



SENATE BILL 311: No Waiting Period Under LGERS/Volunteer Fire Department Fund Grants.

2021-2022 General Assembly

Committee:
Introduced by:
Analysis of: S.L. 2021-178

Date: January 31, 2022
Prepared by: Jason Moran-Bates
Staff Attorney

OVERVIEW: *S.L. 2021-178 prohibits employers from imposing a waiting period on employees who are eligible for membership in the Local Governmental Employees' Retirement System (LGERS), updates the Volunteer Fire Department Fund (VDFD) grant matching requirements, allows a one-time pension supplement to be paid to LGERS members, and reduces the SUTA contribution rate from 2.4% to 1.9% for calendar year 2022. The waiting period and VDFD portions of the act became effective December 1, 2021. The pension supplement and SUTA portions became effective November 10, 2021.*

CURRENT LAW, BILL ANALYSIS, AND EFFECTIVE DATE:

Section 1: Under current law, local government employers may impose a waiting period before otherwise eligible employees can become members of LGERS. Section 1 of the act prevents employers who participate in LGERS from imposing a waiting period on employees who are eligible to become members of the system. This section became effective December 1, 2021.

Section 2: Grants made under the Volunteer Fire Department Fund must be matched by the entity applying for the grant on a dollar-for-dollar basis unless the entity receives less than \$50,000 in municipal and county funding. In those cases, the entity must match with one dollar of their own funds for every three dollars in grant money. Section 2 requires volunteer fire departments to match funds awarded under the VDFD as follows:

- Entities that receive less than \$50,000 in municipal and county funding are not required to match the grant funding.
- Entities that receive between \$50,000 and \$75,000 in municipal and county funding are required to match one dollar for every three dollars in grant funding.
- Entities that receive more than \$75,000 in municipal and county funding are required to match on a dollar-for-dollar basis.

This section became effective December 1, 2021.

Section 3: The Board of Trustees for the Local Governmental Employees' Retirement System is permitted to grant a one-time pension supplement to its members in a given year if a permanent increase in benefits is not paid that year and there are sufficient funds in the system to pay the supplement. This section became effective November 10, 2021.

Section 4 sets the SUTA base rate for 2022 at 1.9%. The base rate varies depending on the size of the State's Trust Fund balance on September 1. When the Trust Fund balance as a percentage of total insured wages is greater than 1.25%, the rate is 1.9%. When the Trust Fund balance is equal to or below 1.25% and greater than 1%, the base rate is 2.4%; when it is equal to or below 1%, the base rate is 2.9%. Under

Jeffrey Hudson
Director



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the statutory formula the base rate for 2022 will be 2.4%.¹ The Trust fund balance missed the trigger to calculate at the 1.9% rate by approximately \$170 million. The Trust Fund balance is currently \$3.1 billion. At the current unemployment level, the 1.9% base rate would be sufficient for the Trust Fund to grow above the required threshold. This section became effective November 10, 2021.

The State unemployment tax act (SUTA) sets the annual contribution rate paid by employers. The revenue generated from the contributions is credited to the State's account in the Unemployment Trust Fund which is held in the federal treasury. Money in the State's account can only be used to pay State unemployment benefits. For experience-rated employers, the SUTA contribution rate is the base rate minus the employer's reserve ratio percentage. The Division of Employment Security, Department of Commerce, annually computes an employer's experience rating based on the contribution credits made to and benefits charges made against the employer's account. A positive experience rating produces a lower SUTA contribution rate, and a negative experience rating produces a higher SUTA contribution rate. The Division of Employment Security mails its tax rate notices to employers November 15th.

¹ Based on the statutory formula, the base rate for 2021 would have been 2.4%. S.L. 2021-5 set the base rate for 2021 at 1.9%.