

Department of Legislative Services
 Maryland General Assembly
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FISCAL NOTE
Revised

Senate Bill 21 (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 (SRPS) with four months of military service credit for each year of service with the Maryland National Guard with up to a maximum of 36 months of military service credit for Maryland National Guard service, with certain conditions.

The bill takes effect July 1, 2000.

Fiscal Summary

State Effect: State pension liabilities could increase by \$5.6 million, resulting in increased State pension contributions of \$384,200 (all funds) beginning in FY 2002 if 210 members receive three additional years of service credit. Out-year costs reflect 5% annual increases. Revenues would not be affected.

(in dollars)	FY 2001	FY 2002	FY 2003	FY 2004	FY 2005
All Revenues	\$0	\$0	\$0	\$0	\$0
GF Expenditures	0	230,500	242,000	254,100	266,900
SF Expenditures	0	76,800	80,700	84,700	89,000
FF Expenditures	0	76,800	80,700	84,700	89,000
Net Effect	\$0	(\$384,200)	(\$403,300)	(\$423,500)	(\$444,700)

*Note: () = decrease; GF = general funds; FF = federal funds; SF = special funds; - =indeterminate effect
 Numbers may not total due to rounding.*

Local Effect: Total annual expenditures for those governments that participate in the SRPS

could increase by approximately \$13,300 in FY 2002.

Small Business Effect: None.

Analysis

Background: Members of the Maryland National Guard participate in guard activities year-round, with a two-week annual training, plus federal activation for U.S. armed forces operations and State activation for State emergencies. Federal law requires that employers give their guard employees leave for such absences, but employers are not required to pay employees during their absence. For State employees, the State does not provide specific paid leave for guard activities, but members are allowed to use paid annual, personal, or compensatory leave for their guard absences.

Current Law: Members of a State or local pension system in Maryland may receive up to five years of military service credit, under certain conditions.

Service That Interrupts Employment - State and Local Public Employees

For military service on or after January 1, 1946, a member of a State or local pension system may apply for up to five years of military credit for a period of absence from employment while in the active or reserved components of the United States armed forces (this is a State law requirement under Section 38-103 of the State Personnel and Pensions article and it is also a federal requirement). This provision is designed to ensure that members of the State or local pension system do not lose any service credit if they are called into military service.

A recent opinion by the Attorney General concludes that this provision also applies to members of the Maryland National Guard (or any other state National Guard) who are also State or local government employees: (1) if the member's guard unit is called into active duty; or (2) during a guard member's annual two-week training.

Other Military Service for State Employees and Other Participants in the SRPS Only

Under Section 38-104, State employees and other participants in the SRPS (including teachers and employees of participating governmental units) may receive service credit for other military service (not covered under Section 38-103) in a reserve or active component of the United States armed forces, such as service *prior to State employment*, with certain conditions. First, the member may receive such credit only after ten years of creditable service in the SRPS. Second, the member may receive a maximum of five years of military credit under this provision. Finally, with certain exceptions discussed below, the member

may not receive credit for that military service if the member receives credit for military service from another retirement system for which retirement benefits have been or will be received by the member.

An SRPS member may not receive military credit for military service if the member is eligible for a standard military pension for that service. The “no double-dipping” provision, however, does not apply to a federal National Guard pension, which generally requires 20 years of National Guard service. The opinion by the Attorney General concludes that SRPS members with service in the military reserves are eligible for military credit under this provision for the accumulation of their two-week annual training periods. This eligibility also applies to such service in the Maryland National Guard for their two-week annual training period.

Summary - Current Law for National Guard Service

All State and local employees are eligible for military credit if they must leave their job because their guard unit is called into active duty. In addition, members of the SRPS are eligible for military credit of up to five years, which may include their annual training with the Maryland National Guard (or any state National Guard), after ten years as an SRPS member.

Bill Summary: For participants in the SRPS (including participating governmental unit employees), the bill allows for military credit for service of up to three years with the Maryland National Guard, under the provisions of Section 38-104. Because these employees are already eligible for service credit for active duty during their two-week training periods, it is assumed that the service granted under the bill will apply to general annual participation as guard members. Under the bill, SRPS members could earn credit for their annual participation in the guard **during** employment with the State, regardless of the amount of time spent on active duty.

Unlike credit for military service that interrupts employment (which serves to ensure that the employee does not receive less than 12 months for that year), the service granted under the amendments to Section 38-104 would allow the Maryland National Guard member to receive 16 months of service in a year (12 months of normal service plus four months of military service). This pension credit would be in addition to any federal National Guard pension for which the member is eligible.

State Expenditures: 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 ten 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 ten years of State service who participate in the Maryland National Guard and who would be eligible for military credits upon attaining ten 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. In total, it is assumed that 235 members of the SRPS may be eligible for military service credit under this provision, with a breakdown as follows:

Employees' Retirement and Pension Systems - State	100
Teachers' Retirement and Pension Systems	35
State Police Retirement System	50
Law Enforcement Officers' Pension System	25
Total - State Pension Obligation	210
Employees' Retirement and Pension Systems -	
Participating Local Governments	20
Local Fire and Police System	5
Total Local	25

Assuming that all 210 State SRPS members have served at least nine years in the Maryland National Guard, these members would each be eligible for the maximum additional credit of three years of military service credit based on four months for each year of service. The statutory provision limiting total military credit to five years, however, still applies. It is therefore assumed that these members will receive an additional two years of service on average.

The State's actuary estimates that if the 210 State members of the SRPS were to receive an additional two years of military service credit, the increased liability to the SRPS would be \$5.6 million, which would be amortized over 19 years, from fiscal 2002 through fiscal 2020, with a first-year cost beginning in fiscal 2002 of \$384,200 increasing 5% per year thereafter. The actuarial impact is based not only on the number of employees, but also on the pension systems in which they participate. Because it is estimated that a relatively high number of guard members participate in the State Police Retirement System and the Law Enforcement Officers' Pension Systems (LEOPS), as noted above, the actuarial costs of the additional credit are higher because those systems are more generous.

Local Expenditures: For systems that participate in the SRPS, it is estimated that there are 25 local employees participating in the Maryland National Guard who may be eligible for the two years of credit. The actuary estimates that the bill would increase total liabilities by \$218,400 based on 25 participants. This amount would be amortized over the next 19 years through the year 2020 at a first-year cost of \$13,300 beginning in fiscal 2002. 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.

Additional Information

Prior Introductions: SB 220 of 1999, SB 7 of 1998, and SB 119 of 1997 received unfavorable reports from the Senate Budget and Taxation Committee. HB 943 of 1999, a substantially similar bill, passed the House of Delegates but received an unfavorable report from the Senate Budget and Taxation Committee.

Cross File: None.

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

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