

Department of Legislative Services
 Maryland General Assembly
 2002 Session

FISCAL NOTE

House Bill 319
 Appropriations

(Delegate Mohorovic, *et al.*)

Military Service Credit - National Guard Membership

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 National Guard units of states neighboring Maryland, up to a maximum of 12 months of military service credit for such service, with certain conditions.

Fiscal Summary

State Effect: State pension liabilities could increase by \$9.9 million from the grant of additional pension military credit, resulting in increased annual pension contributions of \$552,800 beginning in FY 2004, and increasing 5% per year thereafter based on actuarial assumptions. State Retirement Agency administrative expenditures could increase by \$10,000 in FY 2003.

(in dollars)	FY 2003	FY 2004	FY 2005	FY 2006	FY 2007
Revenues	\$0	\$0	\$0	\$0	\$0
SF Expenditure	10,000	0	0	0	0
GF/SF/FF Exp.	0	552,800	580,400	609,400	639,900
Net Effect	(\$10,000)	(\$552,800)	(\$580,400)	(\$609,400)	(\$639,900)

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 \$240,000, resulting in increased annual pension contributions of \$13,500 beginning in FY 2004, and increasing 5% per year thereafter.

Small Business Effect: None.

Analysis

Bill Summary: For participants in the SRPS (including participating governmental unit employees), the bill allows for up to an additional year of military credit for service with the National Guard units of:

- Delaware;
- District of Columbia;
- Pennsylvania;
- Virginia; and
- West Virginia.

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 members of the National Guard. Under the bill, SRPS members could earn credit for their annual participation in the National Guard during employment with the State, regardless of the amount of time spent on active duty.

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.

Background: Unlike current law that requires credit for military service that interrupts employment, which serves to ensure that the employee does not receive less than 12 months for that year, this bill would allow non-Maryland National Guard 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. The bill is therefore parallel to Chapter 699 (HB 897/SB 21) of 2000, which provided similar credit for service in the Maryland National Guard, except that this bill provides a maximum of one year of additional credit, rather than three years under Chapter 699.

State Expenditures: The number of members of non-Maryland National Guard units who are also State employee members of the SRPS cannot be reliably estimated at this time because neither the State Retirement Agency, the Military Department, nor the other National Guard units track this data. Given the close proximity of many Marylanders to the borders of other states, it is assumed that there are 225 such eligible members, or about 10% less than the number of Maryland National Guard members estimated under Chapter 699. This estimate includes SRPS members with ten or more years of State service who are active or former non-Maryland National Guard members. These members could apply for credit immediately under the bill. The estimate also includes SRPS members with less than ten years of State service who participate in these guard units and who would be eligible for military credits upon attaining ten years of service. Assuming that all these State SRPS members have served (or will serve) at least three years in the National Guard, these members would each be eligible for the one year of additional military credit based on four months for each year of service.

The State's actuary informally estimates that if these SRPS members were to receive an additional year of military service credit and 23 more State members of the SRPS were to join these units each year thereafter, the increased liability to the SRPS would be \$9.92 million, which would be amortized over the statutory 25 years, with a first-year cost beginning in fiscal 2004 of \$552,000, increasing 5% per year thereafter based on actuarial assumptions. 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 National Guard 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.

In addition, the State Retirement Agency could incur approximately \$10,000 in administrative expenses in fiscal 2003 for additional contractual employment or overtime costs to process the initial backlog of claims for additional service credit. The additional workload in future years could be handled with existing resources.

Local Expenditures: For systems that participate in the SRPS, it is assumed that there are 26 local employees participating in non-Maryland National Guard units who may be eligible for the additional year of credit, with three members added each year thereafter. The actuary informally estimates that the bill would increase total liabilities by \$240,000 based on these participants. This amount would be amortized over the next 25 years at a first-year cost of \$13,500 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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