

# Review of UI Trust Fund

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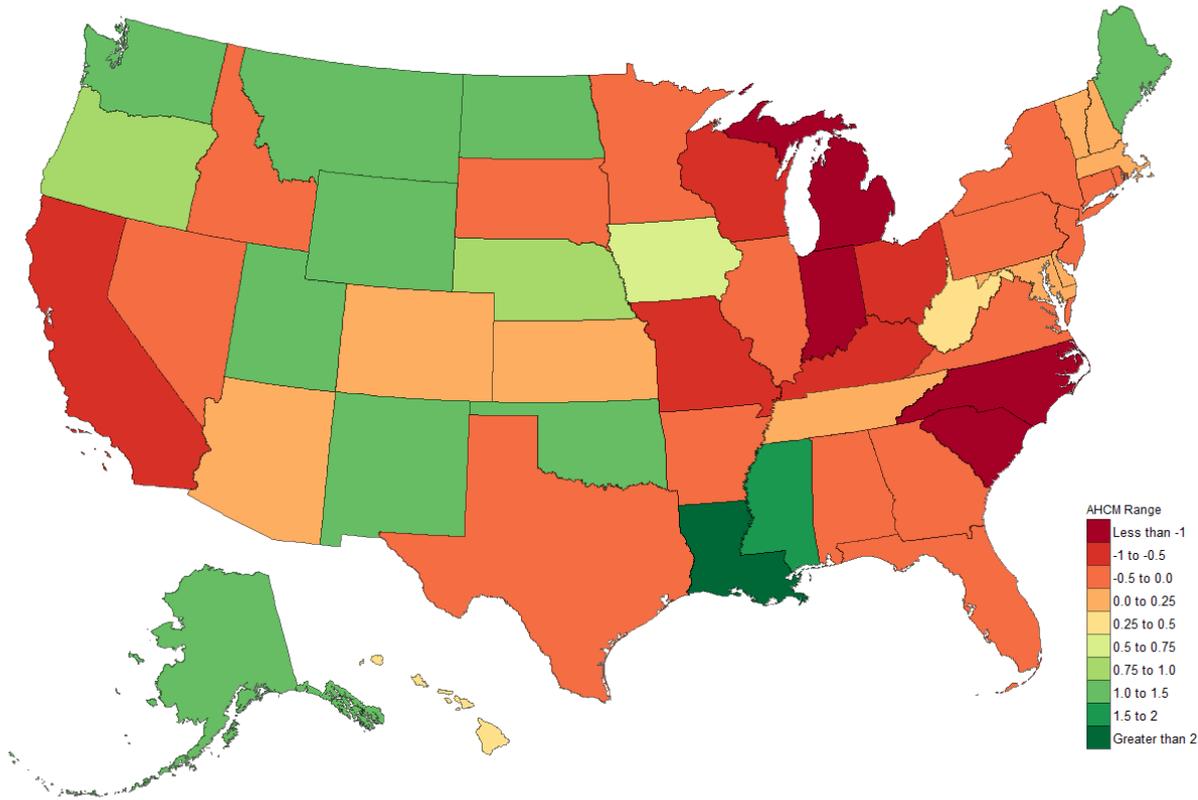
Employment Security Council  
October 3, 2016

Research & Analysis Bureau



# National Perspective: Then...

Average High Cost Multiple By State  
As of 1/1/2010



\*AHCM is calculated by dividing the Reserve Ratio (UITF balance divided by the previous year of Total Wages) by the Average High Cost Rate

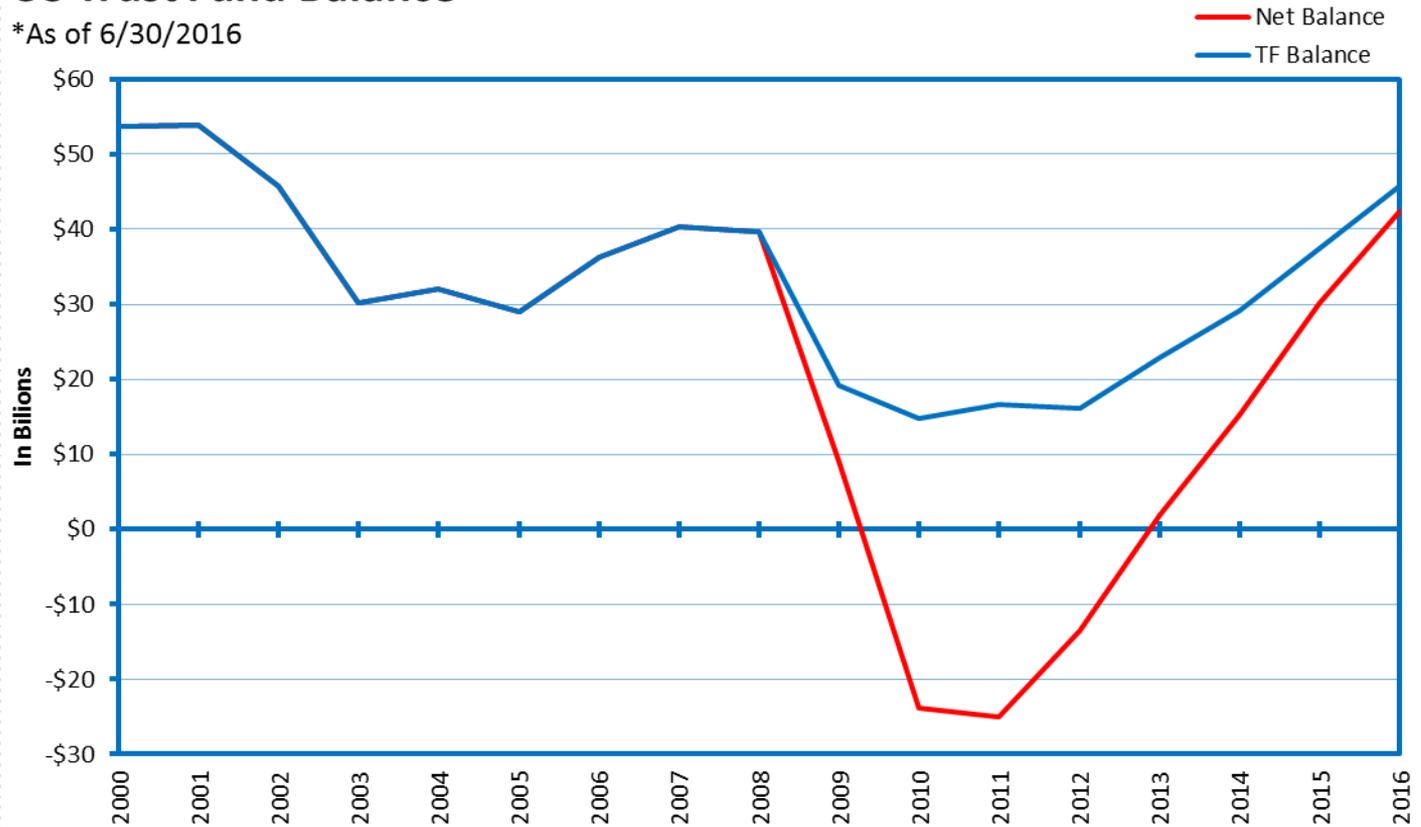




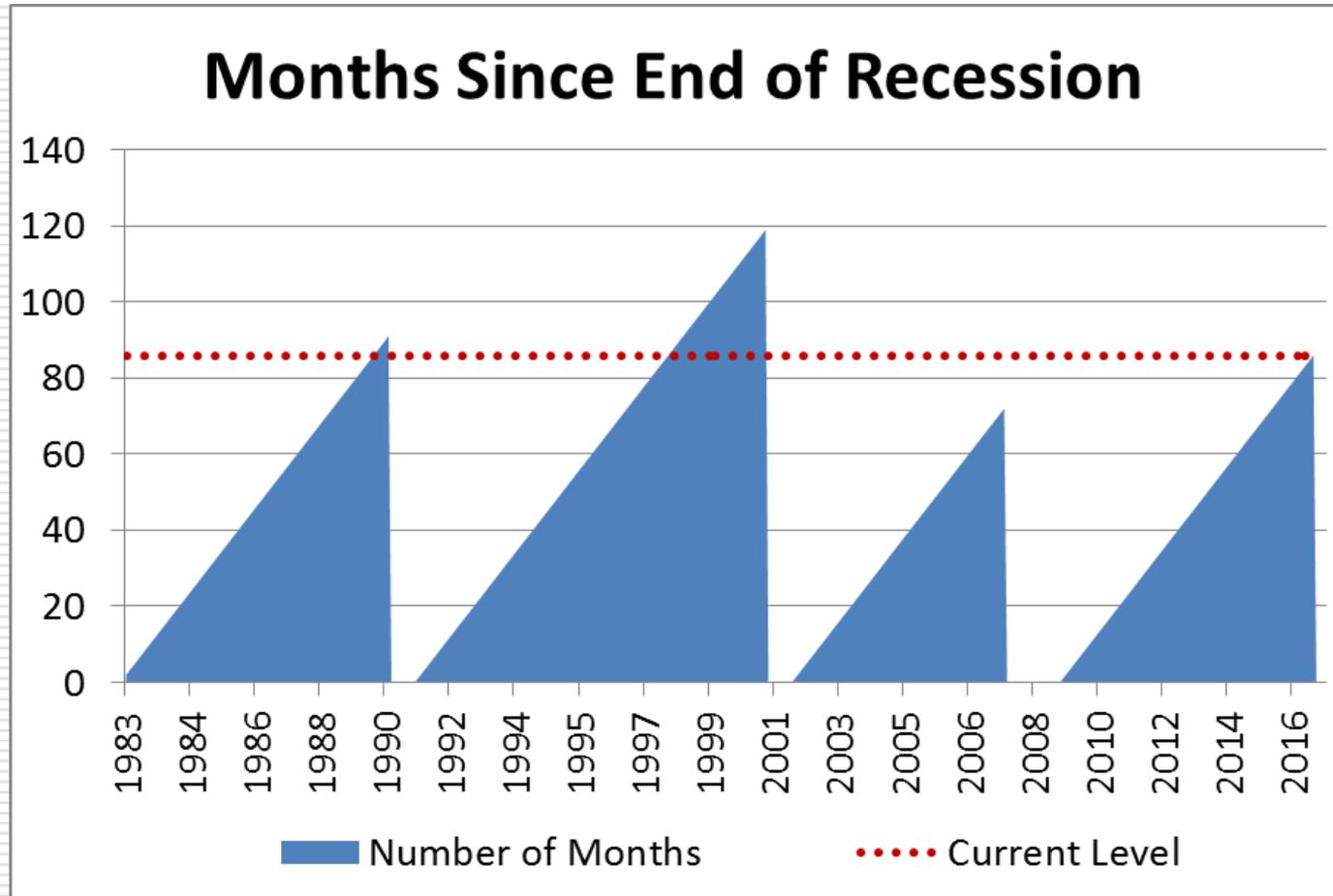
# National Perspective: Improving Fund Balance

## US Trust Fund Balance

\*As of 6/30/2016



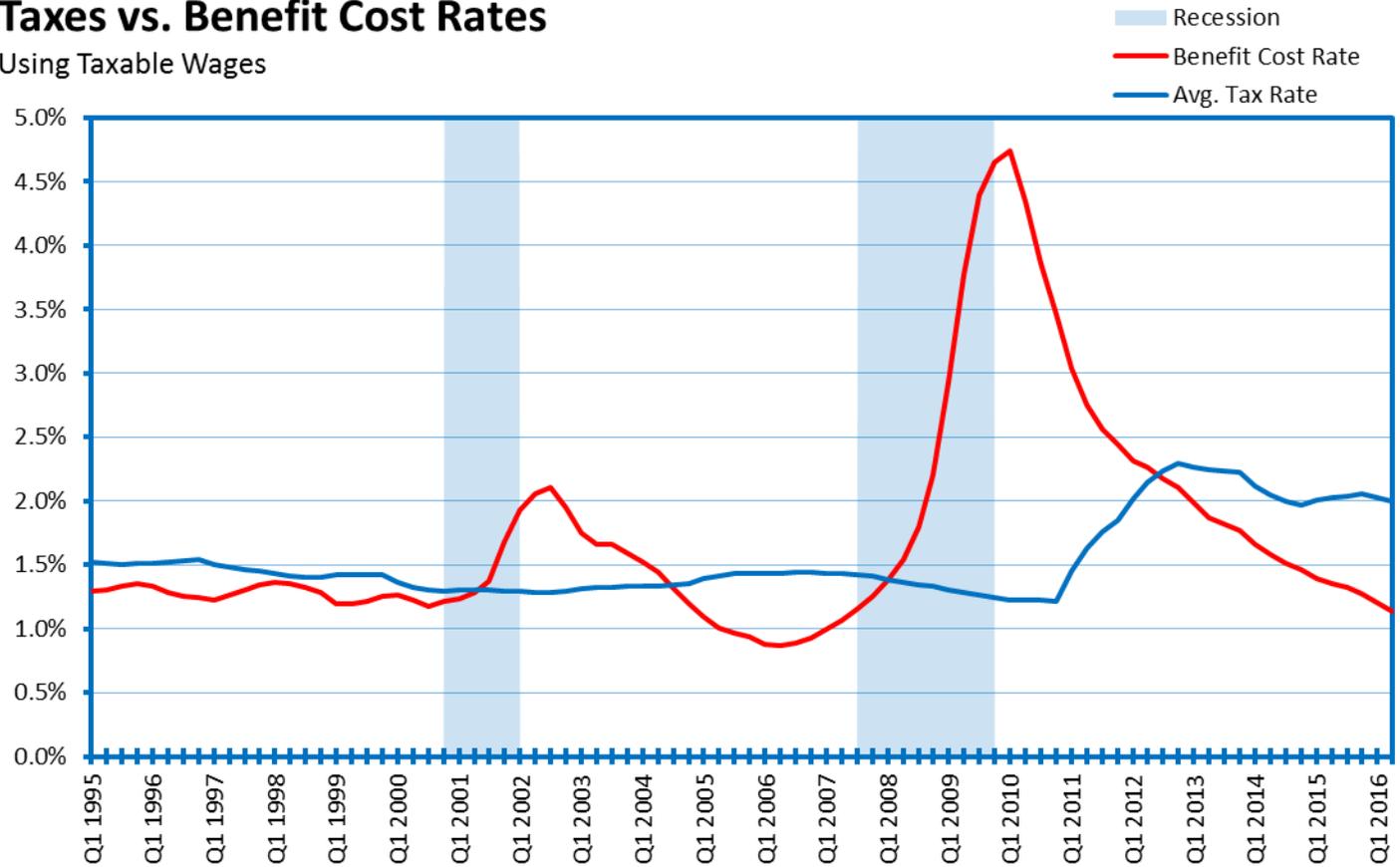
# National Perspective: Long Economic Recovery Ongoing



# Nevada's Trust Fund: Contribution Rates and Benefit Costs

## Taxes vs. Benefit Cost Rates

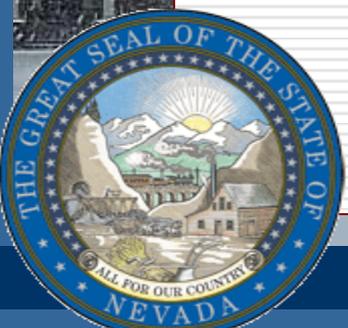
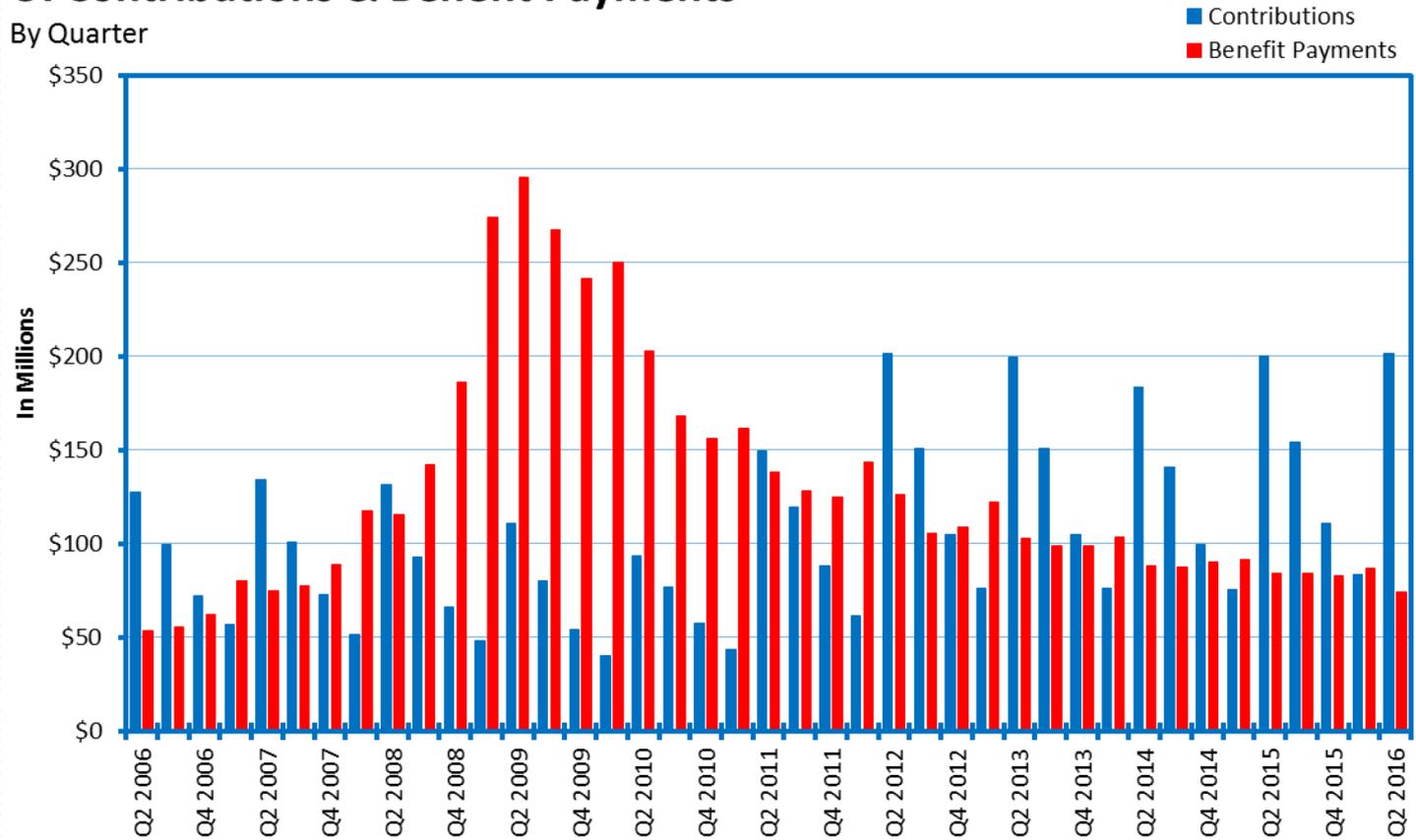
Using Taxable Wages



# Nevada's Trust Fund: Rebuilding Trust Fund Reserves

## UI Contributions & Benefit Payments

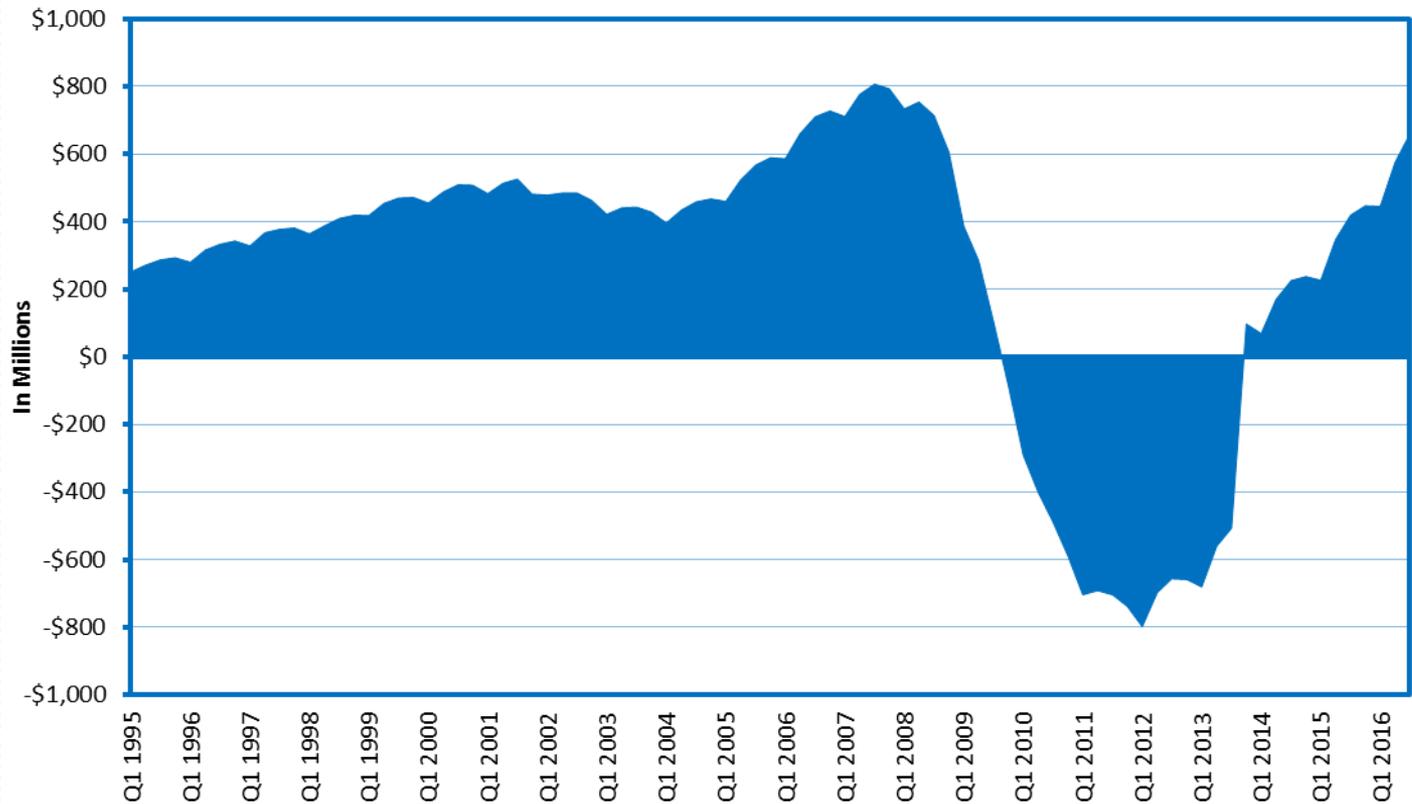
By Quarter



# Nevada's Trust Fund: Rebuilding Trust Fund Reserves

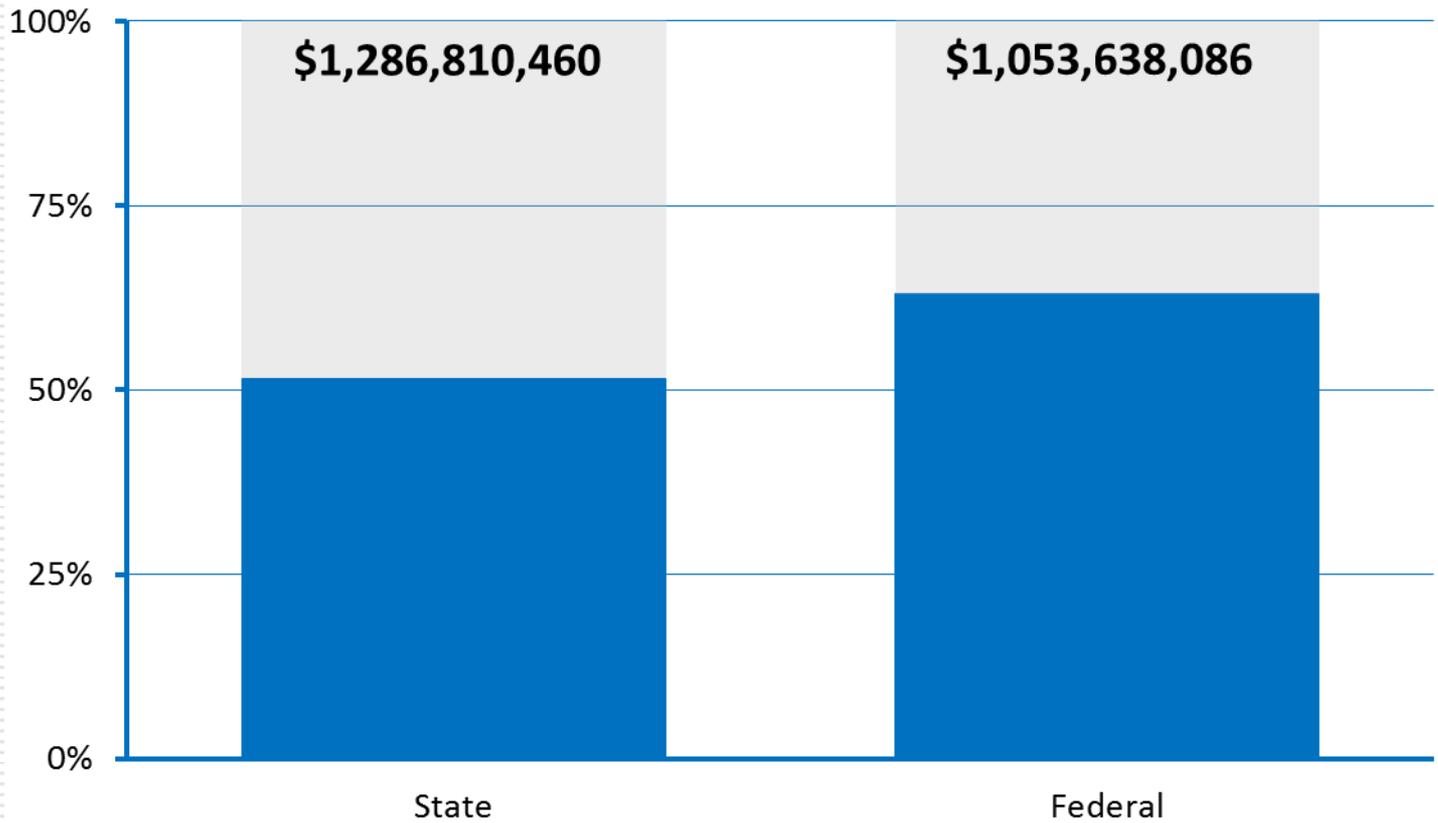
## Nevada Trust Fund Balance

By Quarter



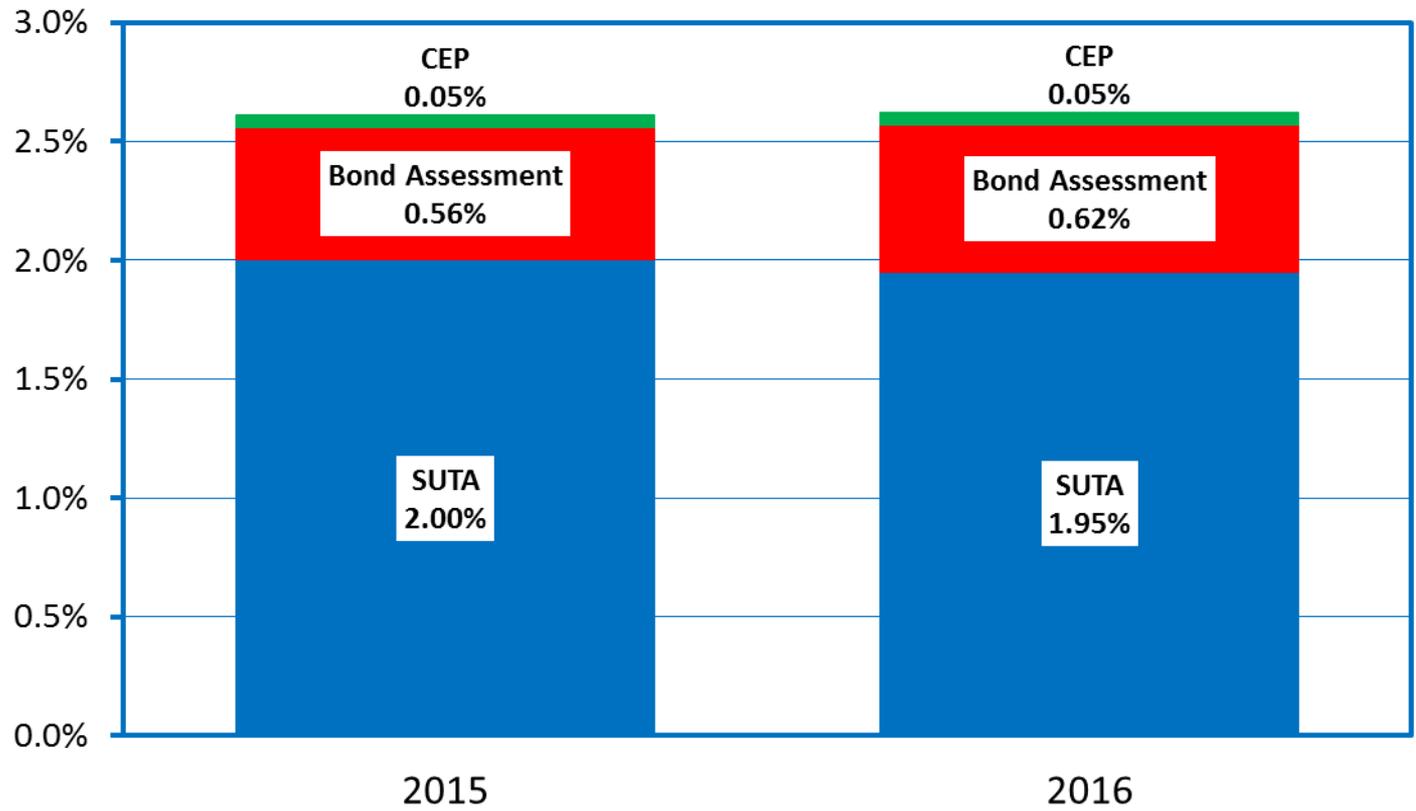
# Nevada's Trust Fund: Rebuilding Trust Fund Reserves

## 2016 Trust Fund Solvency Levels



# Nevada's Trust Fund: Total Employers Costs

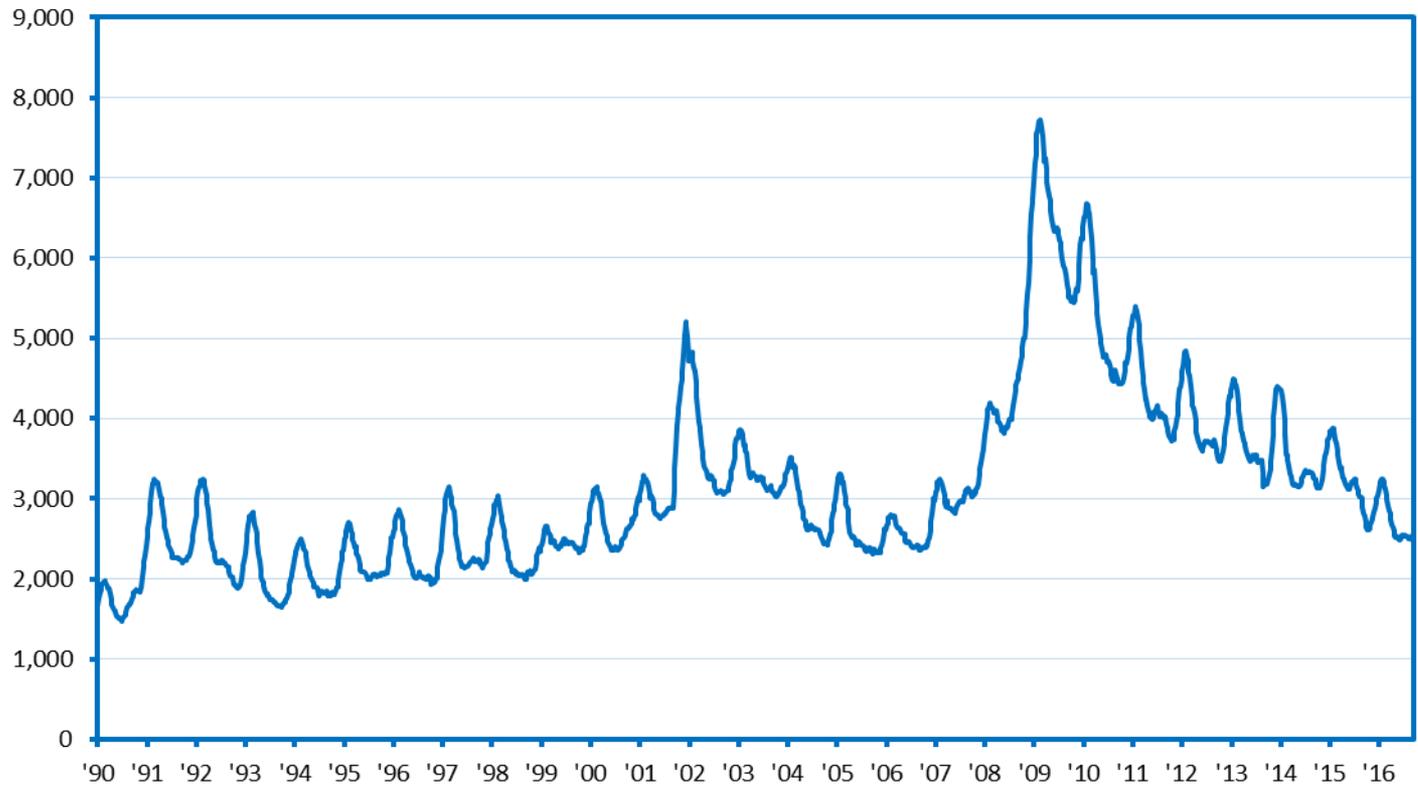
### Employer Cost Breakdown



# 2017 Trends: Initial Claims Nearing Boom Levels

## Weekly Initial Claims

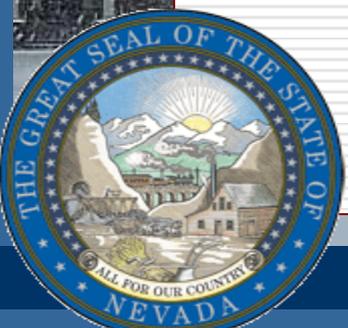
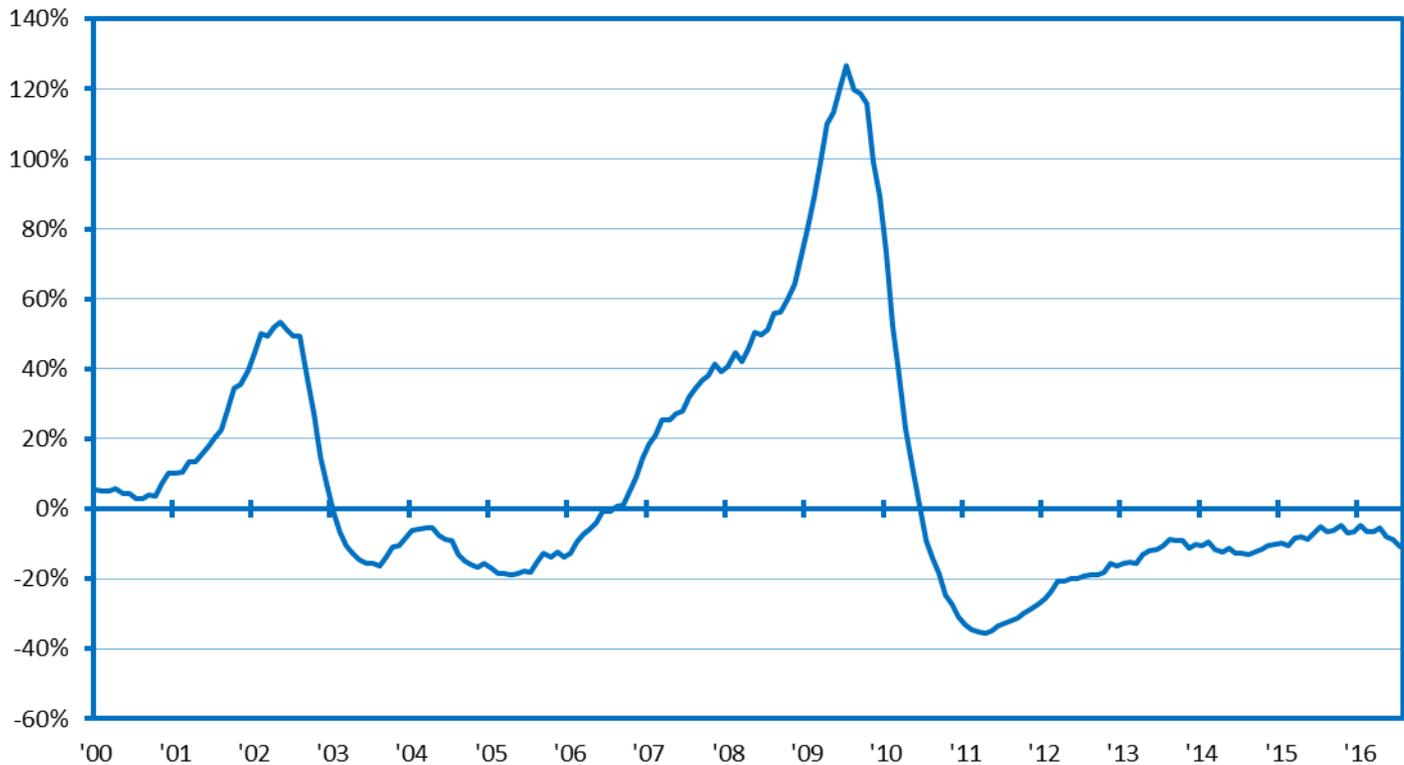
13 Week Moving Average



# 2017 Trends: Benefit Payments Still Declining

## % Change UI Benefits Paid

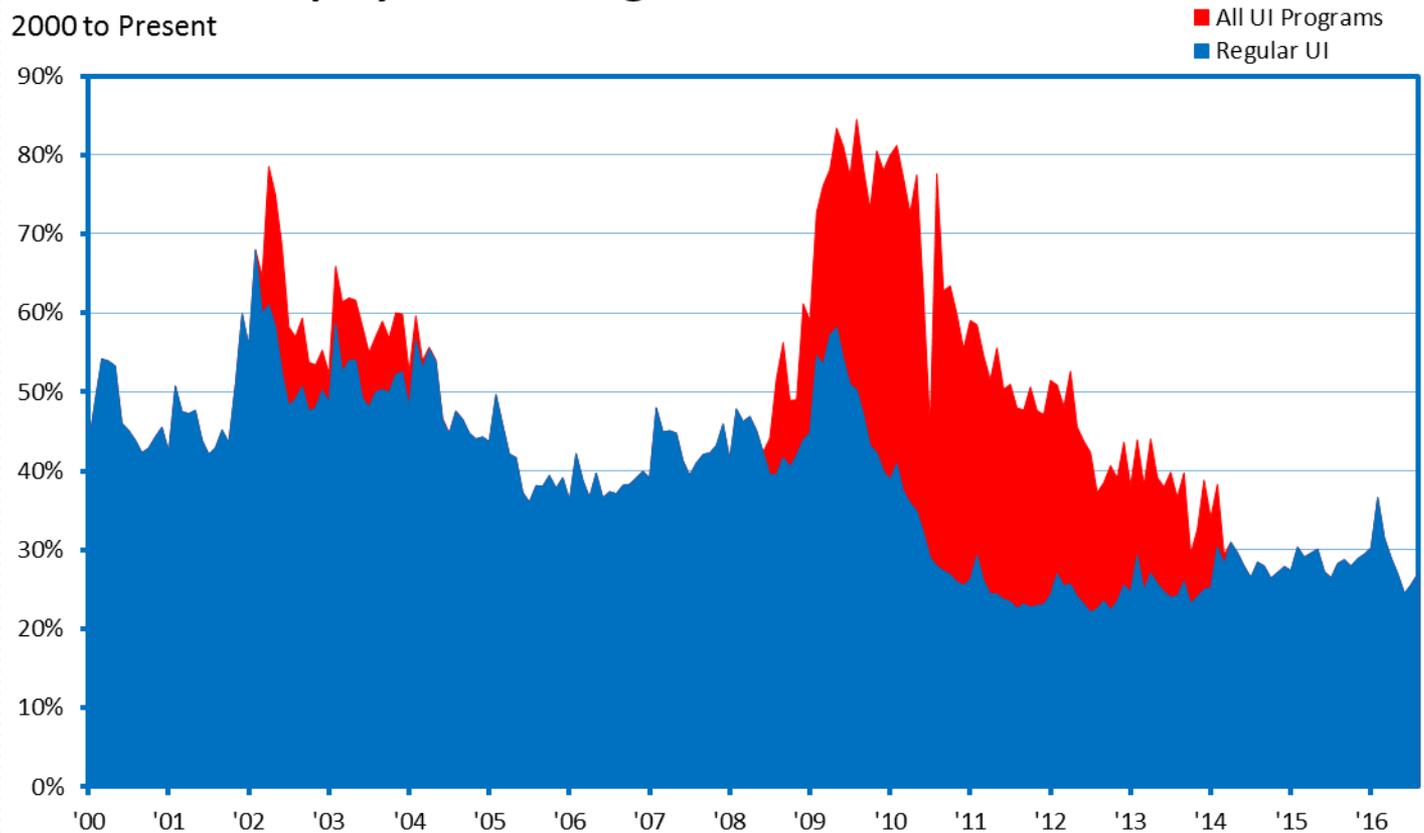
Using 12 Month Moving Average



# 2017 Trends: Fewer Unemployed Receiving Benefits

## Share of Unemployed Receiving Benefits

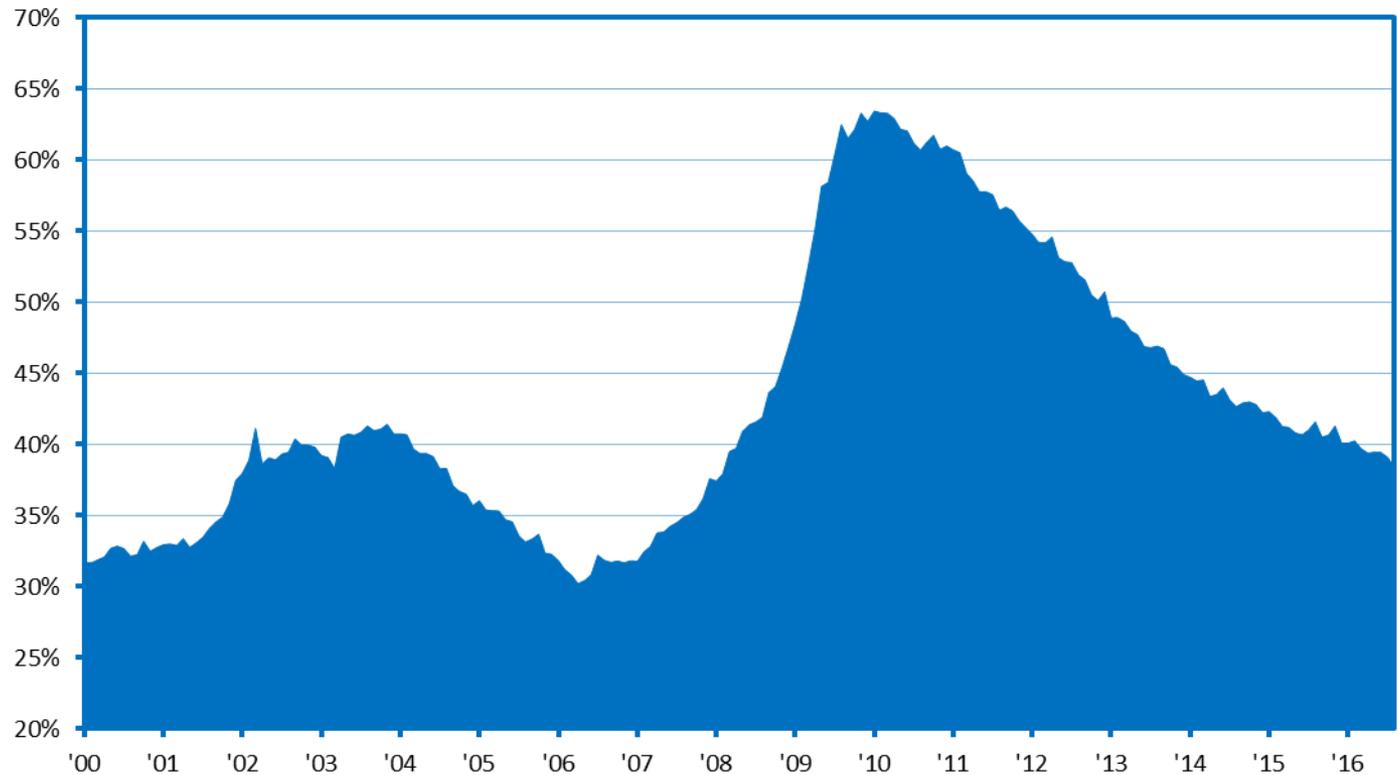
2000 to Present



# 2017 Trends: Exhaustion Rate Continues to Fall

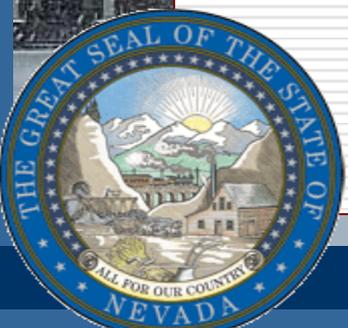
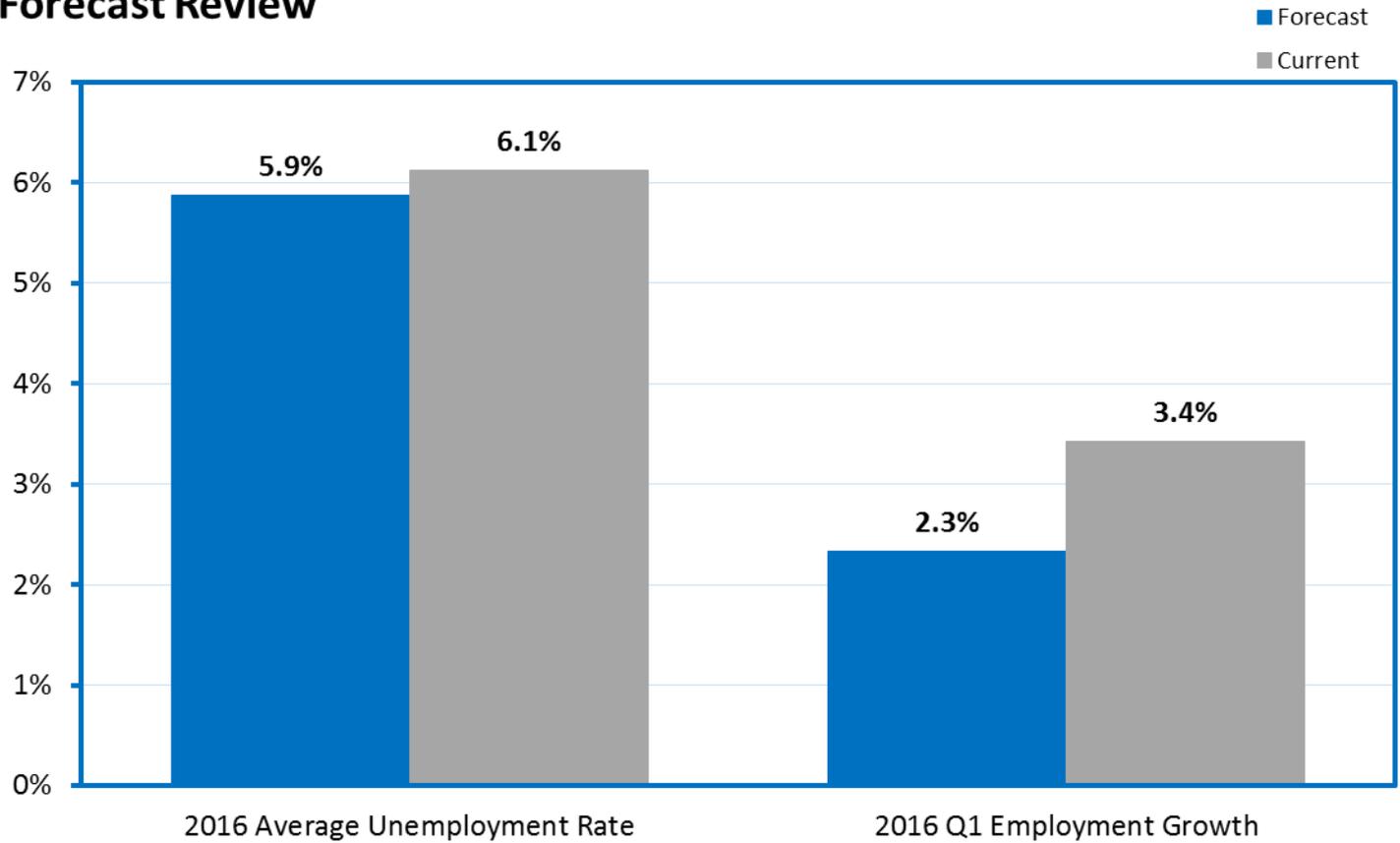
## Exhaustion Rate

2000 to Present



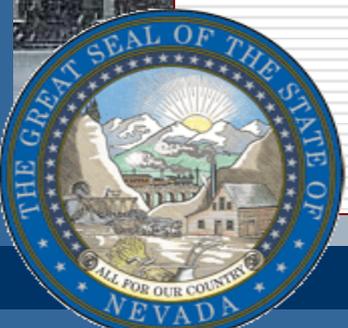
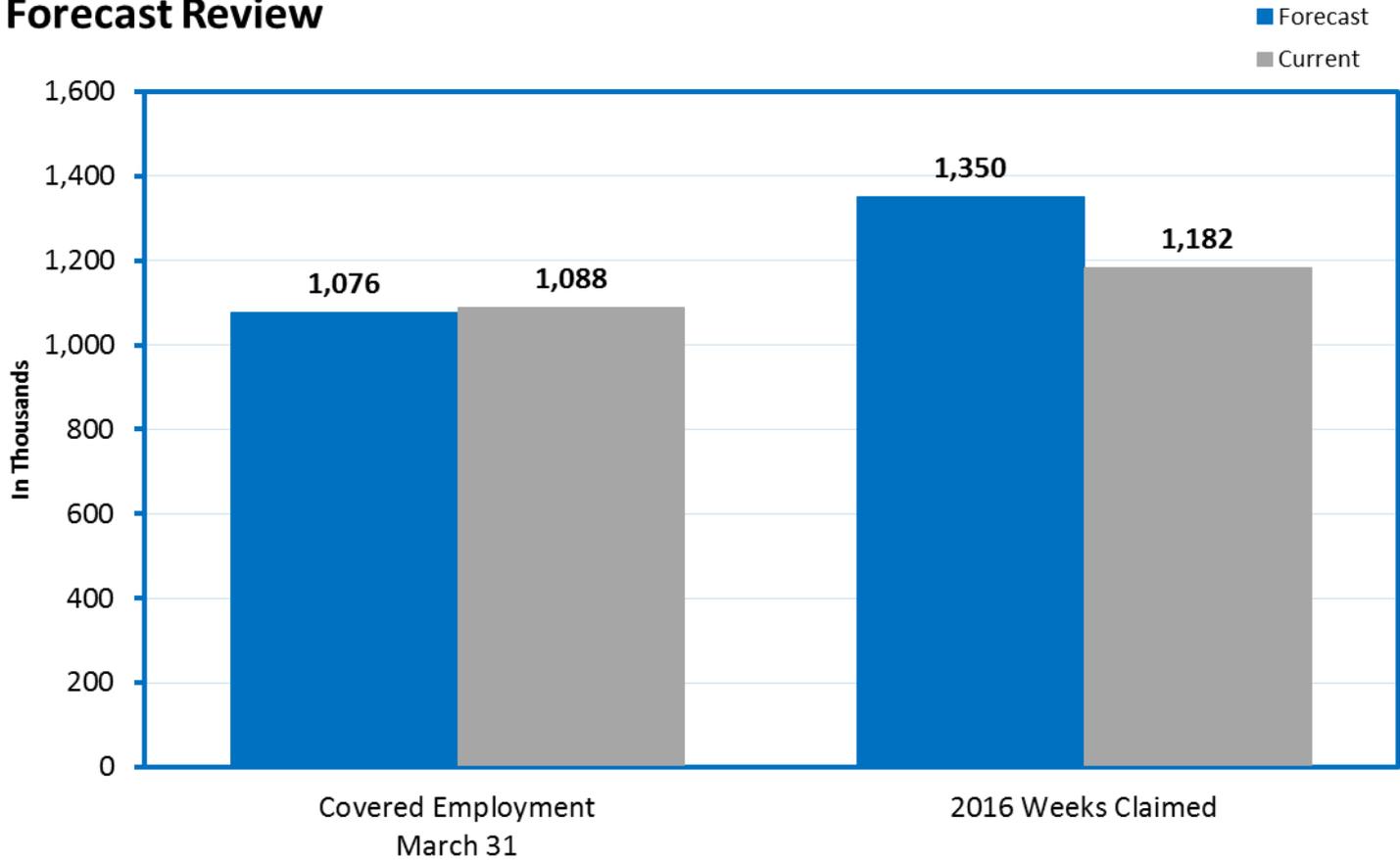
# 2017 Forecast: Review of Forecast for 2016

Forecast Review



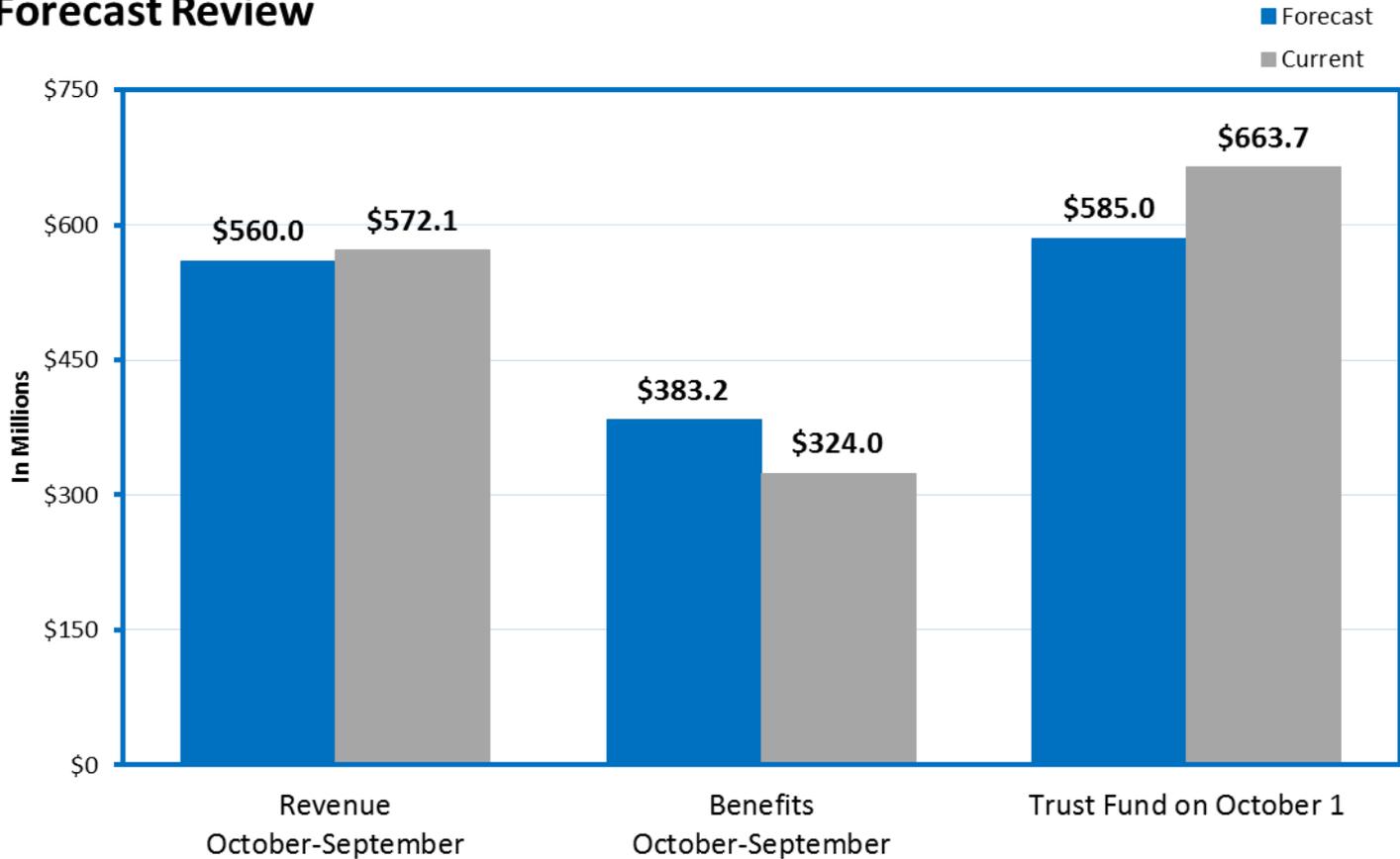
# 2017 Forecast: Review of Forecast for 2016

## Forecast Review



# 2017 Forecast: Review of Forecast for 2016

## Forecast Review



# 2017 Forecast: Historical Solvency Review

<b>Nevada Solvency Calculation</b> NRS 612.550	<b>Actual</b> <u>2012</u>	<b>Actual</b> <u>2013</u>	<b>Actual</b> <u>2014</u>	<b>Actual</b> <u>2015</u>	<b>Preliminary</b> <u>2016</u>
Covered Employment	958,866	979,091	1,009,195	1,051,719	1,087,749
Highest Risk Ratio	18.98%	18.98%	18.98%	18.98%	18.98%
Highest Weeks Duration	19.12	19.12	19.12	19.12	19.12
Average Weekly Payment	\$302.90	\$307.85	\$310.18	\$318.88	\$326.00
<b>Solvency Target (Millions)</b>	<b>\$1,054.0</b>	<b>\$1,093.8</b>	<b>\$1,136.0</b>	<b>\$1,217.0</b>	<b>\$1,286.8</b>
<b>Beginning Fund Balance (Millions)</b>	<b>(\$704.2)</b>	<b>(\$656.7)</b>	<b>(\$507.8)</b>	<b>\$225.5</b>	<b>\$419.3</b>
Intake to Fund	502.0	531.2	1693.3	535.9	572.1
Taxes	502.0	531.2	1097.8	528.8	560.3
Bond Proceeds	0.0	0.0	592.4	0.0	0.0
Interest	0.0	0.0	3.1	7.1	11.8
Payout From Fund	499.9	433.2	379.1	350.3	324.0
Regular Benefits	499.9	433.2	379.1	350.3	324.0
Net Change in Fund	47.5	148.9	1314.2	193.8	244.4
<b>Ending Fund Balance (Millions)</b>	<b>(\$656.7)</b>	<b>(\$507.8)</b>	<b>\$225.5</b>	<b>\$419.3</b>	<b>\$663.7</b>
<b>Solvency Level (Millions)</b>	<b>(1,710.7)</b>	<b>(1,601.6)</b>	<b>(910.4)</b>	<b>(797.7)</b>	<b>(\$623.1)</b>
Multiple	-0.62	-0.46	0.20	0.34	0.52
Average High Cost Multiple	-0.81	-0.59	0.25	0.43	0.63
<b>Average Tax Rate</b>	<b>2.00%</b>	<b>2.25%</b>	<b>1.95%</b>	<b>2.00%</b>	<b>1.95%</b>
Average Bond Assessment			0.63%	0.56%	0.62%
CEP Rate	0.05%	0.05%	0.05%	0.05%	0.05%
<b>Total Cost to Employers</b>	<b>2.05%</b>	<b>2.30%</b>	<b>2.63%</b>	<b>2.61%</b>	<b>2.62%</b>
<b>Average Cost per Employee at Max Taxable Wage (excl FUTA &amp; Interest)</b>	<b>\$541.20</b>	<b>\$618.70</b>	<b>\$720.62</b>	<b>\$725.58</b>	<b>\$738.84</b>



# 2017 Forecast: Potential 2017 Tax Rates

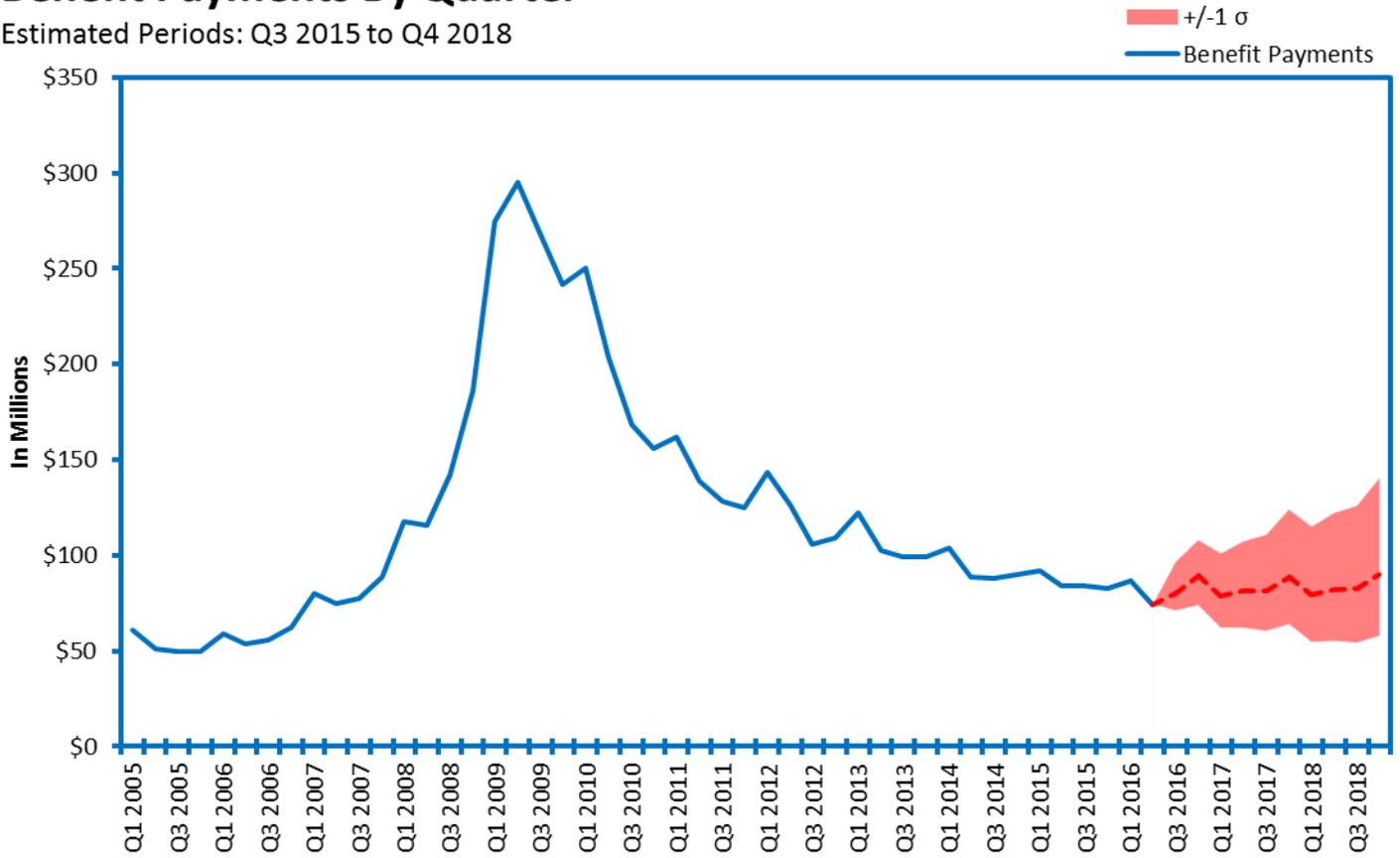
Nevada Solvency Calculation	2017	2017	2017	2017	2017
Covered Employment	1,115,458	1,115,458	1,115,458	1,115,458	1,115,458
Highest Risk Ratio - 11/2009	18.98%	18.98%	18.98%	18.98%	18.98%
Highest Weeks Duration - 05/2010	19.12	19.12	19.12	19.12	19.12
Average Weekly Payment	\$336.18	\$336.18	\$336.18	\$336.18	\$336.18
<b>Solvency Target (Millions)</b>	<b>\$1,360.8</b>	<b>\$1,360.8</b>	<b>\$1,360.8</b>	<b>\$1,360.8</b>	<b>\$1,360.8</b>
<b>UI Trust Fund Level</b>					
<b>10/1/2016 Fund Balance (Millions)</b>	<b>\$663.7</b>	<b>\$663.7</b>	<b>\$663.7</b>	<b>\$663.7</b>	<b>\$663.7</b>
Intake to Fund	607.6	618.1	628.5	639.0	649.4
Taxes	590.1	600.5	610.8	621.2	631.5
Interest	17.5	17.6	17.7	17.8	17.9
Payout From Fund	331.3	331.3	331.3	331.3	331.3
Regular Benefits	331.3	331.3	331.3	331.3	331.3
Net Change in Fund	276.3	286.7	297.2	307.6	318.1
<b>9/30/2017 Fund Balance (Millions)</b>	<b>\$940.0</b>	<b>\$950.5</b>	<b>\$960.91</b>	<b>\$971.35</b>	<b>\$981.8</b>
State Solvency Gap (Millions)	(420.8)	(410.3)	(399.9)	(389.5)	(379.0)
State Solvency Multiple	0.69	0.70	0.71	0.71	0.72
AHCM Solvency Gap (Millions)	(144.8)	(134.3)	(123.9)	(113.4)	(103.0)
Average High Cost Multiple	0.85	0.86	0.87	0.88	0.89
<b>Average Tax Rate</b>	<b>1.90%</b>	<b>1.95%</b>	<b>2.00%</b>	<b>2.05%</b>	<b>2.10%</b>
Average Bond Assessment	0.63%	0.63%	0.63%	0.63%	0.63%
CEP Assessment	0.05%	0.05%	0.05%	0.05%	0.05%
<b>Total Cost to Employers</b>	<b>2.58%</b>	<b>2.63%</b>	<b>2.68%</b>	<b>2.73%</b>	<b>2.78%</b>
<b>Average Cost Per Employee at Taxable Wage Base</b>	<b>\$761.10</b>	<b>\$775.85</b>	<b>\$790.60</b>	<b>\$805.35</b>	<b>\$820.10</b>



# 2017 Forecast: Benefit Payments to Stabilize

## Benefit Payments By Quarter

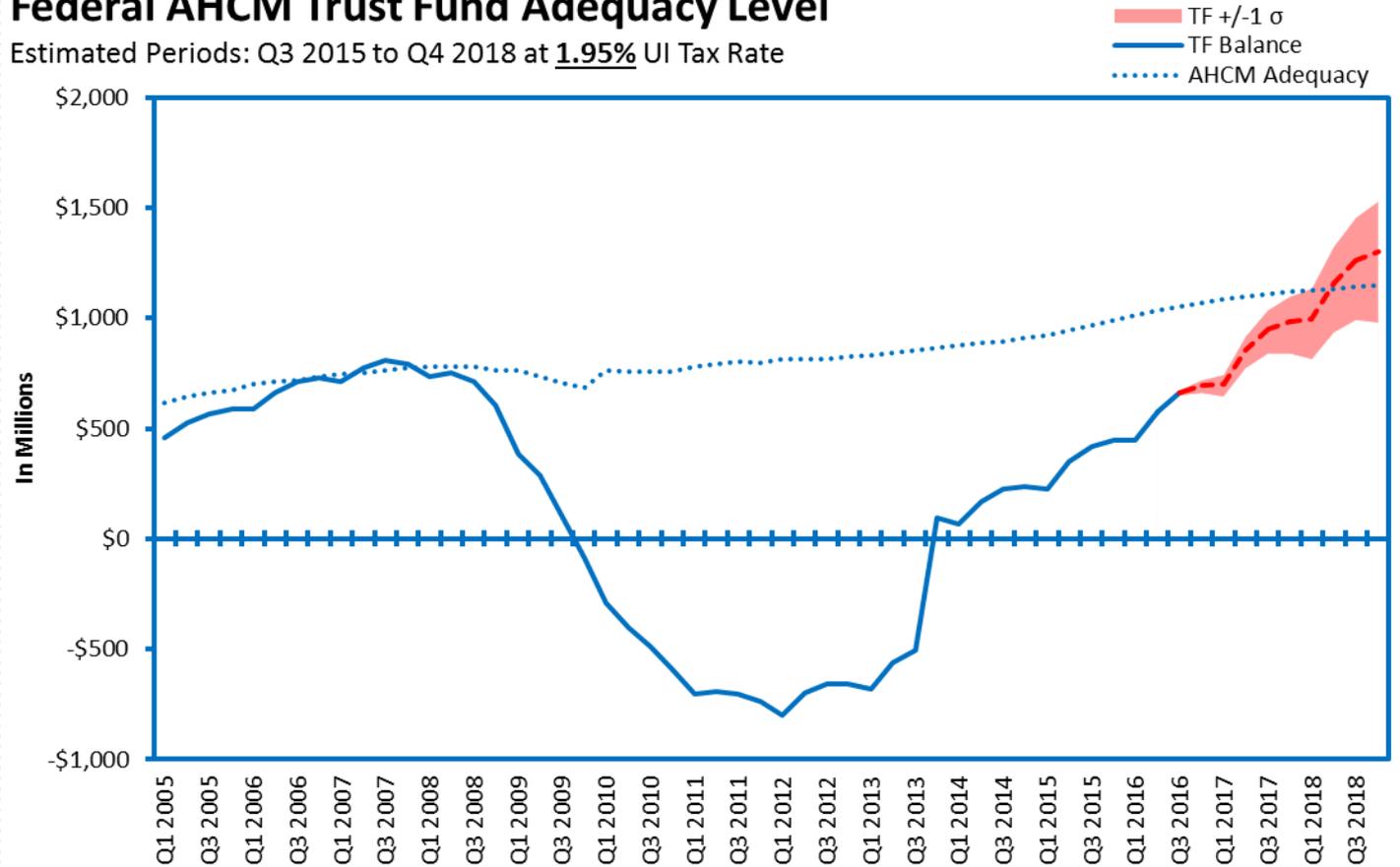
Estimated Periods: Q3 2015 to Q4 2018



# 2017 Forecast: AHCM Solvency Measure

## Federal AHCM Trust Fund Adequacy Level

Estimated Periods: Q3 2015 to Q4 2018 at 1.95% UI Tax Rate



# 2017 Forecast: Long Term Effect of Different Rates

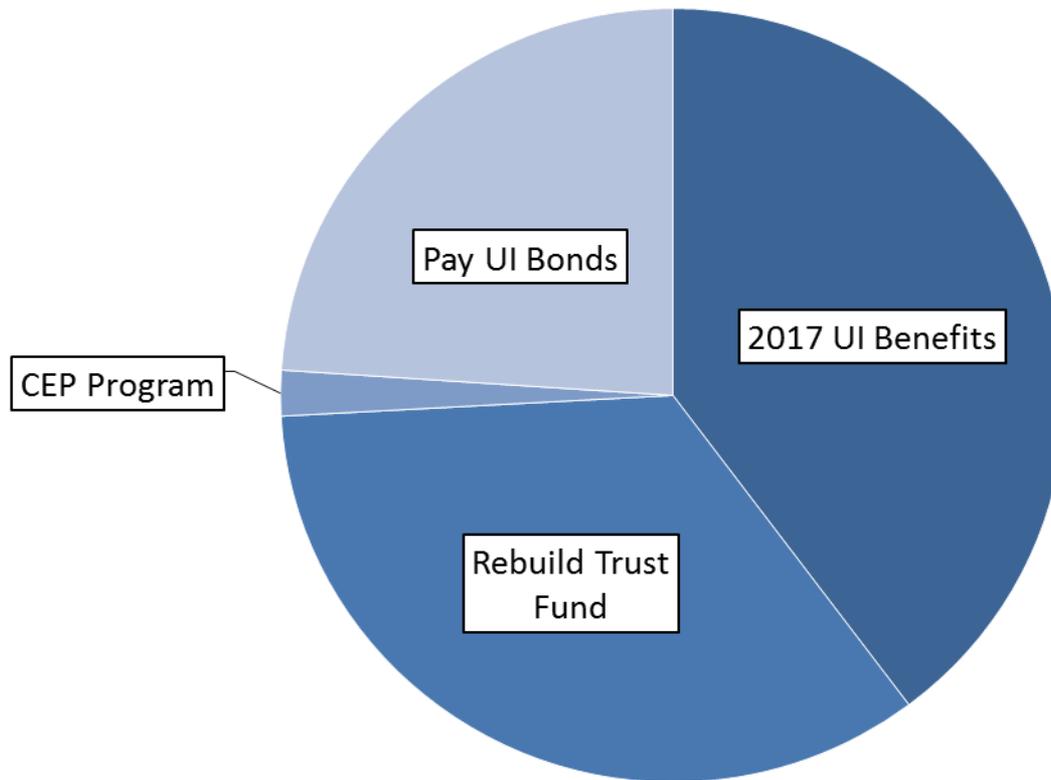
Tax Rate	2016 AHCM	2017 AHCM	2018 AHCM	2019 AHCM	2020 AHCM
1.90%	0.63	0.85	1.08	1.33	1.59
1.95%	0.63	0.86	1.11	1.37	1.37
2.00%	0.63	0.87	1.13	1.41	1.69
2.05%	0.63	0.88	1.15	1.44	1.74
2.10%	0.63	0.89	1.18	1.48	1.80

- ❑ Average time from end of one recession to start of the next during the last 50 years: 5.4 years (December 2014)
- ❑ Longest time from end of one recession to start of the next during the last 50 years: 10 years (June 2019)
- ❑ Estimates reflect constant tax rate for all years
- ❑ State solvency reached in 2019



# 2017 Forecast: Where do UI Contributions Go?

Distribution of UI Contributions



# 2017 Forecast: Other Considerations

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- ❑ When will a future recession hit?
  - ❑ 5.4 years = December 2014 (average recovery)
  - ❑ 10 years = June 2019 (longest recovery)
  - ❑ National projections for a long, slow recovery
- ❑ National and International Economic Concerns
  - ❑ Federal Reserve Rate Increases
  - ❑ Europe, China, South America
  - ❑ Worldwide Instability
- ❑ Bringing Stability to Employers
  - ❑ 1.95% average rate maintains overall rate stability

