

Department of Legislative Services
Maryland General Assembly

FISCAL NOTE
Revised

Senate Bill 7 (Senators Boozer and Stone)

Budget and Taxation

Military Service Credit - Membership in Maryland 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 \$444,000 beginning in FY 2000 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 1999	FY 2000	FY 2001	FY 2002	FY 2003
Revenues	\$0	\$0	\$0	\$0	\$0
Expenditures	0	444,000	468,000	490,000	516,000
Net Effect	\$0	(\$444,000)	(\$468,000)	(\$490,000)	(\$516,000)

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 \$18,700 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 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 8,198 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. First, 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. Second, 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. Third, there are an indeterminate number of 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 an indeterminate number of local employees who participate in the MSRPS and who fall into one of the three above categories. In total, it is assumed that 250 members of the State system may be eligible for military service credit under this provision, of which 218 are estimated to be State employees and 32 are estimated to be employees of participating local governments.

Assuming that all 250 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 10 years of State service). Because the law prohibits more than five years of military service credit, some of these 250 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 218 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 \$3.8 million, which would be amortized over the next 20 years until the year 2020 at a first year cost of \$222,000 beginning in fiscal 2000. Future year expenditures would increase 5% annually.

In addition, local board of education employees who are members of the Teachers' Pension System would be eligible for the additional credits. It cannot be precisely determined at this time how many of these educational employees would be eligible. Assuming 218 eligible members, then liabilities would increase by another \$3.8 million, with a first-year cost of \$222,000, increasing by 5% per year thereafter. In total, liabilities would increase by \$7.6 million with a first-year cost beginning in fiscal 2000 of \$444,000, increasing 5% per year thereafter.

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 \$318,000, which would be amortized over the next 20 years until the year 2020 at a first year cost of \$18,700 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.

The Department of Legislative Services surveyed six of the largest jurisdictions that operate their own pension systems. None were able to provide estimates of how many employees had current or past Maryland National Guard service. Last year, Howard County estimated 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): Military Department; State Retirement Agency; Milliman & Robertson, Inc.; Howard County; Montgomery County; Department of Legislative Services

Fiscal Note History: First Reader - January 23, 1998
ncs Revised - Corrected - March 3, 1998

Analysis by: Matthew D. Riven	Direct Inquiries to:
Reviewed by: John Rixey	John Rixey, Coordinating Analyst
	(410) 841-3710
	(301) 858-3710