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Purchasing Service Credit for Authorized Leave of Absence

COMPREHENSIVE REPORT

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ISSUE STATEMENT

Only members may purchase service credit for unpaid, authorized leaves of absence unless the member dies while performing uniformed service for the United States.

OVERVIEW

LEOFF Plan 2 members may purchase a maximum of two years of service credit for unpaid, authorized leaves of absence during their career. However, in the event of a member's death their spouse, domestic partner, or eligible children may only purchase service credit if the member's authorized leave of absence was for uniformed services of the United States and resulted in their death.

BACKGROUND AND POLICY ISSUES

Legislative History for Purchasing Service Credit for Authorized Leaves of Absence

LEOFF Plan 2 members have several options for earning and purchasing service credit for time spent on an authorized leave of absence from employment. In 1977, the legislature closed the potential gap in a member's service credit history when it affirmed that a LEOFF Plan 2 member would continue to earn service credit during a paid, authorized leave of absence.¹ The legislature also affirmed that members may receive a career-maximum of two years of service credit for unpaid, authorized leaves of absence.² Members earn this service credit by paying the employer, member, and state contributions plus interest as determined by the Department of Retirement Systems (DRS). Payment must be completed within five years of returning to service

¹ [Laws of 1977, 1st Ex. Sess., ch. 294](#); [RCW 41.26.520\(1\)](#).

² [RCW 41.26.520\(3\)](#).

or prior to retirement, whichever is sooner. If a member does not meet this payment timeframe, they may pay the actuarial value of the service credit prior to retirement.³

In 1992, in response to Operation Desert Shield the legislature aligned the ability of Plan 2 members, of all state retirement systems, to earn interruptive military service credit at the same rate as Plan 1 members.⁴ Specifically for LEOFF Plan 2, members would earn a maximum of four years of service credit if they left their employment to enter uniformed services for the United States.⁵ Members qualified for this service credit if they were honorably discharged and applied for their previous employment within 90 days, and made employee contributions plus interest.⁶ In 1996, the legislature increased the maximum number of years of service credit to five and removed the payment of interest on contributions.⁷

In 2005, the legislature recognized that Plan 2 members, of all state retirement systems, who were not reemployed in a retirement system-covered position following their uniformed service could not “elect to pay the required employee contributions and interest and receive retirement system service credit for service in the armed forces.”⁸ The LEOFF Plan 2 Board endorsed legislation that allowed members who were totally incapacitated for continued employment and surviving spouses or eligible children of members who died while serving the opportunity to purchase service credit for their time spent in uniformed service. If they otherwise met the criteria to qualify for this service credit, the incapacitated member or surviving spouse “on behalf of the deceased member” would pay employee contributions plus interest for the service credit.⁹ Payment must be made in full within five years or prior to the distribution of any benefit, whichever came first.¹⁰

The Select Committee on Pension Policy and LEOFF Plan 2 Board continued their study of interruptive military service and in 2008, the LEOFF Plan 2 Board endorsed legislation to award no-cost interruptive military service credit to members who served during a defined period of war. This bill ultimately passed during the 2009 legislative session.¹¹ Surviving spouses or eligible children of members who died while serving were also eligible for this no-cost service credit.¹²

³ RCW 41.26.520(5).

⁴ [Final Bill Report, ESSB 5092](#) (1992).

⁵ [Laws of 1992, ch. 119, §1](#); RCW 41.26.520(3).

⁶ *Ibid.*

⁷ [Laws of 1996, ch. 61, §1](#); RCW 41.26.520(7).

⁸ [Final Bill Report; Laws of 2005, ch. 64.](#)

⁹ RCW 41.26.520(7)(d) and (e).

¹⁰ *Ibid.*

¹¹ [Laws of 2009, ch. 205, §8](#); RCW 41.26.520(7)(d)(iv).

¹² *Ibid.*

The LEOFF Plan 2 Board endorsed legislation in 2016 to extend interruptive military service credit for surviving family members of those killed while serving in the military, federal emergency management agency (FEMA), or national disaster medical system for the United States.¹³ Surviving spouses, domestic partners, or eligible children could apply for service credit “on behalf of the deceased member” if the member died during a qualifying event on or after March 22, 2014.¹⁴

Current Situation

The current question is whether surviving spouses of LEOFF Plan 2 members who die prior to retirement may purchase service credit “on behalf of the deceased member” for unpaid, authorized leaves of absence unrelated to uniformed service. This arose from a constituent inquiry, specifically the surviving spouse of a LEOFF Plan 2 member who passed away prior to retirement and not in the line of duty. The member intended to purchase service credit for an unpaid, authorized leave of absence but died prior to requesting an estimate from DRS. The surviving spouse requested to make this purchase but was denied by DRS, as the statute specifies only members may make this purchase.

Data from DRS

DRS provided Board staff with the following data, for the timeframe of July 2005 through April 2022¹⁵, of the number of LEOFF Plan 2 members who have purchased service credit for authorized leaves of absence:

- 68 purchased service credit for unpaid, authorized leaves of absence and all purchased at the contributions-plus-interest rate; and,
- 350 purchased service credit for interruptive military service, and no survivors purchased service credit on behalf of the deceased member.

POLICY OPTIONS

Option 1: Propose legislation to allow survivors to purchase service credit on behalf of deceased members for unpaid ALOA.

Option 2: No action at this time.

¹³ [Laws of 2016, ch. 115, §2](#); RCW 41.26.520(7)(f).

¹⁴ *Ibid.*

¹⁵ July 2005 was picked as a starting date because HB 1325 was implemented that month, and the date range aims to provide a comparison for unpaid ALOA purchases.



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Issue

- **Only members may purchase service credit for unpaid, authorized leaves of absence unless the member dies while performing uniformed service for the United States**

Current Event

- **Authorized Leave of Absence (ALOA) time under RCW 41.26.520(3)**
- **Surviving spouse requested to purchase ALOA time on behalf of the deceased member**
- **Not permitted under current statute**

Authorized Leave of Absence

- **RCW 41.26.520(3)**
 - Unpaid, authorized leave of absence, maximum of 2 years during career
 - Member pays employer, member, and state contributions plus interest
 - Timeframe – sooner of 5 years of resuming service or prior to retirement
- **RCW 41.26.520(7) – Interruptive Military Service Credit**

Members who Purchased Service Credit

- Unpaid ALOA service credit
 - 68 members
- Interruptive military service credit
 - 350 members
 - 0 survivors purchased “on behalf of the deceased member”

Next Steps

1. Propose legislation to allow survivors to purchase service credit on behalf of deceased members for unpaid ALOA
2. No action at this time



Thank You

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