



# Interruptive Military Service Credit Final Proposal

LEOFF Plan 2 Retirement Board

December 18, 2007

# Background Summary

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- Exists in all Plan 2/3 Systems
- Military Service Credit Purchase
  - Purchase up to 5 years military service credit
  - Five year deadline from re-employment
  - Member, Employer, and State pay Contributions
- Death and Disability Recovery (2004)

# Key Issues

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- Should members pay the cost of restoring service credit for periods of public employment that have been interrupted by their military service?

# Proposal Summary

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- Eliminate member/survivor obligation to pay for interruptive military service credit
- Only applies to military service during a period of war as defined in statute
- No contribution rate impact in current biennium



# Interruptive Military Service Credit

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Questions?

## In Brief

### ISSUE

*The issue before the SCPP is whether to relieve certain members from paying the cost of restoring service credit for periods of public employment that have been interrupted by their military service.*

### 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. Approximately one out of 4,000 would be expected to be impacted in a given year.*

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# Interruptive Military Service Credit

## Current Situation

“Interruptive military service” is defined as follows:

- 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 repay contributions to reinstate interruptive military service credit. In the case of a military death, the survivor pays the member cost when applying for interruptive military 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.

Public employers can be more generous to members than required by USERRA if they so choose. The bill draft before

the SCPP is to allow free interruptive military service credit for members of all the open plans who serve during a "period of war" as defined in RCW 41.04.005. In order to meet that definition, members with honorable interruptive military service in the uniformed services must also serve in a declared war or a designated armed conflict. A copy of RCW 41.04.005 is attached.

### **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 must reinstate member contributions to receive service credit for the period.

### **Example B**

A member who is also a member of the National Guard Reserves is called to fight in Operation Iraqi Freedom. The member's military service interrupts public employment, and the member serves honorably. Under the proposal before the SCPP, this member would receive free service credit for the time served in Iraq.

### **History**

The SCPP first studied interruptive military service credit in the 2004 interim. As a result, the SCPP recommended legislation that would provide interruptive military service credit for those who are not re-employed due to death or total disability while serving in the uniformed services. Chapter 64, Laws of 2005 provided that service credit may be purchased by a totally disabled member or a survivor of a deceased member 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.

This interim the SCPP is considering a proposal to allow interruptive military service credit at no cost to the members (or the members' survivors). Early this interim, the Executive Committee requested that the Office of the State Actuary prepare a draft fiscal note to determine the

cost to provide all interruptive military service credit in the open plans at no member cost. This draft fiscal note is attached.

The draft fiscal note was made available to the Executive Committee at its September 18, 2007, meeting. At that time, the Executive Committee recommended that a bill be prepared for the full SCPP that narrowed the scope of the proposal such that free interruptive military service credit would be available only to members participating in wars and armed conflicts.

*Federal law sets minimum standards for interruptive military service credit, but states can be more generous than federal law.*

### Policy Analysis

Interruptive military service is governed by federal law. At a minimum, public employers must provide the protections specified in the Uniformed Services Employment and Re-employment Rights Act (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, states have the discretion to go beyond USERRA and grant benefits for the period of interruptive service that are more generous than those available under the act. Employers who choose to go beyond USERRA may 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 to wars and



armed conflicts as long as the basic USERRA protections remain intact for all interruptive military service in the uniformed services.

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

### 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 and Firefighters' Retirement System (LEOFF 1), and Plan 1 of the Washington State Patrol Retirement System. This benefit is not available in Plan 1 of the Teachers' Retirement System (TRS).

### Other States

California, Idaho, Iowa, Ohio, and Wisconsin provide free interruptive military service credit. None of these states limit free credit to declared wars or armed conflicts. For the purpose of granting free interruptive military service credit, Ohio's definition of armed forces is restricted to federalized National Guard and Reserve service. The other states apply the benefit broadly.

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 the member to repay contributions.

## Possible Options

1. Allow up to five years of free service credit for all interruptive military service in the uniformed services, regardless of whether the member participates in a period of war or armed conflict. The attached draft fiscal note estimates costs associated with this option for all the open plans.
2. Allow up to five years of free service credit for interruptive military service that is during a "period of war" as defined in RCW 41.04.005. "Period of war" includes declared wars and armed conflicts. This option is narrower than Option 1, which would lessen the fiscal impact somewhat. The attached bill draft is an example of this option. This draft affects only the open plans and is prospective in its application.

### Stakeholder Input

*None.*

## Executive Committee Recommendation

At its September 18, 2007, meeting, the Executive Committee directed staff to prepare a bill draft providing a new benefit to members: free interruptive military service credit to those participating in wars or armed conflicts.

## Bill Draft

A copy of Code Reviser draft Z-0802.1 is attached.

## Draft Fiscal Note

Attached. As noted above in the discussion of options, the draft fiscal note prices a proposal that is broader than the proposal in the bill draft.

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

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BILL REQ. #: Z-0802.1/08

ATTY/TYPIST: LL:cro

BRIEF DESCRIPTION: Providing free interruptive military service credit for members of plans 2 and 3 who provide proof to the director that their interruptive military service was during a period of war defined in RCW 41.04.005.

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, 41.35.470, 41.35.650,  
8 41.32.810, 41.32.865, 41.26.520, 43.43.260, and 41.37.260.

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).

4 (b) Upon receipt of member contributions under (a)(ii), (d)(iii),  
5 or (e)(iii) of this subsection, the department shall establish the  
6 member's service credit and shall bill the employer for its  
7 contribution required under RCW 41.45.060, 41.45.061, and 41.45.067 for  
8 the period of military service, plus interest as determined by the  
9 department.

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

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

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

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

27 (iii) Pays the employee contributions required under chapter 41.45  
28 RCW within five years of the date of death or prior to the distribution  
29 of any benefit, whichever comes first.

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

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

7 (5) A member who leaves the employ of an employer to enter the  
8 uniformed services of the United States shall be entitled to free  
9 retirement system service credit for up to five years of military  
10 service if the member qualifies under this subsection. Qualified  
11 members with multiple periods of interruptive military service are  
12 subject to a combined total limit of five years of free retirement  
13 system service credit for interruptive military service.

14 (a) The member qualifies for free service credit under this  
15 subsection if:

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

20 (ii) The member provides to the director proof that the member's  
21 interruptive military service was during a period of war as defined in  
22 RCW 41.04.005.

23 (b) Upon receipt of documentation of eligibility for free military  
24 service credit under (a), (d), or (e) of this subsection, the  
25 department shall establish the member's service credit and shall bill  
26 the employer for its contribution required under RCW 41.45.060,  
27 41.45.061, and 41.45.067 for the period of military service, plus  
28 interest as determined by the department.

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

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



1 death in the uniformed services. The department shall establish the  
2 deceased member's free service credit if the surviving spouse or  
3 eligible child or children:

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

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

8 (iii) Provide to the director proof that the member's interruptive  
9 military service was during a period of war as defined in RCW  
10 41.04.005.

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

17 (i) Obtains a determination from the director that he or she is  
18 totally incapacitated for continued employment due to conditions or  
19 events that occurred while serving in the uniformed services;

20 (ii) Provides to the director proof of honorable discharge from the  
21 uniformed services; and

22 (iii) Provides to the director proof that the member's interruptive  
23 military service was during a period of war as defined in RCW  
24 41.04.005.

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

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

29 (2) A member who receives compensation from an employer while on an  
30 authorized leave of absence to serve as an elected official of a labor  
31 organization, and whose employer is reimbursed by the labor  
32 organization for the compensation paid to the member during the period  
33 of absence, may also be considered to be on a paid leave of absence.  
34 This subsection shall only apply if the member's leave of absence is  
35 authorized by a collective bargaining agreement that provides that the  
36 member retains seniority rights with the employer during the period of  
37 leave. The earnable compensation reported for a member who establishes

1 service credit under this subsection may not be greater than the salary  
2 paid to the highest paid job class covered by the collective bargaining  
3 agreement.

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

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

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

13 The contributions required shall be based on the average of the  
14 member's earnable compensation at both the time the authorized leave of  
15 absence was granted and the time the 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 if  
19 within ninety days of the member's honorable discharge from the  
20 uniformed services of the United States, the member applies for  
21 reemployment with the employer who employed the member immediately  
22 prior to the member entering the uniformed services. This subsection  
23 shall be administered in a manner consistent with the requirements of  
24 the federal uniformed services employment and reemployment rights act.

25 The department shall establish the member's service credit and  
26 shall bill the employer for its contribution required under RCW  
27 41.45.060 and 41.45.067 for the period of military service, plus  
28 interest as determined by the department. Service credit under this  
29 subsection may be obtained only if the member makes the employee  
30 contribution to the defined contribution portion as determined by the  
31 department.

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.

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

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

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

24 (iii) The member pays the employee contributions required under  
25 this subsection within five years of the director's determination of  
26 total disability or prior to the distribution of any benefit, whichever  
27 comes first.

28 (5) A member who leaves the employ of an employer to enter the  
29 uniformed services of the United States shall be entitled to free  
30 retirement system service credit for up to five years of military  
31 service if the member qualifies under this subsection. Qualified  
32 members with multiple periods of interruptive military service are  
33 subject to a combined total limit of five years of free retirement  
34 system service credit for interruptive military service.

35 (a) The member qualifies for free service credit under this  
36 subsection if:

37 (i) Within ninety days of the member's honorable discharge from the

1 uniformed services of the United States, the member applies for  
2 reemployment with the employer who employed the member immediately  
3 prior to the member entering the uniformed services; and

4 (ii) The member provides to the director proof that the member's  
5 interruptive military service was during a period of war as defined in  
6 RCW 41.04.005.

7 (b) Upon receipt of documentation of eligibility for free military  
8 service credit under (a), (d), or (e) of this subsection, the  
9 department shall establish the member's service credit and shall bill  
10 the employer for its contribution required under RCW 41.45.060 and  
11 41.45.067 for the period of military service, plus interest as  
12 determined by the department.

13 (c) The employer contributions required under this subsection shall  
14 be based on the compensation the member would have earned if not on  
15 leave, or if that cannot be estimated with reasonable certainty, the  
16 compensation reported for the member in the year prior to when the  
17 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  
21 may, on behalf of the deceased member, apply for free retirement system  
22 service credit under this subsection up to the date of the member's  
23 death in the uniformed services. The department shall establish the  
24 deceased member's free service credit if the surviving spouse or  
25 eligible child or children:

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

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

30 (iii) Provide to the director proof that the member's interruptive  
31 military service was during a period of war as defined in RCW  
32 41.04.005.

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

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

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

6 (iii) Provides to the director proof that the member's interruptive  
7 military service was during a period of war as defined in RCW  
8 41.04.005.

9 **Sec. 3.** RCW 41.35.470 and 2005 c 64 s 4 are each amended to read  
10 as follows:

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

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

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

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

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

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

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

11 (a) The member qualifies for service credit under this subsection  
12 if:

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

17 (ii) The member makes the employee contributions required under RCW  
18 41.35.430 within five years of resumption of service or prior to  
19 retirement, whichever comes sooner; or

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

23 (b) Upon receipt of member contributions under (a)(ii), (d)(iii),  
24 or (e)(iii) of this subsection, the department shall establish the  
25 member's service credit and shall bill the employer for its  
26 contribution required under RCW 41.35.430 for the period of military  
27 service, plus interest as determined by the department.

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

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

1 the uniformed services. The department shall establish the deceased  
2 member's service credit if the surviving spouse or eligible child or  
3 children:

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

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

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

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

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

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

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

26 (5) A member who leaves the employ of an employer to enter the  
27 uniformed services of the United States shall be entitled to free  
28 retirement system service credit for up to five years of military  
29 service if the member qualifies under this subsection. Qualified  
30 members with multiple periods of interruptive military service are  
31 subject to a combined total limit of five years of free retirement  
32 system service credit for interruptive military service.

33 (a) The member qualifies for free service credit under this  
34 subsection 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 provides to the director proof that the member's  
2 interruptive military service was during a period of war as defined in  
3 RCW 41.04.005.

4       (b) Upon receipt of documentation of eligibility for free military  
5 service credit under (a), (d), or (e) of this subsection, the  
6 department shall establish the member's service credit and shall bill  
7 the employer for its contribution required under RCW 41.35.430 for the  
8 period of military service, plus interest as determined by the  
9 department.

10       (c) The employer contributions required under this subsection shall  
11 be based on the compensation the member would have earned if not on  
12 leave, or if that cannot be estimated with reasonable certainty, the  
13 compensation reported for the member in the year prior to when the  
14 member went on military leave.

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

23       (i) Provide to the director proof of the member's death while  
24 serving in the uniformed services;

25       (ii) Provide to the director proof of the member's honorable  
26 service in the uniformed services prior to the date of death; and

27       (iii) Provide to the director proof that the member's interruptive  
28 military service was during a period of war as defined in RCW  
29 41.04.005.

30       (e) 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 free retirement system service  
34 credit under this subsection up to the date of discharge from the  
35 uniformed services if the member:

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



1 (ii) Provides to the director proof of honorable discharge from the  
2 uniformed services; and

3 (iii) Provides to the director proof that the member's interruptive  
4 military service was during a period of war as defined in RCW  
5 41.04.005.

6 **Sec. 4.** RCW 41.35.650 and 2005 c 64 s 5 are each amended to read  
7 as follows:

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

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 earnable compensation 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. Such  
26 credit may be obtained only if:

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

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

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

34 (4) A member who leaves the employ of an employer 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 if  
37 within ninety days of the member's honorable discharge from the

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

6 The department shall establish the member's service credit and  
7 shall bill the employer for its contribution required under RCW  
8 41.35.720 for the period of military service, plus interest as  
9 determined by the department. Service credit under this subsection may  
10 be obtained only if the member makes the employee contribution to the  
11 defined contribution portion as determined by the department.

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

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

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

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

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

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

37 (i) The member obtains a determination from the director that he or

1 she is totally incapacitated for continued employment due to conditions  
2 or events that occurred while serving in the uniformed services;

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

5 (iii) The member pays the employee contributions required under  
6 this subsection within five years of the director's determination of  
7 total disability or prior to the distribution of any benefit, whichever  
8 comes first.

9 (5) A member who leaves the employ of an employer to enter the  
10 uniformed services of the United States shall be entitled to free  
11 retirement system service credit for up to five years of military  
12 service if the member qualifies under this subsection. Qualified  
13 members with multiple periods of interruptive military service are  
14 subject to a combined total limit of five years of free retirement  
15 system service credit for interruptive military service.

16 (a) The member qualifies for free service credit under this  
17 subsection if:

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

22 (ii) The member provides to the director proof that the member's  
23 interruptive military service was during a period of war as defined in  
24 RCW 41.04.005.

25 (b) Upon receipt of documentation of eligibility for free military  
26 service credit under (a), (d), or (e) of this subsection, the  
27 department shall establish the member's service credit and shall bill  
28 the employer for its contribution required under RCW 41.35.720 for the  
29 period of military service, plus interest as determined by the  
30 department.

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

36 (d) 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

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

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

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

10 (iii) Provide to the director proof that the member's interruptive  
11 military service was during a period of war as defined in RCW  
12 41.04.005.

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

19 (i) Obtains a determination from the director that he or she is  
20 totally incapacitated for continued employment due to conditions or  
21 events that occurred while serving in the uniformed services;

22 (ii) Provides to the director proof of honorable discharge from the  
23 uniformed services; and

24 (iii) Provides to the director proof that the member's interruptive  
25 military service was during a period of war as defined in RCW  
26 41.04.005.

27 **Sec. 5.** RCW 41.32.810 and 2005 c 64 s 7 are each amended to read  
28 as follows:

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

32 (2) A member who receives compensation from an employer while on an  
33 authorized leave of absence to serve as an elected official of a labor  
34 organization, and whose employer is reimbursed by the labor  
35 organization for the compensation paid to the member during the period  
36 of absence, may also be considered to be on a paid leave of absence.  
37 This subsection shall only apply if the member's leave of absence is

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

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

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

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

27 (6) 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 41.32.775 within five years of resumption of service or prior to  
3 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).

7 (b) Upon receipt of member contributions under (a)(ii), (d)(iii),  
8 or (e)(iii) of this subsection, the department shall establish the  
9 member's service credit and shall bill the employer for its  
10 contribution required under RCW 41.32.775 for the period of military  
11 service, plus interest as determined by the department.

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

17 (d) 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 chapter 41.45  
30 RCW within five years of the date of death or prior to the distribution  
31 of any benefit, whichever comes first.

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.

10 (7) A member who leaves the employ of an employer to enter the  
11 uniformed services of the United States shall be entitled to free  
12 retirement system service credit for up to five years of military  
13 service if the member qualifies under this subsection. Qualified  
14 members with multiple periods of interruptive military service are  
15 subject to a combined total limit of five years of free retirement  
16 system service credit for interruptive military service.

17 (a) The member qualifies for free service credit under this  
18 subsection if:

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

23 (ii) The member provides to the director proof that the member's  
24 interruptive military service was during a period of war as defined in  
25 RCW 41.04.005.

26 (b) Upon receipt of documentation of eligibility for free military  
27 service credit under (a), (d), or (e) of this subsection, the  
28 department shall establish the member's service credit and shall bill  
29 the employer for its contribution required under RCW 41.32.775 for the  
30 period of military service, plus interest as determined by the  
31 department.

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

37 (d) The surviving spouse or eligible child or children of a member  
38 who left the employ of an employer to enter the uniformed services of

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

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

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

11 (iii) Provide to the director proof that the member's interruptive  
12 military service was during a period of war as defined in RCW  
13 41.04.005.

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

20 (i) Obtains a determination from the director that he or she is  
21 totally incapacitated for continued employment due to conditions or  
22 events that occurred while serving in the uniformed services;

23 (ii) Provides to the director proof of honorable discharge from the  
24 uniformed services; and

25 (iii) Provides to the director proof that the member's interruptive  
26 military service was during a period of war as defined in RCW  
27 41.04.005.

28 **Sec. 6.** RCW 41.32.865 and 2005 c 64 s 8 are each amended to read  
29 as follows:

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

32 (2) A member who receives compensation from an employer while on an  
33 authorized leave of absence to serve as an elected official of a labor  
34 organization, and whose employer is reimbursed by the labor  
35 organization for the compensation paid to the member during the period  
36 of absence, may also be considered to be on a paid leave of absence.  
37 This subsection shall only apply if the member's leave of absence is



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

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

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

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

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

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

28 The department shall establish the member's service credit and  
29 shall bill the employer for its contribution required under chapter  
30 239, Laws of 1995 for the period of military service, plus interest as  
31 determined by the department. Service credit under this subsection may  
32 be obtained only if the member makes the employee contribution to the  
33 defined contribution portion as determined by the department.

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

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

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

13 (iii) Pays the employee contributions required under this  
14 subsection within five years of the date of death or prior to the  
15 distribution of any benefit, whichever comes first.

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

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

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

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

31 (5) A member who leaves the employ of an employer to enter the  
32 uniformed services of the United States shall be entitled to free  
33 retirement system service credit for up to five years of military  
34 service if the member qualifies under this subsection. Qualified  
35 members with multiple periods of interruptive military service are  
36 subject to a combined total limit of five years of free retirement  
37 system service credit for interruptive military service.

1       (a) The member qualifies for free service credit under this  
2 subsection 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 provides to the director proof that the member's  
8 interruptive military service was during a period of war as defined in  
9 RCW 41.04.005.

10       (b) Upon receipt of documentation of eligibility for free military  
11 service credit under (a), (d), or (e) of this subsection, the  
12 department shall establish the member's service credit and shall bill  
13 the employer for its contribution required under RCW chapter 239, Laws  
14 of 1995 for the period of military service, plus interest as determined  
15 by the department.

16       (c) The employer contributions required under this subsection shall  
17 be based on the compensation the member would have earned if not on  
18 leave, or if that cannot be estimated with reasonable certainty, the  
19 compensation reported for the member in the year prior to when the  
20 member went on military leave.

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

29       (i) Provide to the director proof of the member's death while  
30 serving in the uniformed services;

31       (ii) Provide to the director proof of the member's honorable  
32 service in the uniformed services prior to the date of death; and

33       (iii) Provide to the director proof that the member's interruptive  
34 military service was during a period of war as defined in RCW  
35 41.04.005.

36       (e) A member who leaves the employ of an employer to enter the  
37 uniformed services of the United States and becomes totally  
38 incapacitated for continued employment by an employer while serving in

1 the uniformed services is entitled to free retirement system service  
2 credit under this subsection up to the date of discharge from the  
3 uniformed services if the member:

4 (i) Obtains a determination from the director that he or she is  
5 totally incapacitated for continued employment due to conditions or  
6 events that occurred while serving in the uniformed services;

7 (ii) Provides to the director proof of honorable discharge from the  
8 uniformed services; and

9 (iii) Provides to the director proof that the member's interruptive  
10 military service was during a period of war as defined in RCW  
11 41.04.005.

12 **Sec. 7.** RCW 41.26.520 and 2005 c 64 s 9 are each amended to read  
13 as follows:

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

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

29 (3) Except as specified in subsection (7) of this section, a member  
30 shall be eligible to receive a maximum of two years service credit  
31 during a member's entire working career for those periods when a member  
32 is on an unpaid leave of absence authorized by an employer. Such  
33 credit may be obtained only if the member makes the employer, member,  
34 and state contributions plus interest as determined by the department  
35 for the period of the authorized leave of absence within five years of  
36 resumption of service or prior to retirement whichever comes sooner.

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

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

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

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

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

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

36 (ii) The member makes the employee contributions required under RCW  
37 41.45.060, 41.45.061, and 41.45.067 within five years of resumption of  
38 service or 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).

4 (b) Upon receipt of member contributions under (a)(ii), (d)(iii),  
5 or (e)(iii) of this subsection, the department shall establish the  
6 member's service credit and shall bill the employer and the state for  
7 their respective contributions required under RCW 41.26.450 for the  
8 period of military service, plus interest as determined by the  
9 department.

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

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

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

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

27 (iii) Pays the employee contributions required under chapter 41.45  
28 RCW within five years of the date of death or prior to the distribution  
29 of any benefit, whichever comes first.

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

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

7 (8) A member who leaves the employ of an employer to enter the  
8 uniformed services of the United States shall be entitled to free  
9 retirement system service credit for up to five years of military  
10 service if the member qualifies under this subsection. Qualified  
11 members with multiple periods of interruptive military service are  
12 subject to a combined total limit of five years of free retirement  
13 system service credit for interruptive military service.

14 (a) The member qualifies for free service credit under this  
15 subsection if:

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

20 (ii) The member provides to the director proof that the member's  
21 interruptive military service was during a period of war as defined in  
22 RCW 41.04.005.

23 (b) Upon receipt of documentation of eligibility for free military  
24 service credit under (a), (d), or (e) of this subsection, the  
25 department shall establish the member's service credit and shall bill  
26 the employer and the state for its contribution required under RCW  
27 41.26.450 for the period of military service, plus interest as  
28 determined by the department.

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

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

1 death in the uniformed services. The department shall establish the  
2 deceased member's free service credit if the surviving spouse or  
3 eligible child or children:

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

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

8 (iii) Provide to the director proof that the member's interruptive  
9 military service was during a period of war as defined in RCW  
10 41.04.005.

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

17 (i) Obtains a determination from the director that he or she is  
18 totally incapacitated for continued employment due to conditions or  
19 events that occurred while serving in the uniformed services;

20 (ii) Provides to the director proof of honorable discharge from the  
21 uniformed services; and

22 (iii) Provides to the director proof that the member's interruptive  
23 military service was during a period of war as defined in RCW  
24 41.04.005.

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

28 **Sec. 8.** RCW 43.43.260 and 2005 c 64 s 10 are each amended to read  
29 as follows:

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

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

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



1 (3)(a) Any member commissioned prior to January 1, 2003, with  
2 twenty-five years service in the Washington state patrol may have the  
3 member's service in the uniformed services credited as a member whether  
4 or not the individual left the employ of the Washington state patrol to  
5 enter such uniformed services: PROVIDED, That in no instance shall  
6 military service in excess of five years be credited: AND PROVIDED  
7 FURTHER, That in each instance, a member must restore all withdrawn  
8 accumulated contributions, which restoration must be completed on the  
9 date of the member's retirement, or as provided under RCW 43.43.130,  
10 whichever occurs first: AND PROVIDED FURTHER, That this section shall  
11 not apply to any individual, not a veteran within the meaning of RCW  
12 41.06.150.

13 (b) A member who leaves the Washington state patrol to enter the  
14 uniformed services of the United States shall be entitled to retirement  
15 system service credit for up to five years of military service. This  
16 subsection shall be administered in a manner consistent with the  
17 requirements of the federal uniformed services employment and  
18 reemployment rights act.

19 (i) The member qualifies for service credit under this subsection  
20 if:

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

25 (B) The member makes the employee contributions required under RCW  
26 41.45.0631 and 41.45.067 within five years of resumption of service or  
27 prior to retirement, whichever comes sooner; or

28 (C) Prior to retirement and not within ninety days of the member's  
29 honorable discharge or five years of resumption of service the member  
30 pays the amount required under RCW 41.50.165(2).

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

36 (iii) The contributions required under (b)(i)(B), (b)(iv)(C), and  
37 (b)(v)(C) of this subsection shall be based on the compensation the

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

4 (iv) 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 (A) Provides to the director proof of the member's death while  
13 serving in the uniformed services;

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

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

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

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

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

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

35 (c) A member who leaves the Washington state patrol to enter the  
36 uniformed services of the United States shall be entitled to free  
37 retirement system service credit for up to five years of military  
38 service if the member qualifies under this subsection (3)(c).

1 Qualified members with multiple periods of interruptive military  
2 service are subject to a combined total limit of five years of free  
3 retirement system service credit for interruptive military service.

4 (i) The member qualifies for service credit under this subsection  
5 (3)(c) 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 provides to the director proof that the member's  
11 interruptive military service was during a period of war as defined in  
12 RCW 41.04.005.

13 (ii) Upon receipt of documentation of eligibility for free military  
14 service credit under (c)(i), (iv), and (v) of this subsection, the  
15 department shall establish the member's service credit and shall bill  
16 the employer for its contribution required under RCW 41.45.060, for the  
17 period of military service, plus interest as determined by the  
18 department.

19 (iii) The employer contributions required under this subsection  
20 (3)(c) shall be based on the compensation the member would have earned  
21 if not on leave, or if that cannot be estimated with reasonable  
22 certainty, the compensation reported for the member in the year prior  
23 to when the member went on military leave.

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

32 (A) Provide to the director proof of the member's death while  
33 serving in the uniformed services;

34 (B) Provide to the director proof of the member's honorable service  
35 in the uniformed services prior to the date of death; and

36 (C) Provide to the director proof that the member's interruptive  
37 military service was during a period of war as defined in RCW  
38 41.04.005.

1       (v) A member who leaves the employ of an employer to enter the  
2 uniformed services of the United States and becomes totally  
3 incapacitated for continued employment by an employer while serving in  
4 the uniformed services is entitled to free retirement system service  
5 credit under this subsection up to the date of discharge from the  
6 uniformed services if the member:

7       (A) Obtains a determination from the director that he or she is  
8 totally incapacitated for continued employment due to conditions or  
9 events that occurred while serving in the uniformed services;

10       (B) Provides to the director proof of honorable discharge from the  
11 uniformed services; and

12       (C) Provides to the director proof that the member's interruptive  
13 military service was during a period of war as defined in RCW  
14 41.04.005.

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

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

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

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

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

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

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

31       (i) Produce a retirement allowance which is lower than the original  
32 retirement allowance;

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

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

36       For the purposes of this section, "index" means, for any calendar  
37 year, that year's average consumer price index for the Seattle-Tacoma-

1 Bremerton Washington area for urban wage earners and clerical workers,  
2 all items, compiled by the bureau of labor statistics, United States  
3 department of labor.

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

6 **Sec. 9.** RCW 41.37.260 and 2005 c 64 s 11 are each amended to read  
7 as follows:

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

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

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

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

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

34 The contributions required under (a) of this subsection shall be  
35 based on the average of the member's compensation earnable at both the  
36 time the authorized leave of absence was granted and the time the  
37 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).

19 (b) Upon receipt of member contributions under (a)(ii), (d)(iii),  
20 or (e)(iii) of this subsection, the department shall establish the  
21 member's service credit and shall bill the employer for its  
22 contribution required under RCW 41.37.220 for the period of military  
23 service, plus interest as determined by the department.

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

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

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

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

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

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

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

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

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

21 (5) A member who leaves the employ of an employer to enter the  
22 uniformed services of the United States shall be entitled to free  
23 retirement system service credit for up to five years of military  
24 service if the member qualifies under this subsection. Qualified  
25 members with multiple periods of interruptive military service are  
26 subject to a combined total limit of five years of free retirement  
27 system service credit for interruptive military service.

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

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

34 (ii) The member provides to the director proof that the member's  
35 interruptive military service was during a period of war as defined in  
36 RCW 41.04.005.

37 (b) Upon receipt of documentation of eligibility for free military  
38 service credit under (a), (d), or (e) of this subsection, the

1 department shall establish the member's service credit and shall bill  
2 the employer for its contribution required under RCW 41.37.220 for the  
3 period of military service, plus interest as determined by the  
4 department.

5 (c) The employer contributions required under this subsection shall  
6 be based on the compensation the member would have earned if not on  
7 leave, or if that cannot be estimated with reasonable certainty, the  
8 compensation reported for the member in the year prior to when the  
9 member went on military leave.

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

18 (i) Provide to the director proof of the member's death while  
19 serving in the uniformed services;

20 (ii) Provide to the director proof of the member's honorable  
21 service in the uniformed services prior to the date of death; and

22 (iii) Provide to the director proof that the member's interruptive  
23 military service was during a period of war as defined in RCW  
24 41.04.005.

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 free retirement system service  
29 credit under this subsection up to the date of discharge from the  
30 uniformed services if the member:

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

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

36 (iii) Provides to the director proof that the member's interruptive



1 military service was during a period of war as defined in RCW  
2 41.04.005.

--- END ---

# DRAFT FISCAL NOTE

RESPONDING AGENCY:	CODE:	DATE:	PROPOSAL NAME:
<b>Office of the State Actuary</b>	<b>035</b>	<b>10/3/07</b>	<b>Free Interruptive Military Service Credit</b>

## INTENDED USE

This draft actuarial fiscal note was prepared by the Office of the State Actuary. The changes in liability, contribution rates, and fiscal costs are based on our understanding of the proposal as of the date of this draft fiscal note. Liabilities, contribution rates, and fiscal costs presented herein are subject to change should actual bill language for this proposal be introduced as legislation in the upcoming Legislative Session. This draft fiscal note is intended to be used by the Select Committee on Pension Policy during the 2007 Interim only.

Any third party recipient of this draft fiscal note is advised to seek professional guidance concerning its content and interpretation and should not rely upon this communication in the absence of such professional guidance. The analysis presented in this draft fiscal note should be read as a whole. Distributing or relying on only portions of this draft fiscal note could result in misuse and may be misleading to others.

## EXECUTIVE SUMMARY

This proposal would allow the member to receive interruptive military service credit at no cost.

<b>Increase in Actuarial Liabilities</b>			
<i>(Dollars in Millions)</i>	<b>Current</b>	<b>Increase</b>	<b>Total</b>
<b>Actuarial Present Value of Projected Benefits</b>	\$64,274	1	\$64,275
<b>Unfunded Actuarial Accrued Liability</b>	4,470	0	4,470
<b>Unfunded Liability (PVCBP)</b>	\$960	0	\$960

<b>Total Increase in Contribution Rates</b>						
<b>Current Biennium</b>	<b>PERS</b>	<b>PSERS</b>	<b>TRS</b>	<b>SERS</b>	<b>LEOFF</b>	<b>WSPRS</b>
Employee (Plan 2)	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Employer	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
State					0.00%	

<b>Fiscal Costs</b>			
<i>(Dollars in Millions)</i>	<b>2007-2009</b>	<b>2009-2011</b>	<b>25-Year</b>
General Fund-State	\$0.0	\$0.0	\$0.6
Total Employer	\$0.0	\$0.1	\$2.4

See the Actuarial Determinations section of this Draft Fiscal Note for additional detail.

## **SUMMARY OF PROPOSAL**

This proposal impacts Plans 2 and 3 of the Public Employees' Retirement System (PERS), Plans 2 and 3 of the Teachers' Retirement System (TRS), Plans 2 and 3 of the School Employees' Retirement System (SERS), the Public Safety Employees' Retirement System (PSERS), Plan 2 of the Law Enforcement Officers' and Fire Fighters' Retirement System (LEOFF), and Plan 2 of the Washington State Patrol Retirement System (WSP) by eliminating the member obligation to pay for interruptive military service credit. In the case of a military death, the survivor would also be relieved of paying the member cost for interruptive military service credit.

Assumed Effective Date: 90 days after session

## **CURRENT SITUATION**

Currently, for interruptive military service completed on or after October 6, 1994, a member must pay employee contributions (no interest). For interruptive military service 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.

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.

## **SUMMARY OF MEMBERS IMPACTED**

We estimate that all 15,718 active members of LEOFF Plan 2, all 118,341 active members of PERS Plan 2, all 22,473 active members of PERS plan 3, all 2,073 active members of PSERS Plan 2, all 18,464 active members of SERS Plan 2, all 32,354 active members of SERS Plan 3, all 6,983 active members of TRS Plan 2, all 53,371 active members of TRS Plan 3, and all 116 active members of WSP Plan 2 could be affected by this proposal 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 proposal, 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.

## **METHODS**

The pricing method utilized in determining the actuarial cost was through the use of a simplified valuation, where members were grouped by age and projected to retirement. For each year, the probability of purchasing credit for interruptive military service was assumed and directly affected the resulting liability increase for the system. If the member purchases the service credit within 5 years they pay the missed contributions, however if they miss the 5 year window they will repay the full actuarial value at retirement. The process for developing these probabilities will be described in the assumptions section.

A calculation involving both merit and general salary increases was utilized to project the member's salary into the future and, at most, five years into the past. The total increased cost of this benefit is calculated by evaluating the average of what the member would have contributed over the previous five years with the associated contribution rates for those years, and applying the probability that a member will have interruptive military service. The ultimate cost of this increased benefit is presented below with all future payments discounted to present day dollars.

Otherwise, costs were developed using the same methods as those disclosed in the 2006 actuarial valuation report (AVR).

The methods chosen are reasonable for the purpose of the actuarial calculations presented in this draft fiscal note. Use of another set of methods may also be reasonable and might produce different results.

## **ASSUMPTIONS**

The primary assumption developed for this pricing was the annual probability of a member purchasing military service credit, either within the 5 year window or at retirement. Utilizing data from a service credit report dated September 30, 2006, an annual average using five years of data was calculated starting with the 2002 valuation year and ending in 2006. Since there was far more data available on the PERS system

comparatively, the probability developed for PERS was applied to all other systems as well. This came out to be 0.000214 or 1 in every 4700. We utilized general population experience to set the participation rate and adjusted this assumption by system to reflect more or less military participation. For example, we assumed Public Safety employees would have a higher rate of participation and Teachers less. More specifically, TRS and SERS were assumed to be at half of the standard rate developed, whereas PSERS was assumed to be 1.5 times this rate, and LEOFF and WSPRS were assumed to be at twice this rate.

This result was developed taking into account the number of military service credits that were previously earned and then purchased between the valuation years of 2002 through 2006. The average number of months purchased for military service credit was 10.6 months and thus was the figure assumed for this pricing. Then a weighted average over the five-year span was calculated utilizing the total number of active members for each year to determine the probability that a member purchases service credit each year. This provided our final set of probabilities that have been applied to all systems affected by this proposal. For simplicity, we also assumed the population affected would be 100% male.

Also, we assumed that all military service purchases would be by the members themselves. If a survivor is purchasing the service credit they would get an immediate annuity instead of the deferred annuity otherwise available to the member. We assumed that the number of survivors relative to members purchasing military service would be small and the increased cost would be negligible.

The assumptions chosen are reasonable for the purpose of the actuarial calculations presented in this draft fiscal note. Use of another set of assumptions may also be reasonable and might produce different results.

## **DATA**

Costs were developed using the same data and assets as those disclosed in the AVR.

## **FISCAL IMPACT**

### **Description**

This proposal has a cost because the system will now absorb the cost of individual members purchasing interruptive military service credit.

## Actuarial Determinations

The proposal will impact the actuarial funding of the system by increasing the present value of benefits payable under the System and increasing the required actuarial contribution rate as shown below:

<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	\$13,723	\$0.0	\$13,723
PERS 2/3	<u>18,966</u>	<u>0.4</u>	<u>18,966</u>
<b>PERS Total</b>	<b>32,689</b>	<b>0.4</b>	<b>32,689</b>
TRS 1	10,834	0.0	10,834
TRS 2/3	<u>6,804</u>	<u>0.0</u>	<u>6,804</u>
<b>TRS Total</b>	<b>17,638</b>	<b>0.0</b>	<b>17,638</b>
<b>SERS 2/3</b>	<b>2,610</b>	<b>0.0</b>	<b>2,610</b>
<b>PSERS 2</b>	<b>169</b>	<b>0.0</b>	<b>169</b>
LEOFF 1	4,316	0.0	4,316
LEOFF 2	<u>6,004</u>	<u>0.3</u>	<u>6,004</u>
<b>LEOFF Total</b>	<b>10,320</b>	<b>0.3</b>	<b>10,320</b>
<b>WSPRS 1/2</b>	<b>\$848</b>	<b>\$0.0</b>	<b>\$848</b>
<b>Unfunded Actuarial Accrued Liability</b>			
<i>(The Portion of the Plan 1 Liability that is Amortized at 2024)</i>			
<b>PERS 1</b>	<b>\$3,196</b>	<b>\$0.0</b>	<b>\$3,196</b>
<b>TRS 1</b>	<b>1,976</b>	<b>0.0</b>	<b>1,976</b>
<b>LEOFF 1</b>	<b>(\$702)</b>	<b>\$0.0</b>	<b>(\$702)</b>
<b>Unfunded Liability (PVC PB)</b>			
<i>(The Value of the Total Commitment to all Current Members Attributable to Past Service)</i>			
PERS 1	\$3,750	\$0.0	\$3,750
PERS 2/3	<u>(2,338)</u>	<u>0.2</u>	<u>(2,338)</u>
<b>PERS Total</b>	<b>1,412</b>	<b>0.2</b>	<b>1,412</b>
TRS 1	2,348	0.0	2,348
TRS 2/3	<u>(1,116)</u>	<u>0.0</u>	<u>(1,116)</u>
<b>TRS Total</b>	<b>1,232</b>	<b>0.0</b>	<b>1,232</b>
<b>SERS 2/3</b>	<b>(336)</b>	<b>0.0</b>	<b>(336)</b>
<b>PSERS 2</b>	<b>0</b>	<b>0.0</b>	<b>0</b>
LEOFF 1	(738)	0.0	(738)
LEOFF 2	<u>(521)</u>	<u>0.2</u>	<u>(521)</u>
<b>LEOFF Total</b>	<b>(1,259)</b>	<b>0.2</b>	<b>(1,259)</b>
<b>WSPRS 1/2</b>	<b>(\$89)</b>	<b>\$0.0</b>	<b>(\$89)</b>

The un-rounded increase in the required actuarial contribution rate does not round-up to the minimum supplemental contribution rate of 0.01%; therefore the proposal will not affect contribution rates in the current biennium. However, the un-rounded rate increase shown below is applied to all subsequent biennia.

<b>Increase in Contribution Rates: (Effective 9/1/2008)</b>						
<b>System/Plan</b>	<b>PERS</b>	<b>PSERS</b>	<b>TRS</b>	<b>SERS</b>	<b>LEOFF</b>	<b>WSPRS</b>
<b>Current Members</b>						
Employee (Plan 2)	0.000%	0.001%	0.000%	0.000%	0.001%	0.000%
Employer	0.000%	0.001%	0.000%	0.000%	0.001%	0.000%
State					0.000%	
<b>New Entrants*</b>						
Employee (Plan 2)	0.000%	0.001%	0.000%	0.000%	0.001%	0.000%
Employer	0.000%	0.001%	0.000%	0.000%	0.001%	0.000%
State					0.000%	

*\*Rate change applied to future new entrant payroll and used for fiscal budget determinations only. A single supplemental rate increase, equal to the increase for current members, would apply initially for all members or employers.*

### **Fiscal Budget Determinations**

<i>(Dollars in Millions)</i>	<b>Fiscal Costs</b>						<b>Total</b>
	<b>PERS</b>	<b>PSERS</b>	<b>TRS</b>	<b>SERS</b>	<b>LEOFF</b>	<b>WSPRS</b>	
<b>2007-2009</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>
Total State	0.0	0.0	0.0	0.0	0.0	0.0	0.0
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>
Total Employer	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Total Employee	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
<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>
Total State	0.0	0.0	0.0	0.0	0.0	0.0	0.0
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>0.1</u>
Total Employer	0.1	0.0	0.0	0.0	0.0	0.0	0.1
Total Employee	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.1
<b>2007-2032</b>							
General Fund	\$0.2	\$0.0	\$0.0	\$0.0	\$0.4	\$0.0	\$0.6
Non-General Fund	<u>0.4</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.4</u>
Total State	0.6	0.0	0.0	0.0	0.4	0.0	1.0
Local Government	<u>0.9</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.5</u>	<u>0.0</u>	<u>1.4</u>
Total Employer	1.4	0.0	0.0	0.0	0.9	0.0	2.4
Total Employee	\$1.0	\$0.0	\$0.0	\$0.0	\$0.9	\$0.0	\$2.0

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

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

## Sensitivity Analysis

The number of members expected to purchase military service credit would have to increase dramatically for this proposal to impact 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% for each system. For example, in LEOFF 2, the employee rate impact would reach 0.005% if 4 times as many members as expected receive free interruptive military service credit.

<b>System</b>	<b>Multiple</b>
PERS	16
TRS	176
SERS	60
PSERS	9
LEOFF	4
WSP	48

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



## **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 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; plus
- 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.

**Present Value of Credited Projected Benefits (PVCBP):** 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 Liability (Unfunded PVCBP):** The excess, if any, of the Present Value of Credited Projected Benefits 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.