

Department of Legislative Services
 Maryland General Assembly
 2002 Session

FISCAL NOTE

Senate Bill 34 (Senator Haines)
 Budget and Taxation

Military Service Credit - Maryland National Guard Membership

This pension bill provides certain retired 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, up to a maximum of 36 months of military service credit for such service, with certain conditions. The additional credit would only apply if the National Guard service was acquired before the individual's date of retirement.

The bill takes effect July 1, 2002 and applies retroactively to individuals who retired after December 31, 1996 and before July 1, 2000.

Fiscal Summary

State Effect: State pension liabilities would increase by \$1.2 million from granting additional retroactive pension service credit to retired State SRPS members who participated in the Maryland National Guard, resulting in increased annual pension contributions of \$65,000 beginning in FY 2004, and increasing 5% per year thereafter based on actuarial assumptions.

(in dollars)	FY 2003	FY 2004	FY 2005	FY 2006	FY 2007
Revenues	\$0	\$0	\$0	\$0	\$0
GF/SF/FF Exp.	0	65,000	68,000	71,000	75,000
Net Effect	\$0	(\$65,000)	(\$68,000)	(\$71,000)	(\$75,000)

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

Local Effect: For local governments that participate in the SRPS, aggregate liabilities could increase by \$100,000, resulting in increased annual pension contributions of \$4,700 beginning in FY 2004, and increasing 5% per year thereafter.

Small Business Effect: None.

Analysis

Current Law: Members of a State or local pension system in Maryland may receive up to five years of military service credit for service that interrupts employment. A recent opinion by the Attorney General concludes that this provision also applies to members of the National Guard or a reserve component of the U.S. armed forces who are also State or local government employees: (1) if the member's unit is called into active duty; or (2) during the member's annual two-week training.

In addition, State employees and other participants in the SRPS may receive service credit for other military service (not covered under the "interruption" provision discussed above) in a reserve or active component of the U.S. 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 military reserve pension, which generally requires 20 years of 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.

Chapter 699 of 2000 provided up to three years of service credit for active SRPS members for membership in the Maryland National Guard, in addition to any service credit the member earned at their full-time job. Unlike existing law that provides credit for military service that interrupts employment (which serves to ensure that the employee does not receive less than 12 months for that year), Chapter 699 allows reserves members 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 military pension for which the member is eligible.

State Expenditures: It is estimated that 35 SRPS members retired or terminated (with a vested benefit) between January 1, 1997 and June 1, 2000 who could claim credit under the bill. Assuming that all these 35 State SRPS retirees and former vested members have served (or will serve) at least nine years in the reserves, 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. It is assumed that members who were active SRPS members between July 1, 2000 (when Chapter 699 went into effect) and July 1, 2002 (this bill's effective date) have already applied for their credit and are not included in this cost estimate.

The State's actuary informally estimates that if these SRPS members were to receive an additional three years of military service credit, the increased liability to the SRPS would be \$1.2 million, which would be amortized over the statutory 25 years, with a first-year cost beginning in fiscal 2004 of \$65,000, 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 reserves members participate in the State Police Retirement System and the Law Enforcement Officers' Pension Systems (LEOPS), the actuarial costs of the additional credit are higher because those systems are more generous.

Local Expenditures: It is estimated that there are three to five retirees or former vested members who were employed by a participating governmental unit who may be eligible for the three years of credit. The actuary informally estimates that the bill would increase total liabilities by \$100,000 based on this additional service credit. This amount would be amortized over the next 25 years at a first-year cost of \$4,700 beginning in fiscal 2004. Future year expenditures would increase 5% annually.

Additional Information

Prior Introductions: None.

Cross File: None.

Information Source(s): Military Department, State Retirement Agency, Milliman USA, Department of Legislative Services

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