

Department of Legislative Services
 Maryland General Assembly
 2002 Session

FISCAL NOTE

House Bill 527
 Appropriations

(Delegate Boutin, *et al.*)

Pensions - Military Service Credit - Federal Law Enforcement Officers

This pension bill allows members of the State Retirement and Pension System (SRPS) to earn up to five years of military credit for employment as a federal law enforcement officer prior to becoming a member of the State system.

Fiscal Summary

State Effect: State pension liabilities would increase by \$6.3 million, based on the assumed number of members who could claim military credit for prior service as a federal law enforcement officer, resulting in increased annual pension costs of \$351,000 beginning in FY 2004. Future year growth reflects 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	351,000	368,600	387,000	406,400
Net Effect	\$0	(\$351,000)	(\$368,600)	(\$387,000)	(\$406,400)

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

Local Effect: Potential increase in employer contributions for local governments that participate in the SRPS, depending on the number of members who claim military credit for prior service as a federal law enforcement officer.

Small Business Effect: None.

Analysis

Current Law: Members of the SRPS (with the exception of members of the Legislative Pension Plan) may receive up to a maximum of five years of service credits for the following: active military duty in the Army, Navy, Air Force, Marines, or Coast Guard; membership in a reserve component of the Armed Forces of the United States ordered or assigned to active duty; and service with the commissioned corps of the Public Health Service, the National Oceanic and Atmospheric Administration, or the Coast and Geodetic Survey from December 7, 1941 to December 31, 1946, June 25, 1950 to January 31, 1955, and December 22, 1961 to May 7, 1975. Military service credit is also granted to members who serve, or served in, the Maryland National Guard at a rate of four months of military service credit for each full year of service in the Maryland National Guard, up to a maximum of 36 months (which is also counted toward the five-year maximum credit.)

Members may claim military service credits (up to the five-year maximum) in one of two ways:

- they may claim service credits upon return to membership (with certain restrictions) for active military service that interrupts membership in the system; or
- they may claim prior military service credits for active duty that occurred prior to membership in the system after earning ten years of creditable service.

Background: The U.S. Department of Justice estimates that there are approximately 83,000 sworn federal law enforcement officers employed at a variety of agencies, including (but not limited to): Federal Bureau of Investigation; U.S. Marshals Service; Secret Service; Federal Protective Service - General Services Administration; Drug Enforcement Agency; Customs Service; Alcohol, Tobacco, and Firearms; Postal Service Police; Amtrak Police; National Park Service Police; Internal Revenue Service; Immigration and Naturalization Service; Supreme Court Police; U.S. Capitol Police; and others.

State Expenditures: It is not known how many individuals formerly employed as law enforcement officers with the above agencies are now members of the SRPS. Because the State Retirement Agency does not become aware of prior military service, or prior employment, until the member applies for it, the agency cannot determine at this time how many such former federal employees would apply for credit. The Department of Budget and Management's personnel system also does not track prior employment.

While it is likely that a large number of these former officers reside in the Washington, D.C. area, it is less likely that large numbers of such former officers are currently employed with the State or as members of the teachers' systems. The higher wages paid by the federal law enforcement organizations, versus State salaries, make it more likely that the majority of transfers is from the State to the federal government.

For the purposes of this fiscal note, it is assumed that the following existing members apply for military credit under this proposal:

- Employees' systems: 10 members
- State Police Retirement System: 10
- Law Enforcement Officers' Pension System (LEOPS): 10
- Judges' Retirement System: 2
- **Total: 32 members**

In addition, it is assumed that each year, one eligible individual joins: the employees' systems; the State Police Retirement System; and LEOPS. Assuming that each of these members receives an additional three years of service based on this military credit, the State's actuary informally estimates that system liabilities would increase by \$6.3 million. Amortizing these liabilities over 25 years would result in additional pension contributions of \$351,000 in fiscal 2004. Future year payments would increase by 5% per year based on actuarial assumptions.

These liabilities would increase proportionately if more than the assumed number of members claimed more than the assumed service credit under this proposal.

SRPS members who retired from the federal government and receive a federal pension based on their law enforcement service are barred from claiming military service under the State law provision that prohibits double-counting of retirement service.

Additional Information

Prior Introductions: HB 61 of 2001, a substantially similar bill, received an unfavorable report from the House Appropriations Committee.

Cross File: None.

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

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Analysis by: Matthew D. Riven

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