HB 349

Department of Legislative Services

Maryland General Assembly
2006 Session

FISCAL AND POLICY NOTE

House Bill 349 (Delegate Aumann, *et al.*)
Appropriations

State Retirement and Pension System - Military Service Credit - Eligibility

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This bill reduces, from 10 to 5, the number of years of creditable service that a member of a State retirement system needs to accumulate to receive military service credit.

Fiscal Summary

State Effect: State pension liabilities increase by $6.7 million, resulting in increased State pension contributions of $434,000 beginning in FY 2008, increasing thereafter according to 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	434,000	460,000	500,000	540,000
Net Effect	$0	($434,000)	($460,000)	($500,000)	($540,000)

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

Local Effect: None.

Small Business Effect: None.

Analysis

Current Law: Any member of the State Pension and Retirement System who accrues 10 years of creditable service may receive up to 5 years of additional service credit for time served in active military duty.

State Fiscal Effect: This bill applies to members of the State Retirement and Pension System who leave the system with 5 to 10 years of service and who are eligible for military service credit. In the absence of more precise information, the State Retirement Agency (SRA) estimates that 20% of the almost 42,000 members of the State Retirement and Pension System with 5 to 10 years of service would be eligible for military service credit. SRA further estimates that these members would receive an average of one year of military service credit. Only 4% to 8% of members who leave the system with 5 to 10 years of service withdraw their employee contributions, making them ineligible for future retirement benefits. That proportion would not likely decrease due to the provisions of this bill because the average amount of military credit claimed by members leaving before 10 years would not significantly increase their future benefits.

The State's actuary estimates that the provisions of this bill would increase the State's pension liabilities by $6.7 million. Amortizing that liability over 25 years results in a first-year cost of $434,000, increasing annually based on actuarial assumptions.

Additional Information

Prior Introductions: None.

Cross File: None.

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

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ncs/jr

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