

# Review of Trust Fund Status and Economic Analysis

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Small Business Workshop  
October 27, 2016

Research & Analysis Bureau

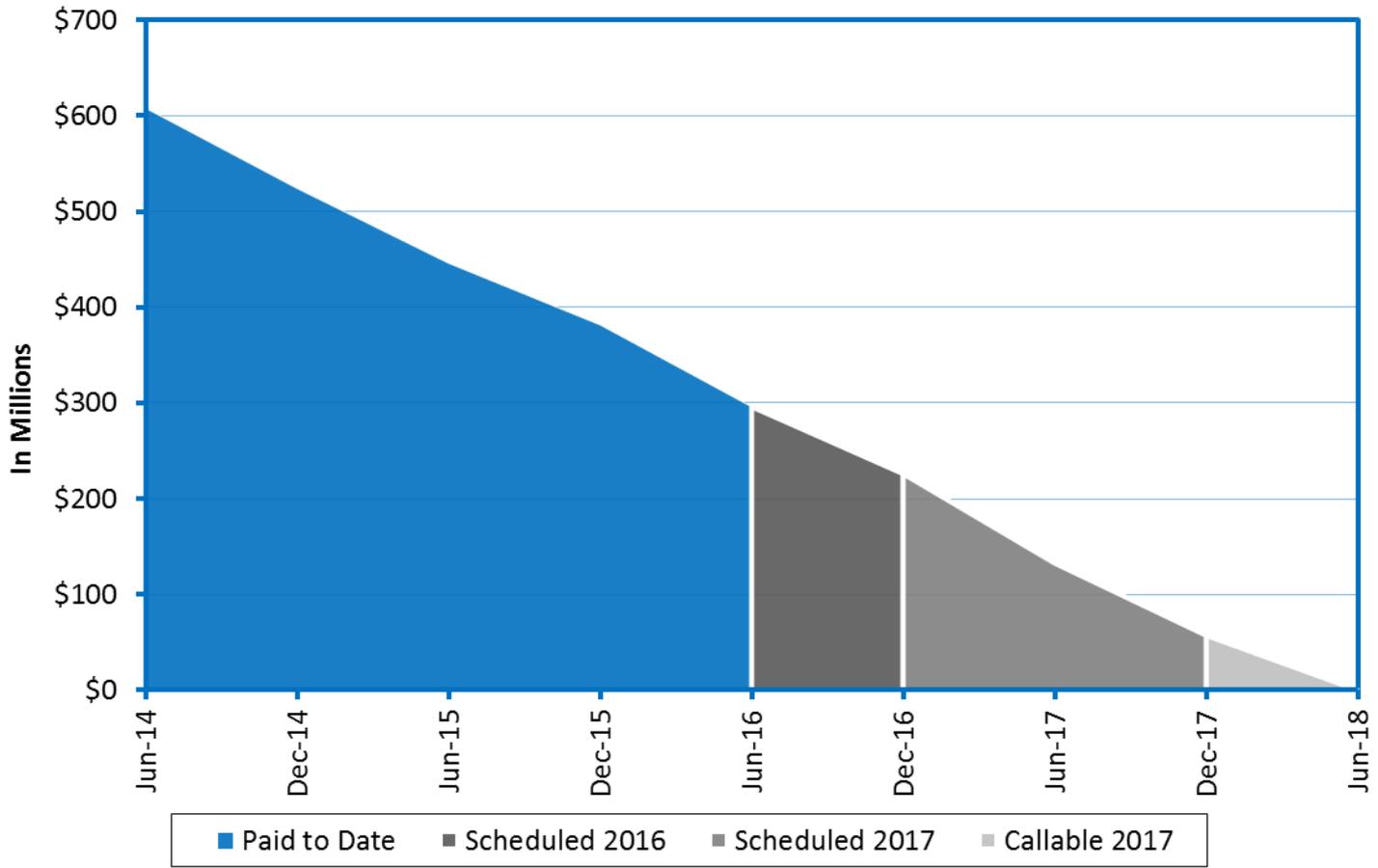


# 2017 Bond Overview: Bond Contribution Rates

| Tier and Multiplier                                 | 2016            | 2017            | 2017 Reserve<br>Ratio Range |
|---|-----------------|-----------------|-----------------------------|
| Tier 1: Baseline x 0.45                             | <b>0.62%</b>    | <b>0.28%</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<br>at Taxable Wage Limit: | <b>\$174.84</b> | <b>\$185.85</b> |                             |

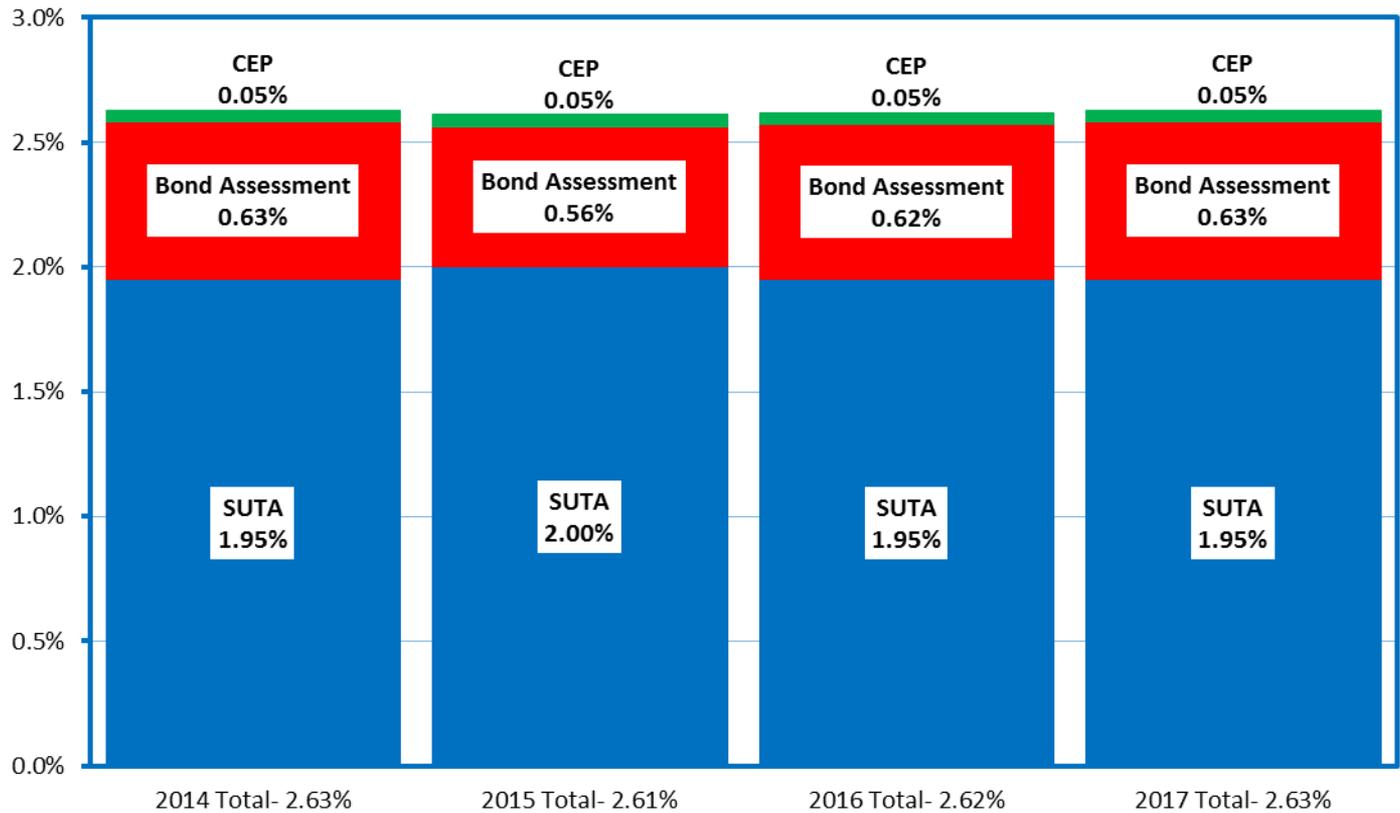


# 2017 Bond Overview: Should be Final Year of Bond



# 2017 Bond Overview: Rate Stability Over Life of Bond

### Total Employer Costs

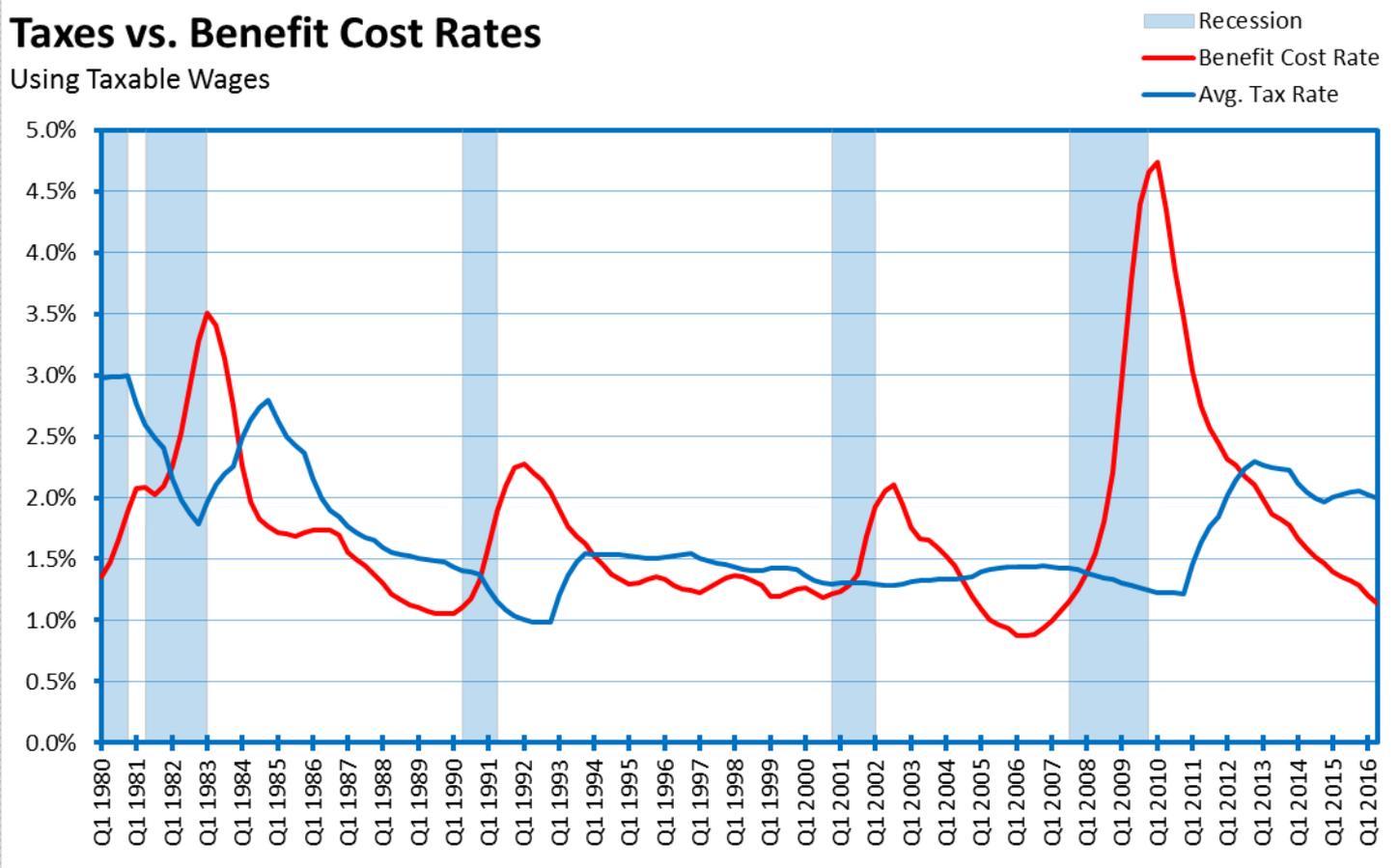


# Nevada's Trust Fund: Contribution Rates vs. Benefit Costs



## Taxes vs. Benefit Cost Rates

Using Taxable Wages



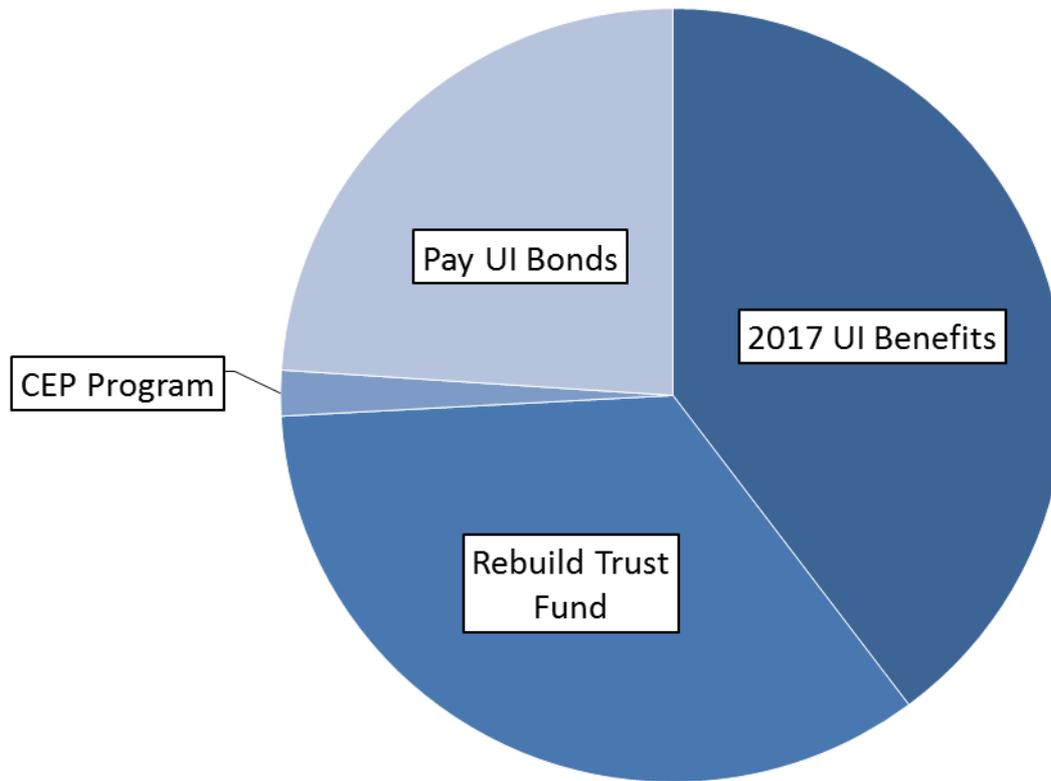
# Nevada's Trust Fund: Expected 2017 Cash Flows

| <b>Nevada Solvency Calculation</b>                    | <b>2017</b>      | <b>2017</b>      | <b>2017</b>      | <b>2017</b>      | <b>2017</b>      |
|---|------------------|------------------|------------------|------------------|------------------|
| 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>\$667.5</b>   | <b>\$667.5</b>   | <b>\$667.5</b>   | <b>\$667.5</b>   | <b>\$667.5</b>   |
| Intake to Fund  | 607.7            | 618.2            | 628.6            | 639.0            | 649.5            |
| Taxes   | 590.1            | 600.5            | 610.8            | 621.2            | 631.5            |
| Interest  | 17.6             | 17.7             | 17.8             | 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                                    | 276.4            | 286.8            | 297.3            | 307.7            | 318.1            |
| <b>9/30/2017 Fund Balance (Millions)</b>              | <b>\$943.9</b>   | <b>\$954.3</b>   | <b>\$964.74</b>  | <b>\$975.18</b>  | <b>\$985.6</b>   |
| State Solvency Gap (Millions)                         | (416.9)          | (406.5)          | (396.1)          | (385.6)          | (375.2)          |
| State Solvency Multiple                               | 0.69             | 0.70             | 0.71             | 0.72             | 0.72             |
| AHCM Solvency Gap (Millions)                          | (140.9)          | (130.5)          | (120.0)          | (109.6)          | (99.2)           |
| 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>  |



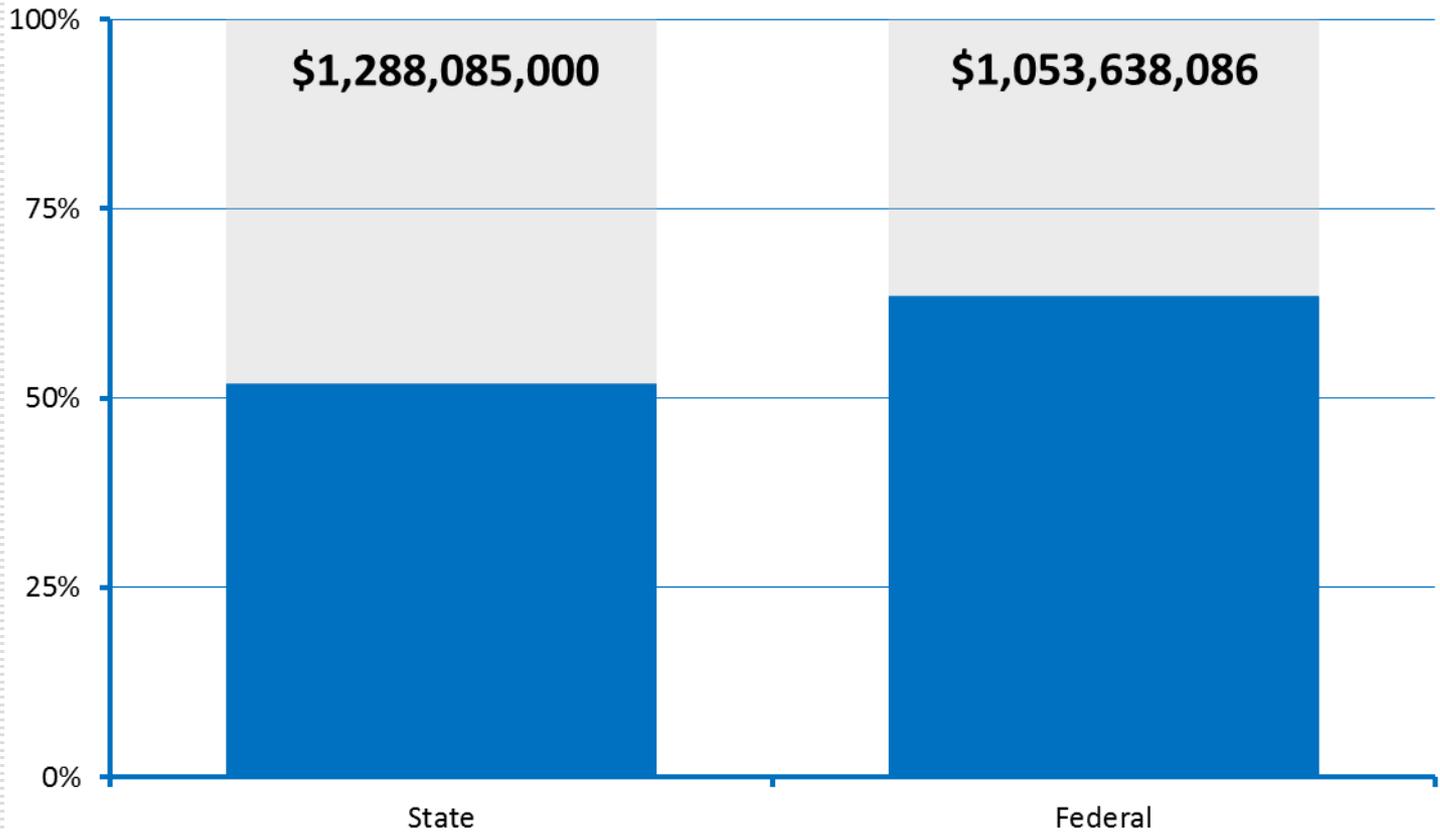
# Nevada's Trust Fund: Use of 2017 UI Contributions

Distribution of UI Contributions

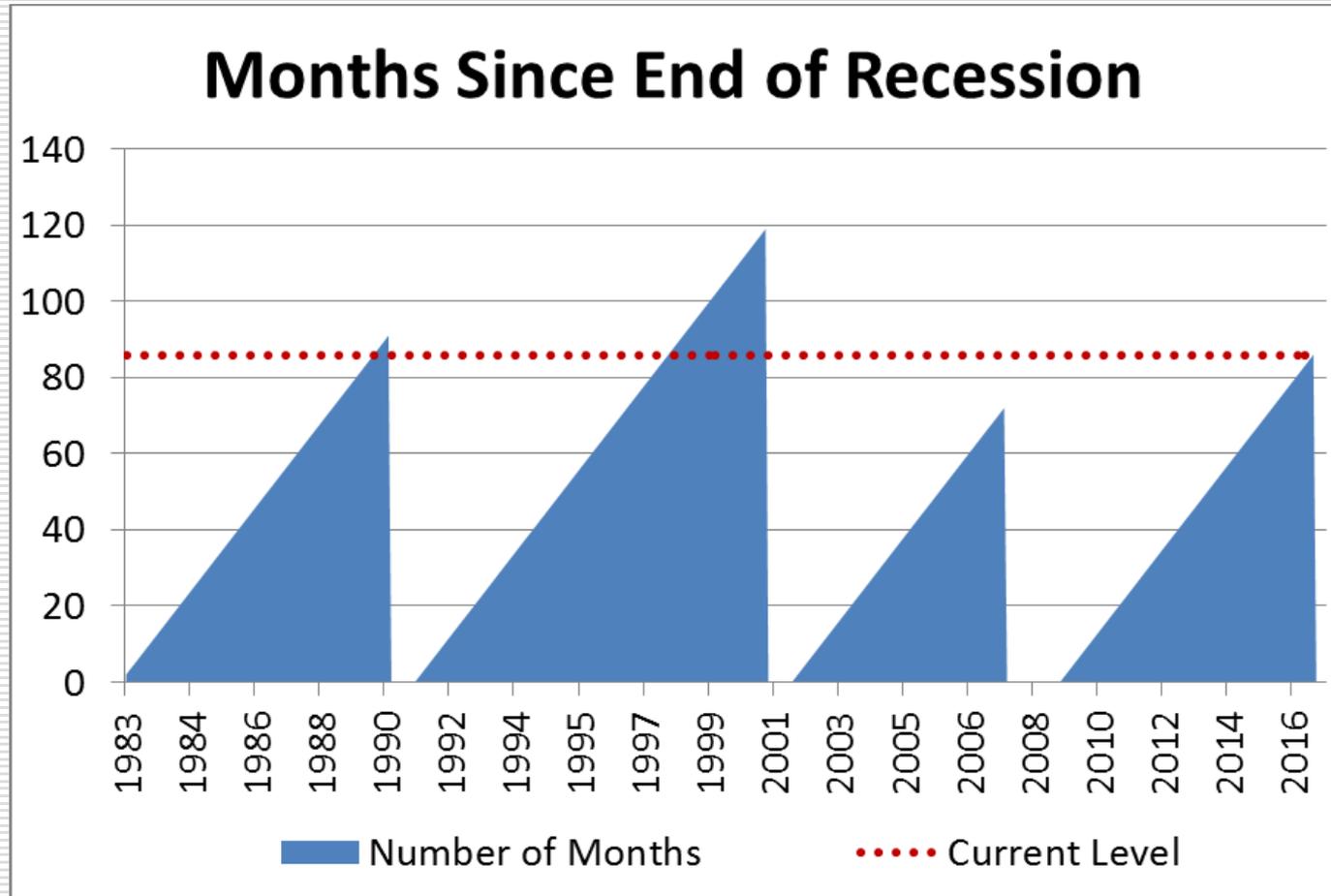


# Looking Ahead: Rebuilding Trust Fund Reserves

2016 Trust Fund Solvency Levels



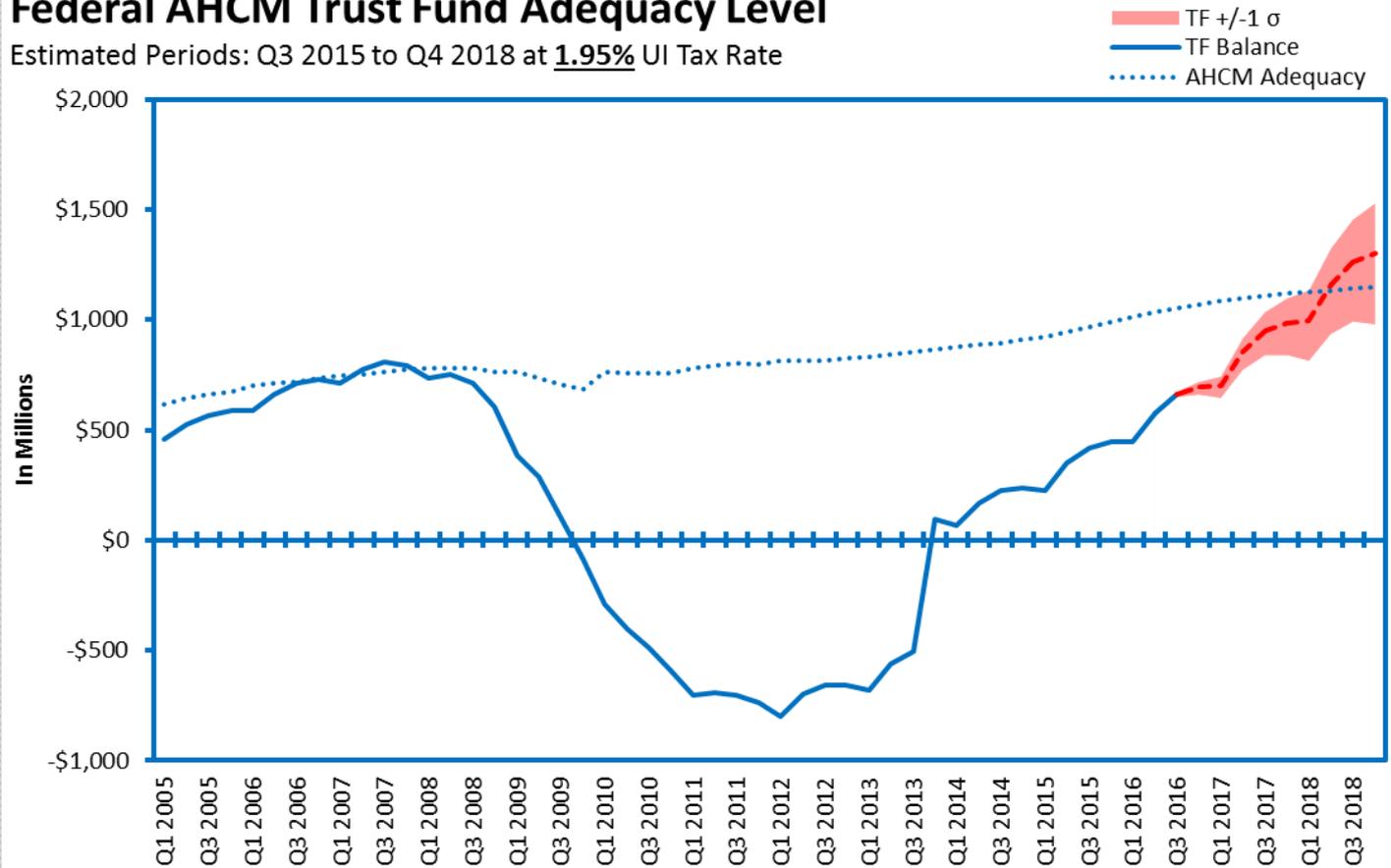
# Looking Ahead: Long Economic Recovery Ongoing



# Looking Ahead: AHCM Solvency Measure

## Federal AHCM Trust Fund Adequacy Level

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



# Looking Ahead: Effect of 2017 Rate on Solvency

| Tax Rate     | 2016 AHCM   | 2017 AHCM   | 2018 AHCM   | 2019 AHCM   | 2020 AHCM   |
|--------------|-------------|-------------|-------------|-------------|-------------|
| 1.90%        | 0.63        | 0.85        | 1.08        | 1.33        | 1.59        |
| <b>1.95%</b> | <b>0.63</b> | <b>0.86</b> | <b>1.11</b> | <b>1.37</b> | <b>1.37</b> |
| 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)

