LEOFF Plan 2 Retirement Board

November 19, 2025

Standby Pay

COMPREHENSIVE REPORT FOLLOW-UP

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ISSUE STATEMENT

"Standby pay" is not considered basic salary for LEOFF 2 members, while it is for PERS and PSERS members.

OVERVIEW

"Standby pay" is not considered basic salary in LEOFF 2 because it is not specifically identified as earnable compensation in law and because the Department of Retirement Systems (DRS) has determined that it does not fall under the general definition of "compensation for services rendered".

BACKGROUND AND POLICY ISSUES

Some LEOFF Plan 2 members receive standby pay while off-duty in exchange for being prepared to report to work on short notice. This payment is not considered compensation for services rendered and is not reportable compensation for LEOFF Plan 2.

The Board considered this issue during the 2016 and 2018 interims. The Board did not endorse legislation in either of those years.

Standby pay is reportable compensation for pension purposes in two state retirement systems: the Public Employees Retirement System (PERS) and the Public Safety Employees Retirement system (PSERS). It is considered reportable compensation because the legislature has specifically identified it as being so for those systems.

In 1994, legislation was enacted[1] that allowed the inclusion of standby pay in compensation earnable for the Public Employees' Retirement System (PERS) when: (1) the member is required to be present at, or in the immediate vicinity of, a specified location; and (2) the employer requires the member to be prepared to report immediately for work if the need arises. In 1995,

[1] C 177 L94 (ESHB 2644)

the requirement that the member must be present at or in the immediate vicinity of a specified location was removed.[2] Standby pay was included as compensation earnable for the Public Safety Employees Retirement System when it was created in 2003[3].

Reportable Compensation/Basic Salary

"Reportable compensation" is used in determining a state retirement system member's pension. It is generally defined as salaries and wages payable for services rendered to the employer. DRS determines reportable compensation based upon the nature of the payment made to an employee, not the name given to it. A LEOFF member's salary or wages must meet the definition of "basic salary" in LEOFF retirement law[4] to be subject to retirement system contributions and included in the calculation of his or her retirement benefit.

In LEOFF Plan 2 "reportable compensation" is termed "basic salary". In order for compensation to be reportable to DRS for LEOFF, it must be basic salary. Basic salary for LEOFF Plan 2 is a payment that is a salary or wage earned during a calendar month for personal services rendered by a member to an employer.

Certain payments that are not for personal services rendered by a member also qualify if there are specific provisions in the laws identifying them as basic salary. Payments not specifically identified in the rules qualify as basic salary only if the payments are for services rendered. [5]

Standby pay is one such payment that does not qualify as basic salary for LEOFF as it is not considered pay for services rendered and is not included by law as basic salary.

Standby Pay is Not Basic Salary in LEOFF

Standby pay is a nominal rate of pay provided in exchange for the employee being available to come to work quickly if called, though he or she might not be called. While on standby an employee is usually confined to a specified geographic area and prohibited from consuming alcohol or other intoxicants. If the employee is called in, they usually earn overtime for periods actually worked.

DRS excludes standby pay from LEOFF basic salary. DRS does not consider standby pay compensation for services rendered[6]. While ready to work if called, an employee on standby is engaged in personal activities, not performing work for their employer.

DRS has identified what is and is not considered Basic Salary with the following chart in WAC 415-104-299:

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[2] C 244 L 95 (SSB 5118)
[3] PSERS was removed as a membership subset from PERS in 2003 when it was created.
[4] see RCW 41.26.030 and WAC 415-104-298
[5] WAC 415-104-299 Basic Salary Table
[6] see RCW 41.26.030(4)(b) and WAC 415-104-393

Type of Payment	LEOFF 2 Basic Salary?
Additional Duty Pay	Yes - WAC **415-104-360**
Allowances (i.e. uniform)	No - WAC **415-104-390**
Basic Monthly Rate	Yes - WAC **415-104-360**
Cafeteria Plans	Yes - WAC **415-104-367**
Deferred Wages Attached to Position	Yes - WAC **415-104-363**(1)
Deferred Wages not attached to a Position	No - WAC **415-104-363**(2)
Disability Payments	No - WAC **415-104-380**
Education Attainment Pay	Yes - WAC **415-104-375**
Employer taxes/contributions	No - WAC **415-104-383**
Fringe Benefits, including insurance	No - WAC **415-104-385**
Illegal Payments	No - WAC **415-104-387**
Leave Cash Outs/Severance	No - WAC **415-104-401**
Longevity	Yes - WAC **415-104-375**
Overtime	Yes - WAC **415-104-370**
Paid Leave	Yes - WAC **415-104-373**
Payments in Lieu of Excluded Items	No - WAC **415-104-405**
Performance Bonuses	Yes - WAC **415-104-377**
Retroactive Salary Increase	Yes - WAC **415-104-365**
Reimbursements	No - WAC **415-104-390**
Retirement or Termination Bonuses	No - WAC **415-104-395**
Shift Differential	Yes - WAC **415-104-379**
Special Salary or Wages	Yes - WAC **415-104-375**
Standby Pay	No - WAC **415-104-393**
Tuition/Fee Reimbursement	No - WAC **415-104-390**
Workers' Compensation	No - WAC **415-104-380**

Compensation for Standby Pay

The rate of standby pay varies. Below are some examples:

- Firefighter examples:
  - Reduced rate of pay – some jurisdictions pay an hourly standby wage at a reduced rate of pay such as 10% of regular pay.
  - Reduced hours – some jurisdictions pay a full overtime wage for a reduced number of hours. For instance, one employer pays one hour of overtime for a 12-hour standby shift.

- Law enforcement examples:
    - 4 hours pay for being on standby, additional pay if called in for more than 4 hours.
    - No standby pay but guaranteed 4 hour pay minimum if called in.

2024 Data

There isn't a single source of data for how many LEOFF employers pay standby pay and how much those employers have paid in standby pay to LEOFF 2 members. Therefore, LEOFF 2 Board staff made a sampling of public records requests throughout the state to gather data for analysis. In 2024 the following data was gathered:

Fiscal Year 2023 Standby Pay Data			
Department	Number	Total Standby Pay	Average Standby Pay
Tacoma Police	361	$303,870	$842
Spokane Police	368	$486,891	$1,323
Wenatchee Police	40	$0	$0
Tacoma Fire	543	$109,913	$202
Yakima Fire	107	$0	$0
Bellevue Fire	217	$0	$0
Spokane Fire	365	$24,252	$66
Total	**2,001**	**$924,925**	**$462**

Note: Totals may not agree due to rounding.

The City of Seattle also provided data; however, there were inconsistences with the data provided which prevented it from being used in this report.

In 2025 Board staff gathered additional data from employers; including King County Sherrif Office; City of Renton Police Department; City of Vancouver Police Department; City of Puyallup Police Department; City of Bellevue Police Department; and the City of Tacoma Fire Department.

2024 Pricing from Office of State Actuary

OSA did not receive enough data (only about 10% of member data) to be able to provide a full pricing last year. Instead, they calculated a high and low estimate given the limited amount of data and large variance in standby pay amounts by department. Based on the data above the Office of the State Actuary (OSA) provided the following preliminary pricing for adding standby pay as basic salary for LEOFF 2:

Preliminary Pricing Results		
(Dollars in Millions)	Low Estimate	High Estimate
Change in Present Value of Benefits	$5	$45
Change in Present Value of Salaries	12	109
Rounded Employee Rate Impact*	**0.00%**	**0.04%**

**We use the rounded Aggregate contribution rate impact when calculating a supplemental rate. Employers and the state pay 60 and 40 percent of this rate, respectively.*

Follow-up

At the December 2024 Board meeting, the Board directed staff to continue to gather information on this topic for a follow-up presentation in 2025. During this time Board staff gathered additional data from employers. However, stakeholders helped identify concerns with the data that had been gathered.

The most potentially significant of these concerns is that employers may have types of pay that meet the general definition of standby pay; however, they are called something different. An example of this is with the King County Sherrif's Office (KCSO). KCSO has "standby pay" and "weekend on-call duty pay". Both appear to meet the PERS definition of "standby pay":

(1) the member is required to be present at, or in the immediate vicinity of, a specified location; and
(2) the employer requires the member to be prepared to report immediately for work if the need arises.

For FY 2023 KCSO paid $25,017 in what is defined as standby pay in their payroll system and $560,091 in weekend on call duty pay.

It is unclear if other employers have similar types of pay that would meet definition of "standby pay" but are not called standby pay. Board staff made follow-up requests to the employers that had already provided data and none of those employers identified additional pay types that would likely meet the PERS definition of standby pay. However, as of this time not all of the employers have responded to that request.

POLICY OPTIONS

Option 1: Add standby pay to definition of basic salary

- Pros – Aligns LEOFF 2 with other state pension plans
- Cons – Increases cost of the plan; data used to identify costs is a small sampling and may not be enough to identify the costs accurately

Option 2: Direct staff to gather additional data and report to Board next interim

- Pros – More accurate pricing analysis
- Cons – LEOFF 2 members continue to not have standby pay considered basic salary

SUPPORTING INFORMATION

Appendix A: Bill Draft

Appendix B: Email from OSA, “LEOFF 2 Standby Pay Pricing Request”, December 10, 2024.

LEOFF
Plan 2 Retirement Board

Standby Pay

Comprehensive Report Follow Up
November 19, 2025

Issue

- “Standby pay” is not considered basic salary for LEOFF 2 members, while it is for PERS and PSERS members.

Standby Pay Conditions

- Typical Standby Pay Conditions
  - Present at a specified location/timeframe or is immediately available to be contacted
  - Prepared to report immediately for work if the need arises
  - Must not be impaired
  - Less than full pay

Data From Last Year

Fiscal Year 2023 Standby Pay Data			
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2024 Pricing

Preliminary Pricing Results		
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Change in Present Value of Benefits	$5	$45
Change in Present Value of Salaries	12	109
Rounded Employee Rate Impact*	**0.00%**	**0.04%**

**We use the rounded Aggregate contribution rate impact when calculating a supplemental rate. Employers and the state pay 60 and 40 percent of this rate, respectively.*

Additional Data Gathered

- King County Sheriff Office
- City of Renton Police Department
- City of Vancouver Police Department
- City of Puyallup Police Department
- City of Bellevue Police Department
- City of Tacoma Fire Department

Data Concern – "Standby Pay"

King County has "standby pay" and "weekend on-call duty pay"

- Both appear to meet PERS definition of "standby pay"
- Standby – $25,017 in FY 2023
- Weekend on call duty – $560,091 in FY 2023

Unclear if other employers have similar types of pay that would meet definition of "standby pay"

- Made follow up requests to employers included in current data set

Other Data Concerns

- Received useable data from a small number of employers
- Data is another year older and with changes highlighted in demographic and experience study it may not be representative of how standby pay is currently being used by employers

Policy Option

1. Add standby pay to definition of basic salary
   - Pros – Aligns LEOFF 2 with other state pension plans
   - Cons – Increases cost of the plan; data used to identify costs is a small sampling and may not be indicative of the true cost.

Possible Board Action

1. Motion for final briefing in December
2. Motion to direct staff to gather new data and provide a follow up presentation next interim
3. No action

Thank You

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