

**Department of Legislative Services**  
 Maryland General Assembly  
 2002 Session

**FISCAL NOTE**

Senate Bill 607 (Senator Jimeno)  
 Budget and Taxation

**Retirement and Pensions - Military Service Credit**

This bill expands the scope of members and retirees of the State Retirement and Pension System of Maryland (SRPS) who may receive pension service credit for military service to include those who are already eligible for a federal pension based on that service.

The bill takes effect July 1, 2002.

**Fiscal Summary**

**State Effect:** Based on one set of assumptions, State pension liabilities would increase by \$716 million, resulting in increased pension contributions of \$39.9 million beginning in FY 2004, and increasing 5% per year thereafter based on actuarial assumptions. State Retirement Agency administrative expenditures could increase by \$50,000 in FY 2003 only.

(in dollars)	FY 2003	FY 2004	FY 2005	FY 2006	FY 2007
Revenues	\$0	\$0	\$0	\$0	\$0
SF Expenditure	50,000	0	0	0	0
GF/SF/FF Exp.	0	39,907,000	41,902,000	43,997,000	46,197,000
Net Effect	(\$50,000)	(\$39,907,000)	(\$41,902,000)	(\$43,997,000)	(\$46,197,000)

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

**Local Effect:** Aggregate pension liabilities of local governmental units that participate in the SRPS could increase by \$67 million, resulting in increased pension contributions of \$3.7 million beginning in FY 2004, and increasing 5% per year thereafter.

**Small Business Effect:** None.

## Analysis

**Bill Summary:** The bill removes the current prohibition that a member of a State system may not receive credit for military service if the member receives credit for that military service from another retirement system for which retirement benefits have been or will be received by the member.

The bill specifies that any retiree receiving a retirement allowance from a State retirement or pension system may have that allowance recalculated if: (1) prior to retirement, the retiree did not receive credit for military service because the retiree received credit for that military service from another retirement system for which retirement benefits have been or will be received by the retiree; and (2) the retiree files an application with the State Retirement Agency on or before June 30, 2003. The recalculation of the retiree's allowance would include credit for any military service for which the retiree was previously unable to receive credit.

**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. In addition, State employees and other participants in 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 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 or certain other federal pensions for that service. As mandated by federal law, however, the "no double-dipping" provision does not apply to a federal military reserve pension.

**Background:** Chapter 699 of 2000 allows members of the Maryland National Guard to receive 16 months of service in a year (12 months of normal service plus 4 months of military service), up to a maximum of 3 years of military credit. This pension credit would be in addition to any federal military pension for which the member is eligible, because, as noted above, the "no double-dipping" provision does not apply to reserve pensions.

**State Expenditures:** Any member or retiree who has previous military credit would be eligible to receive up to five years for such credit, even if the member or retiree has received, or is eligible to receive, a federal pension based on that service. For example, a member has been in active military duty for 20 years and is eligible for a federal military

pension. The member could then work for the State (or another participating employer) for 25 years plus receive 5 years of military credit. The member will receive total pension benefits based on 50 years of employment but have worked for 45 years.

The number of active members and retirees who would be affected by this proposal cannot be precisely estimated at this time but is assumed to be significant. There are currently approximately 184,000 active members of the State Retirement and Pension System and approximately 84,000 retirees and beneficiaries. Eligibility is likely to vary by subsystem within SRPS and is also likely to be higher with retirees, who are more likely to have military service, than with active members. Eligibility is estimated to range from a low of 2% of membership (for active members of the Judges' Retirement System and Teachers' Pension System) to a high of 10% of membership (for retirees of the State Police Retirement System and Law Enforcement Officers' Pension System). Each eligible member is assumed to receive the full five years of additional credit.

Based on these assumptions, the actuary informally estimates that State pension liabilities would increase by \$716 million. Amortizing these liabilities over 25 years would result in increased State pension contributions of \$39.9 million beginning in fiscal 2004 and increasing 5% per year thereafter based on actuarial assumptions.

Administrative expenses by the State Retirement Agency could increase by \$50,000 for additional overtime and/or contractual personnel costs in fiscal 2003 to grant the additional service credit for eligible active members and recalculate retirement benefits for retirees.

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### **Additional Information**

**Prior Introductions:** None.

**Cross File:** None.

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

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