

# UI Bond Status Update

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Presented to Employment  
Security Council

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Research & Analysis Bureau



# Bond Refresher

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- ❑ **Recessionary Impact on UI Trust Fund**
  - ❑ Trust Fund Balance fell below -\$800 million
- ❑ **Issued November 2013**
  - ❑ Bond cheaper than borrowing from Federal Govt.
  - ❑ Bond Proceeds of \$592 million
  - ❑ Semi-annual payments
  - ❑ 4.5 Year Term with callable final payment
  - ❑ Expected final payment December 2017



# Overview of UI Bond Payments

- ❑ Payments: 5 to Date
  - ❑ \$269.8 million Principal
  - ❑ \$55.9 million Interest
- ❑ Next payment: Dec. 2016
  - ❑ \$63.1 million Principal
  - ❑ \$7.0 million Interest
- ❑ Current Account Balances
  - ❑ Principal Account: \$73.8 million
  - ❑ Interest Account: \$14.1 million



# Step 1: Upcoming Obligations

- ❑ What payments are due in 2017?
  - ❑ Principal: \$160.2 million x 1.5 = \$240.3 million
  - ❑ Interest & Expenses: \$10.1 million x 1.5 = \$15.1 million
- ❑ What reserves will be available to make those payments?
  - ❑ Principal: \$60.4 million
  - ❑ Interest & Expenses: \$13.2 million
- ❑ What do we need to collect to make those payments and meet our bond obligations?
  - ❑ Principal: \$179.9 million
  - ❑ Interest & Expenses: \$1.9 million



## Step 2: Baseline Bond Rates

- ❑ What are the estimated taxable wages?
  - ❑ \$30.6 billion x 95% = \$29.1 billion
- ❑ What are the baseline rates?
  - ❑ Principal: \$ 179.9 million ÷ \$29.1 billion = **0.62%**
  - ❑ I & E: \$ 1.9 million ÷ \$29.1 billion = **0.01%**
  - ❑ **2017 Total Rate: 0.63%**
  - ❑ 2016 Total Rate: 0.62%



## Step 3: Tiers Defined in Regulation

- ❑ What are the four tiers?
  - ❑ Tier 1: New employers
  - ❑ Tier 2: Negative Reserve Ratio employers
  - ❑ Tier 3: Bottom 90% of Positive Reserve Ratio wages
  - ❑ Tier 4: Top 10% of Positive Reserve Ratio wages
- ❑ What is the distribution of wages within tiers?
  - ❑ Tier 1: 10.5% of wages; 36.0% of employers
  - ❑ Tier 2: 9.2% of wages; 9.2% of employers
  - ❑ Tier 3: 72.3% of wages; 30.7% of employers
  - ❑ Tier 4: 8.0% of wages; 24.1% of employers



## Step 4: Calculating Rates by Tier

- What are the rates for each tier?

Tier and Multiplier	2016	2017	2017 Reserve Ratio Range
Tier 1: Baseline x 0.45	<b>0.62%</b>	<b>0.63%</b>	<b>New</b>
Tier 2: Baseline x 1.4	<b>0.87%</b>	<b>0.87%</b>	<b>Less than 0</b>
Tier 3: Derived	<b>0.67%</b>	<b>0.69%</b>	<b>0 to 8.99</b>
Tier 4: Baseline x 0.25	<b>0.16%</b>	<b>0.16%</b>	<b>9.00 or Higher</b>
Average Cost per Employee at Taxable Wage Limit:	<b>\$174.84</b>	<b>\$185.85</b>	



# Bond Payment Progress

