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STATE EMPLOYEE RETIREMENT CREDIT FOR NATIONAL GUARD SERVICE

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You asked whether any states allow state employees to receive credit under their retirement systems for the period in which an employee was a member of the National Guard. You also wanted to know how much it would cost to provide this benefit to Connecticut state employees.

SUMMARY

Kentucky, Louisiana, Massachusetts, and South Carolina allow state employees to purchase retirement credit for the time they served in the National Guard. Members of the Washington State Patrol receive credit for National Guard basic training without making payment. In addition, Alaska, North Carolina, and North Dakota have separate state retirement systems for members of the National Guard. (Other states may provide retirement credit for state employees who have served in the National Guard, but no organization we contacted tracks this particular issue.) Finally, several other public and private sector retirement systems either give employees credit for such service or allow them to purchase such credit. These include the Arkansas and Tennessee teacher retirement systems, the Dallas Police Department, and the Screen Actors Guild.

Providing retirement benefits in Connecticut for National Guard membership would increase the unfunded liability of the state employee retirement system (SERS). The fiscal impact cannot be calculated since the key actuarial values are unknown. These include how many state employees were members in the National Guard, how long they served, their current age, and their length of state service. Currently, only members of Tier IIA (employees hired after June 30, 1997) can purchase retirement credit for prior military service. Allowing state employees who were hired before this date to receive credit for their National Guard membership could serve as a precedent for other employees who were active duty members of the military to seek the same benefit.

Legislation was introduced in Maryland in 1998 and 2000 to allow state employees who had been members of the National Guard to purchase credit on a one month for three months basis. The legislation's fiscal note estimated that there were approximately 660 state employees who would be eligible for this benefit, and that the state's cost for providing it would be approximately \$ 675,000 per year. It is not clear how relevant this estimate is for Connecticut.

STATES PROVIDING CREDIT FOR NATIONAL GUARD MEMBERSHIP

Kentucky

A member of the state employee retirement service who has at least 12 months of actual state service can purchase credit for National Guard service, receiving one month's credit for each six months of service. The member must pay the full actuarial cost of the credit.

Louisiana

State employees with at least 18 months of state service can purchase up to four years of credit for prior military service, including active and inactive service in the National Guard. The member receives one day of credit for each point he receives. (National Guard members receive points for such things as completing basic training and monthly drill.)

Massachusetts

Once a state employee has earned 10 years of credited state service, he may purchase up to four years of military service to be used towards state retirement. National Guard time may be purchased, with five years of Guard service equaling one year of state service. An employee must pay 10% of his salary for the first year he was in the state retirement system for each year of military service he wishes to purchase.

South Carolina

State employees can purchase credit for service in the Army or Air National Guard, as well as other components of the armed forces. The employee must pay 16% of the highest year's salary for each year of credit purchased. The employee's discharge must have been under conditions other than dishonorable. Military service credit cannot overlap state service or other purchased service. Further information regarding South Carolina's retirement system is available on its Website, <http://www.scrs.state.sc.us>.

Washington

Members of the Washington State Patrol (the equivalent of the Connecticut State Police) who served in the National Guard before entering state service receive credit for the six months basic service training required of members who had not previously been in the armed forces. Eligible members do not have to pay to receive credit for this service.

FISCAL IMPACT TO STATE EMPLOYEES RETIREMENT SYSTEM

The proposed expansion of military service credit for pension purposes would increase the unfunded liability of SERS. Since both the number of state employees with such service and the amount of eligible service are not known by the Retirement Division, the amount of the increase cannot be calculated. The value of even one year of additional credited service to an employee varies according to that individual's age, years of service, and salary. The most recent valuation of SERS showed the system has liabilities of \$ 11. 5 billion and assets of \$ 7. 2 billion, which results in an unfunded liability of \$ 4. 3 billion.

EXISTING PROVISIONS FOR PURCHASE OF MILITARY SERVICE CREDIT

SERS has three tiers, Tier I (employees hired before July 1, 1984), Tier II (employees hired between July 1, 1984 and June 30, 1997) and Tier IIA (those hired after June 30, 1997). There are separate military service credit provisions for each tier. The only employees who can currently obtain credit for prior military service are members of Tier IIA. Employees in Tier I and Tier II were able to obtain credit before the deadlines imposed by statute.

Tier I (CGS §§ 5-175d and 5-180d)

Tier I employees generally had to purchase credit for wartime or national emergency service by October 1, 1985. They had to pay an amount equal to what they would have contributed towards their pension had they been state employees during their military service. Some employees, depending on when they served and when they purchased the credit, also had to pay interest on this payment.

Tier II (CGS § 5-192i)

Members of Tier II could receive credit for service in time of war and up to three years of service during periods of national emergency, as defined by state law. The employee was not required to pay for this credit but had to apply to the Retirement Commission in his first year of state service or by June 22, 1993, whichever was later.

Tier IIA (SEBAC V)

A Tier II A employee can purchase credit for wartime or national emergency military service if he (1) received an honorable discharge and (2) is ineligible to receive a pension from another source for this service. The employee must apply to purchase the credit in his first year of state service. The employee cannot obtain more than 10 years of credit for military service.

The cost of buying one year's credit for military service equals 4% of the employee's initial salary plus interest at the rate of 5% per year from the time the military service was rendered until the credit is purchased.

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