

# SENATE BILL REPORT

## SB 5306

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As of January 20, 2025

**Title:** An act relating to the purchase of pension service credit for authorized leaves of absence.

**Brief Description:** Concerning the purchase of pension service credit for authorized leaves of absence.

**Sponsors:** Senators Holy, Riccelli, Bateman, Conway, Krishnadasan and Nobles; by request of LEOFF Plan 2 Retirement Board.

**Brief History:**

**Committee Activity:** Ways & Means: 1/23/25.

**Brief Summary of Bill**

- Allows members of the Law Enforcement Officer and Firefighter Retirement System Plan 2 to purchase Authorized Leave of Absence Purchase Service Credit when they retire instead of returning to work after the authorized leave of absence.

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### SENATE COMMITTEE ON WAYS & MEANS

**Staff:** Amanda Cecil (786-7460)

**Background:** When a member of the Law Enforcement Officer and Firefighter Retirement System Plan 2 (LEOFF plan 2) returns from an Authorized Leave of Absence (ALOA) they may be eligible to purchase up to two years of service credit. If they purchase the credit within five years of returning to work they must pay both the member and employer contributions plus interest for that period. After five years the member can still purchase service credit by paying the present value of the service credit.

If the member retires instead of returning to work after an ALOA they are ineligible to purchase credit under the ALOA purchase program but may purchase an annuity for that

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time when they retire by paying for the cost of the present value of the service credit. Service credit purchased as an annuity does not count towards qualifying for early retirement or benefit enhancements.

To illustrate the difference in cost between the options, the Office of the State Actuary provided the following example of the potential cost difference between paying contributions plus interest versus paying the present value of the service credit for the same six month period of time.

<u>Six-Month Service Credit Purchase Example.</u>	
(A) Contributions	\$11,500
(B) Estimated Interest*	<u>400</u>
Total Purchase Amount (A)+(B)	<u>\$11,900</u>
Present Value of Service Credit	<u>\$20,000</u>

\*Assumed 7 percent annual interest charged on contributions for purchased service amount.  
 Source: LEOFF 2 Board Authorized Leave of Absence Service Credit—Comprehensive Report December 18, 2024.

**Summary of Bill:** A LEOFF plan 2 member who retires after an ALOA instead of returning to work is eligible to purchase up to two years of ALOA purchase service credit. In this case the contributions required shall be calculated based on the member's basic salary at the time the ALOA was granted and adjusted for any cost-of-living or other pay increases provided to similar jobs or job classes during the leave period.

**Appropriation:** None.

**Fiscal Note:** Available.

**Creates Committee/Commission/Task Force that includes Legislative members:** No.

**Effective Date:** Ninety days after adjournment of session in which bill is passed.