

Department of Legislative Services
Maryland General Assembly
2002 Session

FISCAL NOTE

Senate Bill 497
Budget and Taxation

(Senator Mooney)

Appropriations

Retirement and Pensions - Maryland National Guard - Service Credit

This pension bill specifies that members of the State Retirement and Pension System (SRPS) may receive up to three years of military service credit for service with the Maryland National Guard, including those periods of service in which they are called to active duty. For each such year, they would receive 16 months of military service credit, 12 months for their active military duty that interrupted membership in a State system, and 4 months for a year of service in the Maryland National Guard.

The bill takes effect July 1, 2002.

Fiscal Summary

State Effect: The amount of additional military service credit, and corresponding increase in State pension liabilities, cannot be reliably estimated at this time. Factoring in the total cost of granting service credit for inactive duty, the portion of members currently called to active duty, and the amount of time they are likely to be on active duty in relation to their total guard service, it is likely that pension costs will increase by a minimal amount versus current law.

Local Effect: Minimal increase in pension contributions for local governments that participate in the State Retirement and Pension System.

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 or National Guard are eligible for military credit under this provision for the accumulation of their two-week annual training periods, during which they are considered to be on "inactive" duty.

Finally, Chapter 699 of 2000 allows Maryland National Guard members on "inactive" duty, that are earning credits in the National Guard for attending their required meetings (and earning inactive duty points), to receive 4 months of military service credit for that service to the Maryland National Guard. Thus they may earn 16 months of service in a year -- 12 months of service credits for their normal employment plus 4 months of military service for their year of service in the guard.

Members of the Maryland National Guard are considered to receive credits for a year of service to the guard if they earn at least 50 inactive duty points (points for attending weekly/monthly meetings) in addition to any active duty training points. When federalized, all days during the period of the call-up would be active duty, and that year could not be used to claim four months of military service credit for time in the National Guard under current law.

Background: Since the attacks of September 11, 2001, over 2,000 of Maryland's National Guard members have been called up for active (federalized) duty. The

Department of Budget and Management advises that 106 State employees who participate in the guard have been called up for active duty. An unknown number of guard members who are also employees of participating governmental units have also been called up to active duty.

State Expenditures: Chapter 699 of 2000 assumed that approximately 210 State employees and teachers (and 25 local employees) would receive an additional two years of credit under the bill. It was estimated that as a result, State pension liabilities would increase by approximately \$5.6 million, with a first year cost beginning in fiscal 2002 of \$384,200 and increasing 5% per year thereafter. As part of the estimate for that bill, it was assumed that all Maryland National Guard members were on “inactive” duty at all times, accumulating inactive duty points that could be used to earn the additional military credit.

Because some guard members are now on active duty, those guard members are not eligible under current law to receive the additional credit provided under Chapter 699. Absent passage of this bill, this reduction in available service credit would be reflected as actuarial gains to the pension system. Currently, about half of the eligible guard members are on active duty. Presumably, however, they will not stay on active duty indefinitely. Once they return to inactive duty, they will be eligible to accrue the extra service again. The amount of service that will ultimately be foregone under current law -- and granted under this bill -- cannot be reliably ascertained at this time. Based on the total fiscal estimate of Chapter 699, however, it is likely that the value of any additional pension service credit granted under this bill would be minimal.

Additional Information

Prior Introductions: None.

Cross File: None.

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

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