

Department of Legislative Services
Maryland General Assembly
2010 Session

FISCAL AND POLICY NOTE

House Bill 679
Appropriations

(Delegate Myers, *et al.*)

State Retirement and Pension System - Military Service Credit - Membership in
the National Guard

This bill expands eligibility for members of the State Retirement and Pension System (SRPS) to earn military service credit for service in the National Guard of any state.

The bill takes effect July 1, 2010.

Fiscal Summary

State Effect: The number of SRPS members who serve or have served in non-Maryland National Guard units cannot be determined. Therefore, the Department of Legislative Services (DLS) cannot provide a reliable estimate of the bill's total cost. Based on an actuarial analysis, for every 10 SRPS members who claim one year of military service credit in FY 2011, State pension liabilities increase by approximately \$82,500 and State pension contributions increase by approximately \$5,500 in FY 2013. Those costs increase annually according to actuarial assumptions.

Local Effect: To the extent that employees of local governments that are participating governmental units (PGUs) in SRPS claim military service credit for non-Maryland National Guard service, pension liabilities for PGUs also increase. The amount by which PGUs' employer contributions increase cannot be reliably estimated, but using a similar methodology as described above, PGUs' costs increase by \$36,900 beginning in FY 2013.

Small Business Effect: None.

Analysis

Current Law: In general, any member or vested former member of SRPS who accrues 10 years of creditable service may receive 1 year of additional service credit for each year of *active* military duty performed prior to membership in SRPS, up to a maximum of 5 years. That credit is granted at no cost to the member or former member. Regardless of when a member or former member applies for military service credit, the credit granted is applied to their retirement allowance at the accrual rate in effect at the time of retirement.

SRPS members who serve in the Maryland National Guard while employed are entitled to military service credit under two scenarios; credit is not available under either scenario for service in National Guard units of other states. First, a member with at least 10 years of service credit (as noted above) earns 4 months of service credit for each full year of service in the Maryland National Guard, up to 36 months of service credit, even if the member is not called to active duty. This credit is included in the 5-year limitation on total military service credit.

Second, an SRPS member who serves in the Maryland National Guard and whose employment is interrupted by a call to active service or by inactive duty training earns four months of military service credit for each year of active duty or inactive training, up to a maximum of three years of credit. These members do not need to accrue 10 years of service before claiming this credit, but their credit is included in the five-year limitation on total military service credit earned.

SRPS members or vested former members who claim credit for the same military service from another retirement system may not receive military service credit from SRPS, unless they claimed credit for that military service under:

- the Social Security Act;
- the National Railroad Retirement Act; or
- Title 3 or Title 10 of the U.S. Code (National Guard and Reserve pensions).

Members or vested former members who received military service credit for disability benefits from any pension or retirement system may also claim military service credit from SRPS.

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 neither the Military Department, the Department of Budget and Management (DBM), nor the State Retirement Agency tracks those data. The only data available from

DBM, which administers the State personnel system, is the number of State employees requesting military administrative leave. In 2003, the beginning of the current conflict in Iraq, 143 State employees requested military leave. The number dropped to 54 the following year and has gradually declined in most years. In 2009, 22 State employees requested military leave. Neither these data nor State personnel data indicate how many individuals are members of the Maryland National Guard or any other National Guard. No information is available on the number of teachers in the State who are members of the National Guard.

In the absence of reliable data on the number of SRPS members who are members of the National Guards of other states, DLS cannot provide a complete analysis of the fiscal effect of allowing them to claim military service credit from the system. Instead, the General Assembly's actuary analyzed the fiscal effect for a hypothetical group of 10 members who claim one year of military service credit under this bill. The analysis assumes that public safety officers and judges are four times more likely to be eligible for military service credit than regular State employees or teachers, and uses average member demographics from each State plan. Under the assumption that additional military service credit is claimed in fiscal 2011 after the bill's effective date, the additional liability is not reflected until the June 30, 2011 actuarial valuation, which determines State costs for fiscal 2013. Any military service credit claimed in future years would generally be more expensive than credit claimed in 2011, and is not reflected in this analysis.

Based on the actuary's analysis, the hypothetical group of 10 SRPS members claiming one year of military service credit in fiscal 2011 under the bill increase State pension liabilities by \$82,500. Amortizing those liabilities over 25 years yields a first-year increase in State pension costs of \$5,500 beginning in fiscal 2013. To the extent that the members who actually claim military service credit under this bill deviate from the average plan demographics, the actual cost may be higher or lower.

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 2013, which increases annually according to actuarial assumptions.

Additional Information

Prior Introductions: None.

Cross File: None.

Information Source(s): Mercer Human Resources Consulting, Military Department, Maryland State Retirement Agency, Department of Budget and Management, Department of Legislative Services

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