



Review of UI Trust Fund and Bond Status

Employment Security Council

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Department of Employment, Training, & Rehabilitation

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Prepared by the Research and Analysis Bureau

UI Trust Fund Bond Retired in December 2017

- Issued in November 2013
- Final payment called in December of last year
- Average rate ranged from 0.56% to 0.63% over the life of the bond
- Provided employers with rate predictability and allowed the Trust Fund to build towards solvency

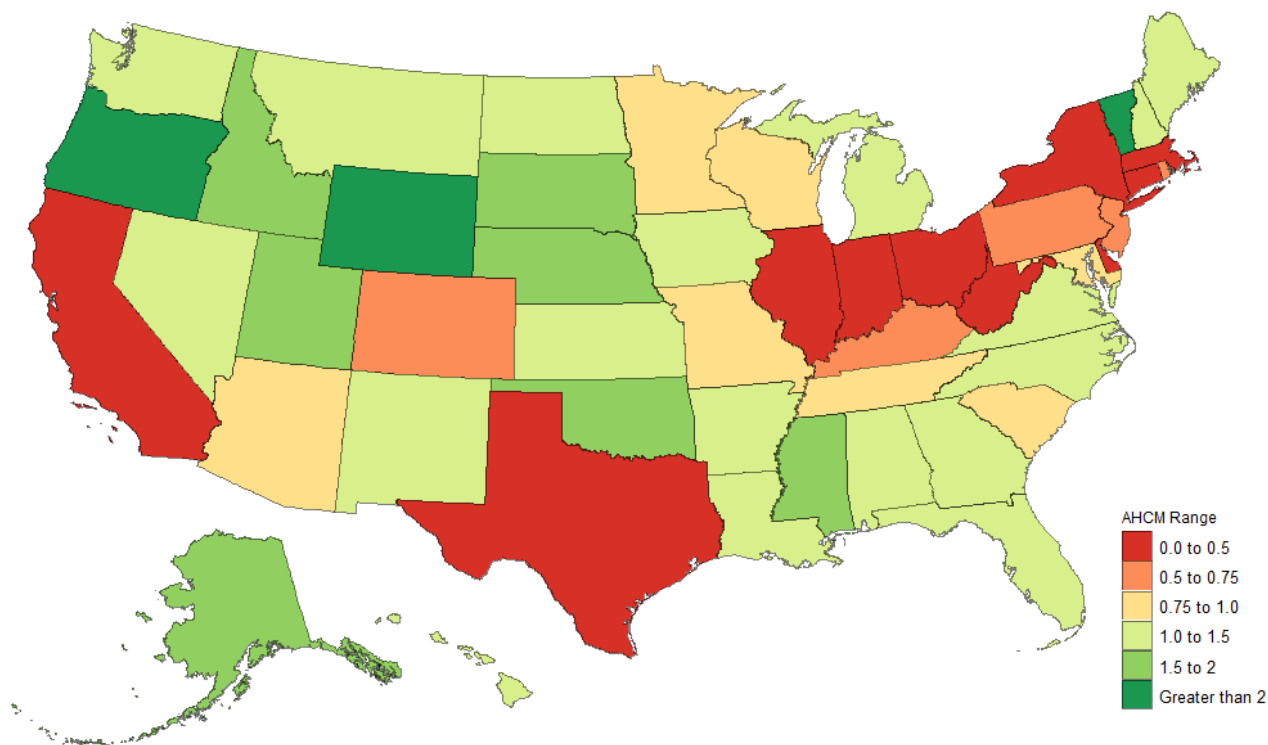
Agenda

- National Perspective
- Nevada UI Trends
- Nevada's Trust Fund
- 2019 Tax Rate Forecasts

National Perspective:

All States have a Positive Trust Fund Balance

Average High Cost Multiple by State
as of 6/30/2018

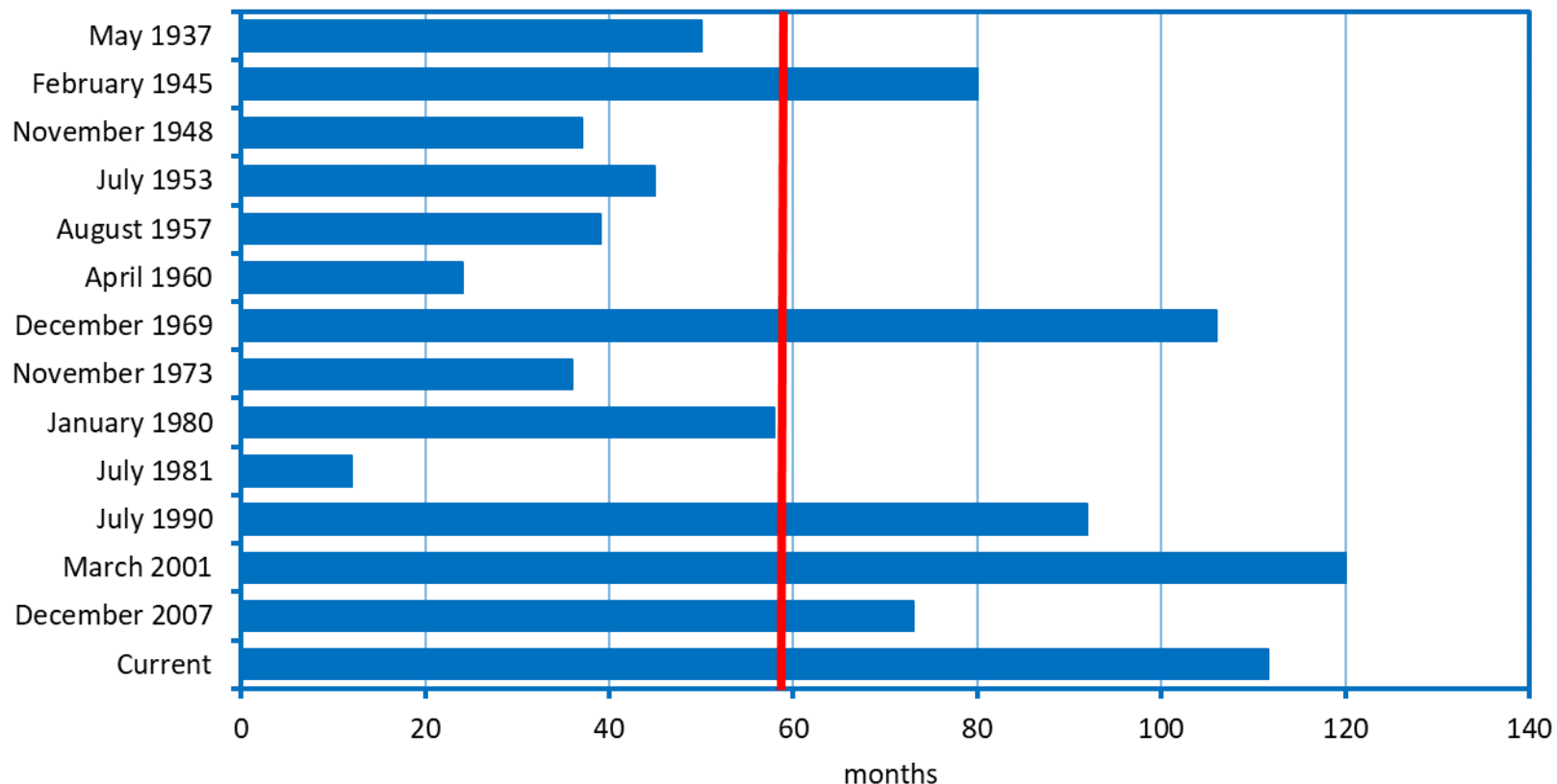


Sources: ETA 394, ETA 2112, and US Treasury
 AHCM is calculated by dividing the Reserve Ratio (UITF balance divided by the previous year of Total Wages) by the Average High Cost Rate
 *Figure uses calendar year 2017 wages due to calculation lags

National Perspective: Long Economic Expansion Continues

Economic Expansion History

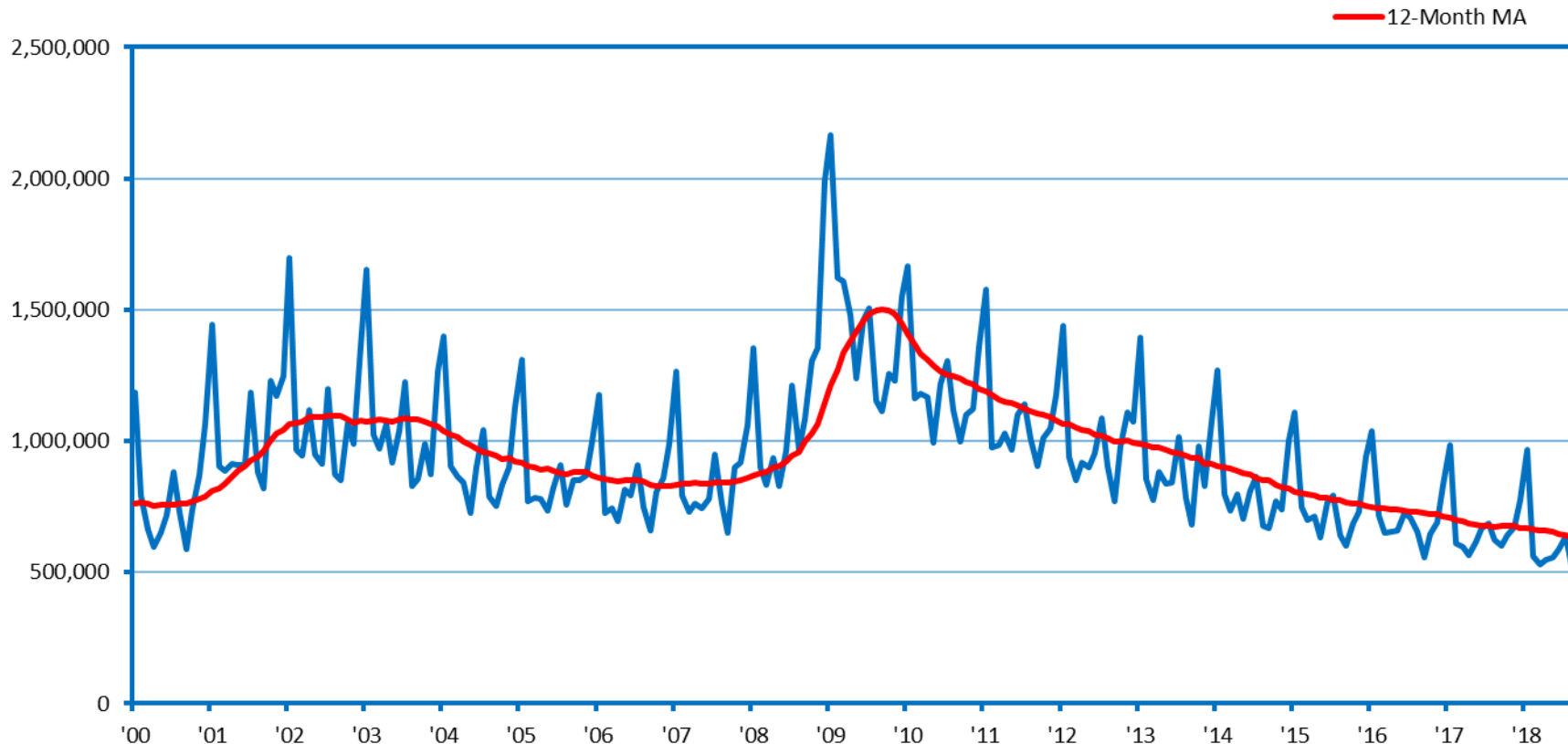
Red Line Shows 1937-2007 Average



National Perspective: Claims Levels Low Across the Nation

US Initial Claims by Month

2000 to Current

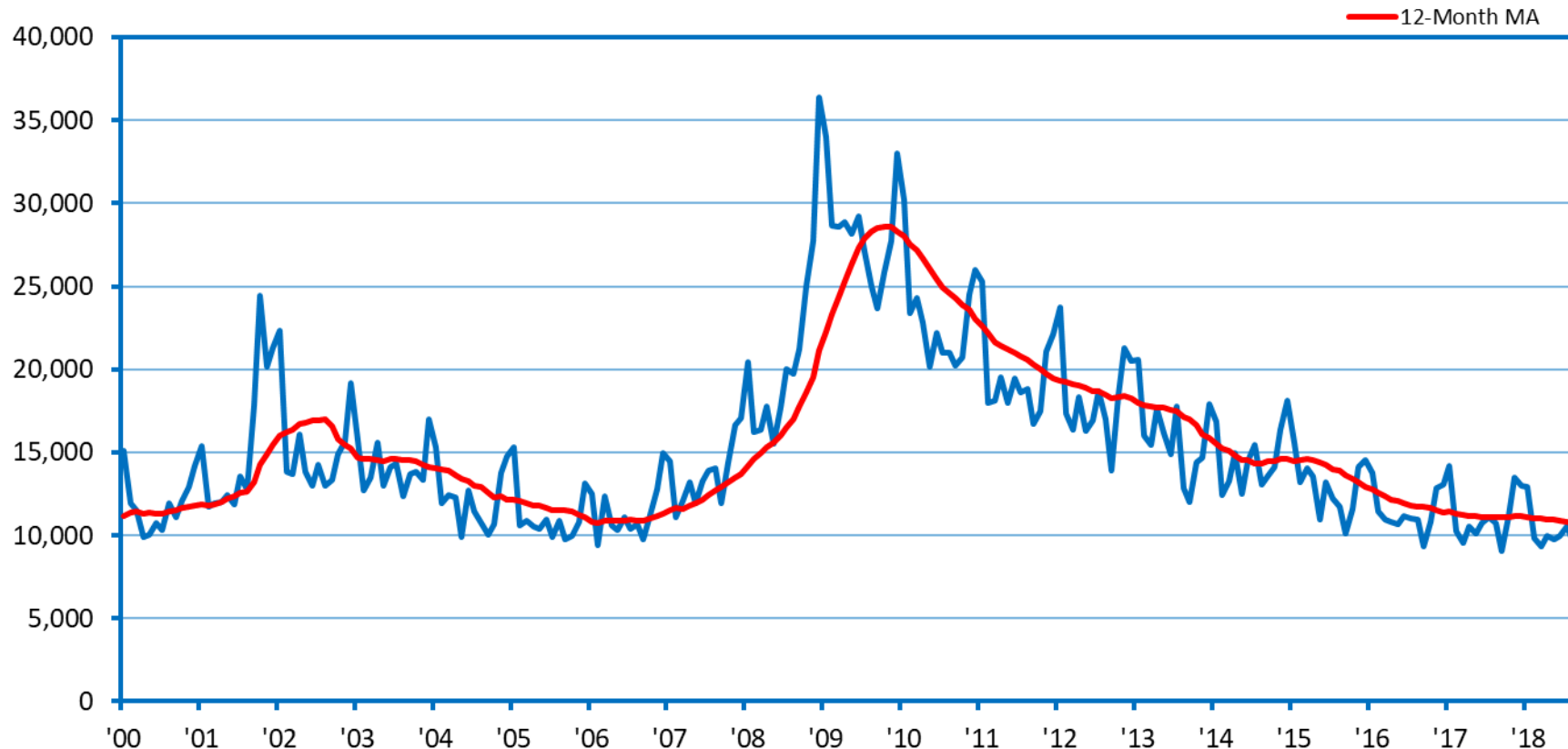


Nevada UI Trends:

Initial Claims Lower than Boom Levels

Nevada Initial Claims by Month

2000 to Current

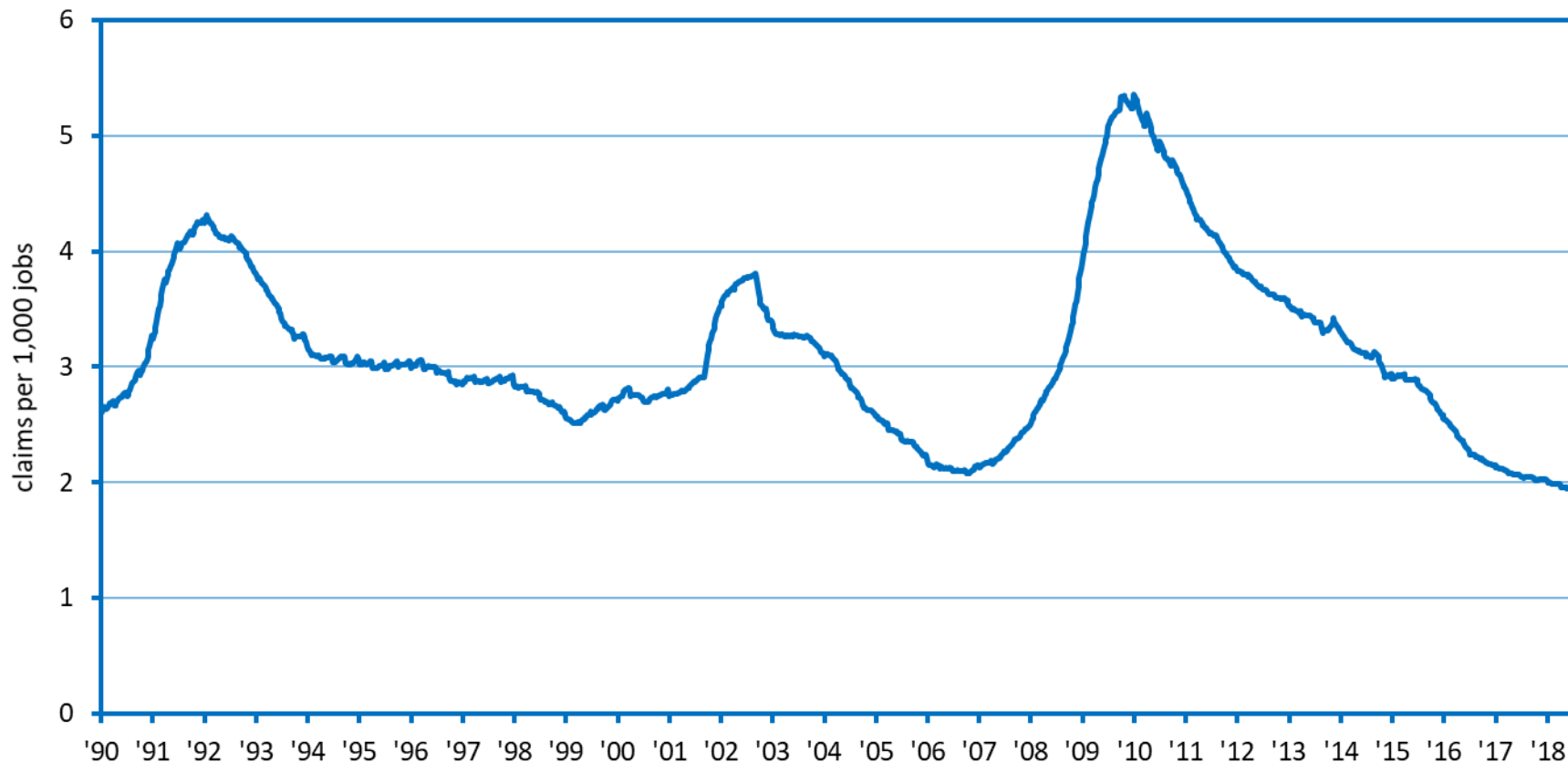


Nevada UI Trends:

Initial Claims at All-Time Low Relative to # of Jobs

Initial Claims Per Job

1990 to Current

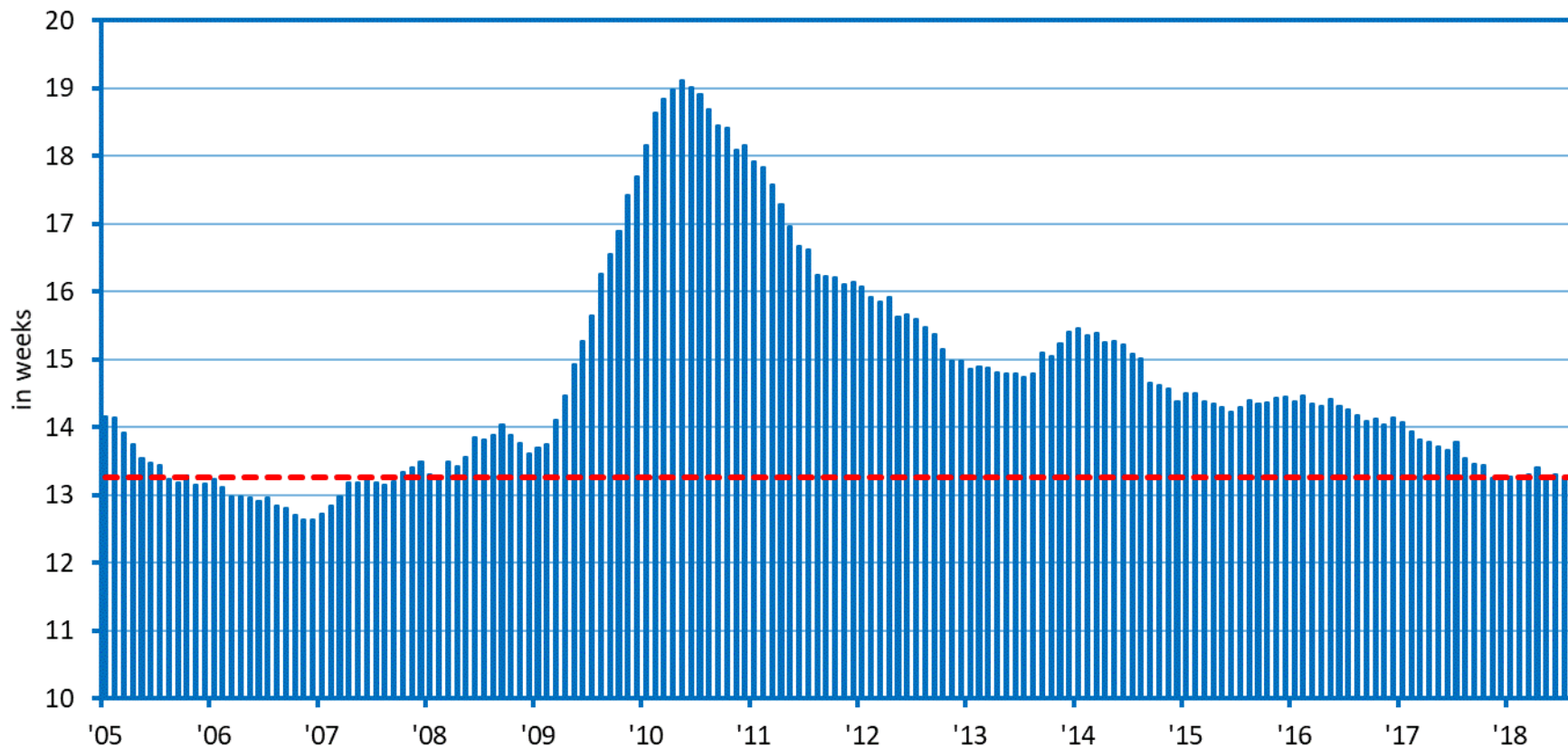


Nevada UI Trends:

Average Duration Fairly Flat Over the Last Year

Average UI Duration in Weeks

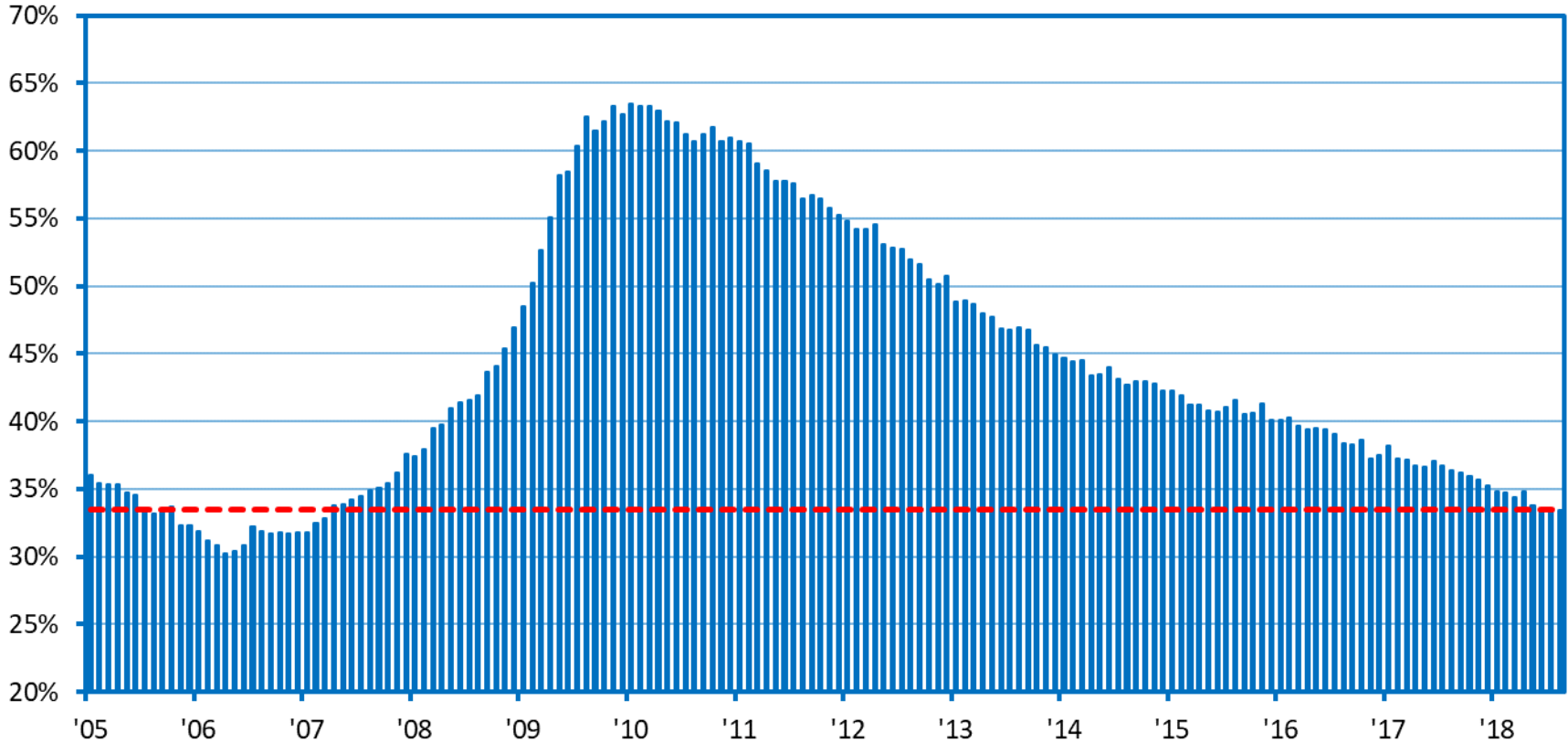
2000 to Current



Nevada UI Trends: Exhaustion Rate Continues to Fall

Exhaustion Rate

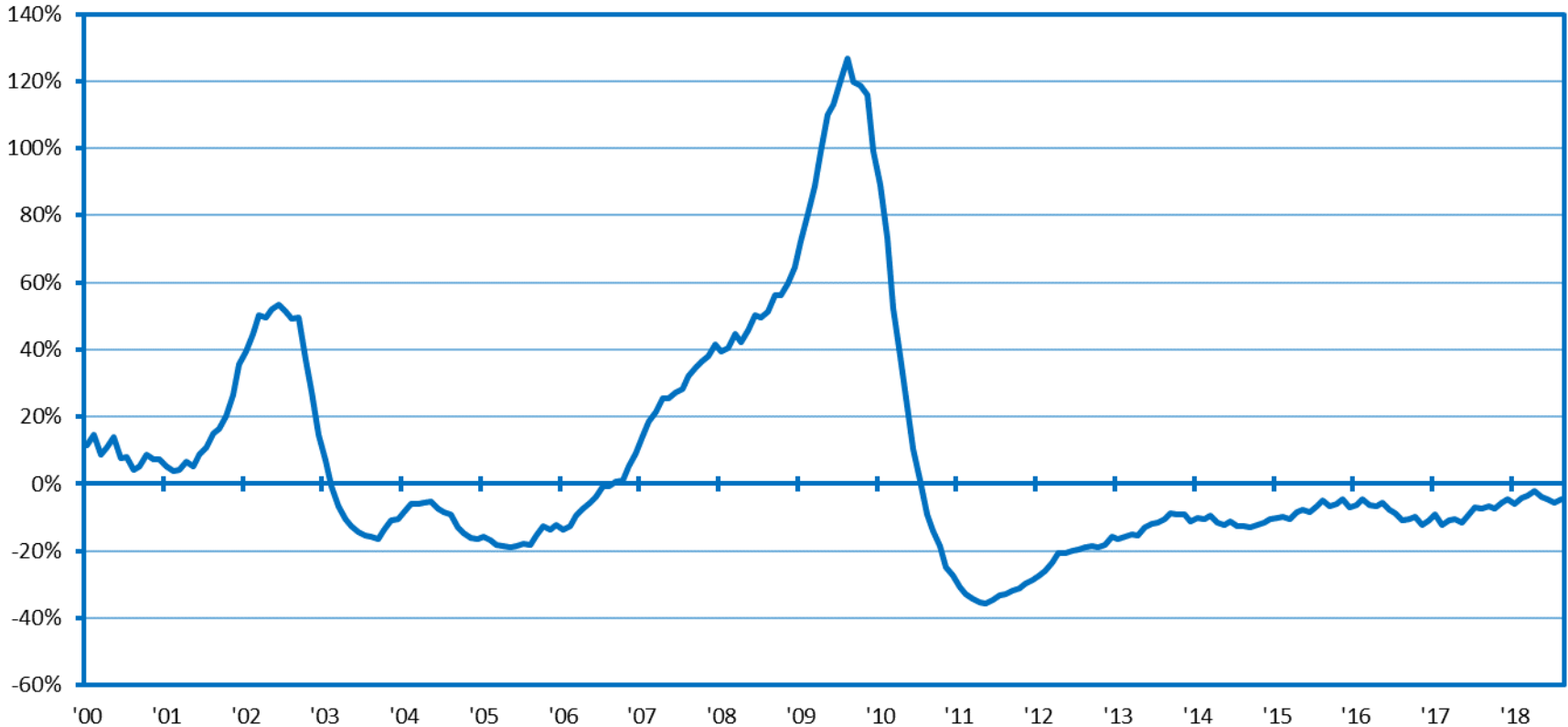
2005 to Current



Nevada UI Trends: Benefit Payments Still in Decline

UI Benefits Paid Year-Over-Year % Change

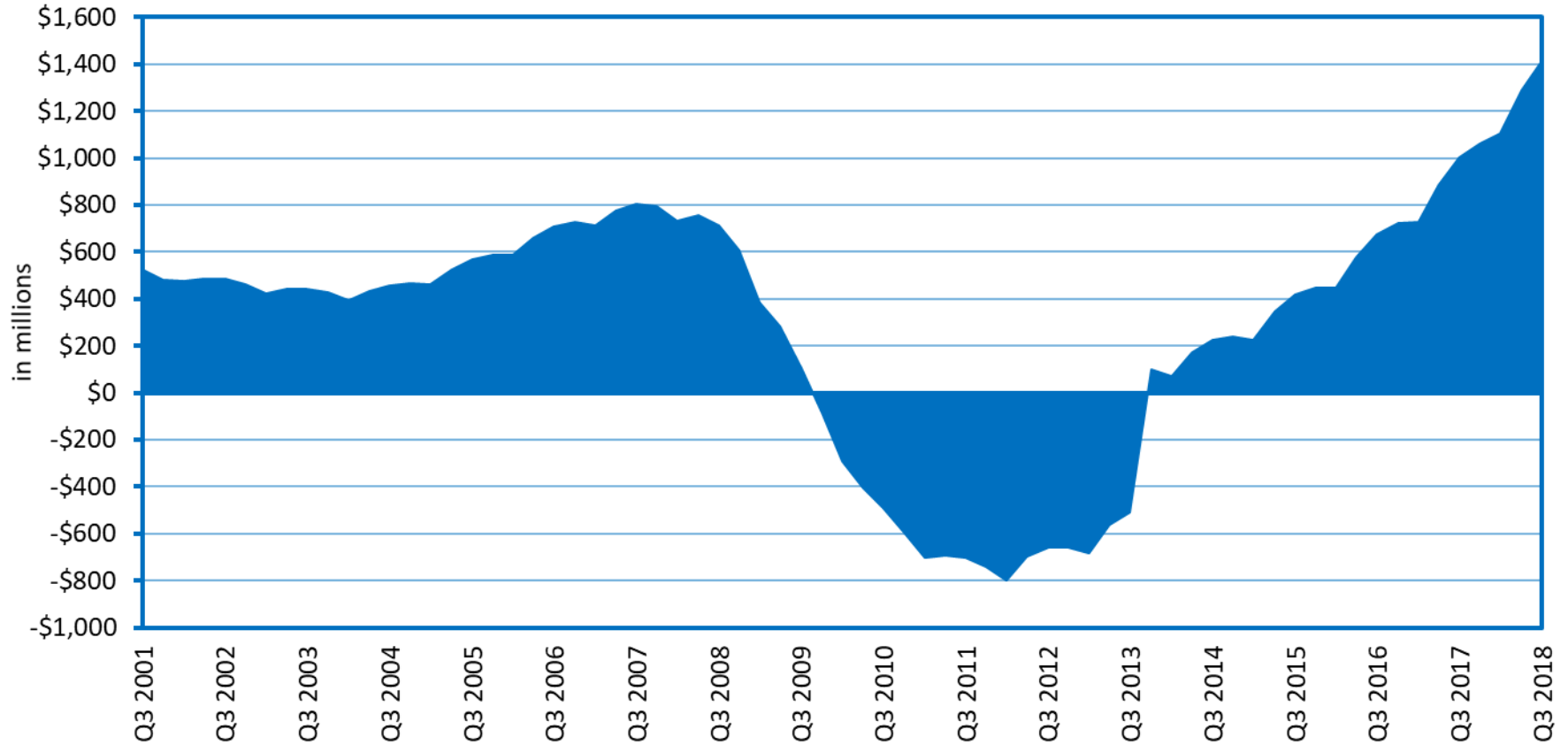
Using 12 month moving-average



Nevada's Trust Fund: Growing and Growing

Nevada Trust Fund Balance

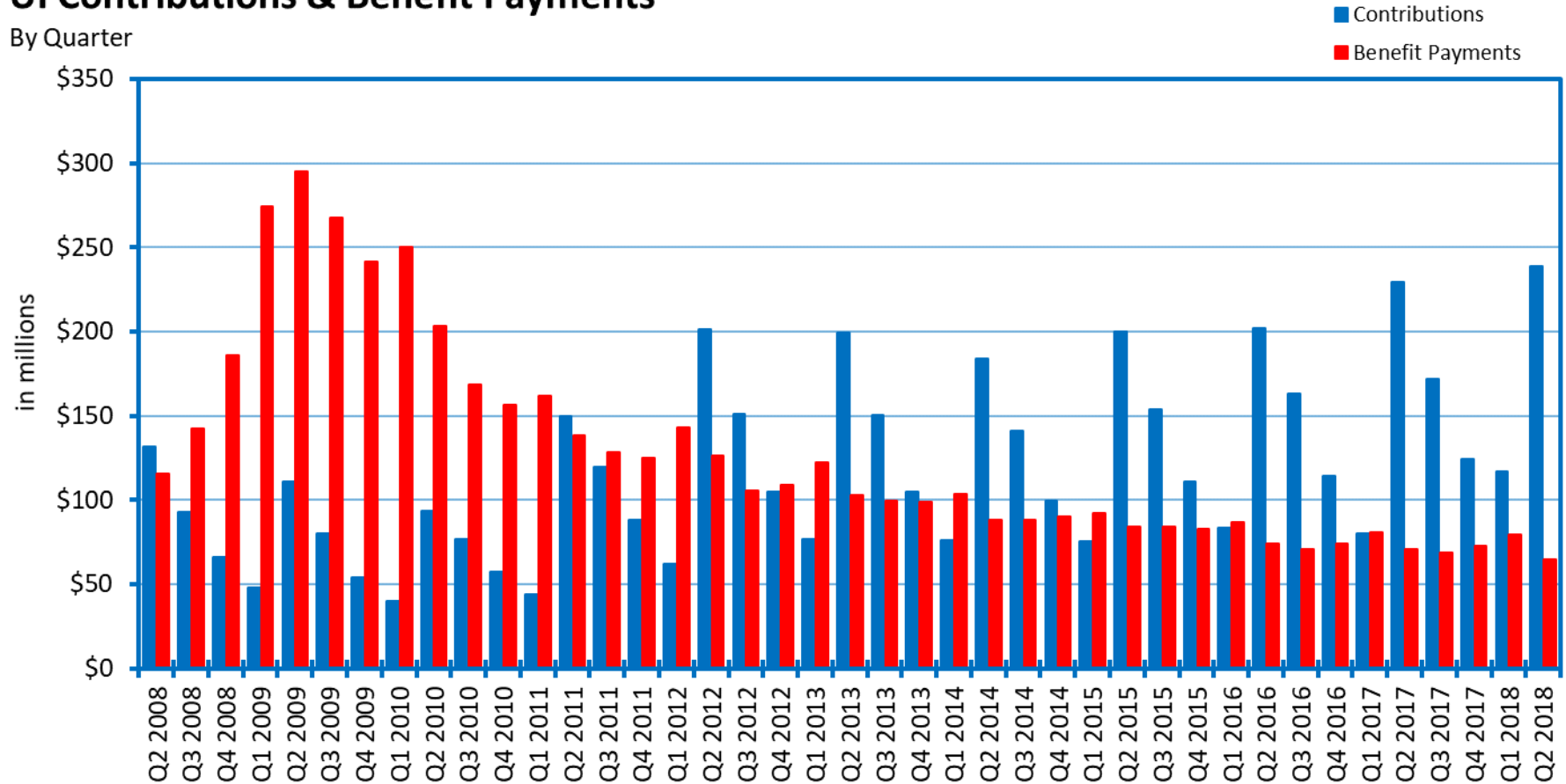
By Quarter



Nevada's Trust Fund: Trust Fund Growth in Last 10 Quarters

UI Contributions & Benefit Payments

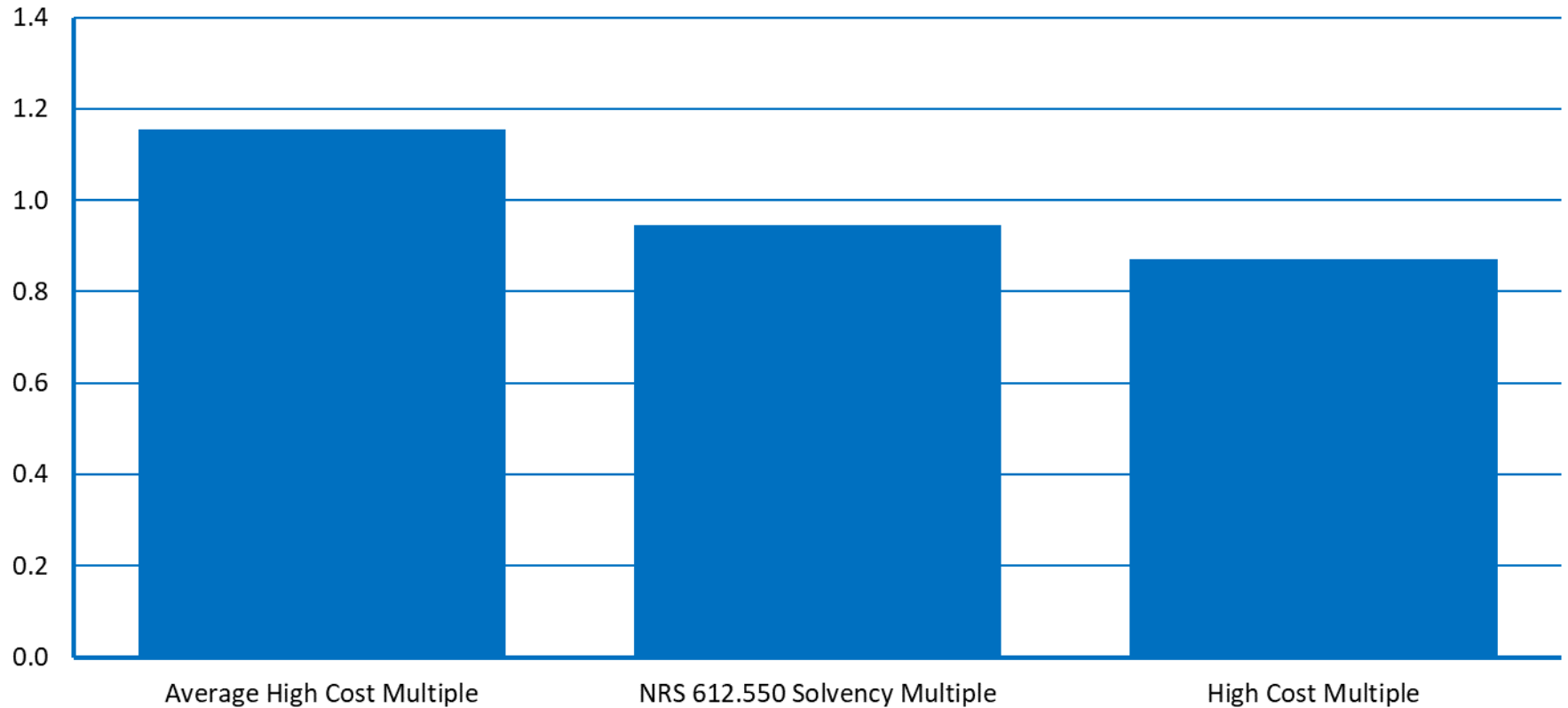
By Quarter



Nevada's Trust Fund: Current Solvency Multiples

Trust Fund Solvency Multiples

*1.0 represents 1 year of benefit payments



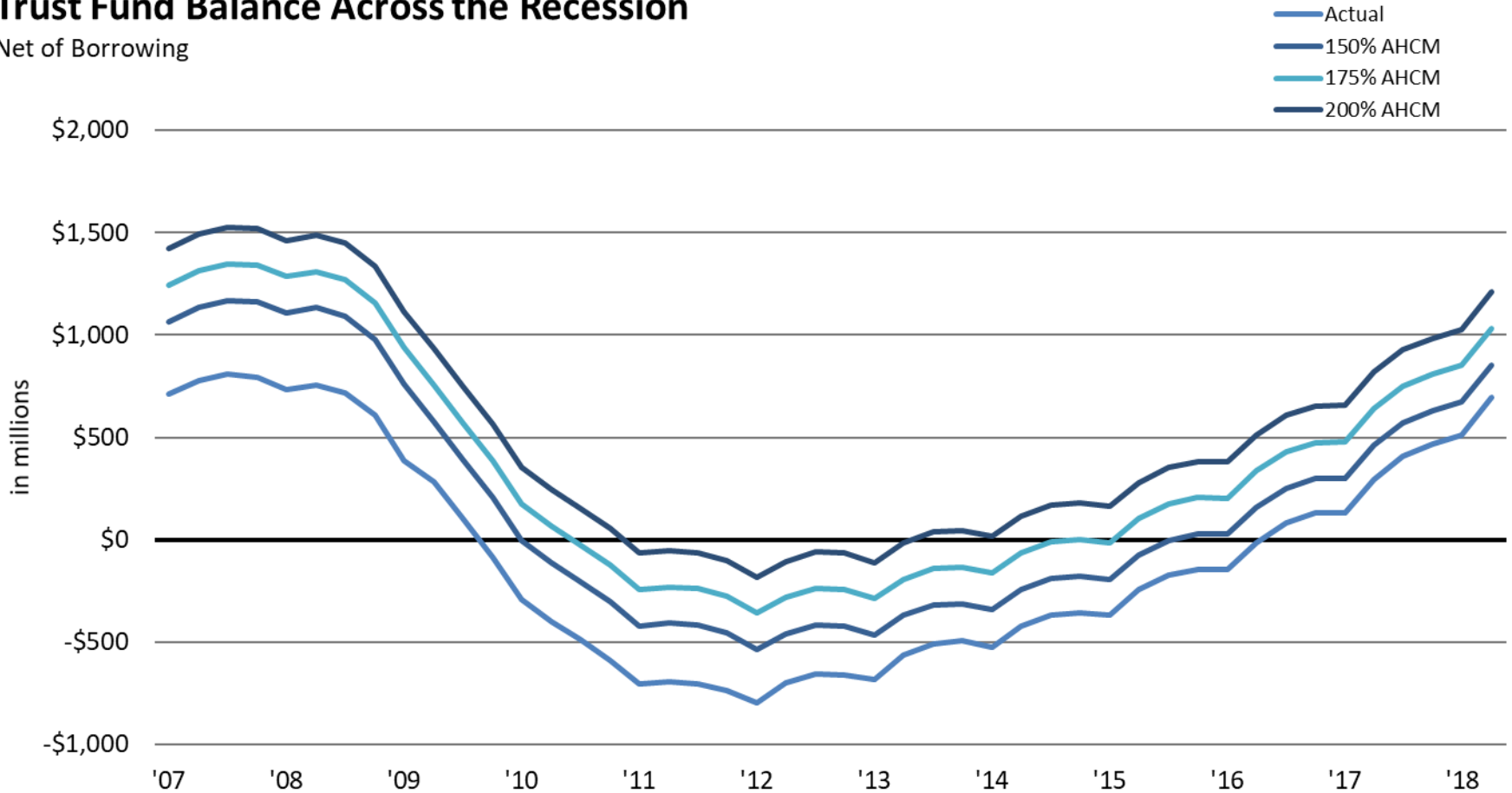
2019 Forecast: Where do we go from here?

- Bonds...Paid!
- Federal Solvency Minimum...Reached!
- What are our objectives moving forward?
- Counter-cyclical funding and continuing to prepare for future recessions?
- Maintaining rate stability for employers?
- Desired solvency level?

2019 Forecast: What would have been enough?

Trust Fund Balance Across the Recession

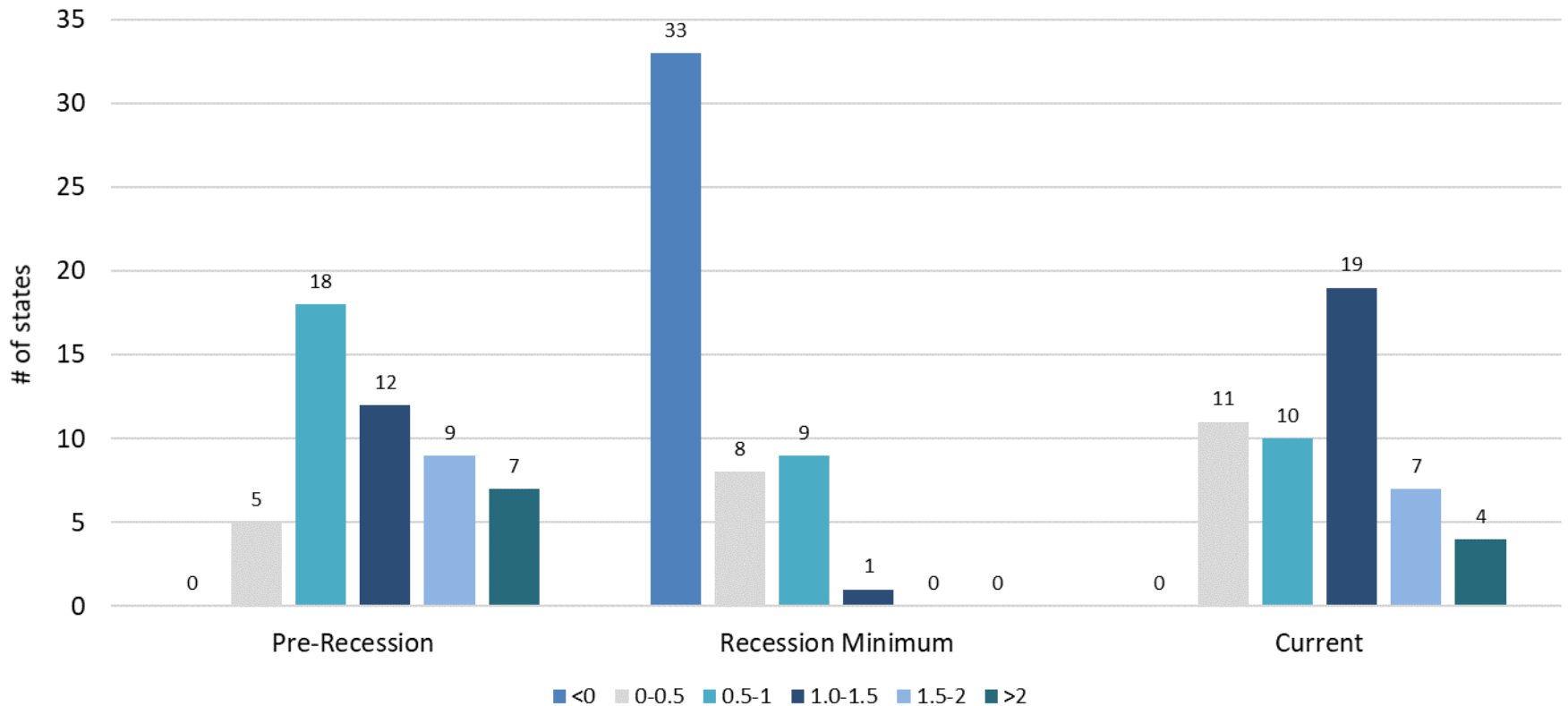
Net of Borrowing



2019 Forecast: Recessionary Effects on AHCM

State Average High Cost Multiples

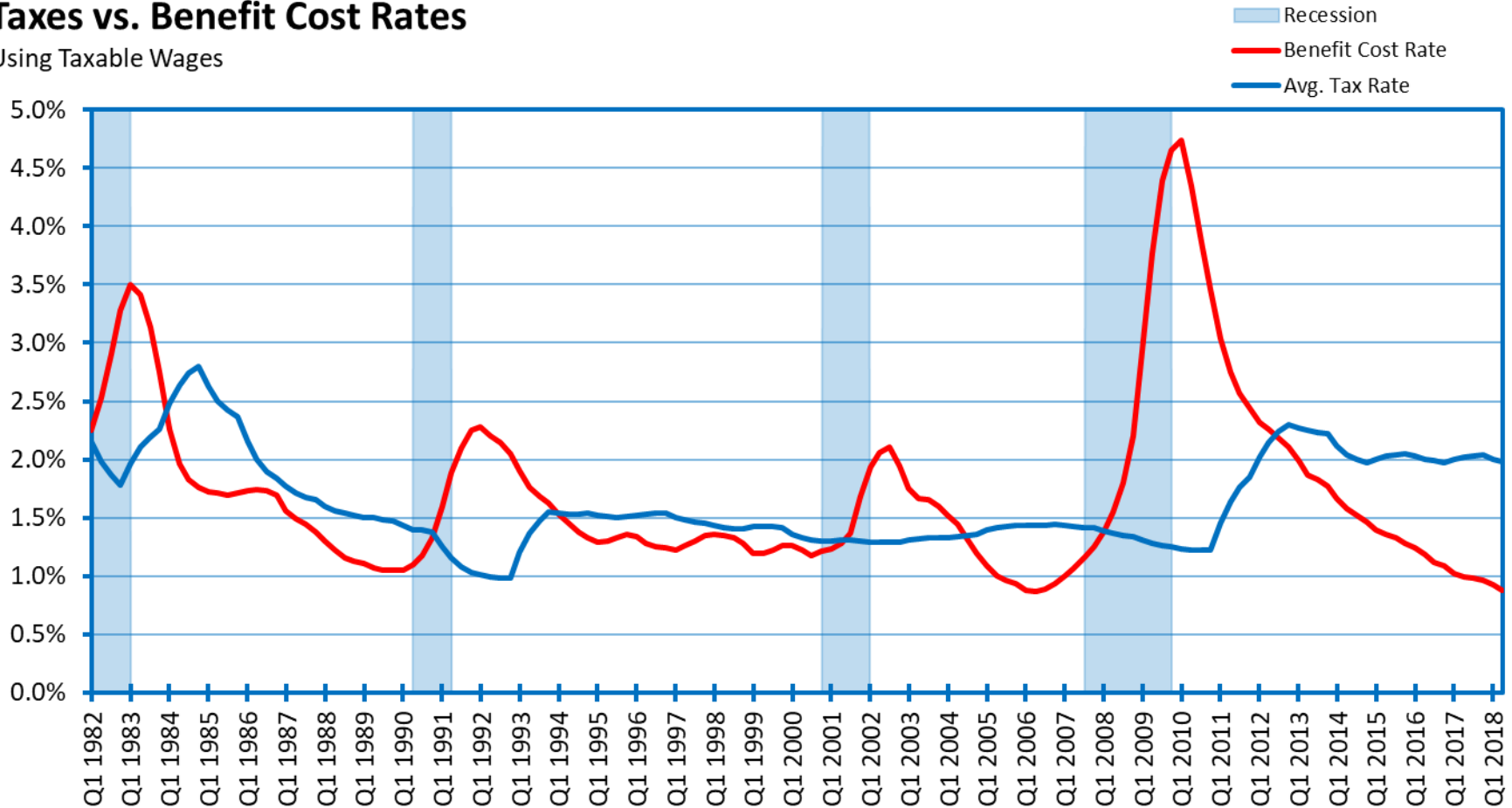
Changes over the course of the Recession



2019 Forecast: Contribution Rates and Benefit Cost Rates

Taxes vs. Benefit Cost Rates

Using Taxable Wages



2019 Forecast:

Nevada's Current BCR is Historically Low

Years where BCR Less than 2017 (0.92%):

1952 (0.84%)

1946 (0.69%)

1945 (0.15%)

1944 (0.05%)

1943 (0.04%)

1942 (0.26%)

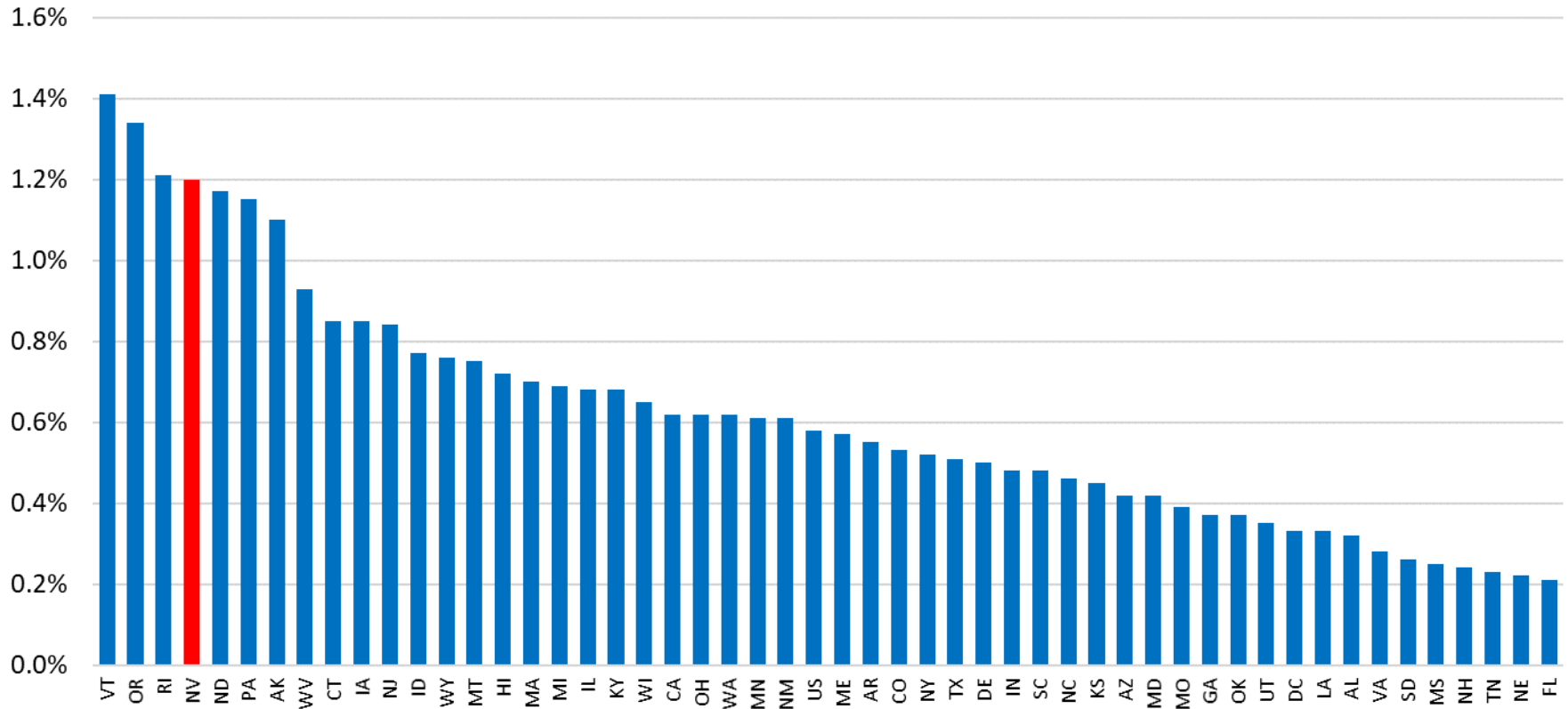
| Benefit Cost Rate Averages | |
|--|-------|
| All-Time Average: | 1.81% |
| 20-Year Average: | 1.75% |
| Median: | 1.74% |
| Non-Recession* Years: | 1.73% |
| Recession* Years: | 2.21% |
| *Recession Year is when 6 months or more of they year was during a recession. Note higher benefit costs may continue several years after a recession ends. | |

2019 Forecast:

Nevada had the 4th Highest UI Tax Rate in the Nation

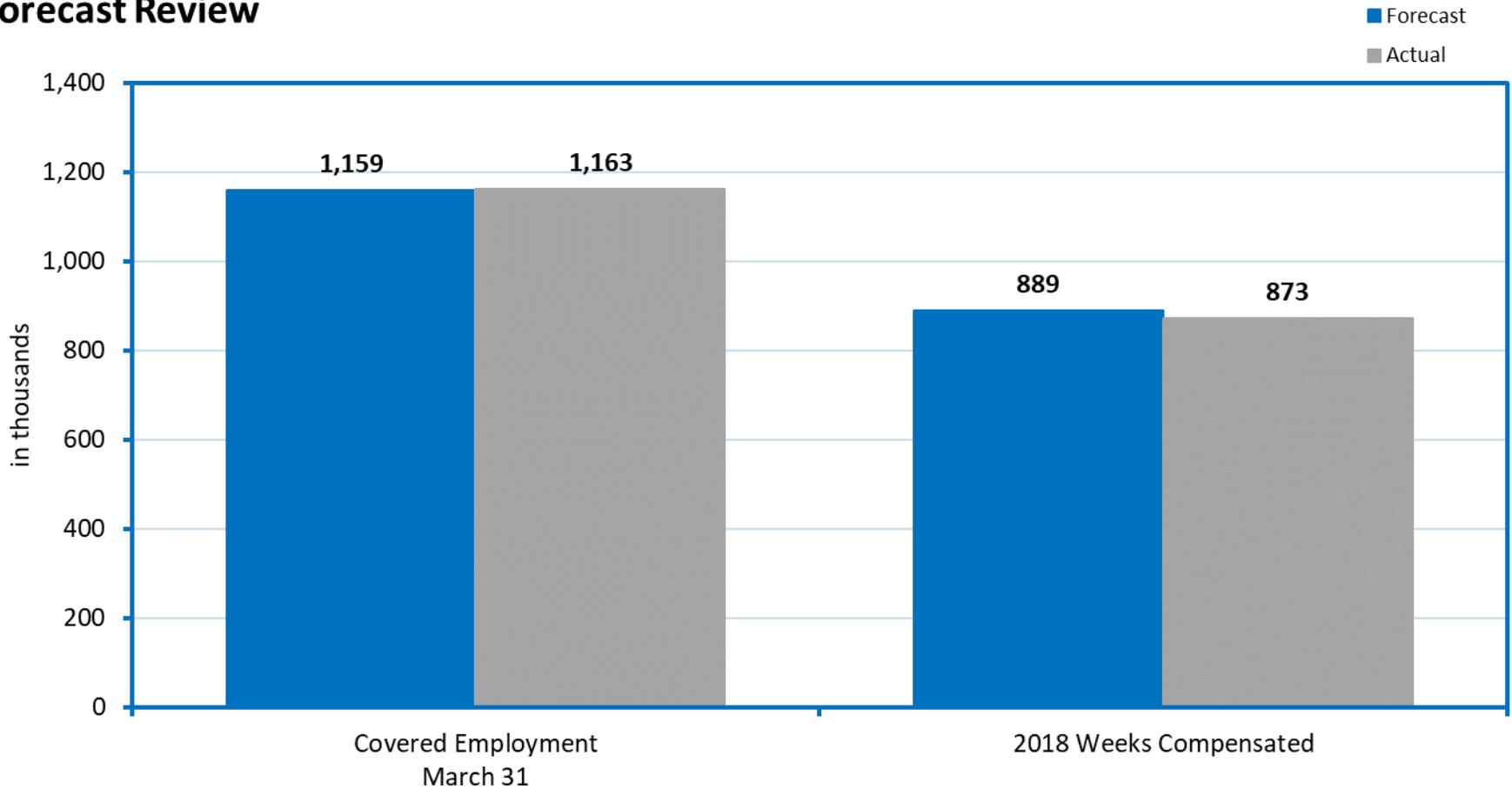
Average UI Tax Rate (Total Wages)

As of Q4 2017



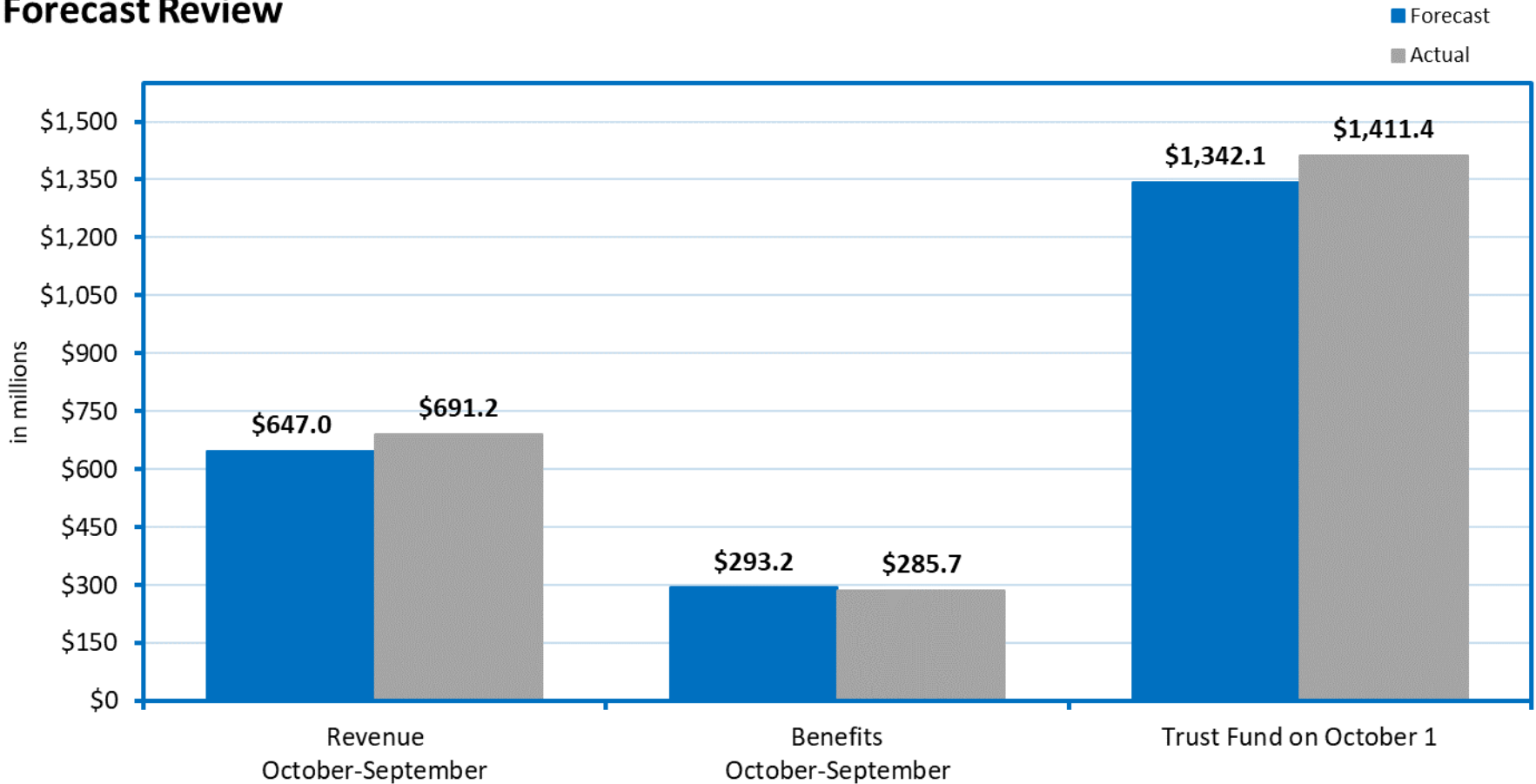
2019 Forecast: Review of Forecast for 2018

Forecast Review



2019 Forecast: Review of Forecast for 2018

Forecast Review



2019 Forecast: Historical Solvency Review

| Nevada Solvency Calculation | Actual | Actual | Actual | Actual | Preliminary |
|---|------------------|------------------|------------------|------------------|--------------------|
| NRS 612.550 | 2014 | 2015 | 2016 | 2017 | 2018 |
| Covered Employment | 1,009,195 | 1,051,719 | 1,087,749 | 1,124,517 | 1,163,171 |
| 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 | \$310.18 | \$318.88 | \$326.32 | \$335.91 | \$346.86 |
| Solvency Target (Millions) | \$1,136.0 | \$1,217.0 | \$1,288.1 | \$1,370.7 | \$1,464.1 |
| Beginning Fund Balance (Millions) | (\$507.8) | \$225.5 | \$419.3 | \$672.9 | \$1,000.8 |
| Intake to Fund | 1,100.9 | 535.9 | 571.3 | 613.7 | 691.2 |
| Taxes | 505.4 | 528.8 | 559.5 | 595.4 | 648.2 |
| Bond Related | 592.4 | 0.0 | 0.0 | 0.0 | 16.3 |
| Interest | 3.1 | 7.1 | 11.7 | 18.3 | 26.7 |
| Payout From Fund | 379.1 | 350.3 | 315.0 | 294.2 | 285.7 |
| Regular Benefits | 379.1 | 350.3 | 315.0 | 294.2 | 285.7 |
| Net Change in Fund | 721.8 | 193.8 | 253.6 | 327.9 | 410.6 |
| Ending Fund Balance (Millions) | \$225.5 | \$419.3 | \$672.9 | \$1,000.8 | \$1,411.4 |
| Solvency Level (Millions) | (910.4) | (797.7) | (615.2) | (369.9) | (52.7) |
| Multiple | 0.20 | 0.34 | 0.52 | 0.73 | 0.95 |
| Average High Cost Multiple | 0.25 | 0.43 | 0.64 | 0.91 | 1.16 |
| Average Tax Rate | 1.95% | 2.00% | 1.95% | 1.95% | 1.95% |
| Average Bond Assessment | 0.63% | 0.56% | 0.62% | 0.63% | ----- |
| CEP Rate | 0.05% | 0.05% | 0.05% | 0.05% | 0.05% |
| Total Cost to Employers | 2.63% | 2.61% | 2.62% | 2.63% | 2.00% |
| Average Cost per Employee at Max Taxable Wage (excl FUTA & Interest) | \$720.62 | \$725.58 | \$738.84 | \$775.85 | \$610.00 |

2019 Forecast:

Potential 2019 Tax Rates

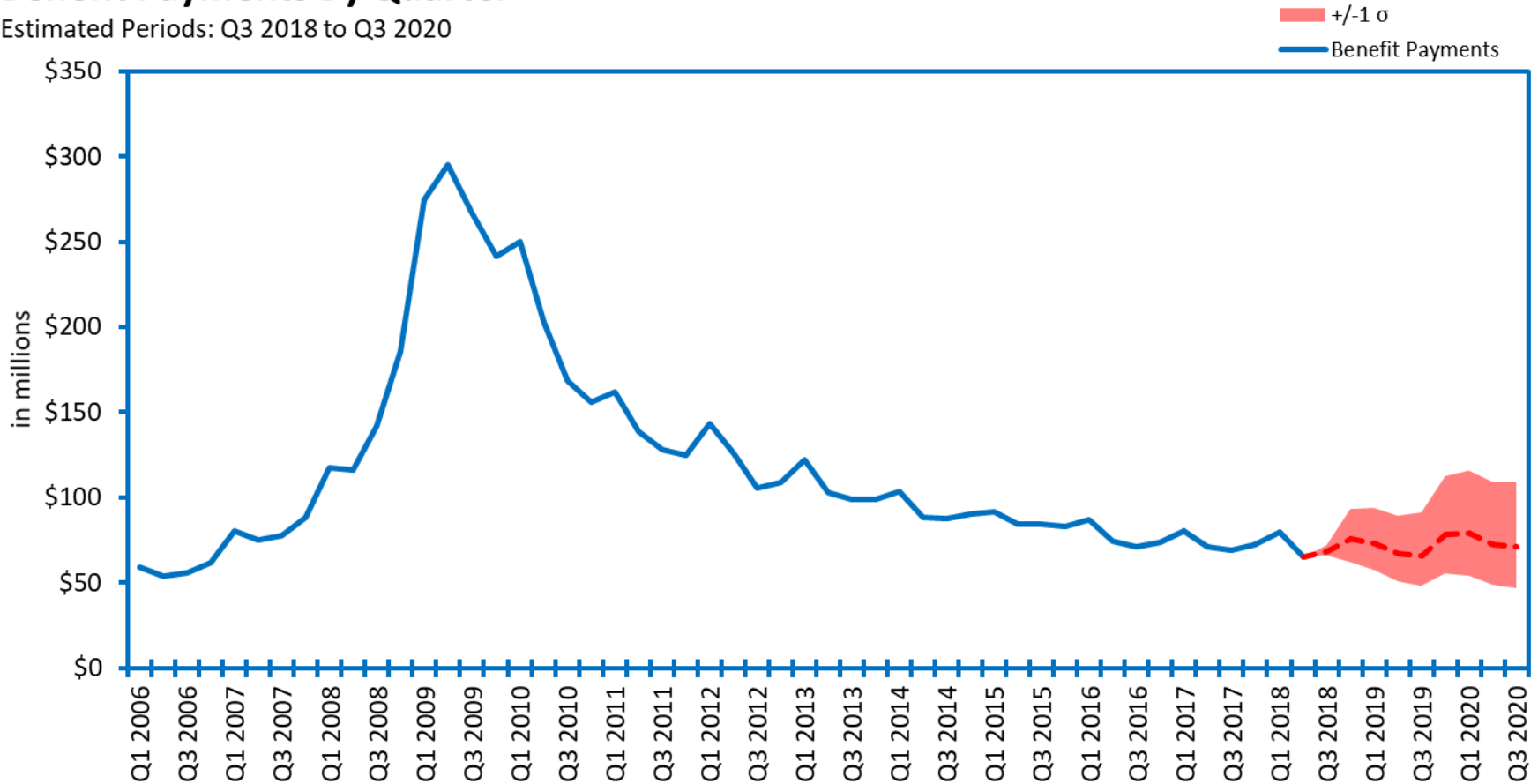
| Nevada Solvency Calculation | 2019 | 2019 | 2019 | 2019 | 2019 | 2019 |
|---|------------------|------------------|------------------|------------------|------------------|------------------|
| Covered Employment | 1,216,824 | 1,216,824 | 1,216,824 | 1,216,824 | 1,216,824 | 1,216,824 |
| Highest Risk Ratio - 3/2010 | 17.30% | 17.30% | 17.30% | 17.30% | 17.30% | 17.30% |
| Highest Weeks Duration - 09/2010 | 18.45 | 18.45 | 18.45 | 18.45 | 18.45 | 18.45 |
| Average Weekly Payment | \$358.15 | \$358.15 | \$358.15 | \$358.15 | \$358.15 | \$358.15 |
| Solvency Target (Millions) | \$1,391.5 | \$1,391.5 | \$1,391.5 | \$1,391.5 | \$1,391.5 | \$1,391.5 |
| UI Trust Fund Level | | | | | | |
| Fund Balance (Millions) | \$1,411.4 | \$1,411.4 | \$1,411.4 | \$1,411.4 | \$1,411.4 | \$1,411.4 |
| Intake to Fund | 625.3 | 648.7 | 672.1 | 683.8 | 695.5 | 718.9 |
| Taxes | 590.3 | 613.5 | 636.7 | 648.3 | 659.9 | 683.1 |
| Interest | 35.0 | 35.2 | 35.4 | 35.5 | 35.6 | 35.8 |
| Payout From Fund | 281.8 | 281.8 | 281.8 | 281.8 | 281.8 | 281.8 |
| Regular Benefits | 281.8 | 281.8 | 281.8 | 281.8 | 281.8 | 281.8 |
| Net Change in Fund | 343.5 | 366.9 | 390.3 | 402.0 | 413.7 | 437.1 |
| Fund Balance (Millions) | \$1,754.9 | \$1,778.3 | \$1,801.7 | \$1,813.4 | \$1,825.1 | \$1,848.5 |
| State Solvency Excess (Millions) | 363.4 | 386.8 | 410.2 | 421.9 | 433.6 | 457.0 |
| State Solvency Multiple | 1.26 | 1.28 | 1.29 | 1.30 | 1.31 | 1.33 |
| AHCM Solvency Excess (Millions) | 498.2 | 521.6 | 545.0 | 556.7 | 568.4 | 591.8 |
| Average High Cost Multiple | 1.36 | 1.37 | 1.39 | 1.40 | 1.41 | 1.43 |
| Average Tax Rate | 1.55% | 1.65% | 1.75% | 1.80% | 1.85% | 1.95% |
| CEP Assessment | 0.05% | 0.05% | 0.05% | 0.05% | 0.05% | 0.05% |
| Total Cost to Employers | 1.60% | 1.70% | 1.80% | 1.85% | 1.90% | 2.00% |
| Average Cost Per Employee at Taxable Wage Base | \$499.20 | \$530.40 | \$561.60 | \$577.20 | \$592.80 | \$624.00 |

2019 Forecast:

Benefit Payments Unlikely to Fall Much More Moving Forward

Benefit Payments By Quarter

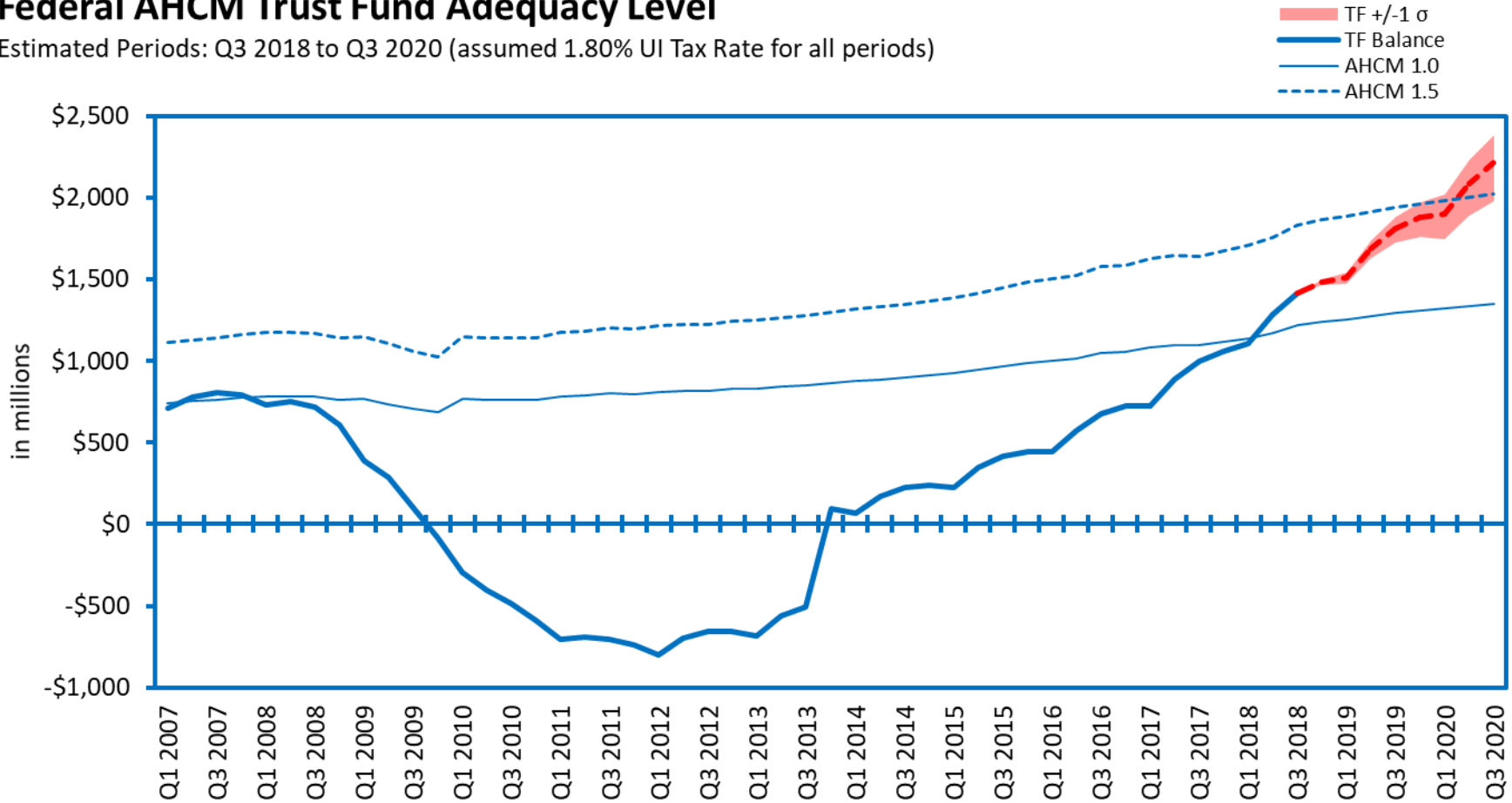
Estimated Periods: Q3 2018 to Q3 2020



2019 Forecast: AHCM Solvency Measure

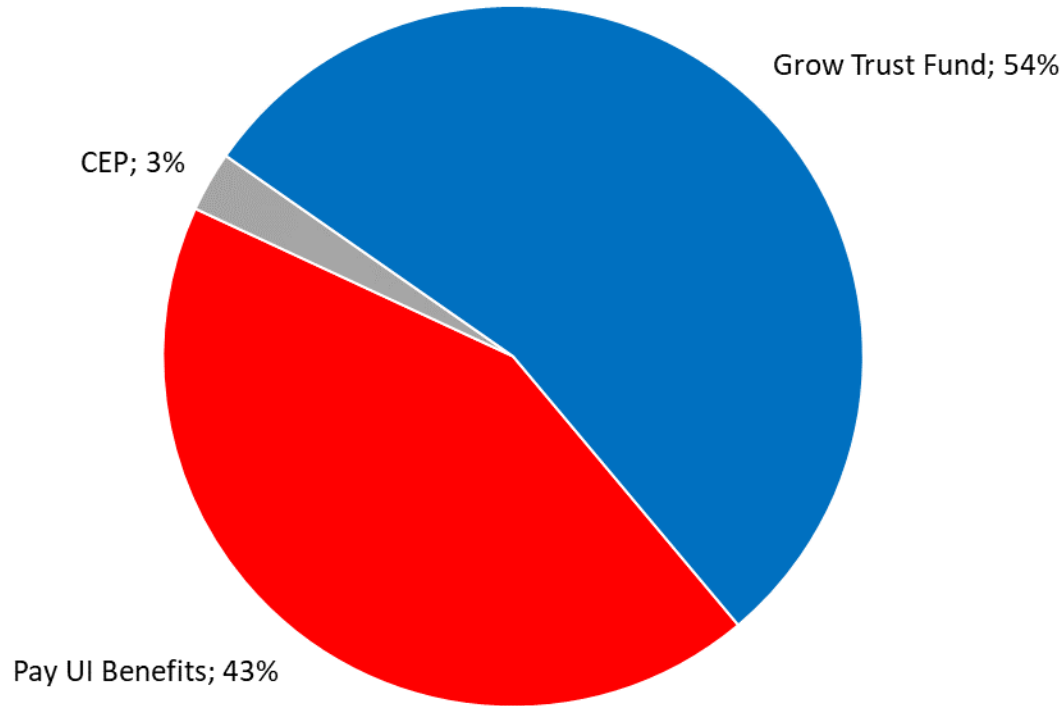
Federal AHCM Trust Fund Adequacy Level

Estimated Periods: Q3 2018 to Q3 2020 (assumed 1.80% UI Tax Rate for all periods)



2019 Forecast: Where do UI Contributions Go?

Distribution of UI Contributions



2019 Forecast: Long Term Effect of Different Rates

| AHCM on 9/30 of Each Year | | | | | |
|---------------------------|-----------|-----------|-----------|-----------|-----------|
| Tax Rate | 2018 AHCM | 2019 AHCM | 2020 AHCM | 2021 AHCM | 2022 AHCM |
| 1.55% | 1.16 | 1.36 | 1.53 | 1.72 | 1.91 |
| 1.65% | 1.16 | 1.37 | 1.58 | 1.79 | 2.01 |
| 1.75% | 1.16 | 1.39 | 1.62 | 1.86 | 2.11 |
| 1.80% | 1.16 | 1.40 | 1.64 | 1.90 | 2.16 |
| 1.85% | 1.16 | 1.41 | 1.67 | 1.93 | 2.21 |
| 1.95% | 1.16 | 1.43 | 1.71 | 2.01 | 2.31 |

- Estimates reflect constant tax rate for all years

2019 Forecast: Things to Consider...

- Rate stability
- Counter-cyclical funding
- Continued preparation for future recession
- Long-run solvency goal

For Additional Information, Please Contact:

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