



September 29, 2021

## Interruptive Military Service Credit

### COMPREHENSIVE FOLLOW-UP REPORT

By Jacob White

Senior Research & Policy Manager

360-586-2327

[jacob.white@leoff.wa.gov](mailto:jacob.white@leoff.wa.gov)

## ISSUE STATEMENT

Eligibility for no-cost interruptive military service credit is limited to service where a campaign medal was earned and does not include service where an expeditionary medal was earned.

## OVERVIEW

LEOFF Plan 2 members may establish service credit for military service interrupting their LEOFF service. Member contributions are waived for LEOFF Plan 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.

## BACKGROUND AND POLICY ISSUES

### General Background

Interruptive military service credit applies to all Washington State retirement systems, including LEOFF Plan 2. A member qualifies for this benefit when they take a leave of absence 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 (“reduced-cost interruptive military service credit”).

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.<sup>1</sup> In order to receive partially subsidized credit, a member must have been honorably discharged from their service and unable to qualify for no-cost credit. 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 pays their contributions, the employer and state are billed for 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's service must have been during a "period of war", as defined in RCW 41.04.005(2). "Period of war" is defined under this statute as:

World War I; World War II; The Korean conflict; The Vietnam era<sup>2</sup>; The Persian Gulf War<sup>3</sup>; The period beginning on the date of any future declaration of war by the congress and ending on the date prescribed by presidential proclamation or concurrent resolution of the congress; and

Any armed conflicts, if the participant was awarded the respective campaign badge or medal, or if the service was such that a campaign badge or medal would have been awarded, except that the member already received a campaign badge or medal for a prior deployment during that same conflict.

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.<sup>4</sup>

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

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<sup>1</sup> 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.

<sup>2</sup> Which means: The period beginning on February 28, 1961, and ending on May 7, 1975, in the case of a veteran who served in the Republic of Vietnam during that period; the period beginning August 5, 1964, and ending on May 7, 1975.

<sup>3</sup> Which was the period beginning August 2, 1990, and ending on February 28, 1991, or ending on November 30, 1995, if the participant was awarded a campaign badge or medal for such period.

<sup>4</sup> 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.

“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.”

Interruptive military service that does not meet the definition of “period of war” does not qualify for no-cost interruptive military service credit. However, it does qualify for partially subsidized interruptive military service credit.

**Legislative History**

No-cost interruptive military service credit was created in 2009, with the passage of HB 1548. HB 1548 was endorsed by the SPP and the LEOFF Plan 2 Board. 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 interruptive military service credit at receiving a campaign badge.

In 2009, the LEOFF Plan 2 Board report<sup>5</sup> 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 Plan 2 Board and the SPP 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

<sup>5</sup> [http://leoff.wa.gov/wp-content/uploads/2015/06/121708.6\\_Interruptive-Military-Service-Credit.pdf](http://leoff.wa.gov/wp-content/uploads/2015/06/121708.6_Interruptive-Military-Service-Credit.pdf)

	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 required the LEOFF Plan 2 Board to study interruptive military service credit for members not awarded a campaign badge or medal. The LEOFF Plan 2 Board completed that study during the 2017 interim and submitted the report to the legislature on January 1, 2018.

As a result of that study the LEOFF Plan 2 Board endorsed legislation (HB 2701) in 2018. This legislation added a provision to ensure that eligibility for no-cost 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 became effective June 7, 2018.

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

HB 2544 (2020) redefined “period of war” in RCW 41.04.005 to no longer identify specific conflicts and instead recognize all service from which a campaign badge or medal was earned. The LEOFF Plan 2 Board endorsed this legislation because it removes the need to amend “period of war” for each new conflict that qualifies for no-cost interrupt military service credit. HB 2544 (2020) also required the LEOFF Plan 2 Board and the Select Committee on Pension Policy to submit studies to the legislature on expanding the eligibility of no-cost interruptive military service credit. The Board voted to defer until next year making a recommendation to expand the no-cost interruptive military service credit benefit to service where the member earned an expeditionary medal. The Board expressed support of the policy to expand but also expressed concerns regarding the cost of the benefit and the expected state and local budget environment due to unknown revenue impacts from Covid-19.

### **Department of Defense**

Campaign, Expeditionary, and Service (CE&S) medals recognize service members’ 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.<sup>6</sup>

There are four categories of CE&S medals:

- **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 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 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.<sup>7</sup>

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

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<sup>6</sup> 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](https://www.esd.whs.mil/Portals/54/Documents/DD/issuances/dodm/1348.33_Vol2.pdf?ver=2018-03-29-102726-900)

<sup>7</sup> 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](https://www.esd.whs.mil/Portals/54/Documents/DD/issuances/dodm/1348.33_Vol2.pdf?ver=2018-03-29-102726-900)

**Table 1: Categories of CE&S Medals**

Title of Decoration <sup>1</sup>	Sub-category of CE&S Medals
Southwest Asia Service Medal <sup>2</sup>	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
<p>Note 1: This list is not all-inclusive. Military Departments also have CE&amp;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.</p> <p>Note 2: Before DoD established comprehensive CE&amp;S medal policy, the naming conventions for DoD CE&amp;S medals were inconsistent. This resulted in several medals with names that do not match the CE&amp;S medal category to which they are assigned.</p>	

**LEOFF Plan 2 Interruptive Military Service Credit Data**

Between 2009 and 2019, 534 LEOFF Plan 2 members received no-cost interruptive military service credit. Those members received an average of 9.75 months of service credit.

During that same time period, 24 LEOFF Plan 2 members purchased partially subsidized interruptive military service credit. Those members purchased an average of 8.85 months of service credit. 40 LEOFF Plan 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 ELIGIBILITY**

In 2020 the Office of the State Actuary (OSA) completed an actuarial fiscal note for expanding no-cost interruptive military service credit to interruptive service where the member earned an expeditionary medal. OSA categorized the fiscal impacts prospectively (interruptive military service that occurs after the effective date of the bill) and retroactively (interruptive military service that occurred before the effective date of the bill). Below is a table from OSA of the contribution rate impact and the 25 year costs of the proposal:

<b>(1) Prospective</b>		<b>(2) Retroactive</b>	
<b>Impact on Contribution Rates</b>		<b>Impact on Contribution Rates</b>	
<b>System/Plan</b>	<b>LEOFF 2</b>	<b>System/Plan</b>	<b>LEOFF 2</b>
<b>Current Members</b>		<b>Current Members</b>	
Employee	0.0013%	Employee	0.019%
Employer	0.0008%	Employer	0.012%
State	0.0005%	State	0.008%

  

<b>25-Year Budget Impacts</b>		<b>25-Year Budget Impacts</b>	
<i>(Dollars in Millions)</i>	<b>LEOFF 2</b>	<i>(Dollars in Millions)</i>	<b>LEOFF 2</b>
<b>2021-2046</b>		<b>2021-2046</b>	
General Fund	\$0.3	General Fund	\$4
Non-General Fund	0.0	Non-General Fund	0
<b>Total State</b>	<b>\$0.3</b>	<b>Total State</b>	<b>\$4</b>
Local Government	0.4	Local Government	5
<b>Total Employer</b>	<b>\$0.7</b>	<b>Total Employer</b>	<b>\$9</b>
<b>Total Employee</b>	<b>\$0.7</b>	<b>Total Employee</b>	<b>\$9</b>

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

In December 2020, after OSA had completed their fiscal note, the LEOFF 2 Board received a response to a Freedom of Information Act request from the Department of Defense. IN preparation for this report OSA reviewed this data and provided the board with their initial analysis of the impacts of the data to their prior actuarial fiscal note analysis. Based on this new data set, OSA found that:

1. The ratio of Expeditionary-to-Campaign Medals could be lower than previously expected, potentially reducing the expected cost of this proposal by approximately 25 percent – both Prospective and Retroactive
2. At the same time, it appears that Expeditionary Medals were granted at a higher rate in the early 2000's than initially anticipated. OSA anticipates this could roughly double the Retroactive costs from their previous estimates
  - When combined with the impact of bullet 1, above, OSA believes the overall Retroactive costs could be around 50 percent larger than what is shown in the table above

## **OTHER STATES**

LEOFF Plan 2 contacted staff from other state retirement systems for information and data regarding their members' receipt of interruptive military service credit, as well as the requirements for receiving such credit.

Idaho PERS allows their members a maximum of five years of no-cost military service credit, similar to Washington. Wisconsin Retirement Systems allows a maximum of four years of no-cost military service credit, unless the service is involuntary. Minnesota Retirement Systems and Oregon PERS do not offer no-cost interruptive military service credit. Research and communications with staff members from other state retirement systems shows that none of these states require their members to have earned a specific medal, or to have served in a specific conflict to receive no-cost or partially subsidized interruptive military service credit. Among the states that provided information and offer no-cost interruptive military service credit, the requirements for earning no-cost credit are much broader than Washington.

Below is a comparison among other states based on total members, members receiving interruptive military service credit, average no-cost service credit received, maximum amount of no-cost service granted, and qualifications to receive no-cost military service credit.

STATE	TOTAL MEMBERS	MEMBERS WITH INTERRUPTIVE MILITARY SERVICE CREDIT	AVERAGE SERVICE CREDIT RECEIVED	MAXIMUM NO-COST SERVICE CREDIT GRANTED	QUALIFICATIONS FOR NO-COST SERVICE CREDIT
IDAHO (PERSI)	160,000	500	5-6 months	5 years	Member must enter military service within 90 days of leaving PERSI employment, and must return to PERSI employment within 90 day of release from active duty.
MINNESOTA (MSRS)	134,000	12	–	n/a	No-cost credit not offered.
OREGON (PERS)	374,000	1,083	–	n/a	No-cost credit not offered. Must be purchased by member or employer.
WASHINGTON (DRS)	523,000	8,339	9 months	5 years	Must have been awarded a campaign medal from serving in combat zones.
WASHINGTON (LEOFF 2)	24,000	574	10 months	5 years	Must have been awarded a campaign medal from serving in combat zones.
WISCONSIN (WRS)	642,000	784	2 years	4 years	Left WRS employment to serve in the armed forces and return to employment within 180 days. Member may be responsible for employee contributions, under some circumstances.

## SUPPORTING INFORMATION

**Appendix A:** September 2021 Letter from the Office of the State Actuary regarding Interruptive Military Service Credit





# Office of the State Actuary

*“Supporting financial security for generations.”*

September 16, 2021

Jacob White  
Senior Research & Policy Manager  
LEOFF Plan 2 Retirement Board

*Delivered via email.*

## **SUBJECT: UPDATE ON IMSC FOR EXPEDITIONARY MEDALS**

As requested, this letter shares the estimated cost of providing Interruptive Military Service Credit (IMSC) for members of the Law Enforcement Officers’ and Fire Fighters’ Retirement Plan 2 (LEOFF 2) who have earned an Expeditionary Medal. It’s our understanding that this communication is intended to provide Board members with a general sense for the expected costs when evaluating their policy options.

More specifically, the contribution rate and budget impacts table matches our analysis from the 2020 Interim [IMSC Study](#) for the Select Committee on Pension Policy (SCPP), pages 74-81. We also wanted to illustrate how these pricing results may change given the new data from the Department of Defense (DoD) that was received late last year.

In terms of next steps, we will incorporate any feedback from the Board and prepare updated pricing analysis for your November meeting. Otherwise, please let us know if you have any questions or how we can be of any further assistance.

Best Regards,

Michael T. Harbour, ASA, MAAA  
Actuary

### Summary of Analysis

cc: Steve Nelsen,  
Executive Director, LEOFF Plan 2 Retirement Board  
Lisa A. Won, ASA, FCA, MAAA  
Deputy State Actuary, Office of the State Actuary  
Kyle Stineman, ASA, MAAA  
Actuary, Office of the State Actuary

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## SUMMARY OF ANALYSIS

The following tables show the prior pricing results of providing IMSC for members of LEOFF 2 who earn an Expeditionary Medal (1) in the future, and (2) in the past. Please see our IMSC Study (starting on page 74) for the data, assumptions, and methods used to prepare this analysis, as well as some commentary on risk as it relates to this proposal.

<b>(1) Prospective</b>	
<b>Impact on Contribution Rates</b>	
System/Plan	LEOFF 2
<b>Current Members</b>	
Employee	0.0013%
Employer	0.0008%
State	0.0005%

<b>25-Year Budget Impacts</b>	
(Dollars in Millions)	LEOFF 2
<b>2021-2046</b>	
General Fund	\$0.3
Non-General Fund	0.0
<b>Total State</b>	<b>\$0.3</b>
Local Government	0.4
<b>Total Employer</b>	<b>\$0.7</b>
<b>Total Employee</b>	<b>\$0.7</b>

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

<b>(2) Retroactive</b>	
<b>Impact on Contribution Rates</b>	
System/Plan	LEOFF 2
<b>Current Members</b>	
Employee	0.019%
Employer	0.012%
State	0.008%

<b>25-Year Budget Impacts</b>	
(Dollars in Millions)	LEOFF 2
<b>2021-2046</b>	
General Fund	\$4
Non-General Fund	0
<b>Total State</b>	<b>\$4</b>
Local Government	5
<b>Total Employer</b>	<b>\$9</b>
<b>Total Employee</b>	<b>\$9</b>

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

As discussed in the IMSC Study (page 80), we received additional data from the DoD after completing our original analysis. Based upon this new info, we share the following:

- A. The ratio of Expeditionary-to-Campaign Medals could be lower than our assumed one-to-one relationship, thus potentially reducing the expected cost of this proposal by approximately 25 percent – both Prospective and Retroactive.
- B. At the same time, it appears that Expeditionary Medals were granted at a higher rate in the early 2000's than initially anticipated. By itself, we anticipate this could roughly double the Retroactive costs from our previous estimates.
  - When combined with the impact of bullet A, above, we believe the overall Retroactive costs could be around 50 percent larger than what is shown in the table above.



### ***Actuarial Disclosures***

We believe the information presented in this letter is reasonable for the primary purpose stated on page 1; continued reliance on these results beyond the September meeting may not be appropriate. Specifically, we caution that updated analysis could be impacted by the results of our [2020 Actuarial Valuation Report](#) (AVR), as well as possible changes from the state actuary's recommendations as part of the [2021 Report on Financial Condition and Economic Experience Study](#). Lastly, please see the "Comments on Valuation Model" section within our 2020 AVR for new required actuarial disclosures that are applicable to the same software used to prepare the historical pricing results.

The Office of the State Actuary ("we") prepared this analysis and provided opinions in accordance with Washington State law and accepted Actuarial Standards of Practice. Michael T. Harbour meets the Qualification Standards of the American Academy of Actuaries to render the actuarial opinions contained herein. While this communication is meant to be complete, we are available to provide extra advice and explanations as needed.



# Interruptive Military Service Credit

Comprehensive Follow-up Report  
September 29, 2021

# Issue

- **Should eligibility for no-cost interruptive military service credit be expanded from those who earned campaign medals to also include those who earned expeditionary medals?**

# LEOFF 2 Board 2020 Recommendation

- In 2020 the Legislature required the LEOFF 2 Board and the SCPP to submit studies with recommendations on whether to expand eligibility for no-cost interruptive military service credit
- The Board voted to defer until next year making a recommendation to expand the no-cost interruptive military service credit benefit to service where the member earned an expeditionary medal
  - The Board expressed support of the policy to expand
  - The Board also expressed concerns regarding the cost of the benefit and the expected state and local budget environment due to revenue impacts from Covid-19

# Background

- A member qualifies for this benefit when they take a leave of absence from a DRS covered position to serve in the United States military and the member returns to their employer after their military service is complete
- Two types:
  - Fully subsidized (no-cost interruptive military service credit)
  - Partially subsidized (reduced-cost interruptive military service credit)

# Eligibility

- To receive no-cost service credit, a DRS member must meet the definition of “veteran” under RCW 41.04.005 meaning the member:
  - Served during 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, or
  - Earned a campaign badge or medal



# Legislative History

- **2020**

- HB 2544 redefined “period of war” to no longer identify specific conflicts and instead recognize all service from which a campaign badge or medal was earned
- HB 2544 initially proposed amending RCW 41.04.005 to expand the definition of “period of war” to include those who received an expeditionary medal
- The unknown cost of including to expeditionary medals resulted in an amendment requiring LEOFF 2 and the SCPP to study this expansion of no-cost service credit eligibility

- **2021**

- The Board and the SCPP submitted their studies, and there were no bills to expand eligibility

# Department of Defense Categories of Medals

- **Campaign Medal**
  - Recognize the highest level of personal risk and hardship for members who are deployed to the geographic areas where the combat is actually occurring
- **Expeditionary Medal**
  - Recognize high levels of personal risk and hardship for members deployed in support of combat operations, but who are not in the geographic area where the actual combat is occurring

# Proposed Expansion of Eligibility

- Expand eligibility to interruptive service where an Expeditionary Medal was earned
- Members who purchased partially subsidized service credit and whose service meets the new eligibility requirements would receive a refund for that payment
- Retirees whose service meets the new eligibility requirements would have their benefit recalculated prospectively only

# Example 1 – Retiree purchased service credit

- A retired law enforcement officer earned an expeditionary medal during interruptive military service from their DRS covered position. When retiring they choose to purchase partially subsidized service credit for this interruptive service
- Under the proposal, this retiree would receive a refund from DRS for the payment they made to purchase the partially subsidized service credit and they would continue to receive the same monthly pension payment

## Example 2 – Retiree did not purchase service credit

- A retired fire fighter earned an expeditionary medal during interruptive military service from their DRS covered position. When retiring they choose not to purchase partially subsidized service credit for this interruptive service.
- Under the proposal, this member would have their benefit recalculated prospectively to include the additional no-cost interruptive military service credit they are now eligible for
- This member would not receive a retroactive payment adjusting their benefit from their retirement date

# 2020 Actuarial Fiscal Note

<b>(1) Prospective</b>	
<b>Impact on Contribution Rates</b>	
<b>System/Plan</b>	<b>LEOFF 2</b>
<b>Current Members</b>	
Employee	0.0013%
Employer	0.0008%
State	0.0005%

<b>25-Year Budget Impacts</b>	
<i>(Dollars in Millions)</i>	<b>LEOFF 2</b>
<b>2021-2046</b>	
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<b>Total State</b>	<b>\$0.3</b>
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<b>Total Employee</b>	<b>\$0.7</b>

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

<b>(2) Retroactive</b>	
<b>Impact on Contribution Rates</b>	
<b>System/Plan</b>	<b>LEOFF 2</b>
<b>Current Members</b>	
Employee	0.019%
Employer	0.012%
State	0.008%

<b>25-Year Budget Impacts</b>	
<i>(Dollars in Millions)</i>	<b>LEOFF 2</b>
<b>2021-2046</b>	
General Fund	\$4
Non-General Fund	0
<b>Total State</b>	<b>\$4</b>
Local Government	5
<b>Total Employer</b>	<b>\$9</b>
<b>Total Employee</b>	<b>\$9</b>

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

# 2021 Actuarial Fiscal Note

LEOFF 2 Board received a response to a FOIA request from the Department of Defense last December, OSA reviewed this data and provided the Board with their initial analysis

1. The ratio of Expeditionary-to-Campaign Medals could be lower than previously expected, potentially reducing the expected cost of this proposal by approximately 25 percent – both Prospective and Retroactive
2. At the same time, it appears that Expeditionary Medals were granted at a higher rate in the early 2000's than initially anticipated. OSA anticipates this could roughly double the Retroactive costs from their previous estimates
  - When combined with the impact of bullet 1, above, OSA believes the overall Retroactive costs could be around 50 percent larger than what is shown in the previous table

# SCPP

- In 2020, the SCPP also voted to defer recommending expanding the no-cost interruptive military service credit benefit to service where the member earned an expeditionary medals until next year
- SCPP is planning on scheduling an initial briefing in October from SCPP staff
- SCPP staff is coordinating with LEOFF 2 Board staff



# Next Steps

- LEOFF 2 Board will receive a final briefing on this issue in November



**Thank You**

**Jacob White**

**Senior Research & Policy Manager**

**(360) 586-2327**

**[jacob.white@leoff.wa.gov](mailto:jacob.white@leoff.wa.gov)**