



# **Military Service Credit**

## **Preliminary Report**

**WASHINGTON STATE**  
**Law Enforcement Officers' and Fire Fighters'**  
**Plan 2 Retirement Board**

**September 22, 2004**

# Current Provisions

- USERRA
- LEOFF Plan 2
  - Purchase up to 5 years military service credit
  - Five year deadline from re-employment
  - Member pays member contributions
  - Employer pays employer contributions

# Limitations of USERRA

## Re-employment Requirement

- Disability
- Death

# Federal Benefits

- Group Life Insurance \$250,000
- Death Gratuity \$12,000
- Funeral Expenses \$6900
- Military Pension Survivor Benefits
- VA Death & Disability Benefits

# SCPP Proposal

## Disability Component:

- Allow a member disabled in active service and who cannot return to employment to pay the member contributions and restore service credit up to the date of disability.

# SCPP Proposal

## Death Component

- Allow a surviving spouse to pay contributions that the member would have paid but for the military service, and allowing the service credit to accrue to the date of death.

# SCPP Proposal

## Salary Component

- Allow pay differential provided by an employer to be reported as earnable compensation for retirement purposes.

Questions?



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

## Military Service Credit Preliminary Report

September 22, 2004

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### 1. Issue

The Board requested a briefing on current LEOFF Plan 2 military service credit provisions for the July 28, 2004 Board Meeting.

### 2. Staff

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### 3. Members Impacted

Any active LEOFF Plan 2 member who interrupts their membership to serve in the United States Armed Forces may be impacted.

### 4. Current Situation

LEOFF Plan 2 members have the option to purchase up to five years of service credit for periods of military service which interrupt their LEOFF employment. The qualifications for the purchase of military service credit are governed by federal law, but may be expanded by state law. The key qualifications for LEOFF Plan 2 include:

- The member must return to LEOFF Plan 2 covered employment within ninety days of honorable discharge from the armed forces.
- The member must pay the member contributions that would have been paid had the member not entered military service. The employer must pay the related employer contributions.
- The required member contributions must be paid within five years of returning to employment.

## 5. Background Information and Policy Issues

This initial proposal provides an overview of the two types of military service credit available under Washington state pension systems and reviews the criteria for LEOFF Plan 2 members' to purchase military service credit.

There are two types of military service for which service credit is available in the Washington state pension systems: interruptive and prior.

**Interruptive** military service credit is available to those who interrupt public employment to serve in the uniformed military branches of the United States. This type of service is governed federally by the Uniformed Services Employment and Re-employment Rights Act (USERRA). As it is governed by federal law, interruptive service is handled the same in LEOFF Plan 2 as it is in all of the other Plan 2 systems in Washington. A LEOFF Plan 2 member who meets certain requirements may purchase up to five years of service credit for a leave of absence to serve in the military.

**Prior** service is military service which took place prior to starting public employment. Prior military service credit is available to members of two plans only: PERS Plan 1 and WSPRS Plan 1. Members of PERS Plan 1 and WSPRS Plan 1 who meet certain requirements may receive up to five years of military service credit at no cost.

The following sections describe the requirements for interruptive and prior military service credit in further detail.

### A. Interruptive Military Service

Interruptive military service credit is available to those who interrupt their membership with LEOFF Plan 2 to serve in the United States Armed Forces. The distribution of interruptive military service credit is governed by federal law. In October 1994 the Uniform Services Employment and Reemployment Rights Act (USERRA) became effective replacing the Veterans' Reemployment Rights Act (VRRRA). At a minimum, public employers must provide the protections specified in USERRA. However, states have the discretion to go beyond USERRA and grant benefits for interruptive service that are more generous than those available under the act.

#### i. Eligibility Requirements

Three general requirements must be met in order for a member to be eligible to purchase interruptive military service credit.

- The member must leave LEOFF Plan 2 covered employment to render military service in one of the armed or uniformed services of the United States (*See subsection ii. Qualified Military Service*).

- Upon termination of military service, the member must initiate reemployment covered by the member's original retirement system within certain defined time limits (*See subsection iii. Initiation of Reemployment*).
- The member must fully pay the required contributions within the statutorily defined time limits (*See subsection iv. Required Contributions and subsection v. Payment Timeframes*).

## **ii. Qualified Military Service**

Nearly all types of military service qualify as service in either an armed force or in a uniformed service for the purposes of interruptive military service credit. The following types of military service qualify<sup>1</sup>:

- Service in the army, navy, air force, marine corps, or their reserve units (including two-week annual training for reservists);
- Full-time service in the United States Coast Guard;
- Service in the Public Health Service; and
- Service in the Army or Air National Guard provided to the federal government, but not including service provided to a state.

## **iii. Initiation of Reemployment**

Upon termination of military service, a member must initiate reemployment within certain defined time limits. The member must also be reemployed in a position covered by the retirement system the member was participating in at the time of interruption.

USERRA provides different reemployment timeframes which are determined by the duration or type of military service that the person was engaged in. However, the state law is more generous than the provisions in USERRA. State law provides that a member must initiate reemployment within ninety days to qualify for interruptive military service credit. There are two notable exceptions to the ninety day reemployment requirement.

The first exception is in state law. The state law provides that if a person fails to initiate reemployment within the required timeframe, that person can still purchase the service credit by paying the full actuarial value of the increase to their benefit from the additional service credit.<sup>2</sup>

The second exception is in federal law. USERRA provides that the timeframe for initiation of reemployment can be extended for up to two years for a person who is hospitalized or convalescing because of a disability incurred or aggravated during the period of military service. The two year period can be further extended by the minimum time required to accommodate a circumstance beyond an individual's control that would make reporting within the two-year period impossible or unreasonable.<sup>3</sup> Employers are required under USERRA to make reasonable efforts to accommodate reemployment of a person with a disability incurred or aggravated while in Military Service.<sup>4</sup> However,

employers are exempt from such efforts if such accommodation would be of such difficulty or expenses as to cause “undue hardship”.<sup>5</sup>

#### **iv. Required Contributions**

The member and employer contributions that would have been made to the plan if the member had not been on military leave must be paid in order for a member to purchase service credit for the period of military leave. Both the member and employer are responsible for paying a portion of the contributions:

- The member must pay the employee contribution (no interest)<sup>6</sup>.
- The employer must pay the employer contribution (no interest)<sup>7</sup>.

#### **Example:**

A LEOFF Plan 2 member is called to active duty for 1 year from July 1, 2003 to June 30, 2004. The member’s monthly salary during the leave of absence would have been \$3000.00 per month. The member returns to LEOFF covered employment on July 1, 2004 and requests to purchase 12 months of service credit for the period of military leave of absence.

The member would have been paid \$3000 per month by the employer if the member had not been on the military leave of absence. The member cost would be approximately \$1821.00. The employer cost would be approximately \$1171.50.

Without purchasing the military service credit the member would have retired at age 53 with 19 years of service and an AFC of \$36,000. The member’s benefit before the military service credit would have been calculated as:

$$2\% \times 19 \text{ years} \times \$3,000 = \$1140$$

The member’s benefit after purchasing the military service credit would be calculated as:

$$2\% \times 20 \text{ years} \times \$3,000 = \$1200$$

#### **v. Payment Timeframe**

The contribution must be made within five years of initiation of reemployment or prior to retirement, whichever comes first. If a person fails to make the required contribution within five years then that person can purchase service credit by paying the full actuarial value of the resulting increase to their benefit from the additional service credit.<sup>8</sup>

## **vi. Maximum Service Credit**

USERRA provides for a maximum of five years of interruptive military service credit. The state law matches this maximum providing for a maximum of five years of interruptive military service. There are some exceptions to the five-year maximum that are provided by USERRA as describe in 38 USC, 4312. These exceptions include:

- Obligated services incurred beyond five years, usually by individuals with special skills, (such as an electronics expert)
- Inability to obtain release (needs to be documented on a case by case basis)
- Training requirements
- Specific active duty provisions
- War or a declared national emergency
- Certain operational missions
- Critical missions or requirements (such as Grenada or Panama in the 1980's, when provisions for involuntary activation of Reserves were not exercised)
- Specific National Guard provisions

If a member has over five years of interruptive military service and the excess falls into one of these exceptions then the member may be entitled to this additional military service credit.

## **vii. Comparison to Other Washington State Plan 2 Systems**

All of the plans listed below allow members to purchase retirement service credit for interruptive military service in the same manner as allowed for LEOFF Plan 2:

- Washington State Patrol Retirement System (WSPRS) Plan 2,
- Public Employees' Retirement System (PERS) Plan 2,
- School Employees' Retirement System (SERS) Plan 2, and
- Teachers' Retirement System (TRS) Plan 2.

While the **Plan 1** systems allow interruptive military service credit, the members in PERS Plan 1, LEOFF Plan 1, and WSPRS Plan 1 are not required to pay any cost for the service credit. A TRS Plan 1 member is required to pay the contributions that would have been paid had the member not gone on a military leave of absence.

## vii. Federal Benefits for Military Service Members

Although neither USERRA nor state law provides specific relief of pension benefits for service members who are disabled or die while in service, there are various other federal benefits that may be available to these members or their survivors. These benefits are highlighted in the tables below and explained further in Appendix A.

<b>Lump Sum and Recurring Benefits Available to Survivors of Military Service Members</b>	
Social Security	A special one-time payment of \$255 plus benefits based on the service member's earnings in covered employment
Death Gratuity	\$12,000 tax exempt
Burial Expenses	Up to \$6900
Service member Group Life Insurance (SGLI)	\$250,000 from SGLI unless an election was filed reducing the insurance or canceling it entirely.
Unused Leave	Payment is made to a survivor for all unused leave
Tax Benefits	Survivor exempt from paying decedent's income tax for year of death.
Survivor Benefit Plan (SBP)	An eligible spouse under the age of 62 or dependent child receives 55% of the retired pay the service member would have been entitled to on the day he or she died, based on 100% total disability. The SBP amount may be offset by DIC payments.
Dependency and Indemnity Compensation (DIC)	An eligible spouse receives \$967 per month, and each minor child receives \$241 per month (tax exempt).
Government Housing	Provided rent-free housing for 180 days or tax-free Basic Allowance Housing. Also entitled to relocation assistance.
Education Benefits	Up to 45 months of full-time education benefits
Health Care	Health and Dental insurance for three years after service member's death and eligible for care at military medical facilities.
Commissary and Exchange Privileges	Survivors eligible to shop at military commissaries and exchanges.
Gi Bill Contributions	Designated life insurance beneficiary entitled to a refund of money collected through payroll deduction but was not awarded in education benefits
Home Loans	Surviving spouses eligible for a VA-guaranteed home loan

Sources: U.S. General Accounting Office, *Military Personnel: Survivor Benefits for Service members and Federal, State, and City Government Employees*, GAO-04-814 (Washington, D.C.: July 2004)  
[http://www1.va.gov/OPA/fact/docs/survivor\\_benefits.doc](http://www1.va.gov/OPA/fact/docs/survivor_benefits.doc)

<b>Disability Benefits Available to Military Service Members</b>	
Disability Compensation	A person who is at least 10% disabled as a result of military service may be eligible for Disability Compensation that ranges from \$106 to \$2,239 per month, depending on the level of disablement. The benefits are tax-free.
Disability Pension	Veterans with low incomes who are permanently and totally disabled, or are age 65 and older, may be eligible for monetary support if they have 90 days or more of active military service, at least one day of which was during a period of war. Payments are made to qualified veterans to bring their total income, including other retirement or Social Security income, to a level set by Congress (ranges from \$2,244 to \$19,570 per year).

Sources: [http://www1.va.gov/OPA/fact/docs/survivor\\_benefits.doc](http://www1.va.gov/OPA/fact/docs/survivor_benefits.doc)

## **B. Prior Military Service**

Prior service is military service which took place prior to starting public employment. Service credit for prior military service is a benefit available only to members of WSPRS Plan 1 and PERS Plan 1. Members of all other plans are only allowed service credit for interruptive military service.

### **i. Current Provisions**

Members of PERS Plan 1 and WSPRS Plan 1 must have twenty five service credit years, meet the statutory definition of veteran, and have an honorable discharge to be eligible to receive prior military service credit. Total interruptive and prior military service credit cannot exceed five years, and in both plans the members must restore all withdrawn accumulated contributions in order to receive credit for the prior service. No member payments are required for prior military service credit.

### **ii. State Pension Policy<sup>9</sup>**

The former Joint Committee on Pension Policy (now the Select Committee on Pension Policy) concluded in 1988, upon completion of its study of service credit, that the state's policy was not to grant additional (prior) service credit for military service.

Policies cited that **support** granting prior military service credit in other Washington plans include the following:

- **Recognition of Service:** Granting military service credit that is either partially or wholly funded by the state would recognize the service rendered by individuals to our country.
- **Career Delay:** Service in the military might have delayed the beginning of a member's career with the state and deprived the member of the opportunity to earn a better retirement benefit.
- **Parity:** Prior military service is provided only to the PERS and WSP Plans 1. There has been pressure from members of other systems for similar benefits. RCW

41.50.005(1) sets forth as retirement policy that the retirement systems of the state shall provide similar benefits whenever possible.

Policies cited that **oppose** granting prior military service credit in other Washington plans:

- **Federal Responsibility:** Veteran benefits are properly a responsibility of federal law and federal funding.
- **Cost:** Granting additional military service credit to plan members without requiring payment of the full actuarial cost results in additional liabilities to the plan.
- **Lack of Uniformity:** Providing additional prior military service to one plan might create significant pressure from other systems for similar benefits.
- **Unearned Service:** Granting additional military service credit at little or no cost would provide a benefit for periods when no service was rendered within the plan. Granting service credit for periods of time in which no service was rendered creates pressure on the actuarial liability of the plan.

### C. Legislative History<sup>10</sup>

Military service credit is being reviewed by the Select Committee on Pension Policy (SCPP) during the 2004 Legislative Interim. The SCPP has scheduled a public hearing for October 2004 during which they will review a proposal on interruptive military service credit. The SCPP proposal will include three components:<sup>11</sup>

- Allow a surviving spouse of a member who dies in active service to pay contributions that the member would have paid but for the military service, and allowing the service credit to accrue to the date of death.
- Allow a member disabled in active service and who cannot return to employment to pay the member contributions and restore service credit up to the date of disability.
- Allow pay differential provided by an employer to be reported as earnable compensation for pension purposes.

Military service credit was previously reviewed by the Joint Committee on Pension Policy (JCPP) in 1988 and by the Executive Committee of the JCPP in 1997. In 1988 military service credit was evaluated as part of a comprehensive analysis of the provisions for granting service credit. Upon completion of its study, the JCPP concluded that the state's policy was not to grant additional service credit for prior military service. In 1997, the JCPP Executive Committee heard an update on military service credit but the issue was not heard by the full committee. In June 2004, the Full Select Committee on Pension Policy (SCPP) heard a report on military service credit.

Since 1996, two JCPP bills on military service credit passed in the legislature, and both were to conform Washington law to federal law (USERRA). At least twenty more bills were filed to expand opportunities to acquire military service credit, but none passed.



Due to the war in Iraq there has been a renewed interest in the effects of military service on employee benefits. During the 2004 legislative session, the Office of the State Actuary tracked five bills concerning military service, none of which passed.

Two of these bills, HB 2415 and SSB 6071 would have expanded the definition of "veteran" for various purposes. One bill, 2SSB 6578 would have provided additional compensation to members on military leave.

- **HB 2415** would have expanded the definition of veteran to include a U.S. documented merchant mariner with service aboard an oceangoing vessel operated by the Department of Defense or its agents during the Korean and Vietnam wars.
- **SSB 6071** would have exempted veterans of the Afghanistan conflict and Persian Gulf War II from certain increases in tuition and fees for higher education.
- **2SSB 6578**, would have provided up to two years of military leave during which employees of the state would receive one-half of the difference between their normal pay and their combined military pay and allowances.

The remaining two bills, SB 6743 and SB 6492, would have allowed members of TRS 1 with twenty-five service credit years to receive up to five years of service credit for prior military service. The two bills differed in the amount of contributions members would be required to pay to receive the service credit:

- **SB 6492** required a contribution "as determined by the Director of the Retirement Systems;"
- **SB 6743** required "six percent of the average earnable compensation for the two highest compensated consecutive years of service for each year of prior military service credited."

## 6. Key Issues and Policy Options

### A. Key Issues

LEOFF Plan 2 members are able to purchase service credit for periods of leave of absence which result from military service that interrupts membership in LEOFF. Under Federal and State provisions, the member must return to covered employment following military service in order to purchase the missing service credit.

A member who dies during military service or is disabled to the point that they cannot resume employment would not have the opportunity to recover service credit for the period of military service and could not have it included in the computation of benefits. Although there are various federal benefits that may be available disabled members or for survivors of members who die in military service, LEOFF Plan 2 does not provide any specific pension protections.

## **B. Policy Options**

### **i. Policy Option 1**

The first policy option is to allow compensation that is paid by an employer to an employee to make up the difference between military salary and normal salary to be reportable as compensation for retirement purposes.

Some employers have voluntarily elected to supplement the military pay for their employees who are called to active duty so that the employee does not suffer a reduction in income. However, this compensation is not considered to be salary for pension purposes. Allowing the supplemental salary to be reported allows the person to receive some or full service credit during the period of military leave of absence. In the event the member cannot return to employment after military service, the member or survivors of the member will receive benefits inclusive of service credit from the military leave period. Although this option could provide benefits for members who are disabled or die while in military service, not all employers have a policy to supplement the salary for personnel on military leave. Therefore, only members at employers with such a policy could benefit from this option.

### **ii. Policy Option 2**

The second policy option is to allow the purchase of service credit for a member who dies during military service or is disabled during military service to the point that they cannot return to employment.

This option would allow the survivor of a member who dies during military service to purchase service credit the member would have been entitled to purchase had the member returned to employment following military service. This option provides a survivor the opportunity to add service credit to the member's account which could increase the amount of the survivor benefit. However, this would only be a benefit when the member had 10 or more years of service credit in the system before death or the purchased service credit gave the member 10 or more years of service credit. If a member has less than 10 years of service credit, a survivor is only entitled to a refund of accumulated contributions.

A member who is disabled while on military service would be given the option to purchase military service credit if the person's former employer certifies that the disability prevents them from resuming their previous employment. Allowing the disabled member to pay the member contributions and purchase the military service credit would be consistent with the federal policy of treating the veteran for vesting and benefit accrual purposes as if they had been continuously employed.<sup>12</sup>

## 7. Supporting Information

### Appendix A – Descriptions of Lump Sum and Recurring Benefits Available to Survivors of Military Service Members

#### Social Security Benefits<sup>13</sup>

If a service member had enough credits, a special one-time payment of \$255 will be paid after the servicemember's death. This benefit is paid only to the widow(er) or minor children. Certain family members of the deceased service member may be eligible for benefits on the service member's Social Security record if they earned enough credits while they were working. Family members who can collect benefits include:

- A widow or widower who is 60 or older
- A widow or widower who is 50 or older and disabled
- A widow or widower at any age if she or he is caring for a child under age 16 or a disabled child who is receiving Social Security benefits;
- Children if:
  - They are unmarried and under age 18;
  - Under age 19 but in an elementary or secondary school as a full-time student; or
  - Age 18 or older and severely disabled (the disability must have started before age 22)
- The service member's parents, if they were dependent on him for at least half of their support

#### Death Gratuity<sup>14</sup>

Next of kin members are given a death gratuity upon the death of an armed services member. The death gratuity is intended to provide immediate cash to meet the needs of survivors. The death gratuity has been recently increased to \$12,000, (100% tax free) and is paid to the next of kin for the following armed service members:

- A member of an armed force who dies while on active duty or while performing authorized travel to or from active duty;
- A Reserve of an armed force who dies while on inactive duty training (with exceptions);
- Any Reserve of an armed force who assumed an obligation to perform active duty for training, or inactive duty training (with exceptions) and who dies while traveling directly to or from that active duty for training or inactive duty training;
- Any member of a reserve officers' training corps who dies while performing annual training duty under orders for a period of more than 13 days, or while performing authorized travel to or from that annual training duty; or any applicant for membership in a reserve officers' training corps who dies while attending field training or a practice cruise or while performing authorized travel to or from the place where the training or cruise is conducted; or
- A person who dies while traveling to or from or while at a place for final acceptance, or for entry upon active duty (other than for training), in an armed force, who has been ordered or directed to go to that place, and who

- Has been provisionally accepted for that duty; or
- Has been selected for service in that armed force.

### **Burial Expenses<sup>15</sup>**

The Government will reimburse up to \$6,900 of expenses for the member's burial, depending on the type of arrangements and will provide travel for next-of-kin under invitational travel orders.

### **Service Member Group Life Insurance<sup>16</sup>**

Service members are automatically insured for \$250,000 through the SGLI program, but may reduce or decline coverage as desired. Although participating members must pay premiums, SGLI is a government-sponsored insurance program that enables U. S. Service members to increase substantially the amount available to their beneficiaries in the event of their death.

### **Unused Leave<sup>17</sup>**

Payment is made to a survivor for all of the service member's unused accrued leave.

### **Tax Benefits<sup>18</sup>**

The next-of-kin of a Service member whose death occurs overseas in a terrorist or military action is exempt from paying the decedent's income tax for at least the year in which the death occurred. Payments made by the VA are tax-exempt.

### **Survivor Benefit Plan<sup>19</sup>**

The primary survivor benefit applicable to survivors of retirees (and, in some situations, active duty members) is the Uniformed Services Survivor Benefit Plan (SBP). The Reserves have a related plan called the Reserve Component Survivor Benefit Plan (RC-SBP). The purpose of the Survivor Benefit Plan (SBP) is to insure that the surviving dependents of military personnel who die in retirement or after becoming eligible for retirement will continue to have a reasonable level of income. These are voluntary programs to ensure survivors continue to receive income throughout their lifetimes. A service member pays a monthly premium to be covered under SBP. SBP Premiums and benefits depend on the "base amount" that the person elects as the basis of coverage. The base amount can be the full monthly retired pay or just a portion, down to as little as \$300. The SBP is an insurance plan to protect survivors against the risks of early death, a survivor outliving benefits; and inflation through cost of living adjustments.

A spouse under the age of 62 or dependent child receives 55% of the retired pay the service member would have been entitled to on the day he or she died, based on 100% total disability. If the spouse is the designated beneficiary, the annuity is reduced by the amount of the Dependency and Indemnity Compensation payment (DIC) that they may receive. If a child is the designated beneficiary, the monthly survivor Benefit Plan payment is not reduced by the Dependency and Indemnity Compensation Payment.

## **Dependency and Indemnity Compensation<sup>20</sup>**

The Department of Veterans Affairs (VA) pays a benefit called Dependency and Indemnity Compensation (DIC) to a surviving spouse and dependent children if a service member dies of service-connected causes. This includes deaths after retirement if the cause of death is due to an injury or disease contracted while the member was on active duty.

DIC may also be paid if a person had a 100 percent VA disability rating for ten continuous years, or if less than ten years, then at least five continuous years from the date of release from active duty. The VA determines who may receive DIC.<sup>21</sup>

DIC payments to all surviving spouses are at the monthly rate of \$967, adjusted annually for cost of living. Whenever there is no surviving spouse of a deceased veteran entitled to DIC, it shall be paid in equal shares to the children of the deceased veteran. The basic DIC basic rate may be increase under certain circumstances.

## **Government Housing or Allowances and Relocation Assistance<sup>22</sup>**

Survivors are provided rent-free Government housing for 180 days or the tax-free Basic Allowance for Housing (BAH) appropriate to the member's grade for any portion of the 180 day period while not in quarters. Survivors are also entitled to transportation, per diem, and shipment of household goods and baggage.

## **Education Benefits<sup>23</sup>**

When an active-duty service member dies, VA's Survivors' and Dependents' Educational Assistance Program generally provides up to 45 months of education benefits to the un-remarried surviving spouse for 10 years, or for children aged 18 to 26. Currently the rate is \$788 a month for full-time attendance, with lesser amounts for part-time education. This benefit may be used to pursue secondary school programs; associate, bachelor or graduate degrees; technical or vocational training; apprenticeships; and other types of training, including work-study programs

## **Health Care<sup>24</sup>**

An un-remarried surviving spouse and minor dependents of the member are eligible for space-available medical care at military medical facilities or are covered by TRICARE/CHAMPUS (MEDICARE after age 65). Dental insurance coverage and full TRICARE/CHAMPUS are extended for three years after the member's death.

## **Commissary and Exchange Privileges<sup>25</sup>**

The unmarried surviving spouse and qualified unmarried dependents are eligible to shop at military commissaries and exchanges, normally providing a savings over similar goods sold in private commercial establishments. Families of retired members retain their privileges so long as a spouse is not remarried.

## **Refund of Service Member's Unused GI Bill Contribution<sup>26</sup>**

If the deceased service member had contributed to the Montgomery GI Bill education program, the designated life insurance beneficiary or surviving spouse is entitled to a refund of the money

that was collected through payroll deduction but was not awarded in education benefits during the service member's lifetime. Most active-duty military members participate in this educational benefit program, which deducts \$1,200 from their pay at \$100 monthly during their first year of service.

### **Home Loans<sup>27</sup>**

Surviving spouses of military members may be eligible for a VA-guaranteed home loan from a private lender. The loan may be used to purchase, construct or improve a home, to refinance an existing mortgage or for certain other purposes. As with the program for veterans, VA guarantees part of the total loan, permitting the purchaser to obtain a mortgage with a competitive interest rate. Except for manufactured homes and other select cases, the surviving spouse may obtain a no-downpayment loan if the lender agrees.

### **Disability Compensation**

Disability Compensation is a Veterans Affairs (VA) benefit paid to a veteran because of injuries or diseases that happened while on active duty, or were made worse by active military service. It is also paid to certain veterans disabled from VA health care. A person may be eligible for Disability Compensation if they have a service-related disability and were discharged under other than dishonorable conditions. The amount of basic benefit paid ranges from \$106 to \$2,239 per month, depending on the level of disablement. The benefits are tax-free. Additional amounts may be paid in circumstances such as severe disability or loss of limb(s).

### **Disability Pension<sup>28</sup>**

Veterans with low incomes who are permanently and totally disabled, or are age 65 and older, may be eligible for monetary support if they have 90 days or more of active military service, at least one day of which was during a period of war. Generally, veterans who entered active duty on or after Sept. 8, 1980, or officers who entered active duty on or after Oct. 16, 1981, may have to meet a longer minimum period of active duty. The discharge from active duty must have been under conditions other than dishonorable. The permanent and total disability must be for reasons other than the veteran's own willful misconduct. Payments are made to qualified veterans to bring their total income, including other retirement or Social Security income, to a level set by Congress (see table). Un-reimbursed medical expenses may reduce countable income. Veterans of a period of war who are age 65 or older and meet service and income requirements are also eligible to receive a pension, regardless of current physical condition.

<b>Status</b>	<b>Max Annual Rate (\$)</b>
Increase for each additional dependent child	1,688
Veterans of World War I and Mexican Border Period, addition to the applicable annual rate	2,244
Veteran without dependent	9,894
Veteran permanently housebound, no dependents	12,092
Veteran with one dependent	12,959
Two veterans married to one another	12,959
Veteran permanently housebound, one dependent	15,156
Veteran needing regular aid and attendance, no dependents	16,509
Veteran needing regular aid and attendance, one dependent	19,570

## Endnotes

- 1 Department of Retirement Systems, “Military Service Credit for LEOFF Plan 2, WSPRS Plan 2, PERS Plan 2 & 3, TRS Plans 2 & 3, and SERS Plans 2 & 3”, n.d., <<http://www.drs.wa.gov/member/militsc/plan23mil.htm>> (July 14, 2004)
- 2 Department of Retirement Systems, “Military Service Credit for LEOFF Plan 2, WSPRS Plan 2, PERS Plan 2 & 3, TRS Plans 2 & 3, and SERS Plans 2 & 3”, n.d., <<http://www.drs.wa.gov/member/militsc/plan23mil.htm>> (July 14, 2004)
- 3 “A Non-Technical Resource Guide to the Uniformed Services Employment and Reemployment Rights Act (USERRA)”, The U.S. Department of Labor Veterans Employment and Training Service, March 2003, p.5.
- 4 Ibid., p.8.
- 5 Ibid., p.9.
- 6 USERRA prohibits the state from charging interest on the outstanding employee contributions.
- 7 USERRA prohibits the state from charging interest on the outstanding employer contributions.
- 8 Department of Retirement Systems, “Military Service Credit for LEOFF Plan 2, WSPRS Plan 2, PERS Plan 2 & 3, TRS Plans 2 & 3, and SERS Plans 2 & 3”, n.d., <<http://www.drs.wa.gov/member/militsc/plan23mil.htm>> (July 14, 2004). Also see RCW 41.50.165(2).
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- 11 Laura Harper, “Military Service Credit”, Select Committee on Pension Policy, August 31, 2004.
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