

Department of Legislative Services
Maryland General Assembly
2024 Session

FISCAL AND POLICY NOTE
First Reader

Senate Bill 8

(Senator Watson)

Budget and Taxation

State and Local Retirement and Pension Systems - Service Credit - Returned
Peace Corps Volunteers

This bill entitles a member of a State or local retirement or pension system to up to 5 years of service credit for a period of absence from State or local government employment while serving in the Peace Corps. It also entitles a member of a State retirement or pension system to up to 5 years of service credit for Peace Corps service that occurred *prior* to State employment, upon reaching 10 years of service credit in a State system. **The bill takes effect July 1, 2024.**

Fiscal Summary

State Effect: Potential increase in State pension liabilities and contribution rates beginning in FY 2026 to the extent that State Retirement and Pension System (SRPS) members earn additional service credit, but a reliable estimate is not feasible. No effect on revenues.

Local Effect: As with the State, potential increase in local pension liabilities and contribution rates beginning in FY 2026 to the extent that members earn additional service credit, but a reliable estimate is not feasible. No effect on revenues.

Small Business Effect: None.

Analysis

Bill Summary:

Peace Corps Service

“Peace Corps volunteer service” is defined as time a returned Peace Corps volunteer spent training to be, or volunteering as, a Peace Corps volunteer or Peace Corps response volunteer. It does not include time spent training to be, volunteering as, working as, or

otherwise being (1) an employee of the Peace Corps; (2) a fellow receiving tuition assistance or other academic support from the Peace Corps; or (3) a recruiter for the Peace Corps.

A “returned Peace Corps volunteer” is an individual certified by the Peace Corps director as having served satisfactorily as a Peace Corps volunteer. It includes an individual who served as a Peace Corps volunteer for more than one year before discontinuing services due to medical hardship or personal hardship. It does not include an individual who was involuntarily dismissed from the Peace Corps.

During a period of absence from employment for Peace Corps volunteer service, the member or member’s estate is not entitled to specified disability or death benefits. Upon reemployment, the member retains the status and rights as a member.

Eligibility for Service Credit

A member of a State or local retirement or pension system whose service is interrupted by Peace Corps volunteer service is eligible for up to five years of service credit if:

- the individual does not withdraw any accumulated contributions, or redeposits withdrawn contributions with interest;
- within one year after the member leaves Peace Corps service, the individual is employed by the State or local government and is not employed by any other employer, except for temporary employment as specified; and
- applies for service credit with the State or local government retirement or pension system in which the individual was a member before Peace Corps service.

For service credit for prior Peace Corps service, an individual must be a member or former member of a State retirement or pension system and have earned at least 10 years of service credit in the system. However, the member may not receive credit for Peace Corps volunteer service if the member receives credit for that service from another retirement system, as specified. Members of the Legislative Pension Plan are not eligible for service credit for Peace Corps service unless authorized in the appropriate Joint Resolution.

Awarding of Service Credit

For service credit awarded in a State system for an interruption in employment, the credit is awarded using the accrual rate at the time the individual retires from State service. Credit earned in this manner may transfer to another State or local retirement system.

Service credit awarded to a member of a State system for prior Peace Corps service is applied using the accrual rate in effect when the individual submits an application for credit.

Current Law: There are no provisions in State pension law related to Peace Corps service, but the State does award service credit for service in the military.

Credit for Military Service That Precedes Employment

In general, any member or vested former member of SRPS who accrues 10 years of service as a member of any State plan may receive 1 year of additional service credit for each year of active military duty performed prior to membership in SRPS, up to a maximum of 5 years. That credit is granted at no cost to the member or former member and is applied using the accrual rate in effect when the member or former member submits an application for the credit to the State Retirement Agency (SRA).

A member of the Maryland National Guard or a reserve component of the U.S. Armed Forces who is not activated for military service receives service credit at the rate of 4 months for each full year of service in the Maryland National Guard or reserves, up to 36 months.

However, SRPS members or vested former members who claim credit for the same military service from another retirement system may not receive military service credit from SRPS, unless they claimed credit for that military service from:

- Social Security;
- the National Railroad Retirement Act; or
- National Guard or military reserves pensions (Title 3 or Title 10 of the U.S. Code).

This generally means that any SRPS member receiving a military pension after completing 20 years of *active* military service cannot claim the military service credit from SRPS.

Credit for Military Service That Interrupts Employment

In general, a member of a State or local retirement or pension system must receive service credit for a period of absence from employment while in military service if (1) the member returns to active employment and (2) membership in a State or local retirement or pension system is a requirement of employment. Service credit awarded for an absence due to military service cannot exceed five years. For a member of a State system, the service credit applies to the individual's retirement allowance using the accrual rate in effect at the time the individual retires.

For SRPS members, the five-year cap on military service credit applies to the combined total of credit earned for military service during or prior to employment.

State Expenditures: Neither SRA nor the Department of Budget and Management has information on SRPS members' prior service in the Peace Corps. Similarly, the number of State employees who interrupt State service to enroll in the Peace Corps (and then return to work for the State) cannot be predicted. Therefore, a reliable estimate of the bill's effect is not feasible. Nevertheless, to the extent that a member of SRPS elects to enroll in the Peace Corps (and returns to work) or previously served in the Peace Corps and reaches 10 years of service, State pension liabilities and contribution rates increase due to the additional service credit awarded to the member.

Local Expenditures: As with the State, local pension liabilities and contribution rates increase to the extent that members of local retirement and pension system qualify for and receive the additional service credit under the bill, but a reliable estimate is not feasible.

Additional Comments: SRA notes that in the likely rare instance when an individual serves in both the military and the Peace Corps, under the bill, the individual would be entitled to up to 10 years of service credit at no cost to the individual.

Additional Information

Recent Prior Introductions: Similar legislation has not been introduced within the last three years.

Designated Cross File: None.

Information Source(s): Maryland Association of Counties; Maryland Municipal League; Department of Budget and Management; State Retirement Agency; Department of Legislative Services

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