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Interruptive Military Service Credit

FINAL PROPOSAL

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ISSUE STATEMENT

For purposes of receiving no-cost interruptive military service credit, the legislature has attempted to distinguish between service in combat zones and other types of service, however, the state law has continually resulted in inequities as not all service in combat zones qualifies for no-cost interruptive military service credit.

OVERVIEW

LEOFF Plan 2 members may establish service credit for military service interrupting their LEOFF service. Member contributions are waived for LEOFF 2 members whose interruptive military service was: 1) during a period of war; or 2) during a specified conflict for which they earned a campaign badge or medal.

This report will provide information on interruptive military service credit; Department of Defense (DoD) regulations for awarding military service medals; and, policy considerations for making changes to the current law.

BACKGROUND AND POLICY ISSUES

General Background

Interruptive military service credit applies to all Washington state retirement systems, including LEOFF 2. A member qualifies for this benefit when a leave of absence is taken from a DRS covered position to serve in the United States military and the member returns to employment with their employer within 90 days of being honorably discharged. When this occurs, membership in the retirement system is considered to be interrupted.

There are two types of pension benefits for interruptive military service: fully subsidized ("no-cost interruptive military service credit") and partially subsidized.

No-cost interruptive military service credit is awarded if the service took place during a period of war, or certain armed conflicts in which an approved campaign medal or badge was obtained. A member can qualify for up to five years of no-cost interruptive military service credit. The employer and state pay their contributions plus interest and the system subsidizes the member contributions and interest.

Partially subsidized interruptive military service credit is awarded if the service did not take place during a period of war, or an armed conflict in which an approved campaign medal was obtained.[1] A member can qualify for up to five years of partially subsidized military service credit. The member must pay the member contribution cost; however, the interest on the member contributions is subsidized by the plan. The member has five years from when they return to work to pay their contributions or they must pay those contributions prior to retirement, whichever occurs first. After the member has paid their contributions, the employer and state are billed the employer contributions plus interest.

A member may receive a total of 10 years of interruptive military service credit (up to 5 years no-cost interruptive military service credit and up to 5 years of partially subsidized). The member must fully pay the required contributions within 5 years of reemployment.

Qualifying for No-Cost Interruptive Military Service Credit

To qualify for no-cost interruptive military service credit the member must meet the definition of "veteran" under RCW 41.04.005. The statute limits veterans to persons serving during a "period of war" defined as:

- World War I, World War II, the Korean conflict, the Vietnam era, the Persian Gulf War, and any future period of war declared by Congress.
- Specified military operations where the member earned a campaign badge or medal.

The DoD awards a campaign badge or medal to service members who served during a specified conflict and were stationed in a designated war zone.[2]

Campaign medals, as defined by the DoD manual 1348.33 Volume 2, are medals which:

> "recognize service members who are deployed to the geographic area where the combat is actually occurring. Members awarded campaign medals have the highest degree of personal risk and hardship as they are conducting the combat operations and are deployed to the area where the combat is actually occurring."

Members who served during a specified operation but were not stationed in a war zone did not earn a campaign badge or medal. Because they do not meet the definition of "veteran", those members are not eligible for no-cost interruptive military service credit; however, they are eligible for partially subsidized interruptive military service credit.

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[1] Responsibility for payment varies by the dates of service. If the military service was completed: Between October 1, 1977, and March 31, 1992, the member pays both the employer and member contributions plus interest; After March 31, 1992, and before October 6, 1994, the member pays the member contributions plus interest and the employer and state pay their contributions plus interest; After October 6, 1994, a member pays the member contributions (no interest) and the employer and state pays their contribution plus interest.

2 Defined conflicts include: the crisis in Lebanon, the invasion of Grenada, Operation Just Cause in Panama, Operation Restore Hope in Somalia, Operation Uphold Democracy in Haiti, Operation Joint Endeavor in Bosnia, Operation Noble Eagle, Operation Enduring Freedom in Southern or Central Asia, Operation Iraqi Freedom; Iraq and Syria, Operation Inherent Resolve; and Afghanistan, Operation Freedom's Sentinel.

Legislative History

No-cost interruptive military service credit was created in 2009, with the passage of HB 1548. The legislative history of HB 1548 does not explicitly state the policy goals of the legislature in creating a no-cost interruptive military service credit benefit or the reasons for placing the lines of demarcation between partially subsidized and no-cost at receiving a campaign badge. However, HB 1548 was endorsed by the Select Committee on Pension Policy and the LEOFF 2 Board.

In 2009, the LEOFF 2 Board report[3] on this proposed benefit stated:

> Arguments for eliminating the cost to the member include encouraging military service, supporting the ability to recruit military personnel into state/local government service, benefits (direct and indirect) to the State from military service rendered by public employees, recognition and support for plan members serving the public at large in a high risk situation, and supplementing federal benefits which may be viewed as inadequate.

Some of the policy pros and cons of providing special or increased benefits to members based on military service, identified in presentations to the LEOFF 2 Board and the SCPP in 2008 and 2009, included:

No Additional Benefits	Additional 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 (partially subsidized service credit)	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

During the 2017 legislative session SB 5661 was signed into law requiring the LEOFF 2 Board to study interruptive military service credit where the member was not awarded a campaign badge or medal. The LEOFF 2 Board completed that study during the 2017 interim and submitted the report to the legislature on January 1, 2018.

[3] http://leoff.wa.gov/wp-content/uploads/2015/06/121708.6_Interruptive-Military-Service-Credit.pdf

As a result of that study the LEOFF 2 Board endorsed legislation (HB 2701) in 2018. This legislation added a provision that ensured members are eligible for free interruptive military service credit for multiple deployments to the same conflict; added an end date in statute for the end of the Gulf War; and made two additional combat operations (Inherent Resolve, Iraq and Syria; and Freedom's Sentinel, Afghanistan) eligible for no-cost interruptive military service credit. This legislation passed the legislature and became effective June 7, 2018.

The statute which defines veteran, for purposes of not only receiving interruptive military service credit but also other non-pension benefits, has been amended eleven times since its creation in 1969. The majority of these amendments have been to update the list of periods of war and armed conflicts.

Department of Defense

Campaign, Expeditionary, and Service (CE&S) medals recognize service members for participation in military campaigns, expeditions, or other significant military operations, and for otherwise meritorious military service. Eligibility criteria for CE&S medals are based on a service member's:

- Degree of personal risk (e.g., proximity to the enemy, service in a combat zone, imminent threat of hostilities);
- Degree of personal hardship;
- Participation in designated military operations; and,
- Extent of military service during specified time periods, duration, or types of duty.[4]

There are four categories of CE&S medals:[5]

- **Campaign Medals** - Campaign medals recognize deployed participation in large-scale or long-duration combat operations. Campaign medals are associated with the highest level of personal risk and hardship. They are awarded to Service members who are deployed to the geographic areas where the combat is actually occurring. Service members deployed to areas where combat is occurring as a result of prolonged or large-scale military combat operations should be recognized with a separate and distinct campaign medal.
- **Expeditionary Medals** - Expeditionary medals recognize deployed participation in small scale and/or short-duration combat operations or military operations where there is an imminent threat of hostilities. Expeditionary medals are also awarded to members deployed in support of combat operations, but who are not in the geographic area

[4] DOD MANUAL 1348.33, VOLUME 2, https://www.esd.whs.mil/Portals/54/Documents/DD/issuances/dodm/1348.33_Vol2.pdf?ver=2018-03-29-102726-900

[5] DOD MANUAL 1348.33, VOLUME 2, https://www.esd.whs.mil/Portals/54/Documents/DD/issuances/dodm/1348.33_Vol2.pdf?ver=2018-03-29-102726-900

where the actual combat is occurring. Expeditionary medals are associated with high levels of personal risk and hardship.

- **Deployed Service Medals -** Deployed service medals recognize deployment or assignment to a designated Area of Eligibility (AOE) to participate in, or directly support, a designated military operation where there is no foreign armed opposition or imminent threat of hostile action.
- **Individual Service Medals -** Individual service medals recognize individual merit, direct participation in a DoD approved military activity, undertaking, event or operation, or service during a specified period. Some individual service medals, such as the Prisoner of War (POW) medal, may recognize service involving significant personal risk and hardship, while others only recognize being in active military service during a particular period of time.

Below is a table from the DoD Manual 1348.33, Volume 2, of current and recent CE&S medals:

Table 1: Categories of CE&S Medals

Title of Decoration[1]	Sub-category of CE&S Medals
Southwest Asia Service Medal[2]	Campaign Medal
Kosovo Campaign Medal	Campaign Medal
Afghanistan Campaign Medal	Campaign Medal
Iraq Campaign Medal	Campaign Medal
Inherent Resolve Campaign Medal	Campaign Medal
Armed Forces Expeditionary Medal	Expeditionary Medal
Global War on Terrorism Expeditionary Medal	Expeditionary Medal
Antarctic Service Medal	Deployed Service Medal
Armed Forces Service Medal	Deployed Service Medal
Korea Defense Service Medal	Deployed Service Medal
National Defense Service Medal	Individual Service Medal
Armed Forces Reserve Medal	Individual Service Medal
Humanitarian Service Medal	Individual Service Medal
Prisoner of War Medal	Individual Service Medal
Military Outstanding Volunteer Service Medal	Individual Service Medal
Global War on Terrorism Service Medal	Individual Service Medal

Note 1: This list is not all-inclusive. Military Departments also have CE&S medals (e.g., Navy Expeditionary Medal; Air Force Good Conduct Medal; Army Good Conduct Medal). Refer to each Military Department's specific award guidance for additional information.

Note 2: Before DoD established comprehensive CE&S medal policy, the naming conventions for DoD CE&S medals were inconsistent. This resulted in several medals with names that do not match the CE&S medal category to which they are assigned.

Since the LEOFF 2 Board endorsed legislation passed in 2018, additional military campaigns, and underlying operations in support of those campaigns, have been identified as qualifying for a campaign medal. For example, the Air Force recently created a new campaign medal called the "Remote Combat Effects Campaign Medal." This medal is "to recognize drone operators and

other airmen who directly supported a combat operation from a remote location."[6] To be eligible for this new medal, an airman's contributions must have occurred on or after Sept. 11, 2001, while assigned or attached to a unit directly in support of a Pentagon combat operation.[7] The qualifying combat operations are: Enduring Freedom, Iraqi Freedom, New Dawn, Nomad Shadow, Freedom's Sentinel, Inherent Resolve, Odyssey Lightning and Pacific Eagle – Philippines.[8] Not all of these qualifying combat operations are identified under the current definition of "period of war". Therefore, the law would need to be amended to recognize service in the following combat operations: Odyssey Lightning and Pacific Eagle – Philippines; New Dawn; and, Nomad Shadow.

Furthermore, the Kosovo Campaign Medal identified in the table above is not currently identified in the state statute as qualifying for no-cost interruptive military service credit. The Kosovo Campaign Medal was established in 2000, by executive order 13154 by President Clinton.[9] The end date of the Kosovo Campaign Medal was 2013 and at that time it shifted to an Expeditionary Medal.[10] There are 10 underlying campaigns that qualify for the Kosovo Campaign Medal. The Kosovo Campaign Medal may be awarded to United States military personnel for participating in the operations and campaigns listed below:

- Allied Force - March 24, 1999 through June 10, 1999;
- Joint Guardian - June 11, 1999 to December 31, 2013;
- Allied Harbour - April 4, 1999 through September 1, 1999;
- Sustain Hope, Shining Hope - April 4, 1999 through July 10, 1999;
- Noble Anvil - March 24, 1999 through July 20, 1999;
- Hawk - April 5, 1999 through June 24, 1999;
- Saber - March 31, 1999 through July 8, 1999 ;
- Falcon - June 11, 1999 through November 1, 1999; and,
- Hunter - April 1, 1999 through November 1, 1999.[11]

Additionally, the DoD has recognized that service in an operation could qualify for either a campaign medal or some other medal depending on the degree of personal risk involved in the service. For example, Service in Operation New Dawn can qualify for either an Expeditionary Medal or an Iraq Campaign Medal.[12] [13]

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[6] https://www.governing.com/news/headlines/Air-Force-Creates-New-Medal-to-Decorate-Drone-Pilots.html
[7] https://www.governing.com/news/headlines/Air-Force-Creates-New-Medal-to-Decorate-Drone-Pilots.html
[8] https://www.governing.com/news/headlines/Air-Force-Creates-New-Medal-to-Decorate-Drone-Pilots.html
[9] https://www.hsdl.org/?abstract&did=462829
[10] https://www.jba.af.mil/News/Article-Display/Article/772954/kosovo-campaign-medal-shifts-to-armed-forces-expeditionary-medal/
[11] https://web.archive.org/web/20110722181345/http://www.apd.army.mil/pdffiles/r600_8_22.pdf
[12] https://prhome.defense.gov/Portals/52/Documents/RFM/MPP/OEPM/Docs/ICM%20-%20Approved%20Campaign%20Phases%20-%20Apr%202012.pdf
[13] https://fas.org/sgp/crs/natsec/RS21405.pdf

Furthermore, in some instances the DoD has encouraged veterans of past campaigns to apply for an upgrade to campaign medal if they believe that their personal service had the highest degree of personal risk and hardship as they were conducting combat operations and were deployed in the area where the combat was actually occurring.[14]

LEOFF 2 Interruptive Military Service Credit Data

Since 2009, 534 LEOFF 2 members have received no-cost interruptive military service credit. Those members have received an average of 9.75 months of service credit.

During that same time period, 24 LEOFF 2 members have purchased partially subsidized interruptive military service credit. Those members purchased an average of 8.85 months of service credit. 40 LEOFF 2 members requested a bill from DRS to purchase partially subsidized interruptive military service credit, but elected not to purchase the service credit. Those members would have received an average of 11.68 months of service credit.

Cost of Expanding to Expeditionary Medals

OSA analyzed the potential impact to LEOFF 2 of expanding no-cost interruptive military service credit to include all past and future military conflicts if the member earns a campaign or expeditionary medal. At the request of LEOFF 2 Board staff, OSA broke down the potential costs of this proposal into three different components.

The first component was the estimated cost of reimbursing LEOFF 2 members who paid for partially subsidized interruptive military service credit that would qualify as no-cost interruptive military service credit under this proposed expansion. OSA did not have data that showed whether the members who purchased partially subsidized interruptive military service credit, had received an expeditionary medal. Therefore, for purposes of estimating the potential costs, OSA assumed that all of these members would now qualify for no-cost interruptive military service credit, resulting in a contribution rate impact as outlined in the table below:

Impact on Contribution Rates	
System/Plan	LEOFF 2
Current Members	
Employee	0.0005%
Employer	0.0003%
State	0.0002%

This component alone does not result in a supplemental contribution rate increase in the first biennium. However, OSA has quantified the expected budget impact over the next 25 years as outlined in the table below:

[14] https://dod.defense.gov/News/Article/Article/708382/carter-announces-operation-inherent-resolve-campaign-medal/

Budget Impacts	
(Dollars in Millions)	**25-Year**
Total Employee	**$0.2**
General Fund-State	0.1
Local Government	0.1
Total Employer	**$0.2**

The second component was the estimated cost impact of providing no-cost interruptive military service credit prospectively. OSA estimates the present value of future benefits (i.e. the liabilities) would increase by approximately $1.0 million. The accrued liability would also increase by $0.7 million, which would reduce the Funded Status by less than 0.1%. Below is a table of the estimated impact to contribution rates:

Impact on Contribution Rates	
System/Plan	**LEOFF 2**
Current Members	
Employee	**0.0023%**
Employer	**0.0014%**
State	**0.0009%**
Future Entrants*	
Employee	0.0008%
Employer	0.0005%
State	0.0003%

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

This component alone does not result in a supplemental contribution rate in the first biennium. However, OSA has quantified the expected budget impact over the next 25 years as outlined in the table below:

Budget Impacts	
(Dollars in Millions)	**25-Year**
Total Employee	**$1.3**
General Fund-State	0.5
Local Government	0.8
Total Employer	**$1.3**

The actual amount of no-cost interruptive military service credit granted in the future is heavily dependent on the levels of troop engagement in unknown conflicts down the road, and potential medals created for these conflicts. As a result, the cost of this proposal could be significantly higher (or lower) than assumed. For context, OSA anticipated the annual amount of no-cost interruptive military service credit would have to at least double the assumption they used in order to impact rounded contribution rates in LEOFF Plan 2.

The third component was the estimated cost of providing no-cost interruptive military service credit on a retroactive basis to members who did not pay for partially subsidized interruptive military service credit. There was not a data source that OSA could rely on to quantify how many members might meet the criteria under this component. Therefore, OSA found the cost of this component to be indeterminate. However, OSA anticipates these retroactive costs could be fairly limited. Compared to the second component of this proposal, OSA expects the cost of this retroactive benefit will be smaller overall.

POLICY OPTIONS

Option 1 – **Move and simplify definition.** To avoid the continual need for updates to the statute, move definition of "veteran" to LEOFF 2 statutes and rewrite to include all past and future armed conflicts where Campaign Badges are awarded.

Option 2 – **Expand to include Expeditionary Medals**. Move definition of "veteran" to pension statutes and rewrite to include all past and future armed conflicts where Campaign Badges and Expeditionary Medals are awarded.

a) Should members who purchased partially subsidized interruptive military service credit, who would now qualify because they received an Expeditionary Medal, be refunded the money they paid?
b) Should the change in law apply to retirees, so that retirees who qualify under the new definition would have their pension benefit adjusted to include new service credit after the effective date of the bill?

Option 3 – **Update existing statute.** Update existing list of armed conflicts to include any additional campaign medals not currently included in law.

SUPPORTING INFORMATION

Appendix A: Office of the State Actuary Memo re: Interruptive Military Service, December 6, 2019.

Appendix B: Bill Draft Option 2