded liability. The normal cost is determined for the entire group rather than on an individual basis.

**Entry Age Normal Cost Method (EANC):** The EANC method is a standard actuarial funding method. The annual cost of benefits under EANC is comprised of two components:

- Normal cost.
- Amortization of the unfunded liability.

The normal cost is determined on an individual basis, from a member's age at plan entry, and is designed to be a level percentage of pay throughout a member's career.

**Normal Cost:** Computed differently under different funding methods, the normal cost generally represents the portion of the cost of projected benefits allocated to the current plan year.

**Projected Unit Credit (PUC) Liability:** The portion of the Actuarial Present Value of future benefits attributable to service credit that has been earned to date (past service).

**Projected Benefits:** Pension benefit amounts which are expected to be paid in the future taking into account such items as the effect of advancement in age as well as past and anticipated future compensation and service credits.

**Unfunded PUC Liability:** The excess, if any, of the Present Value of Benefits calculated under the PUC cost method over the Valuation Assets. This is the portion of all benefits earned to date that are not covered by plan assets.

**Unfunded Actuarial Accrued Liability (UAAL):** The excess, if any, of the actuarial accrued liability over the actuarial value of assets. In other words, the present value of benefits earned to date that are not covered by plan assets.



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Office of  
The State Actuary

STATE OF WASHINGTON

**LAW ENFORCEMENT OFFICERS' AND FIRE FIGHTERS'  
PLAN 2 RETIREMENT BOARD**

*P.O. Box 40918 • Olympia, Washington 98504-0918 • (360) 586-2320 • FAX (360) 586-2329 • www.leoff.wa.gov*

May 12, 2008

Select Committee on Pension Policy  
C/O The Office of the State Actuary  
Post Office Box 40914  
Olympia, Washington 98504-0914

Dear Honorable Members of the Select Committee on Pension Policy:

On behalf of the Law Enforcement Officers' and Fire Fighters' (LEOFF) Plan 2 Retirement Board (Board), I would like to thank you for the cooperative working relationship we have shared in the past and look forward to a similar partnership in the future.

I would like to bring several topics back to your attention as you begin preparation for the 2008 interim. It is our hope that the Select Committee on Pension Policy (SCPP) and the Board can work cooperatively on these issues to once again develop legislation. I have provided a brief summary of each topic for your reference:

**Interruptive Military Service Credit**

Working cooperatively last interim, the Board and the SCPP jointly endorsed a bill that would have eliminated a member's obligation to pay for interruptive military service credit if the member served during a period of war. The Board is once again interested in working cooperatively with the SCPP on the issue and feels the following additional question will need to be further explored:

- Should the benefit apply to all periods of interruptive military service which have not yet been recovered?

**Inflationary Adjustment for \$150,000 Death Benefit**

The Board is interested in once again working with the SCPP to further study the effect of adding an inflationary adjustment to all the state retirement plans that provide the \$150,000 death benefit. In addition to last year's study the Board feels following issues will need to be explored further:

- Should an adjustment in the lump sum amount be made to account for inflation since the creation of the benefit?
- Should both the lump sum adjustment and the addition of the inflationary adjustment be included in the bill?

**Military Service Death Benefit**

The Board and the SCPP jointly recommended legislation to the 2008 Legislature, which would have provided an unreduced annuity to qualifying survivors of members of all plans, who leave employment due to service in the National Guard or Reserves and die while in military service, during a period of war. The Board would like to continue our joint work to eliminate the “early retirement” actuarial reduction applied to the pensions of members who die while honorably serving our country.

**Fish and Wildlife Enforcement Officer Service Credit Transfer**

The Board and the SCPP also jointly recommended legislation last session that would have permitted Department of Fish and Wildlife Enforcement Officers to transfer service credit earned in the Public Employees' Retirement System (PERS) Plan 2 as enforcement officers into the Law Enforcement Officers' and Fire Fighters' Retirement System (LEOFF) Plan 2. The Board feels the following issue may need to be further explored as well:

- Should PERS 3 members be included in the transfer group?

Please feel free to contact me or Steve Nelsen, LEOFF 2 Board Executive Director, should you have any questions or like any additional information. Steve can be reached at (360) 586-2320 or [steve.nelsen@leoff.wa.gov](mailto:steve.nelsen@leoff.wa.gov), and I can be contacted at (360) 943-3030 or [pres@wscff.org](mailto:pres@wscff.org).

We would be happy to meet with you to discuss these topics at an upcoming SCPP or LEOFF Plan 2 Retirement Board meeting. Thank you for your consideration and we look forward to working with you.

Sincerely,



Kelly Fox, Chair

cc: Matt Smith, State Actuary



STATE OF WASHINGTON  
**LAW ENFORCEMENT OFFICERS' AND FIRE FIGHTERS'  
PLAN 2 RETIREMENT BOARD**

*P.O. Box 40918 • Olympia, Washington 98504-0918 • (360) 586-2320 • FAX (360) 586-2329 • [www.leoff.wa.gov](http://www.leoff.wa.gov)*

June 30, 2008

Select Committee on Pension Policy  
C/O The Office of the State Actuary  
Post Office Box 40914  
Olympia, Washington 98504-0914

Dear Honorable Members of the Select Committee on Pension Policy:

At the recent meeting of the Select Committee on Pension Policy (SCPP) the chairman requested that the Law Enforcement Officers' and Fire Fighters' Plan 2 Retirement Board (LEOFF 2 Board) provide a prioritized list of the suggested joint topics that the LEOFF 2 Board would like to work on cooperatively with the SCPP.

During the course of the most recent LEOFF 2 Board meeting we prioritized the suggested topics for cooperation in the following order:

1. **Fish and Wildlife Enforcement Officer Service Credit Transfer**  
Allow FWEO members to transfer their PERS Plan 2 service as enforcement officers to LEOFF Plan 2.
2. **Inflationary Adjustment for \$150,000 Death Benefit**  
The \$150,000 lump-sum death benefit paid to survivors of public employees who die in the line of duty is not adjusted for inflation.
3. **Interruptive Military Service Credit**  
Members whose public employment is interrupted by military service are required to pay member contributions in order to purchase service credit.
4. **Military Service Death Benefit**  
Beneficiaries of members who die while serving on active duty with the United States Military do not qualify for duty related death benefits.
5. **Purchase of Annuity**  
Members are limited in the amount of money they can convert to a defined benefit by the amount required to purchase 5 years of service.

Select Committee on Pension Policy  
June 30, 2008  
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Please feel free to contact me or Steve Nelsen, LEOFF 2 Board Executive Director, should you have any questions or like any additional information. Steve can be reached at (360) 586-2320 or [steve.nelsen@leoff.wa.gov](mailto:steve.nelsen@leoff.wa.gov), and I can be contacted at (360) 943-3030 or [pres@wscff.org](mailto:pres@wscff.org).

Thank you for your consideration and we look forward to working with you.

Sincerely,

Handwritten signature of Kelly Fox in black ink.

Kelly Fox, Chair

cc: Matt Smith, State Actuary