

Department of Legislative Services
 Maryland General Assembly

FISCAL NOTE
Revised

House Bill 251 (Delegate Conway, *et al.*)

Appropriations

Military Service Credit - Membership in the 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 a unit of the National Guard, up to a maximum of 36 months.

Fiscal Summary

State Effect: State expenditures could increase by up to \$675,000 beginning in FY 2000 as a result of higher employer contributions to MSRPS if 661 members receive three years of service credit. Out-year costs reflect 5% annual increases. Revenues would not be affected.

(in dollars)	FY 1999	FY 2000	FY 2001	FY 2002	FY 2003
Revenues	\$0	\$0	\$0	\$0	\$0
Expenditures	0	675,000	708,800	744,200	781,400
Net Effect	\$0	(\$675,000)	(\$708,800)	(\$744,200)	(\$781,400)

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 \$28,100 in FY 2000. 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.

Fiscal Analysis

State Expenditures: This bill provides pension credit for military service with a unit of the National Guard while the member was a member of a State or local pension system at a rate of four months for each full year of service, not to exceed a total of 36 months.

The State Military Department estimates that there are currently 8,198 active members of the Maryland Army and Air National Guard. There are several categories of State and local employees who could be eligible for military service credits under the bill:

- The Military Department estimates that there are currently 109 State employees with 10 or more years of State service who are active Maryland National Guard members.
- There are an indeterminate number of State employees with less than 10 years of State service who participate in the Maryland National Guard and who would be eligible for military credits upon attaining 10 years of service.
- There are an indeterminate number of current State employees who have served previously in the Maryland National Guard and who would also be eligible for such military service credits.
- Finally, there are a corresponding number of Teachers' Pension System members in the above three categories who, while local employees, would be eligible for the extra pension credits at the State's expense.

In total it is estimated that there are 436 State employees and teachers who currently participate, or have participated, in the Maryland National Guard and who would be eligible to receive additional service credits.

In addition, it is estimated that another 225 State employees and teachers may participate in National Guards of adjoining states (primarily the District of Columbia and Delaware, but also West Virginia and Pennsylvania). These members could also be eligible for military service credits.

Assuming that all 661 of these State system members have served at least nine years in the 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 10 years of State service). Because the law prohibits more than five years of military service credit, some of these 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.

This bill has not been presented to the State's actuary for a formal actuarial valuation. Based on information provided by the Military Department and the State Retirement Agency, however, the actuary informally estimates that if 661 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 \$11.5 million, which would be amortized over the next 20 years until the year 2020 at a first-year cost of \$675,000 beginning in fiscal 2000. 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 National Guard service, including those systems that are independent of the MSRPS.

It is estimated that 48 employees of local governments that participate in the MSRPS would be eligible for pension credits. The actuary estimates that the bill would increase total liabilities by \$477,000, which would be amortized over the next 20 years until the year 2020 at a first-year cost of \$28,100 beginning in fiscal 2000. Future year expenditures would increase 5% annually. The actuary was not able to provide costs based on individual participating governmental units. Expenditures for those jurisdictions that do not participate in the MSRPS would increase by an indeterminate amount depending on the generosity of their pension benefit structure.

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

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