



July 23, 2025

Benefit Enhancement/Career Choice

INITIAL CONSIDERATION

By Jacob White

Senior Research & Policy Manager

360-586-2327

jacob.white@leoff.wa.gov

ISSUE STATEMENT

LEOFF 2 retirees who were only eligible for the lump sum benefit enhancement and are unable to collect the benefit because they are active members in another pension plan may have been unintentionally restricted from having a choice for the tiered multiplier benefit enhancement.

OVERVIEW

The interplay between the LEOFF 2 Career Choice Law, the LEOFF 2 Benefit Enhancement, and other state pension laws resulted in a small number of LEOFF 2 retirees being unable to access their lump sum benefit enhancement until they separate from their current non-LEOFF position. This is a situation that was not considered by the Board in the development of the benefit enhancement and has raised the policy question of whether the benefit enhancement legislation should have given these retirees the option between a lump sum or the tiered multiplier benefit.

BACKGROUND AND POLICY ISSUES

Benefit Enhancement

In 2022 the LEOFF 2 Board endorsed legislation, HB 1701, to provide LEOFF 2 members a benefit enhancement. This legislation set a clear line of delineation, based on the retirement status of the member as of February 1, 2021, for determining which benefits members qualified for which benefits.

- Retired on or before February 1, 2021, qualify for a one-time lump sum benefit equal to \$100 per service credit month.
- New to LEOFF 2 after February 1, 2021, qualify for an increased benefit multiplier of 2.5 percent per years of service after 15 years and up to 25 years.
- Active on February 1, 2021, choose between the one-time lump sum payment or the increased benefit multiplier.

The Board determined the date of February 1, 2021 due in part to policy concerns of the impact it would have if the date was after the passage of the bill. There were concerns that this could cause a change to expected member retirement behavior and have unintended impacts to the costs of the proposal and to employers' succession planning.

In the development of the legislation the Board considered numerous different employment, retirement, and beneficiary scenarios and the intended benefits for members in those situations. It was understood at that time that the list of these scenarios was not exhaustive and that it was intended to provide a framework outlining the policy reasoning and logic for determining which benefit enhancement members qualified for.

In 2022, the legislature also passed SB 5791 providing a lump sum benefit enhancement for LEOFF 1 members. The LEOFF 1 benefit enhancement did not include a tiered multiplier benefit for the small number of remaining active members. This benefit enhancement was modeled after the LEOFF 2 lump sum benefit enhancement legislation, except it did include a provision providing interest for LEOFF 1 members who were still active. DRS is applying 2.75% interest to these LEOFF 1 active members lump sum benefit enhancement. For illustrative purposes a member with 45 years of service credit

Career Choice

Prior to 2005 a LEOFF 2 retiree's pension stopped if they returned to work in a job covered by any state-wide public retirement system. The LEOFF 2 Board recognized members could age out of LEOFF positions before they were ready or could afford to leave the workforce. The Board intended to facilitate members' transition to a less physically demanding profession that would allow LEOFF retirees to utilize their knowledge and skills while continuing to serve the public. The Board endorsed career change legislation in 2005 enabling LEOFF 2 retirees to start a second career in non-LEOFF public employment.

The 2005 career change law allows a LEOFF 2 retiree to return to work in a non-LEOFF position and to choose between two options:

1. Receive LEOFF 2 retirement benefits while employed in the non-LEOFF position and be prohibited from entering a new retirement plan; or,
2. Enter into the membership in the new position's retirement plan, make contributions and accrue service credit, and have their LEOFF 2 retirement benefit suspended until the employment covered by the other retirement plan ends.¹

In 2018 DRS provided data to the LEOFF 2 Board regarding the use of the career change law and LEOFF 2 retirees returning to work. At that time 581 retirees had utilized the provisions of the

¹ The member receives the suspended pension payments when they separate from their employment.

career change law since 2005. Ten of those retirees opted to enter membership in a new retirement system. Also, 55 LEOFF retirees reentered LEOFF membership by working in a LEOFF eligible position.

LEOFF 2 retirees who have used the LEOFF 2 career choice law to return to work in a non-LEOFF position and join the new pension system have their LEOFF 2 pension benefits suspended and are not eligible to receive those benefits until they terminate the employment that cause their benefits to be suspended.²

² RCW 41.40.690



Benefit Enhancement/Career Choice

Initial Consideration

July 23, 2025

Issue

- LEOFF 2 retirees who were only eligible for the lump sum benefit enhancement and are unable to collect the benefit because they are active members in another pension plan may have been unintentionally restricted from having a choice for the tiered multiplier benefit enhancement.

Benefit Enhancement

- **LEOFF 2 Retirement Status as of February 1, 2021**
 - **Retired – Lump Sum Benefit**
 - **Active – Choice of Lump Sum or Increased Multiplier**
 - **New Hires – Increased Multiplier**

Members Impacted

- Members who retired from LEOFF 2 and joined membership in a non-LEOFF system prior to February 1, 2021, and are continuing to work in that non-LEOFF position
- 9 members fit this criteria
- They were “active” as of February 1, 2021, but not in LEOFF 2
- Did not have choice of tiered multiplier benefit
- Value of lump sum benefit has diminished since it is not earning interest

Career Choice

- Retirees who return to work in non-LEOFF positions have two options:
 1. Don't join the pension plan and continue to receive LEOFF 2 pension
 2. Join new pension plan and have LEOFF 2 benefit suspended
- Impact on benefit enhancement
 - Option 1 - Receive lump sum payment immediately
 - Option 2 - Lump sum benefit is not payable until member separates
 - State law restriction on receiving a pension payment while contributing to another state retirement plan

Policy Concerns

- Why did the benefit enhancement not allow these members to have choice?
 - This specific group was not discussed
 - Generally, Board identified different policy goals for active vs retired members
- Why did the benefit enhancement not allow for interest on lump sum?
 - Assumed retirees would receive it immediately
 - Active members had choice
 - Cost

LEOFF 1 Example

- L1 active member currently has 521 months of service credit
- Lump Sum Base Benefit - \$100.00 per service credit = \$52,100
- With interest (2.5%) applied = \$55,793

Next Steps

1. No further action
2. Motion for a Comprehensive Briefing



Thank You

Jacob White

Senior Research and Policy Manager

jacob.white@leoff.wa.gov