

Department of Legislative Services
Maryland General Assembly
2004 Session

FISCAL AND POLICY NOTE

House Bill 235
Appropriations

(Delegate Cadden, *et al.*)

Teachers' Pension System - Former Members - Military Service Credit

This pension bill permits a former member of the Teachers' Pension System who meets certain specified criteria to receive military service credit under specified circumstances.

The bill is effective July 1, 2004.

Fiscal Summary

State Effect: Minimal increase in State pension liabilities (all funds) from additional pension military credit resulting in minimal increased annual pension contributions beginning in FY 2006.

Local Effect: None.

Small Business Effect: None.

Analysis

Bill Summary: A former member of the teachers' pension system would be able to claim prior military service credit if the former member: (1) was employed by the Maryland Department of Agriculture on or after July 1, 1985; (2) left State employment on or after June 30, 1997; (3) had earned at least 12 years of service credit prior to separation from State service; and (4) lived outside of the U.S. for a period of at least three years after leaving State service. To claim the credit, a former member would be required to complete a claim for their military service credit and file it with the Board of Trustees of the Maryland State Retirement and Pension System on or before December 31, 2004 and verify the former member's military service.

Current Law: Under Section 38-103 of the State Personnel and Pensions Article, 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.

Section 38-104 of the same Article provides additional service credit to the State Retirement and Pension System (SRPS) members for prior military service not covered by Section 38-103. In addition, Chapter 699 of 2000 amended Section 38-104 to allow members of SRPS who are also Maryland National Guard members to receive four months of military service credit for each 12 months of service in the Maryland National Guard. Thus, they may earn 16 months of service in a year – 12 months of service credits for their normal State employment plus four months of military service for their year of service in the guard.

State Expenditures: Based on informal estimates by the State's actuary, there is one member that would be eligible for military service credit under the provisions of this bill. The increased liability to SRPS due to the provisions of this bill would be approximately \$17,500. Amortizing that liability over 25 years would result in fiscal 2006 increased employer contributions of \$1,060. Out-year costs reflect actuarial assumptions.

Additional Information

Prior Introductions: None.

Cross File: SB 397 (Senator Jimeno) – Budget and Taxation.

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

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mh/mdr

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