

Department of Legislative Services
 Maryland General Assembly
 1999 Session

FISCAL NOTE

Senate Bill 220 (Senators Stone and Bromwell)

Budget and Taxation

Military Service Credit - Membership in Maryland National Guard

This pension bill provides members of the State Retirement and Pension System of Maryland (SRPS) and local pension systems with 4 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.

This bill takes effect July 1, 1999.

Fiscal Summary

State Effect: State expenditures could increase by up to \$484,500 beginning in FY 2001 as a result of higher employer contributions to SRPS if 436 members receive 3 additional years of service credit. Out-year costs reflect 5% annual increases. Revenues would not be affected.

(in dollars)	FY 2000	FY 2001	FY 2002	FY 2003	FY 2004
Revenues	\$0	\$0	\$0	\$0	\$0
Expenditures	0	484,500	508,800	534,200	560,900
Net Effect	\$0	(\$484,500)	(\$508,800)	(\$534,200)	(\$560,900)

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

Local Effect: Total expenditures for those governments that participate in the SRPS could increase by up to \$17,500 in FY 2001. Expenditures for those jurisdictions that do not participate in the SRPS 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 8,800 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 SRPS and who fall into one of the three above categories. In total, it is assumed that 250 members of the SRPS 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 218 State employee members have served at least 9 years in the Maryland National Guard, these members would each be eligible for an additional 3 years of military service credit. This credit is in addition to any military service credit (up to 5 years) that they may receive for active or reserve military duty before or during State employment.

The State's actuary estimates that if 218 State employee members of the SRPS were to receive an additional 3 years of military service credit, the increased liability to the SRPS would be \$3.85 million, which would be amortized over the next 19 years until the year 2020.

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 (out of total teacher membership of 86,000 versus State employee membership of 63,000), then liabilities would increase by another \$3.85 million.

In total, liabilities would increase by \$7.7 million with a first-year cost beginning in fiscal 2001 of \$484,500, 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 3 years for Maryland National Guard service, including those systems that are independent of the SRPS.

For systems that participate in the SRPS, the actuary estimates that the bill would increase total liabilities by \$277,000 based on 32 participants. This amount would be amortized over the next 19 years until the year 2020 at a first-year cost of \$17,500 beginning in fiscal 2001. Future year expenditures would increase 5% annually. The actuary was not able to provide costs based on individual participating governmental units, which would depend on the number of Maryland National Guard members with each employer.

The Department of Legislative Services surveyed 6 of the largest jurisdictions that operate their own pension systems. Only one was able to provide an estimate of how many employees had current or past Maryland National Guard service. Howard County estimates that at least 12 of its 1,900 government employees, excluding teachers, are members of the Maryland National Guard, and that 3 years of additional service credit for these members would cost the county \$333,000 on an unamortized basis.

Local governments with defined contribution plans (such as 401(k) plans) are not subject to the military service credit requirement.

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

Fiscal Note History: First Reader - February 17, 1999
dmm/jr

Analysis by: Matthew D. Riven

Direct Inquiries to:
John Rixey, Coordinating Analyst
(410) 946-5510
(301) 970-5510