

Service Credit Transfer Waiting Period Preliminary Report

Washington State Law Enforcement
Officers' and Fire Fighters' Plan 2
Retirement Board

October 25, 2006

Brief Summary

- Waiting period overview
- Identify issues
- Policy questions

Service Credit Waiting Period

- What is the service credit waiting period?
- Why is there a waiting period?
- Who is affected by the waiting period?

Key Issues

- Death during the waiting period
- Duty-related disability during the waiting period

Policy Questions

- Should there be an exception to the waiting period for a death?
- Should there be an exception to the waiting period for a duty-related disability?

Option 1: Death Benefit

- Service credit & payments transfer immediately
- Used in benefit calculation
- Used in lump-sum calculation

Option 2: Line of Duty Disability

- Service credit & payments transfer immediately
- Used in benefit calculation

Option 3: Any Disability

- Service credit & payments transfer immediately
- Used in benefit calculation

Service Credit Waiting Period

Questions?

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

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1. Issue

What happens to the service credit and payment for emergency medical technician (EMTs) transfers, if a member dies or becomes disabled during the five-year window between purchase of the service credit and the transfer to their LEOFF Plan 2 account?

2. Staff

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3. Members Impacted

According to the fiscal note submitted by the Office of the State Actuary, there were 23 members estimated to be affected by SHB 1202, passed in 2004, and 60 members affected by SHB 1936, passed in 2005.

4. Current Situation

If a member elects to transfer their EMT time from PERS Plan 2 to LEOFF Plan 2, they must do so no later than June 30, 2013. The service credit cannot be transferred earlier than five years after the effective date the member elects to transfer.

The member must pay the difference between the contribution rate in PERS Plan 2 and LEOFF Plan 2, plus interest. They must make the payment in full no later than five years after the date the member elects to transfer, or prior to retirement, whichever occurs first. Regardless of whether they make their payment in full immediately or by the deadline, their service credit, contributions and payment will not be transferred to LEOFF Plan 2 until five years after the member elects to transfer.

5. Background Information and Policy Issues

The legislation allowing emergency medical technicians (EMTs) to transfer PERS service into LEOFF Plan 2 requires a five-year waiting period for the transfer of service credit. Creating a waiting period helps control the costs of a service credit transfer and eliminates the possibility of members transferring, and then immediately retiring. However, there may have been some unintended consequences of the five-year waiting period. If a member dies or becomes disabled during this time, there are questions regarding how the service credit would be used to calculate the member's retirement benefit.

The Department of Retirement Systems (DRS) has adopted rules for the 2003 EMT transfer legislation and is currently working on rules to implement the 2005 legislation. A copy of the rule can be found in section seven of this report. Questions regarding exceptions to the five-year waiting period in regard to duty-related disabilities or death may or may not be addressed in the rule-making process. There are additional, more detailed issues, regarding bill payment status that also need to be addressed.

Policy Issues

The number one policy issue is whether or not there should be an exception to the five-year waiting period if a member dies in service or becomes disabled in the line of duty. Secondary issues include whether or not the service credit and payment of a bill that is partially paid should be treated differently from a bill paid in full. Are the contributions and interest that are being transferred part of the PERS account or the LEOFF account during the five-year waiting period?

6. Policy Options

Option 1: Death Benefit

Under this option if a member dies during the five-year window period, their service credit and payments would immediately be transferred to their LEOFF Plan 2 account and used in the benefit calculation, including the refund of 150% of the member's accumulated contributions, for members with ten or more years of service, if the lump-sum withdrawal option is chosen.

Option 2: Line of Duty Disability

Under this option if a member becomes disabled in the line of duty, the service credit and payment would immediately be transferred to their LEOFF Plan 2 account and used in the benefit calculation.

Option 3: Any Disability

Under this option if a member becomes disabled for any reason, the service credit and payment would immediately be transferred to their LEOFF Plan 2 account and used in the benefit calculation.

7. Supporting Information

WAC 415-104-475 How does a fire fighter who provides emergency medical services transfer PERS service credit to LEOFF Plan 2?

(1) **Who may use this section?** You may use this section if you:

- (a) Are currently employed in a law enforcement officers' and fire fighters' (LEOFF) Plan 2 covered position working for a fire department;
- (b) Were formerly employed in a position providing emergency medical services and the position was covered under PERS Plan 1 or 2; and
- (c) Worked for an employer that **relocated** your position to a fire department.

(2) **How do I know if my job providing emergency medical services was "relocated" to a fire department?** To be considered "relocated":

- (a) The duties of the position must have required providing emergency medical services and the position must have been covered under PERS Plan 1 or 2;
- (b) The employer must have been a city, town, county, or district that transferred the position to a fire department; and
- (c) The fire department must have covered the transferred position under LEOFF Plan 2.

(3) **I worked as an emergency medical technician/paramedic (EMT) and I am now enrolled in LEOFF Plan 2. Can I transfer my EMT service into LEOFF Plan 2?** Yes. You may transfer your EMT service into LEOFF Plan 2 if:

- (a) You provided emergency medical services as an EMT; and
- (b) You are in a LEOFF Plan 2 position with the fire department as a result of your employer relocating your position as described in subsection (2) of this section.

(4) **Who determines whether or not my job providing emergency medical services was "relocated" to a fire department?** The department of retirement systems (DRS) will determine whether or not your job was relocated based on the criteria described in subsection (2) of this section. To do so, DRS will contact your former employer that covered your job providing emergency medical services under PERS and verify:

- (a) That your position was relocated to a fire department; and
- (b) The number of months you worked in that position.

(5) **I formerly worked as an EMT for a PERS employer that relocated my job to a fire department. I was not working in the job at the time it was relocated, but am now working for the fire department in the same job. Can I transfer my PERS EMT service to LEOFF Plan 2?** Yes. Even though you were not working in the job at the time it was relocated, you can transfer your PERS EMT service as long as you are employed with the fire department covered under LEOFF Plan 2 at the time you request the transfer.

(6) **Can I transfer PERS EMT service into LEOFF Plan 2 if I worked for an employer that did not "relocate" the position to a fire department?** No. To transfer PERS EMT service to LEOFF Plan 2, you must have worked in a position that was relocated as described in subsections (1) and (2) of this section.

(7) **What do I need to do if I have PERS EMT service that can be transferred to LEOFF Plan 2?**

- (a) Contact the LEOFF unit at DRS. Once DRS verifies you meet the criteria to transfer as described in subsections (1) and (2) of this section, DRS will provide you an *EMT Transfer Packet* that includes an "EMT transfer cost estimate and benefit comparison." DRS will also provide you an "EMT Request for Transfer Form." You must complete, sign and return the form to the LEOFF unit to choose to transfer the service

credit.

(b) You must pay the difference in the member contribution rates between the PERS rate and the LEOFF rate, plus interest, for each month of EMT service that you transfer.

(8) **How is the interest calculated?** Interest is calculated at eight percent annually, compounded monthly, and is based on the difference between the required PERS contribution amount and the required LEOFF Plan 2 contribution amount for each month you transfer. DRS calculates the interest for the rate difference for each month being transferred, beginning with the oldest month, then totals each month's interest calculation for the "interest" portion of the bill.

Example: DRS creates a bill in October 2003 to transfer the months of June and July 2002. The member contribution rate difference for each month is \$35.00. The interest for June would be \$4.18, and for July \$3.92. The total interest charge for these two months is \$8.10; the total bill is \$78.10 (\$35.00 x 2 + \$8.10). The interest calculated for June 2002 is more because it includes one more month of interest than the month of July 2002. The chart below shows how the interest is calculated:

Month/Year of Interest Calculation		Interest for June 2002 @ .00667 ¹		Interest for July 2002 @ .00667	
June	2002	\$35.00	.23		
July	2002	\$35.23	.23	\$35.00	.23
August	2002	\$35.46	.24	\$35.23	.23
September	2002	\$35.70	.24	\$35.46	.24
October	2002	\$35.94	.24	\$35.70	.24
November	2002	\$36.18	.24	\$35.94	.24
December	2002	\$36.42	.24	\$36.18	.24
January	2003	\$36.66	.24	\$36.42	.24
February	2003	\$36.90	.25	\$36.66	.24
March	2003	\$37.15	.25	\$36.90	.25
April	2003	\$37.40	.25	\$37.15	.25
May	2003	\$37.65	.25	\$37.40	.25
June	2003	\$37.90	.25	\$37.65	.25
July	2003	\$38.15	.25	\$37.90	.25
August	2003	\$38.40	.26	\$38.15	.25
September	2003	\$38.66	.26	\$38.40	.26
October	2003	\$38.92	.26	\$38.66	.26
Total					
October	2003		\$4.18		\$3.92

(9) **Do I have to pay the bill in a lump sum?** No. You may make installment payments. Interest will be recalculated each month against the unpaid balance.

(10) **What is the time frame for transferring?** You must make the decision to transfer no later than June 30, 2008. You must complete the transfer by June 30, 2013.

(11) **When will the EMT service be transferred into my LEOFF Plan 2 account?** The EMT service will be transferred after:

(a) The bill is paid in full; and

(b) Five years have passed after DRS receives your request to transfer.

(12) **What if I decide not to transfer my PERS EMT service into LEOFF Plan 2?** Your EMT service will remain in PERS and you may either withdraw or begin receiving a PERS retirement benefit when you are eligible. If you do not withdraw, you will be a dual member of PERS and LEOFF Plan 2 under the provisions of chapter [41.54](#) RCW.

(13) **Can I retire before the transfer is completed?** Yes.

(a) You may retire from LEOFF Plan 2 once you are eligible, but your retirement benefit will be calculated using only your LEOFF Plan 2 service.

(b) After the conditions described in subsection (11) of this section have been met, the PERS EMT service will be transferred into your LEOFF Plan 2 account and your retirement benefit will be recalculated and increased to include the transferred service. The increase will be prospective only from the day following the five-year waiting period. For example, if you requested the transfer on September 15, 2003, and you retired on August 1, 2007, your retirement benefit would be increased on September 16, 2008.

(14) **What if I request to transfer but change my mind before the transfer is completed?** If you decide to not transfer your PERS EMT service into LEOFF Plan 2, you must notify the LEOFF unit at DRS within five years from the date you requested the transfer. LEOFF staff will cancel your request and refund any money you have paid on the transfer bill.

(15) **Can I transfer non-EMT PERS service into LEOFF Plan 2?** No. Only the PERS service credit you earned working as an EMT for an employer that relocated your EMT position to a fire department can be transferred into LEOFF Plan 2.

(16) **Can I transfer my PERS EMT service into LEOFF Plan 2 and withdraw my non-EMT PERS service?** Yes. You can withdraw your non-EMT PERS service as soon as the PERS EMT service is fully transferred to LEOFF Plan 2. To be fully transferred, the conditions described in subsection (11) of this section must be met.

(17) **Can I transfer my PERS EMT service into LEOFF Plan 1?** No. If you reentered LEOFF Plan 1 membership after your position was relocated to a fire department, you may choose to remain in PERS or return to LEOFF Plan 1 membership, but you may not transfer the PERS EMT service into LEOFF Plan 1.

(18) **What happens if I die before the PERS EMT service is transferred into my LEOFF Plan 2 account?**

(a) If your bill *is not* paid in full at the time of your death, the transfer will be canceled and any payments made will be refunded to your designated beneficiary.

(b) If the bill *is* paid in full at the time of your death, but the five-year waiting period has not expired, then the following rules will apply.

(i) If you die with less than ten years of service, or you have at least ten years of service but you don't have an eligible surviving spouse or minor children, the contributions in your LEOFF 2 account, including any payments made on the EMT optional service bill, will be refunded to your designated beneficiary.

(ii) If you die with at least ten years of service and have an eligible surviving spouse or minor children and if your spouse or children choose a monthly benefit payment instead of a lump sum payment, the monthly benefit will be increased the day following the end of the five-year waiting period.

(iii) If you die after retirement and chose a survivor option, your survivor's benefit will be increased the first day following the expiration of the five-year waiting period.

(19) **Terms used:**

(a) DRS - Department of retirement systems.

(b) EMT - Emergency medical technician or paramedic who provides emergency medical services and is covered under LEOFF Plan 2 working for a fire department.

(c) LEOFF - Law enforcement officers' and fire fighters' retirement system.

(d) PERS - Public employees' retirement system.

[Statutory Authority: RCW [41.50.050](#)(5), [41.26.547](#). 04-04-039, § 415-104-475, filed 1/29/04, effective 3/1/04.]