

Department of Fiscal Services
Maryland General Assembly

FISCAL NOTE

Senate Bill 119 (Senator Boozer)
Budget and Taxation

Military Service Credit - Membership in National Guard

This bill provides members of the Maryland State Retirement and Pension System (MSRPS) and local pension systems with four months of military service credit for each year of service with the Maryland National Guard, up to a maximum of 36 months of military service credit for Maryland National Guard service.

Fiscal Summary

State Effect: State expenditures could increase by up to \$430,000 beginning in FY 1999 as a result of higher employer contributions to MSRPS if 436 members receive three years of service credit. Out-year costs reflect 5% annual increases. Revenues would not be affected.

| (in dollars) | FY 1998 | FY 1999 | FY 2000 | FY 2001 | FY 2002 |
|--------------|---------|-------------|-------------|-------------|-------------|
| Revenues | \$0 | \$0 | \$0 | \$0 | \$0 |
| Expenditures | 0 | 430,000 | 451,500 | 474,000 | 497,800 |
| Net Effect | \$0 | (\$430,000) | (\$451,500) | (\$474,000) | (\$497,800) |

Note: () - decrease; GF - general funds; FF - federal funds; SF - special funds

Local Effect: Total expenditures for those governments that participate in the MSRPS could increase by up to \$40,000 in FY 1998. Expenditures for those jurisdictions that do not participate in the MSRPS would increase by an indeterminate amount. Revenues would not be affected. **This bill imposes a mandate on a unit of local government.**

Small Business Effect: None. The bill would not directly affect small businesses.

Fiscal Analysis

State Expenditures: This bill provides military service credit for members of State and local pension systems that are in the Maryland National Guard. The State Military Department estimates that there are presently approximately 8,000 active members of the Maryland Army and Air National Guard. The State Retirement Agency estimates that approximately 5% of these individuals are active members of the MSRPS (i.e., current State employees or employees of local governments that participate in the MSRPS). The agency also estimates that an additional 100 active members of the MSRPS have served previously in the Maryland National Guard and would also be eligible for such military service credits. Thus it is estimated that 501 members of the State system may be eligible for military service credit under this provision, of which 436 are estimated to be State employees and 65 are estimated to be employees of participating local governments.

Assuming that all 501 of these MSRPS members have served at least nine years in the Maryland National Guard, these members would each be eligible for an additional three years of military service credit. Many of these members, however, may already have military service credit as a result of having been on active duty either during or prior to their State service (in the latter case, only after ten years of State service). Because the law prohibits more than five years of military service credit, some of these 500 members may not be able to take advantage of the full three years of credit resulting from National Guard service. Because it cannot be determined how much of this National Guard military service credit might be preempted by other military service credit, this issue is not taken into account in the fiscal estimate.

The State's actuary estimates that if 436 State employee members of the MSRPS were to receive an additional three years of military service credit, the increased liability to the MSRPS would be \$7.5 million, which would be amortized over the next 21 years until the year 2020 at a first year cost of \$430,000 beginning in fiscal 1999. Future year expenditures would increase 5% annually.

Local Expenditures: Under the bill, all local retirement or pension systems would be required to provide military service credit of up to three years for Maryland National Guard service, including those systems that are independent of the MSRPS.

For systems that do participate in the MSRPS, the actuary estimates that the bill would increase total liabilities by \$650,000, which would be amortized over the next 21 years until the year 2020 at a first year cost of \$40,000 beginning in fiscal 1999. Future year expenditures would increase 5% annually. The actuary was not able to provide costs based on individual participating governmental units.

The Department of Fiscal Services surveyed six of the largest jurisdictions that operate their own pension systems. Of the three counties that provided responses, only one of them, Howard County, was able to estimate how many of its employees currently served or had previously served in the Maryland National Guard. Howard County estimates that at least 12 of its 1,900 government employees, excluding teachers, are members of the Maryland National Guard, and that three years of additional service credit would cost the county \$1,000 per month per employee for the life of each of these employees.

Information Source(s): Maryland State Retirement Agency; Milliman & Robertson, Inc.; Frederick County; Howard County; Montgomery County; Department of Fiscal Services

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