

Department of Legislative Services
Maryland General Assembly
2011 Session

FISCAL AND POLICY NOTE

Senate Bill 356

(Senator Jones-Rodwell)(Chair, Joint Committee on
Pensions)

Budget and Taxation

Appropriations

State Retirement and Pension System - Military Service Credit - Eligibility

This bill requires that the 10 years of service in the State Retirement and Pension System (SRPS) that are necessary to claim and be granted military service credit for prior military service be earned through employment as a member of a State system.

The bill takes effect July 1, 2011.

Fiscal Summary

State Effect: No discernible effect on State pension liabilities or contribution rates.

Local Effect: None.

Small Business Effect: None.

Analysis

Current Law: 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.

However, 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).

Creditable service includes:

- credit earned through employment as an active member;
- the purchase of eligible service by a member;
- unused sick leave credits; and
- other military service credit either granted or purchased for military service that interrupts membership.

The federal Uniformed Service Employment and Reemployment Act (USERRA) was enacted in 1994 to protect service members called into active duty. Subject to exceptions, it entitles service members to reemployment with their employers at the time they are called to duty and protects their job-related health and retirement benefits. It also allows affected servicemen and women to purchase additional service credit in retirement and pension systems for active military duty that interrupts employment. Various changes made in 2005 included an expanded definition of military service to include reservists called to active or inactive duty for training.

Background: SRPS became aware of the potential for abuse of the system's military service credit provision when it realized that a member was about to retire with 18 years of creditable service despite being employed by a participating employer for fewer than 5 years. Under current law, the member earned 5 years of credit at no cost for military service that interrupted employment, and then purchased 3 additional years at member's cost only under the provisions of USERRA. The 8 years of service plus the member's actual years of employment exceeded 10 years, allowing the member to claim an additional 5 years of credit for military service that preceded employment. Although the bill does not affect that individual, it is designed to prevent future abuse of the military service provision currently in State law.

State Fiscal Effect: The State Retirement Agency is aware of only the one case described above where the majority of creditable service is military service credit. In most cases, all or most creditable service used to claim military service credit for prior service is based on actual employment. Therefore, the bill is not expected to affect retirement benefits for many members, but instead is designed to prevent future abuse.

Therefore, it should not have a discernible effect on State pension liabilities or contribution rates.

Additional Information

Prior Introductions: None.

Cross File: HB 335 (Delegate Griffith)(Chair, Joint Committee on Pensions) - Appropriations.

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

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ncs/rhh

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