

Department of Legislative Services
 Maryland General Assembly
 2006 Session

FISCAL AND POLICY NOTE

House Bill 758 (Delegates McKee and Shank)
 Appropriations

Military Service Credit - National Guard Membership

This bill allows members of the State Retirement and Pension System (SRPS) to earn up to one year of service credit for service in National Guard units of states that neighbor Maryland.

The bill takes effect July 1, 2006.

Fiscal Summary

State Effect: State pension liabilities could increase by \$6.6 million, resulting in increased State pension contributions of \$404,600 beginning in FY 2008 and increasing thereafter based on actuarial assumptions.

(in dollars)	FY 2007	FY 2008	FY 2009	FY 2010	FY 2011
Revenues	\$0	\$0	\$0	\$0	\$0
GF/SF/FF Exp.	0	404,600	420,800	437,600	455,100
Net Effect	\$0	(\$404,600)	(\$420,800)	(\$437,600)	(\$455,100)

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

Local Effect: Pension liabilities for participating governmental units in SRPS increase by \$600,000, resulting in a combined increase in employer pension contributions of \$36,900 in FY 2008 and increasing thereafter according to actuarial assumptions.

Small Business Effect: None.

Analysis

Bill Summary: A member of SRPS may earn service credit for National Guard service in Delaware, Pennsylvania, Virginia, West Virginia, or the District of Columbia at the rate of four months of service credit for each full year of National Guard service. A member may not earn more than 12 months of service credit for National Guard service in neighboring states.

Current Law: A member of SRPS may earn service credit for service in the Maryland National Guard, but not for service in other National Guards. A member earns 4 months of service credit for each full year of service in the Maryland National Guard, up to 36 months of service credit.

State Expenditures: The number of members of non-Maryland National Guard units who are also State employee members of SRPS cannot be reliably estimated at this time because no State agency tracks those data. An estimate for a prior introduction of this bill, based on the number of SRPS members called to active duty in the Maryland National Guard, was that 450 SRPS members had served in the National Guard in neighboring states. With National Guard units continuing to be called to duty to serve in Iraq and Afghanistan, that number has likely increased modestly. Therefore, this analysis assumes that 500 SRPS members have served in National Guard units in neighboring states, and that the number will continue to increase by 25 members each year in the future. These members are assumed to be spread proportionately across each SRPS plan. Given the frequent and extended tours of duty for National Guard units under current wartime conditions, this analysis further assumes that all National Guard members would earn the maximum one year of service credit available under this bill.

Based on these adjustments to the State actuary's informal estimates from prior years, the increased liability to SRPS would be \$6.6 million dollars, which would be amortized over 25 years according to statutory requirements. The first year cost beginning in fiscal 2008 would be \$404,600, increasing each year based on actuarial assumptions.

Local Expenditures: Using the same assumptions described above, pension liabilities for local governmental units that participate in SRPS would increase by \$600,000. Amortizing that liability over 25 years results in a first year cost of \$36,900 in fiscal 2008, which increases annually according to actuarial assumptions.

Additional Information

Prior Introductions: HB 508 of 2003 received an unfavorable report from the House Appropriations Committee. HB 319 of 2002 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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