

UI Bond Status Update and Review of UI Trust Fund

Employment Security Council
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Alessandro Capello
Research & Analysis Bureau



Bond Refresher

- ❑ 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
 - ❑ Anticipated final payment December 2017



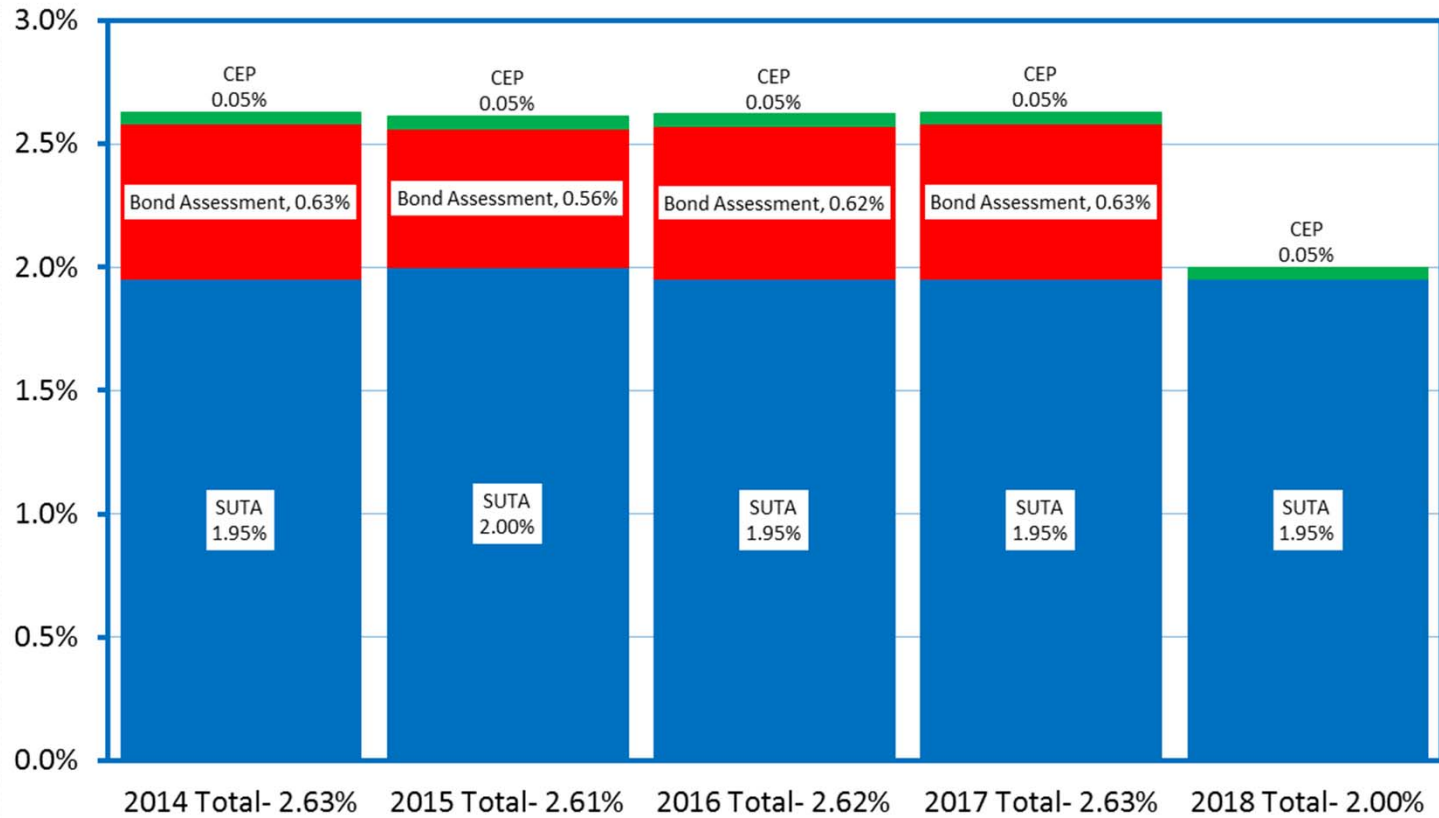
Overview of Bond Payments

- ❑ Payments: 7 to Date
 - ❑ \$420.9 million Principal
 - ❑ \$68.3 million Interest
- ❑ Next payment: Dec. 2017
 - ❑ \$128 million (\$72.1 million Principal + \$55.9 million June 2018 Callable Payment)
 - ❑ \$3.2 million Interest
- ❑ Current Account Balances (as of 9/25/17)
 - ❑ Principal Account: \$109.8 million
 - ❑ Interest Account: \$10.5 million



Bond Call: Impact on Employers

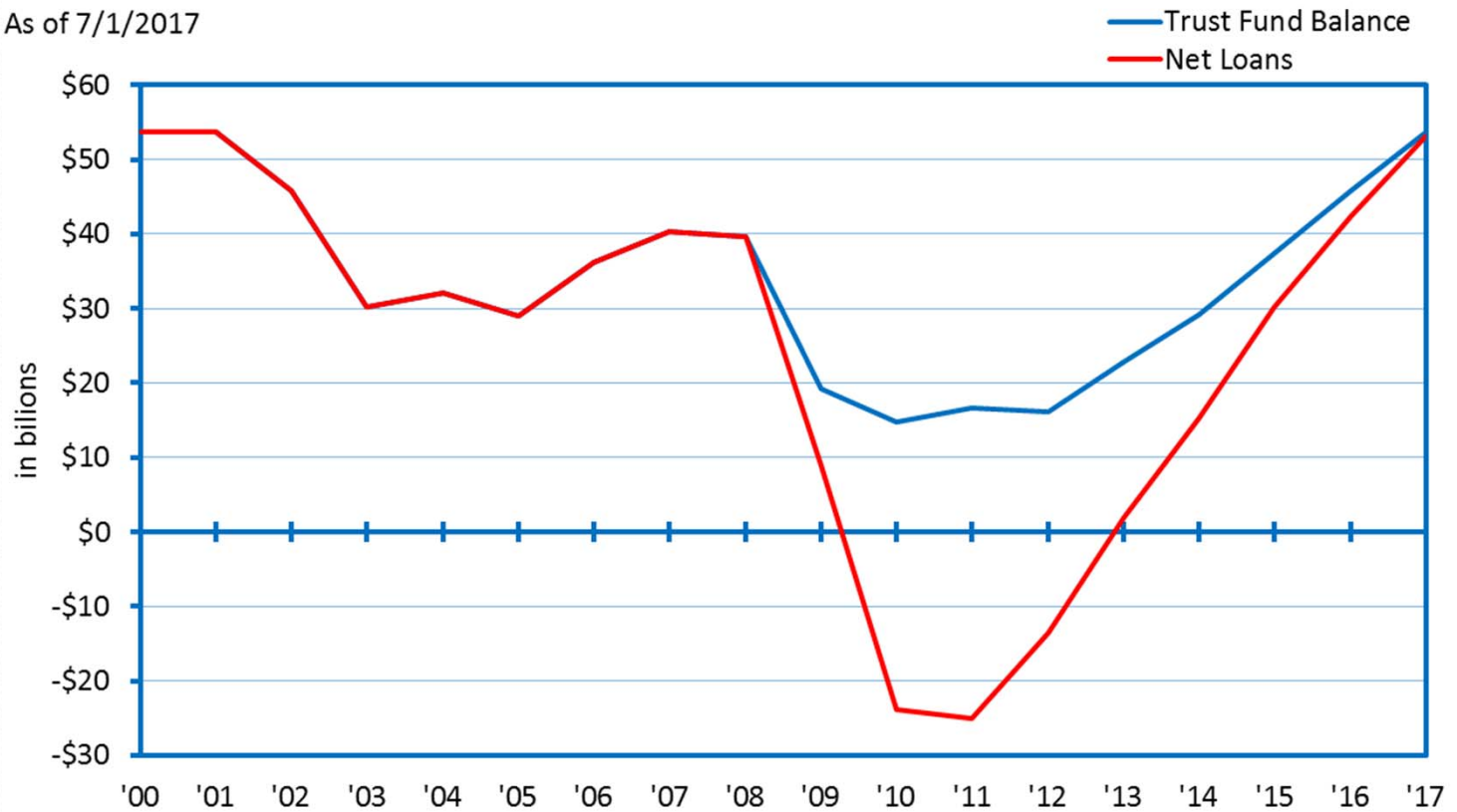
Total Employer Costs



National Perspective: Just Under \$500 million in UITF Loans Remain

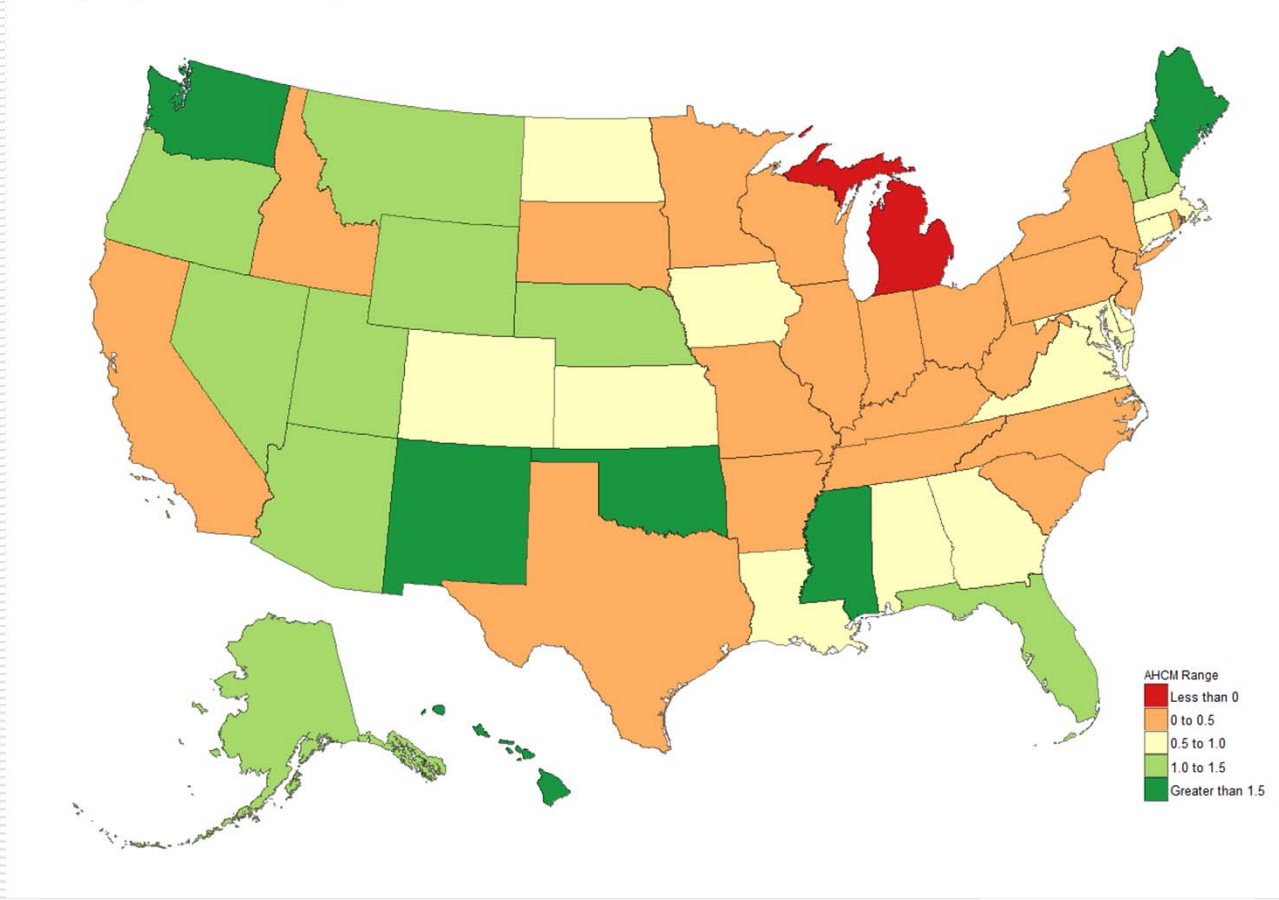
US Trust Fund Balance

As of 7/1/2017



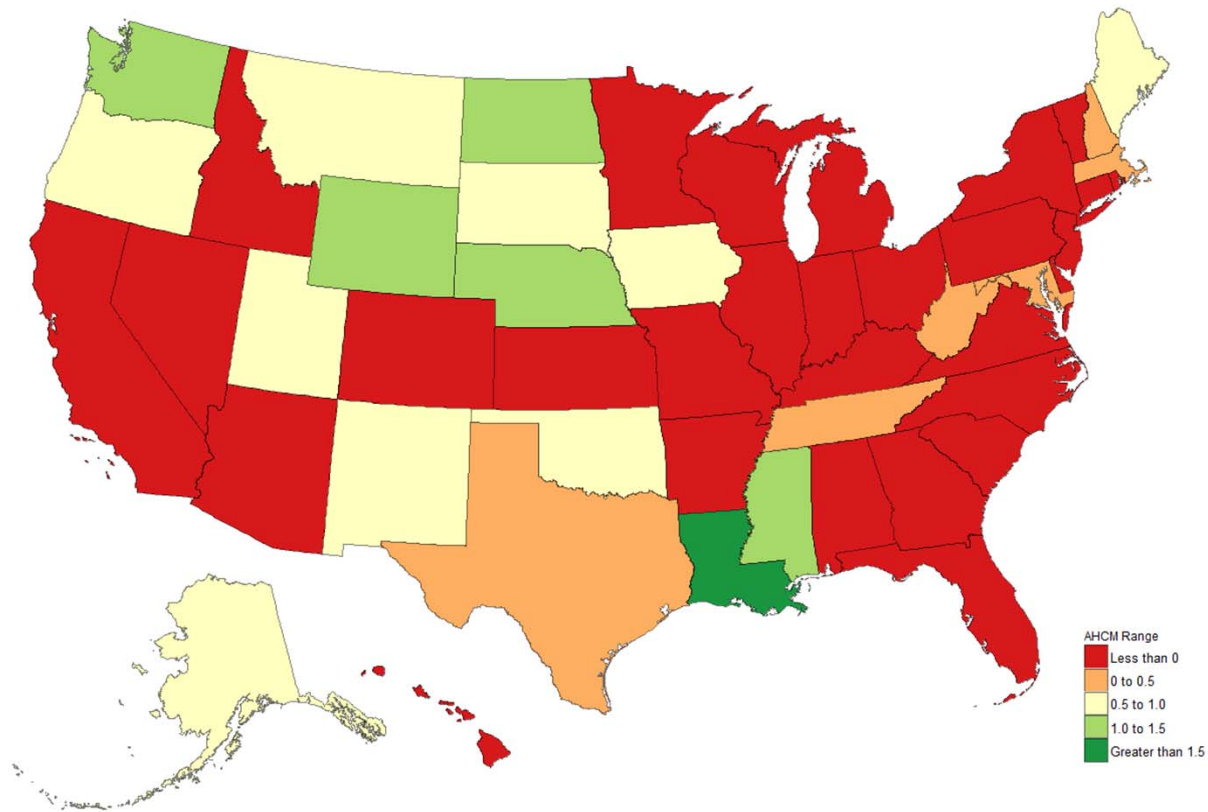
National Perspective: Before...

Average High Cost Multiple By State as of 1/1/2008



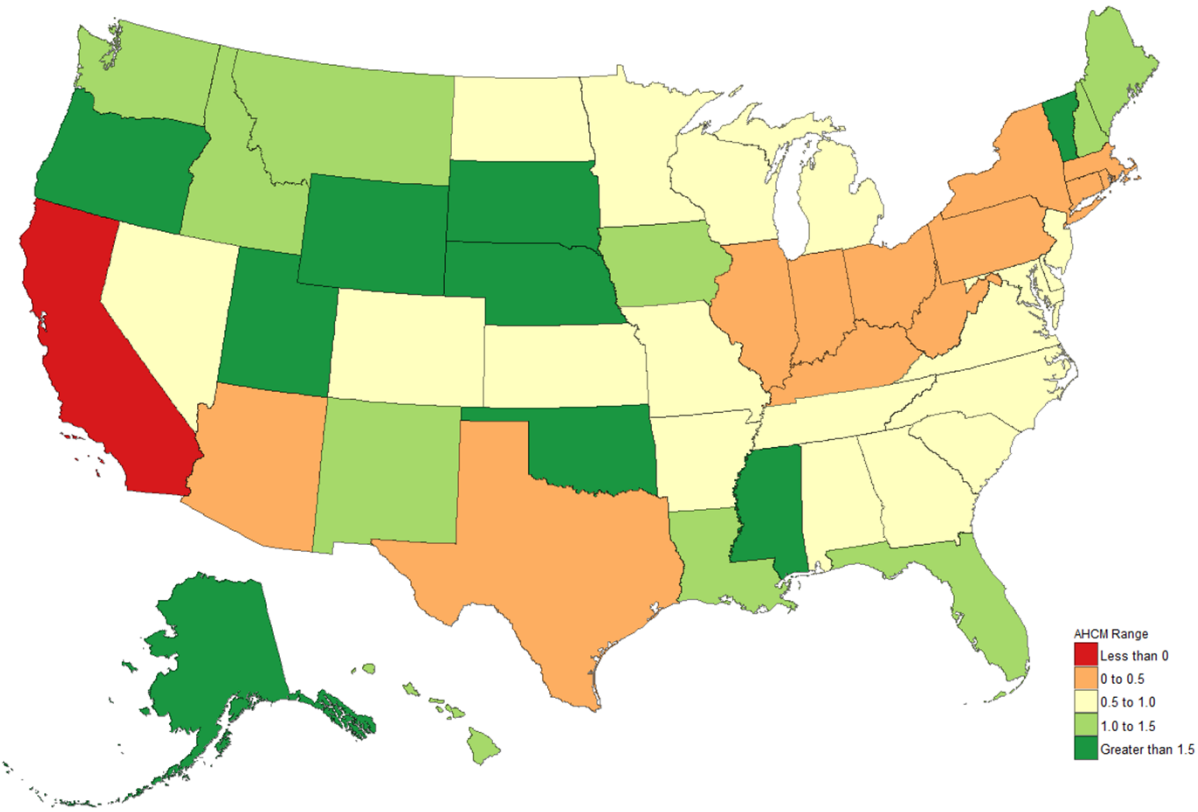
National Perspective: Then...

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



National Perspective: Now...

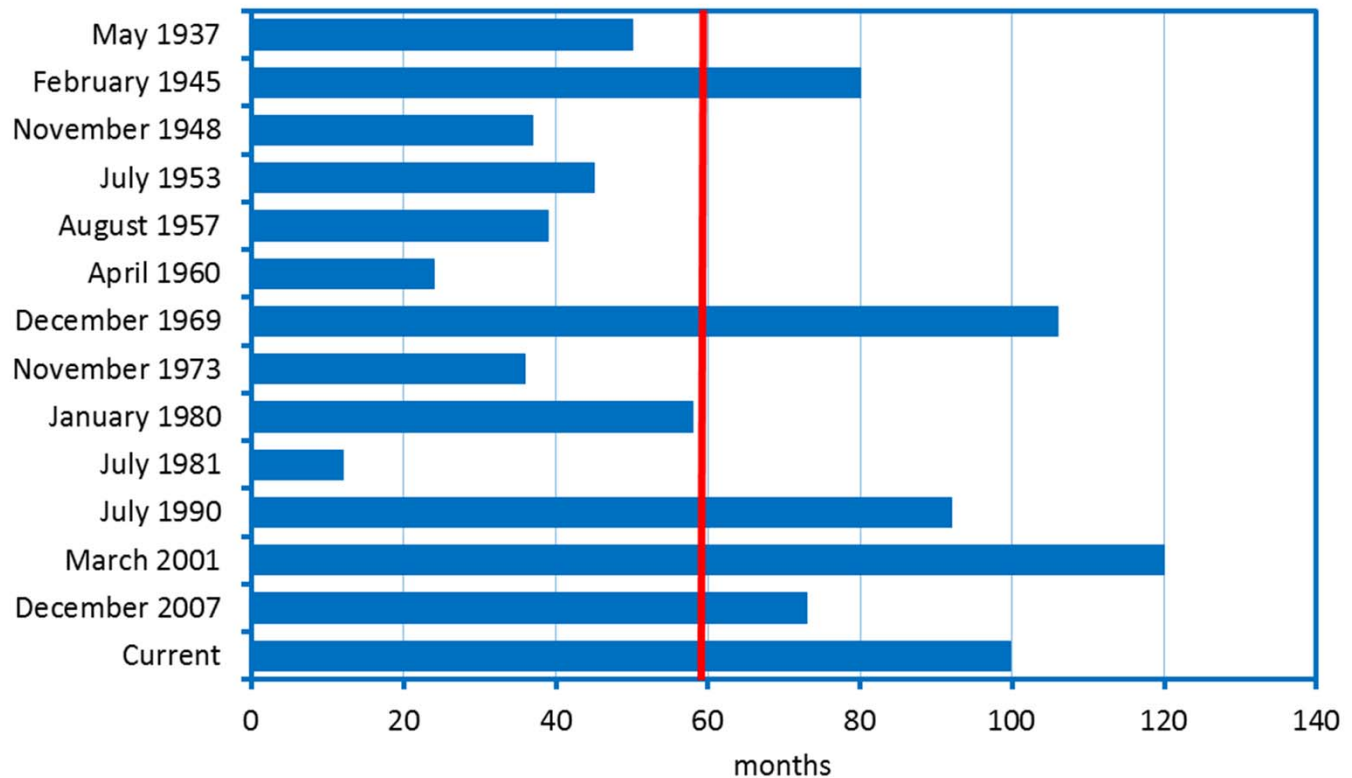
Average High Cost Multiple By State as of 1/1/2017



National Perspective: Long Economic Recovery Ongoing

Economic Expansion History

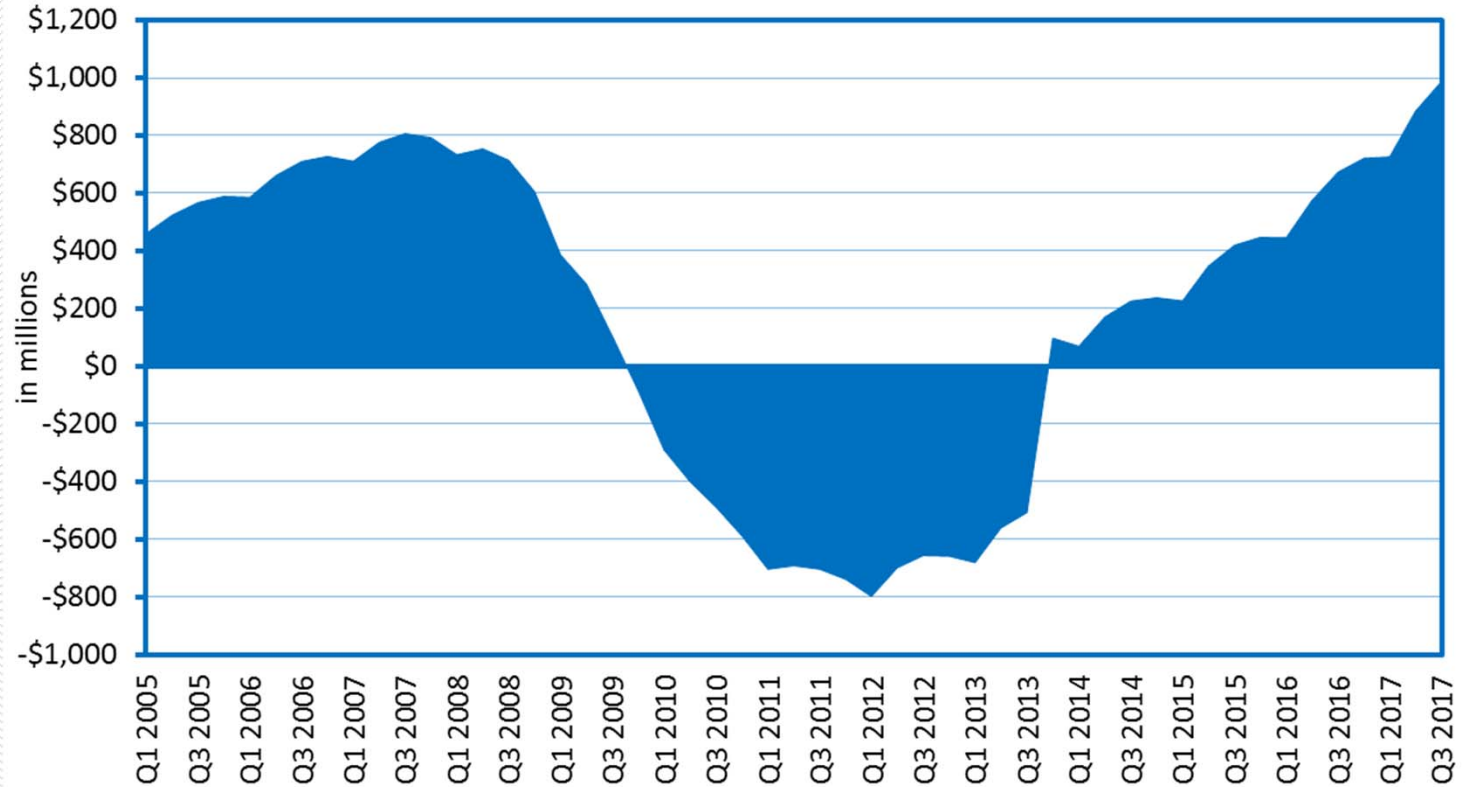
Red Line Shows 1937-2007 Average



Nevada's Trust Fund: Record High Balance Reached in 2017

Nevada Trust Fund Balance

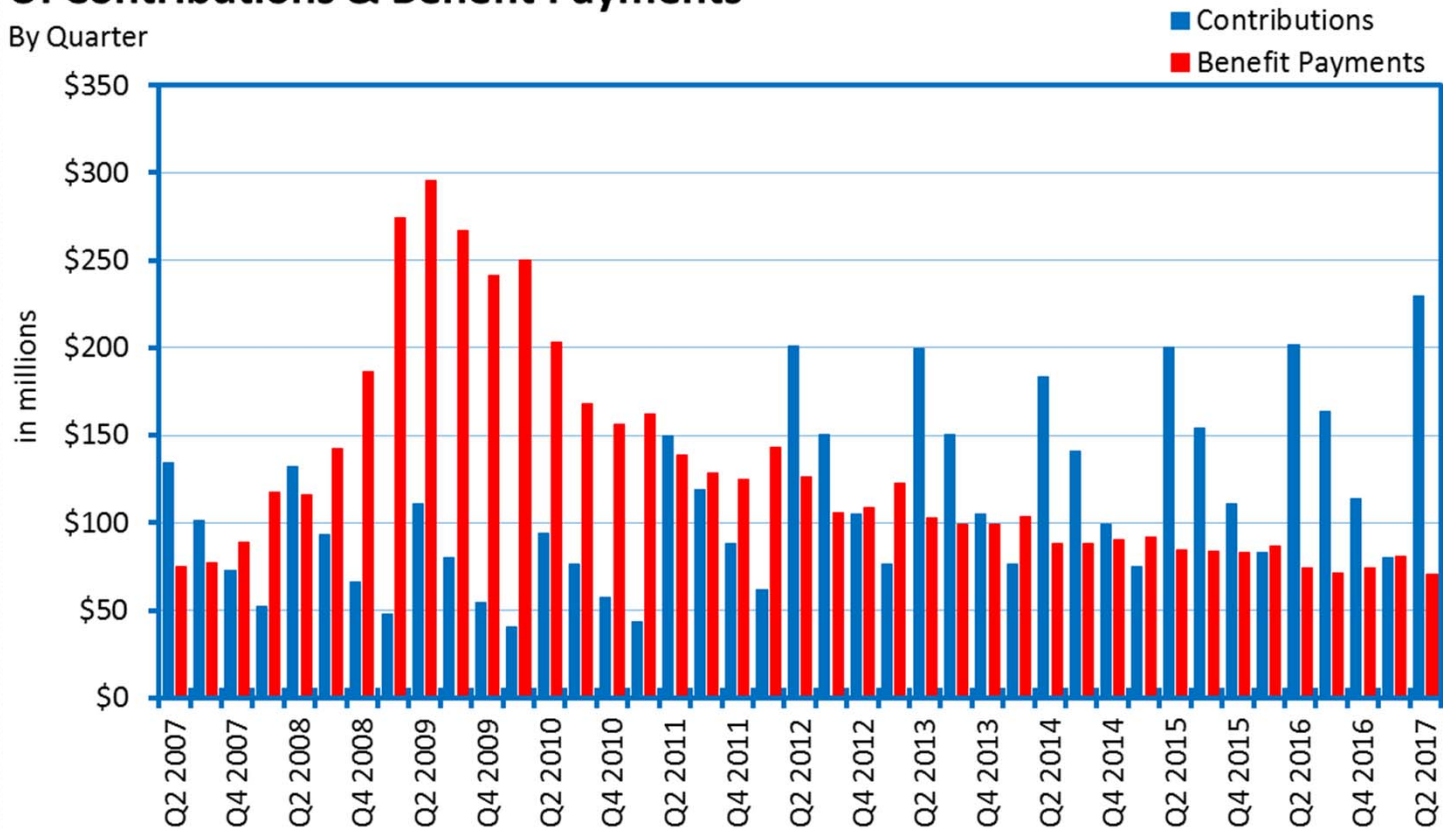
By Quarter



Nevada's Trust Fund: Rebuilding Trust Fund Reserves

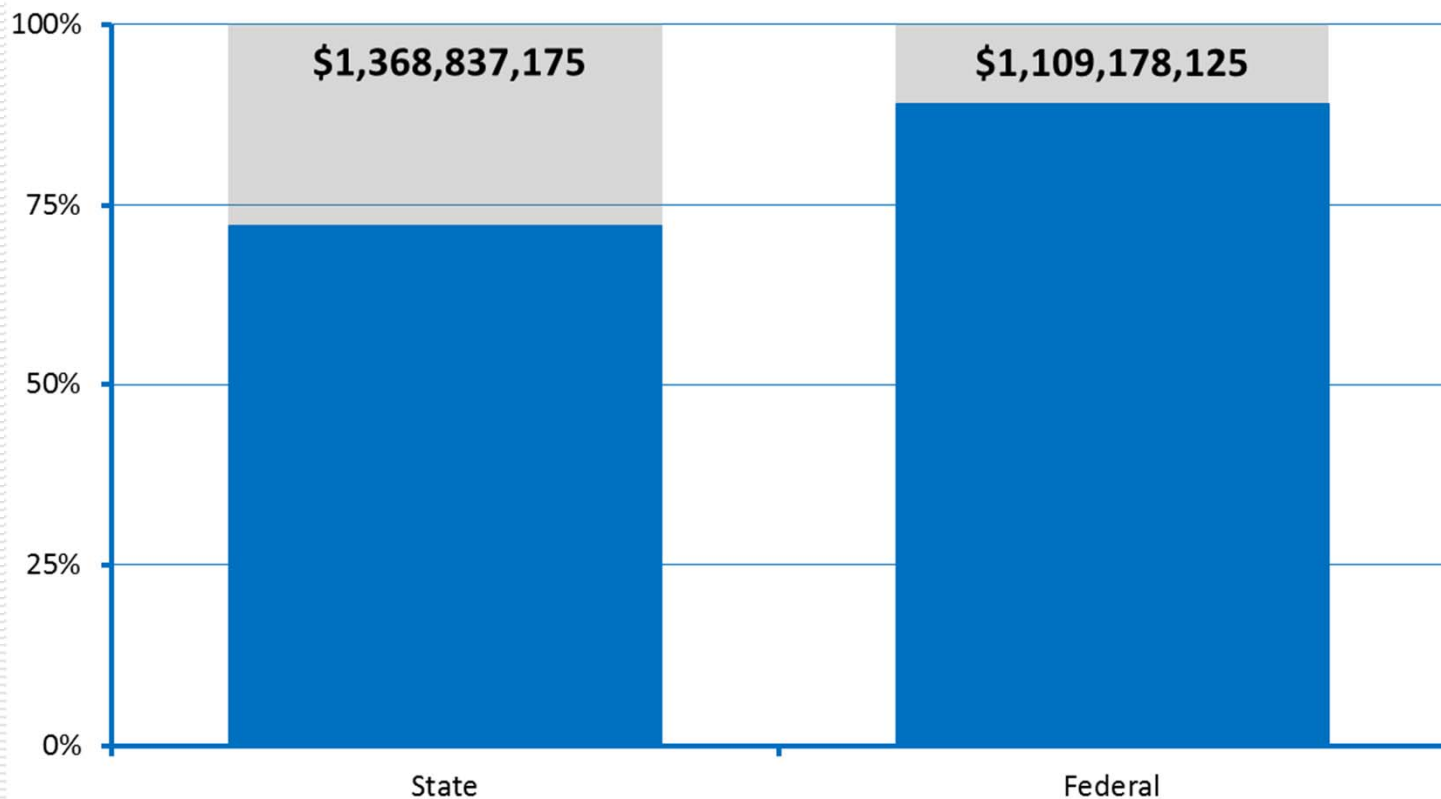
UI Contributions & Benefit Payments

By Quarter



Nevada's Trust Fund: Rebuilding Trust Fund Reserves

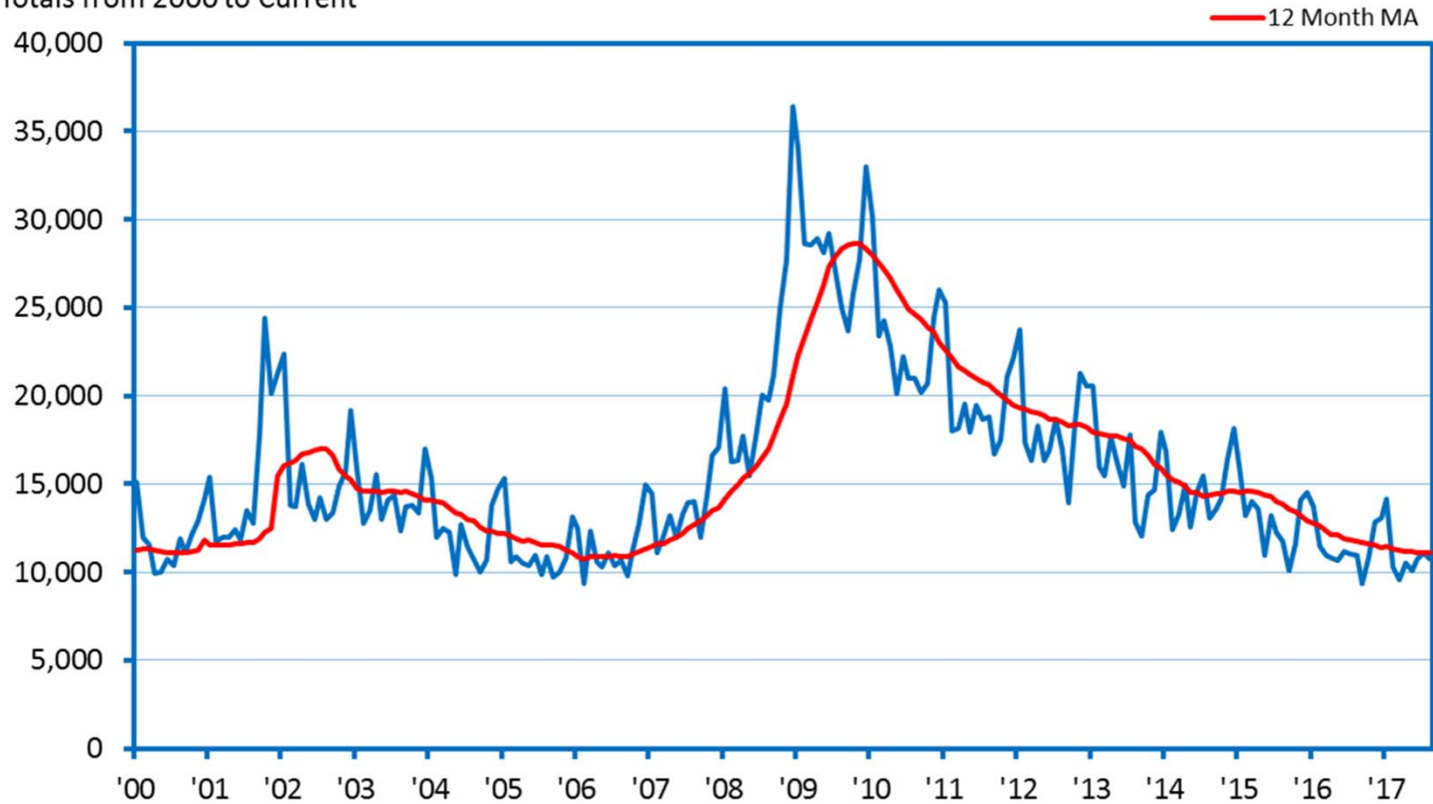
Trust Fund Solvency Levels



UI Trends: Initial Claims at Boom Levels

Initial Claims By Month

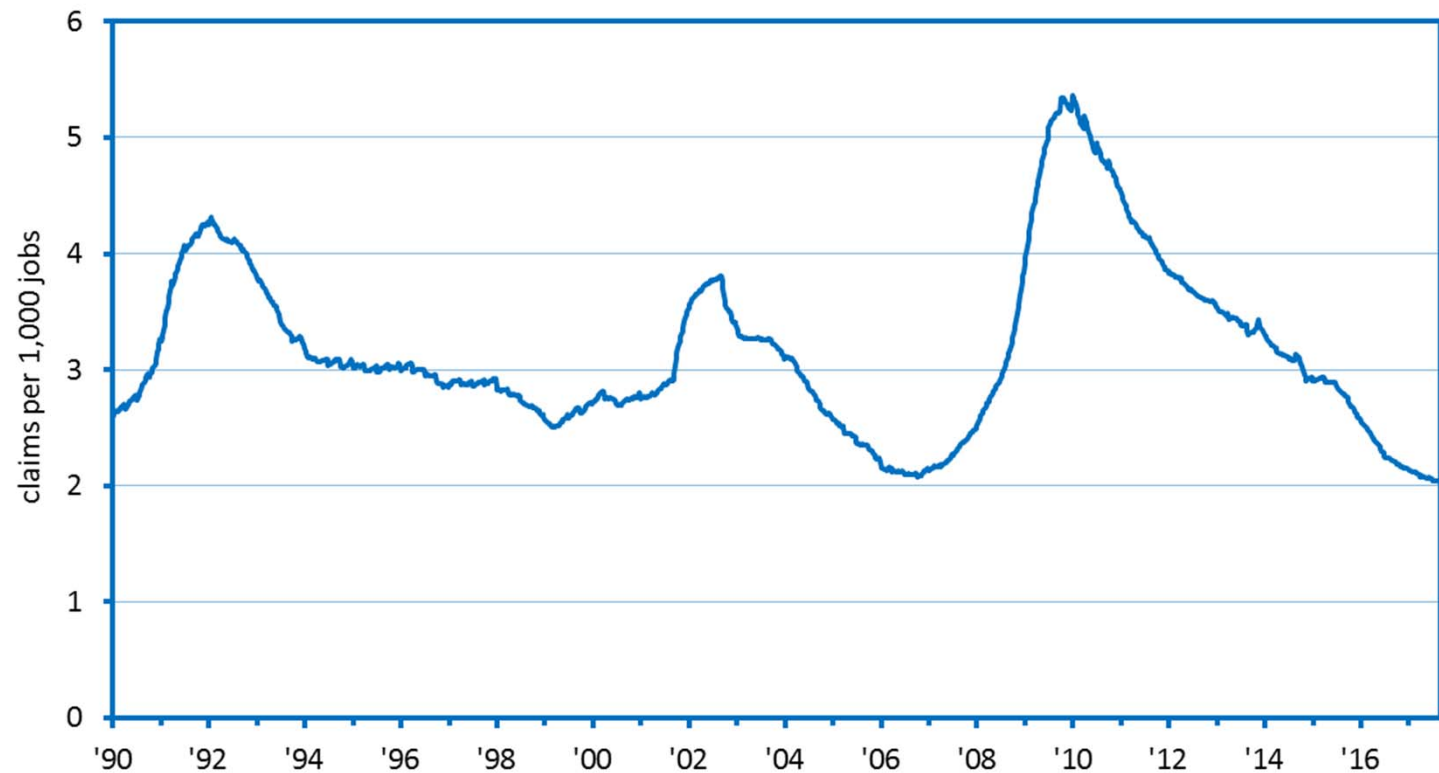
Totals from 2000 to Current



UI Trends: Initial Claims at Boom Levels

Initial Claims Per Job

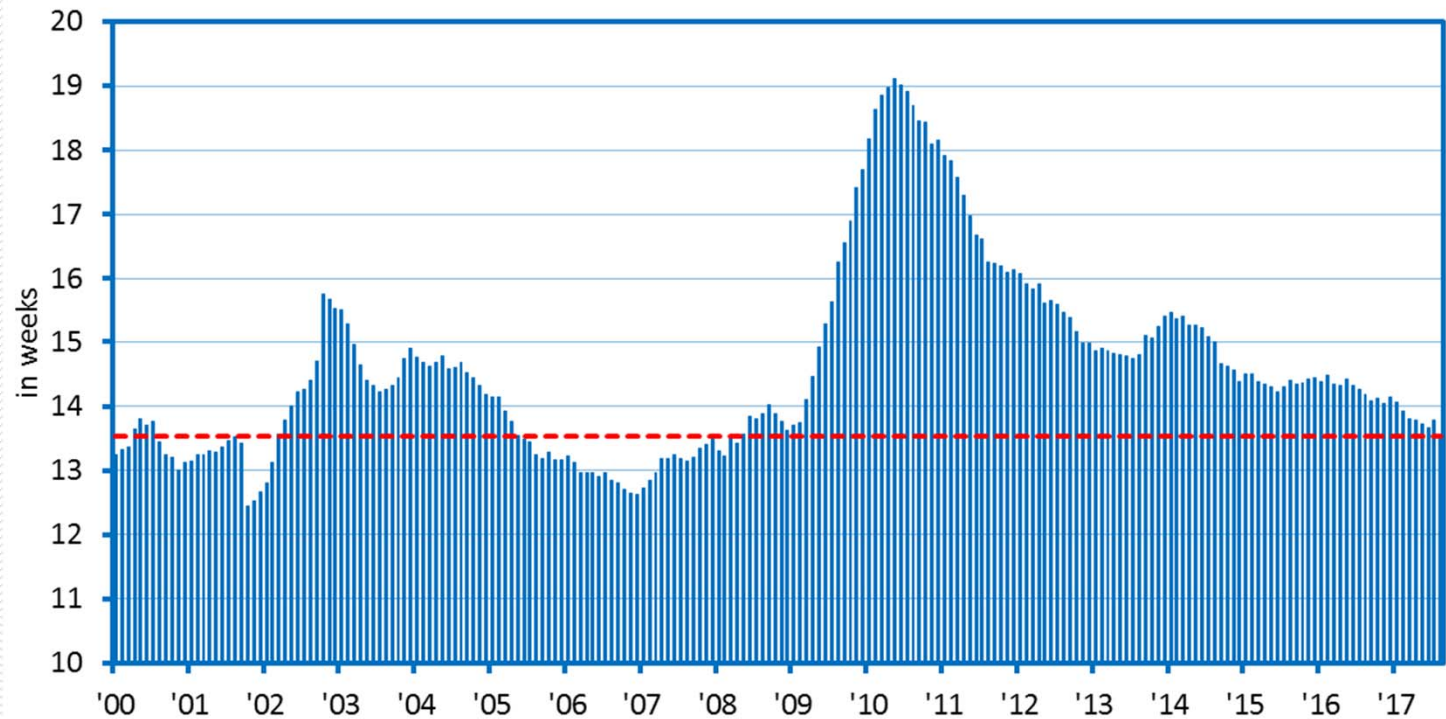
1990 to Current



UI Trends: Average Duration of Benefits Mostly Flat in Recent Months

Average UI Duration in Weeks

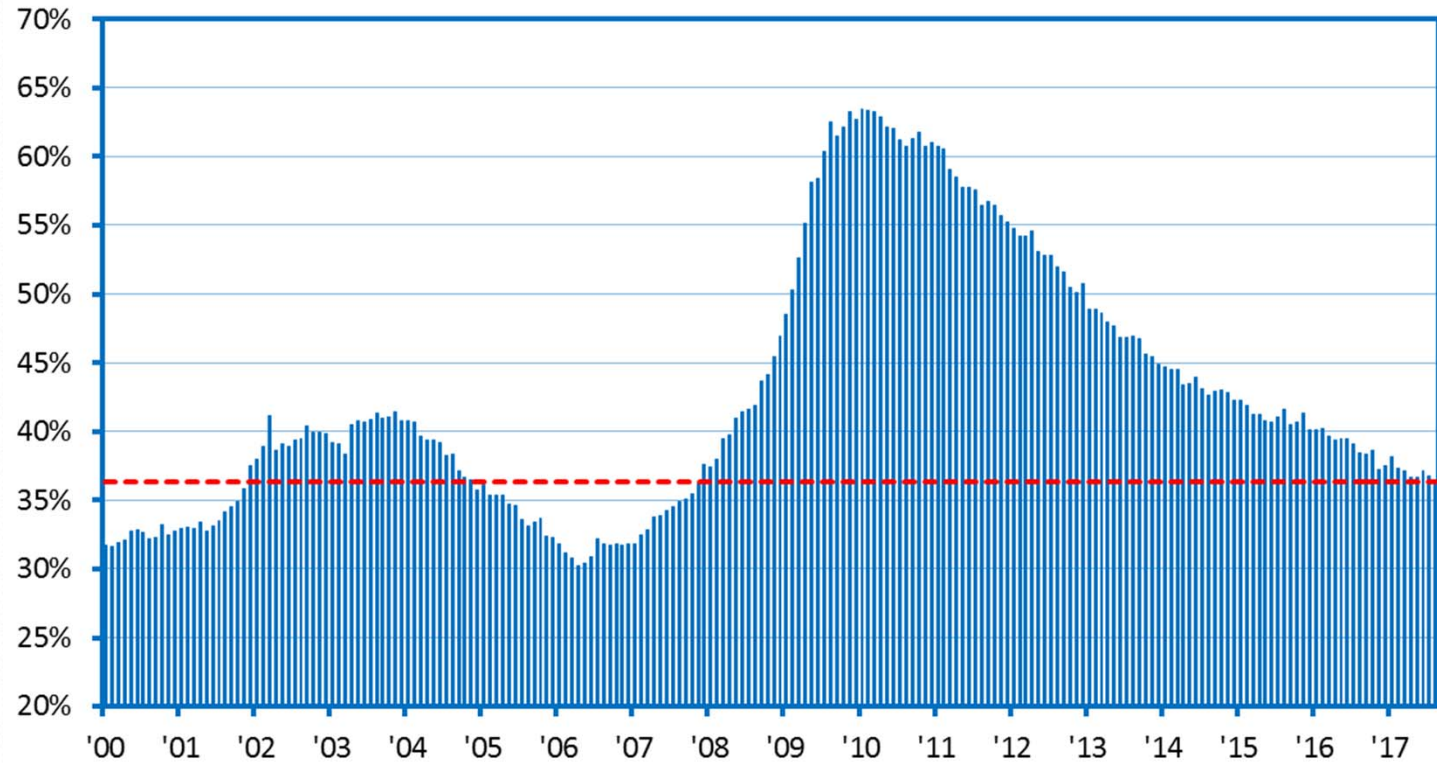
2000 to Present



UI Trends: Exhaustion Rate at a Post-Recession Low; Signs of Stabilizing

Exhaustion Rate

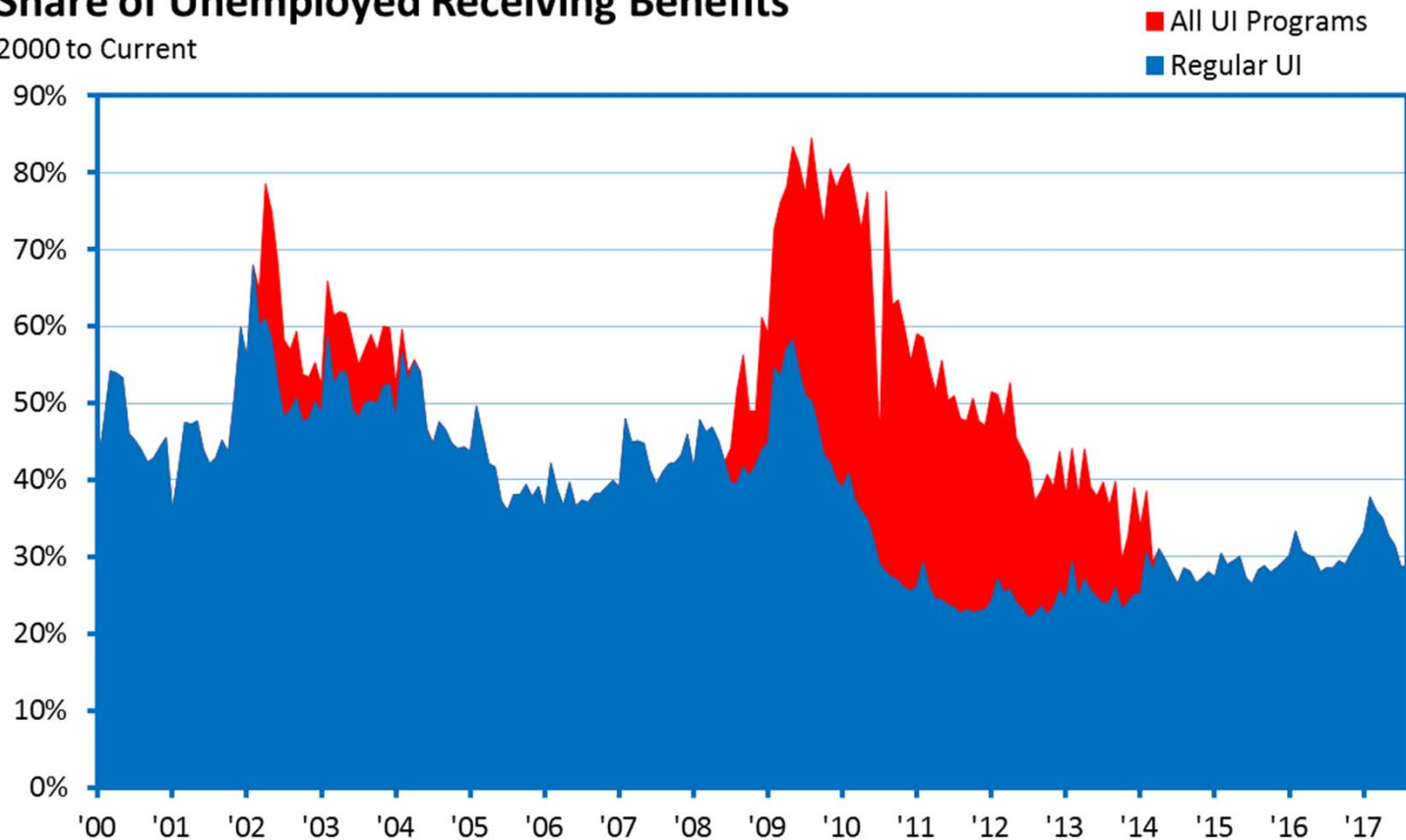
2000 to Present



UI Trends: Unemployed Still Receiving UI Benefits at Levels Lower than Historical

Share of Unemployed Receiving Benefits

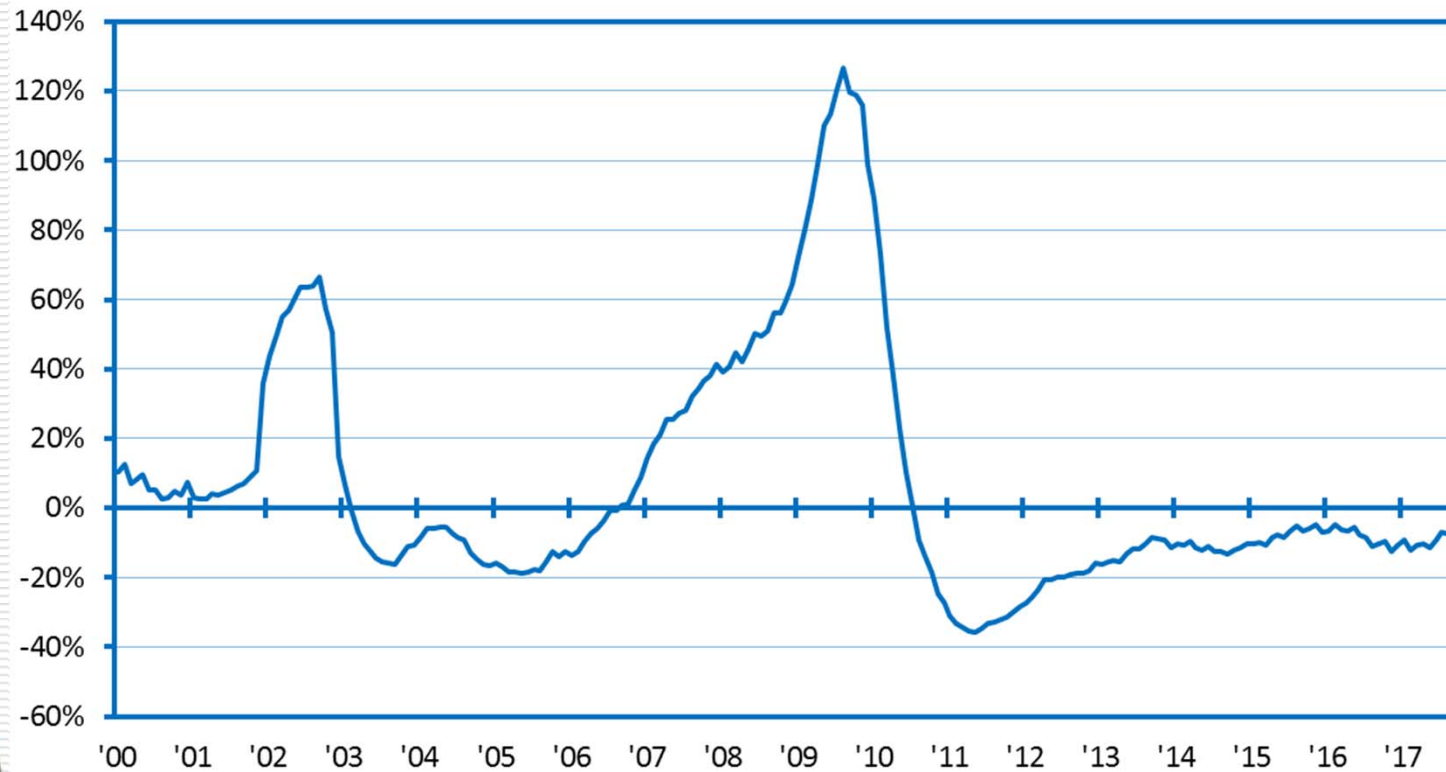
2000 to Current



UI Trends: Benefit Payments Still in Decline

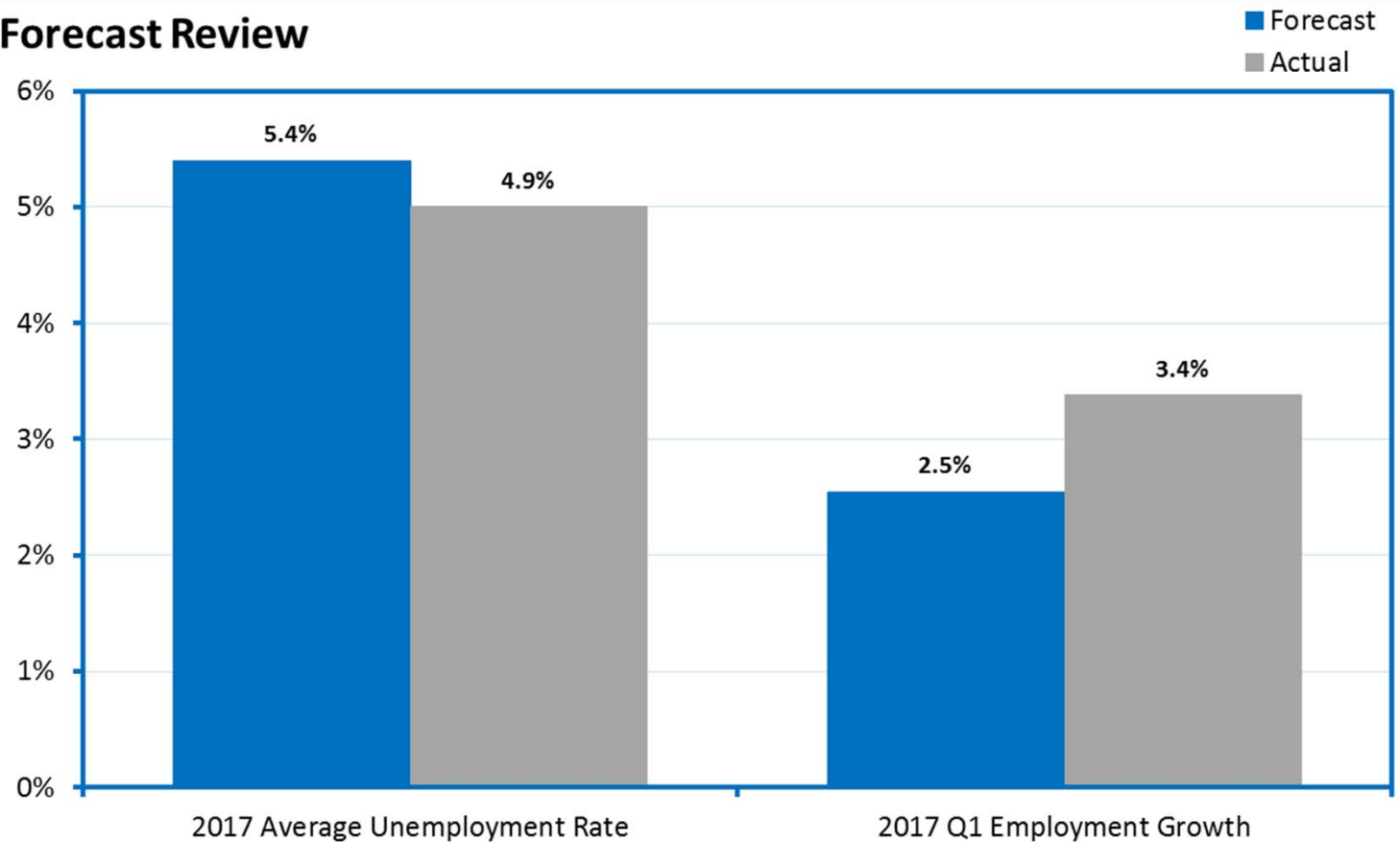
% Change UI Benefits Paid

Using 12 Month Moving Average



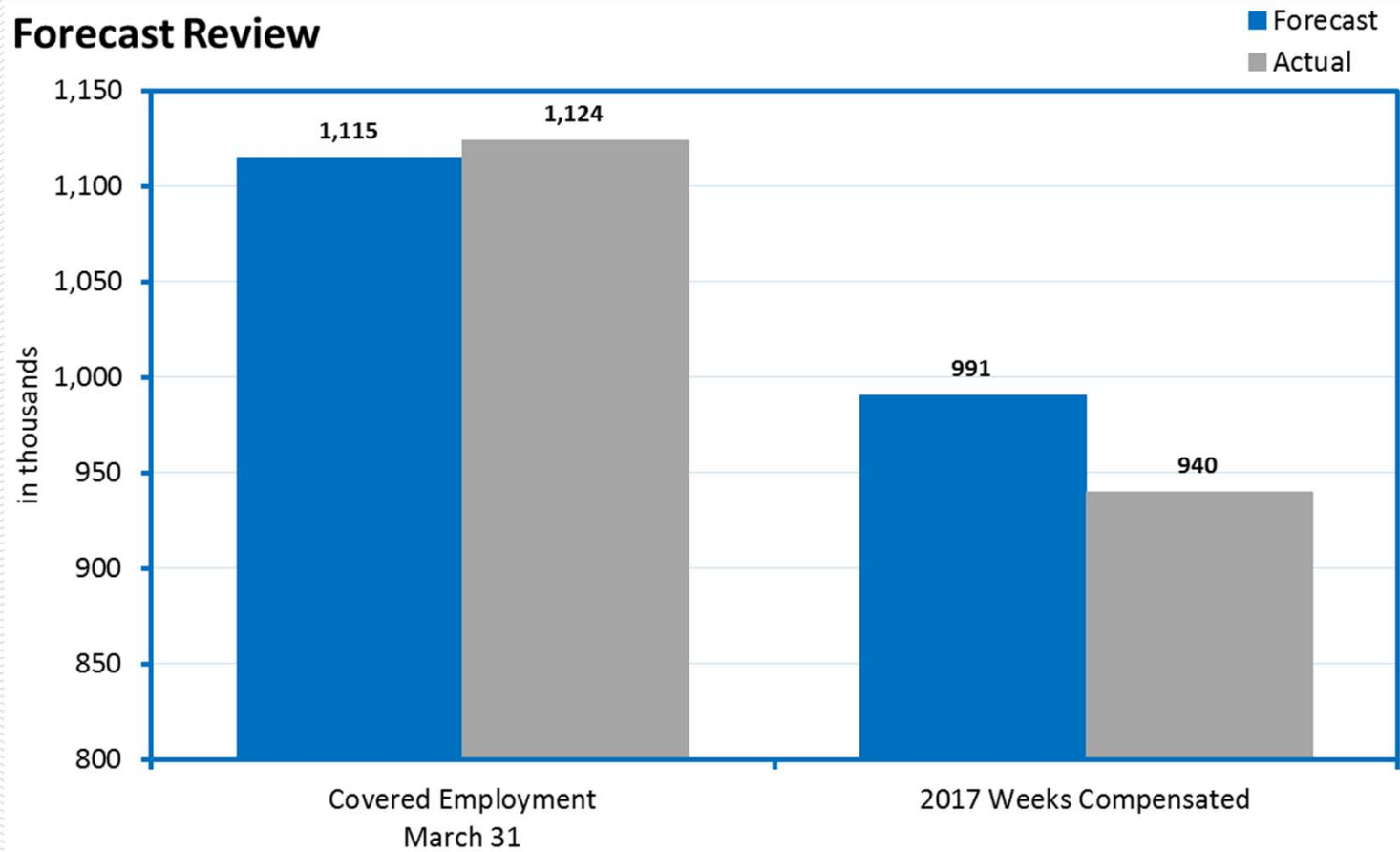
2018 Forecast: Review of Forecast for 2017

Forecast Review



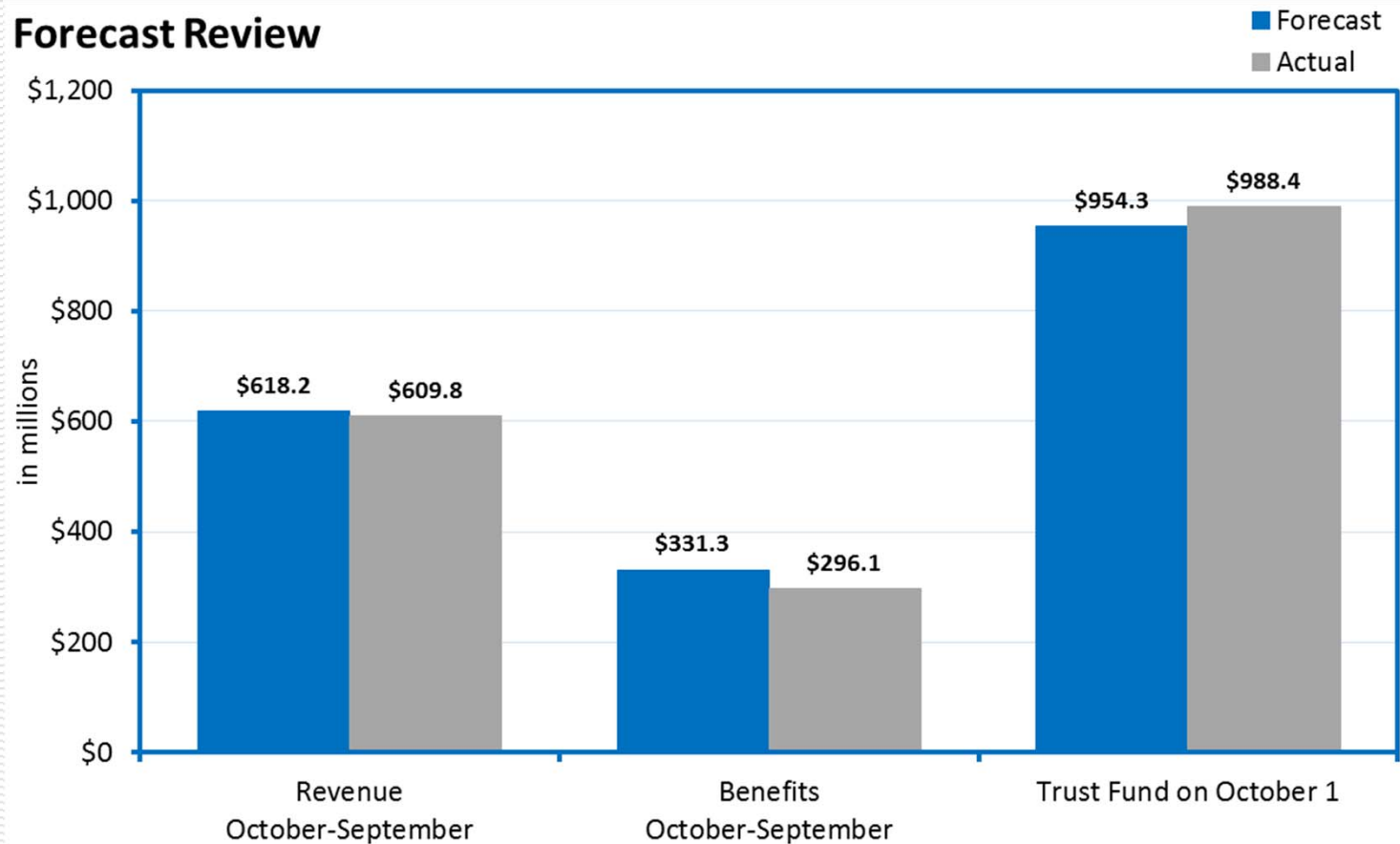
2018 Forecast: Review of Forecast for 2017

Forecast Review



2018 Forecast: Review of Forecast for 2017

Forecast Review



2018 Forecast: Historical Solvency Review

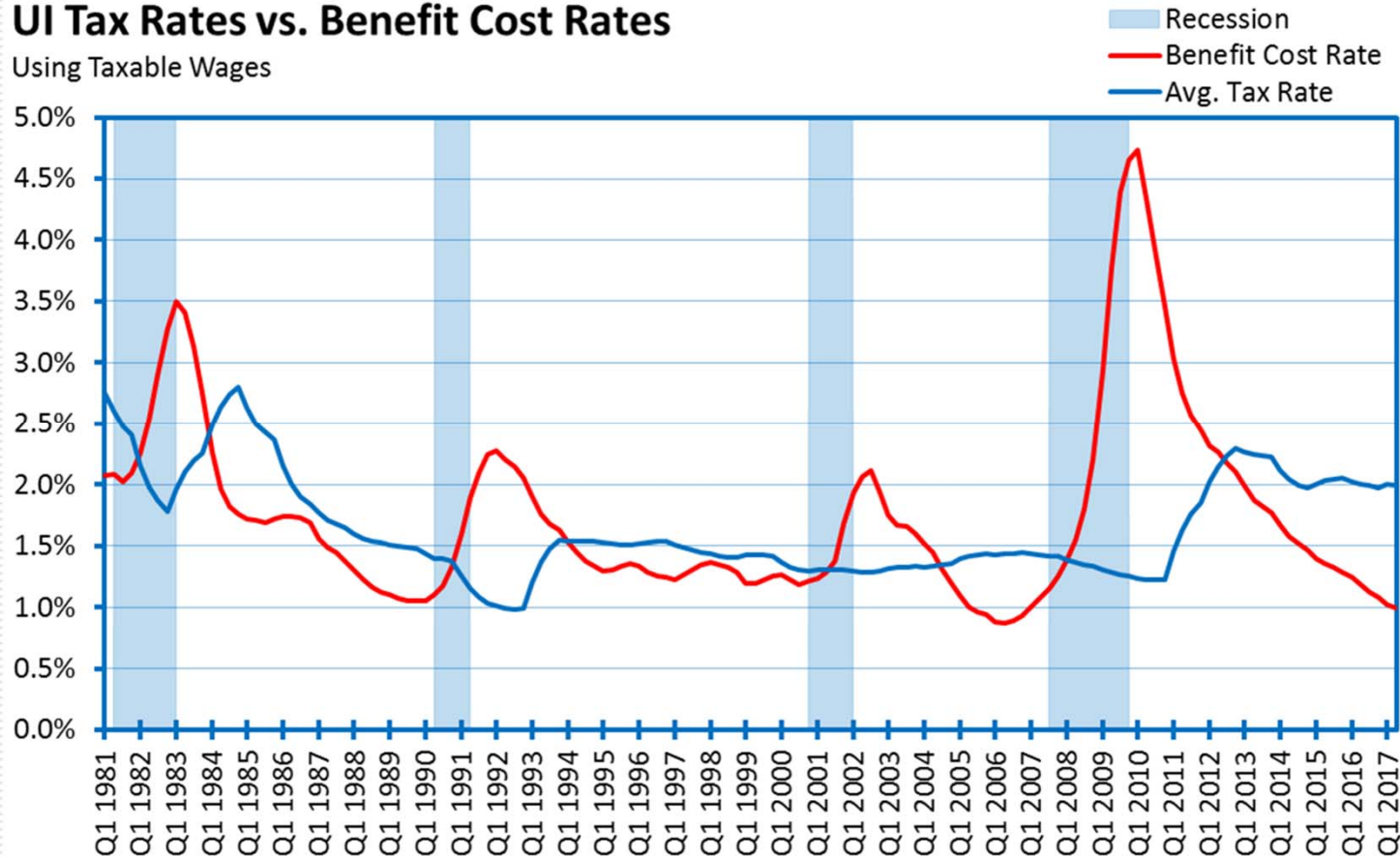
Nevada Solvency Calculation NRS 612.550	Actual <u>2013</u>	Actual <u>2014</u>	Actual <u>2015</u>	Actual <u>2016</u>	Preliminary <u>2017</u>
Covered Employment	979,091	1,009,195	1,051,719	1,087,749	1,124,517
Highest Risk Ratio	18.98%	18.98%	18.98%	18.98%	18.98%
Highest Weeks Duration	19.12	19.12	19.12	19.12	19.12
Average Weekly Payment	\$307.85	\$310.18	\$318.88	\$326.32	\$335.44
Solvency Target (Millions)	\$1,093.8	\$1,136.0	\$1,217.0	\$1,288.1	\$1,368.8
Beginning Fund Balance (Millions)	(\$656.7)	(\$507.8)	\$225.5	\$419.3	\$672.9
Intake to Fund	531.2	1100.9	535.9	571.3	609.8
Taxes	531.2	505.4	528.8	559.5	591.6
Bond Proceeds	0.0	592.4	0.0	0.0	0.0
Interest	0.0	3.1	7.1	11.7	18.2
Payout From Fund	433.2	379.1	350.3	315.0	296.1
Regular Benefits	433.2	379.1	350.3	315.0	296.1
Net Change in Fund	148.9	721.8	193.8	253.6	315.5
Ending Fund Balance (Millions)	(\$507.8)	\$225.5	\$419.3	\$672.9	\$988.4
Solvency Level (Millions)	(1,601.6)	(910.4)	(797.7)	(615.2)	(380.5)
Multiple	-0.46	0.20	0.34	0.52	0.70
Average High Cost Multiple	-0.59	0.25	0.43	0.64	0.89
Average Tax Rate	2.25%	1.95%	2.00%	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	2.30%	2.63%	2.61%	2.62%	2.63%
Average Cost per Employee at Max Taxable Wage (excl FUTA & Interest)	\$618.70	\$720.62	\$725.58	\$738.84	\$775.85



2018 Forecast: Contribution Rates and Benefit Costs

UI Tax Rates vs. Benefit Cost Rates

Using Taxable Wages



2018 Forecast: Potential 2018 Tax Rates

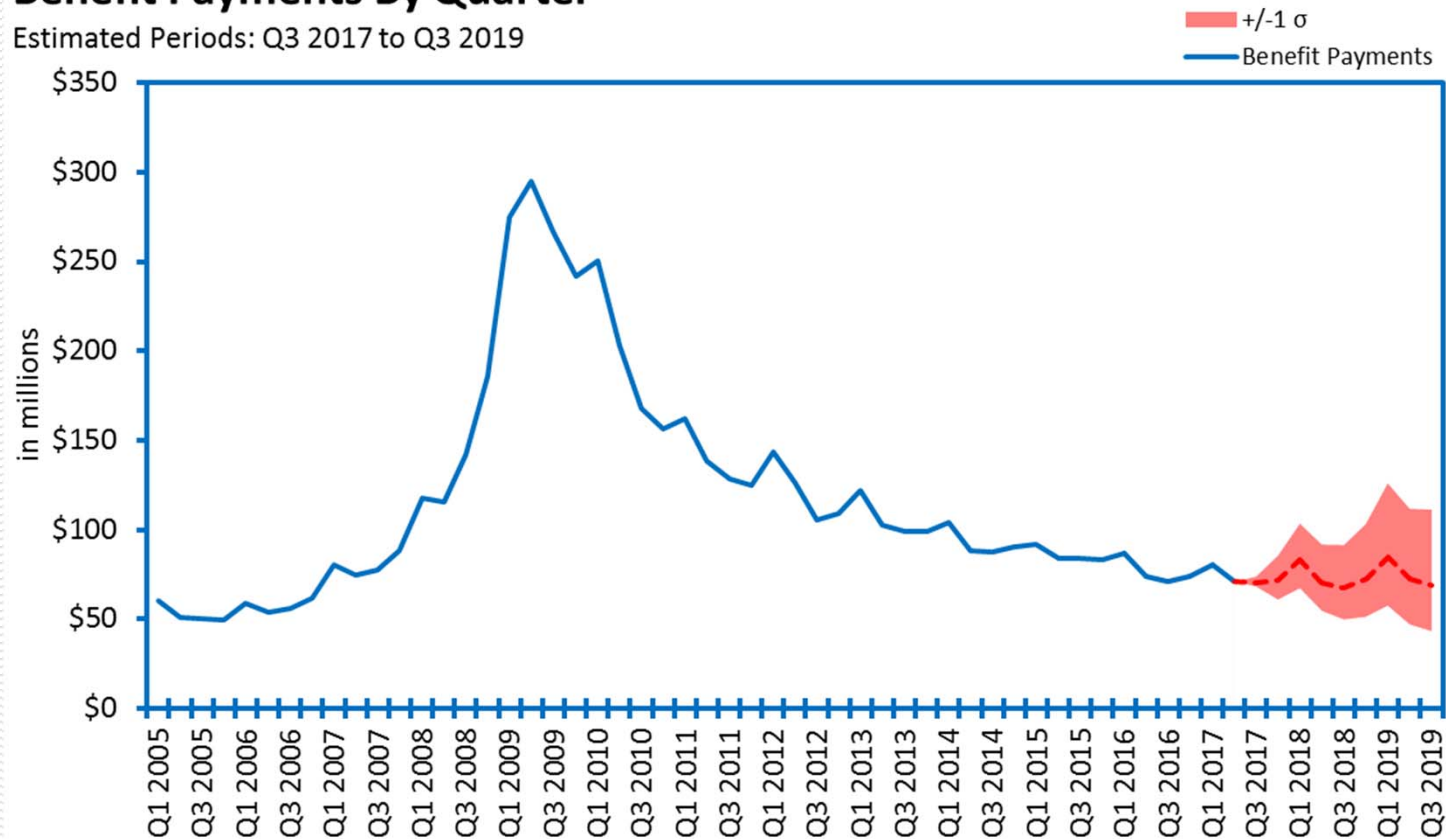
Nevada Solvency Calculation	2018	2018	2018	2018	2018
Covered Employment	1,154,155	1,154,155	1,154,155	1,154,155	1,154,155
Highest Risk Ratio - 11/2009	18.98%	18.98%	18.98%	18.98%	18.98%
Highest Weeks Duration - 05/2010	19.12	19.12	19.12	19.12	19.12
Average Weekly Payment	\$350.02	\$350.02	\$350.02	\$350.02	\$350.02
Solvency Target (Millions)	\$1,466.0	\$1,466.0	\$1,466.0	\$1,466.0	\$1,466.0
UI Trust Fund Level					
10/1/2017 Fund Balance (Millions)	\$988.4	\$988.4	\$988.4	\$988.4	\$988.4
Intake to Fund	626.0	636.5	647.0	657.5	668.0
Taxes	585.7	596.2	606.6	617.0	627.4
Interest	25.3	25.3	25.4	25.5	25.6
Excess Bond Funds	15.0	15.0	15.0	15.0	15.0
Payout From Fund	293.2	293.2	293.2	293.2	293.2
Regular Benefits	293.2	293.2	293.2	293.2	293.2
Net Change in Fund	332.8	343.3	353.8	364.3	374.7
9/30/2018 Fund Balance (Millions)	\$1,321.1	\$1,331.6	\$1,342.1	\$1,352.6	\$1,363.1
State Solvency Gap (Millions)	(144.8)	(134.3)	(123.8)	(113.3)	(102.8)
State Solvency Multiple	0.90	0.91	0.92	0.92	0.93
AHCM Solvency Gap (Millions)	180.0	190.5	201.0	211.5	222.0
Average High Cost Multiple	1.14	1.15	1.16	1.17	1.18
Average Tax Rate	1.85%	1.90%	1.95%	2.00%	2.05%
Average Bond Assessment	-----	-----	-----	-----	-----
CEP Assessment	0.05%	0.05%	0.05%	0.05%	0.05%
Total Cost to Employers	1.90%	1.95%	2.00%	2.05%	2.10%
Average Cost Per Employee at Taxable Wage Base	\$579.50	\$594.75	\$610.00	\$625.25	\$640.50



2018 Forecast: Benefit Payments Unlikely to Fall Much More Moving Forward

Benefit Payments By Quarter

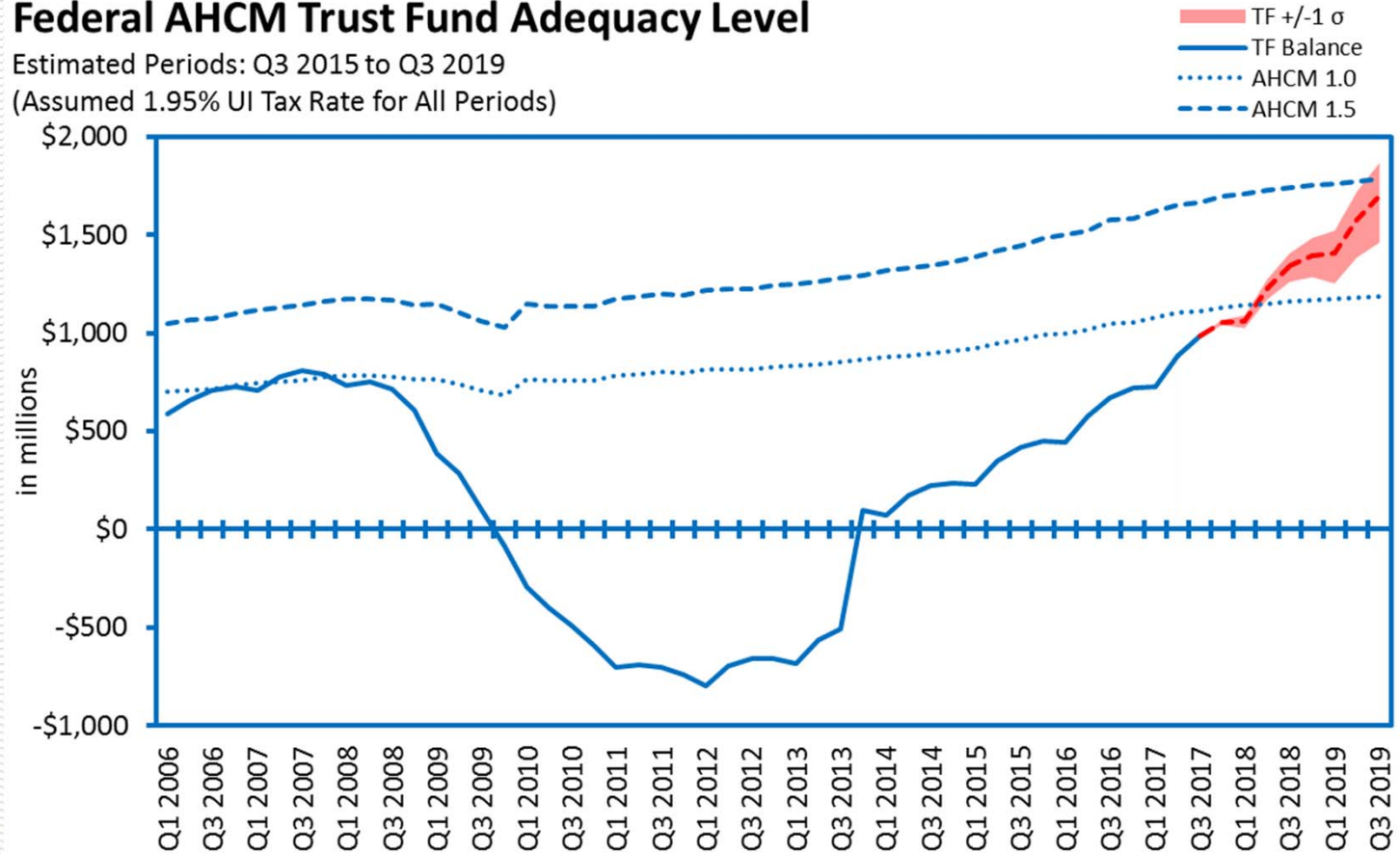
Estimated Periods: Q3 2017 to Q3 2019



2018 Forecast: AHCM Solvency Measure

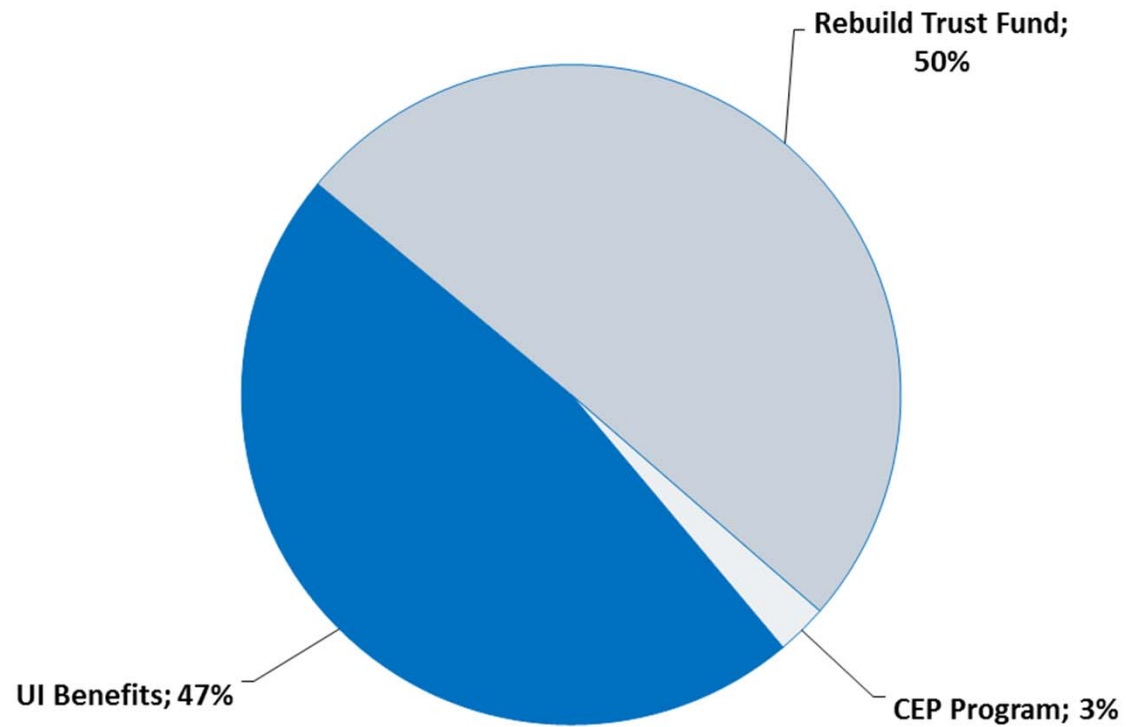
Federal AHCM Trust Fund Adequacy Level

Estimated Periods: Q3 2015 to Q3 2019
(Assumed 1.95% UI Tax Rate for All Periods)



2018 Forecast: Where do UI Contributions Go?

Distribution of UI Contributions



2018 Forecast: Long Term Effect of Different Rates

AHCM on 9/30 of Each Year					
Tax Rate	2017 AHCM	2018 AHCM	2019 AHCM	2020 AHCM	2021 AHCM
1.85%	0.89	1.14	1.38	1.64	1.90
1.90%	0.89	1.15	1.41	1.67	1.95
1.95%	0.89	1.16	1.43	1.71	2.00
2.00%	0.89	1.17	1.45	1.75	2.05
2.05%	0.89	1.18	1.47	1.78	2.10

- Estimates reflect constant tax rate for all years



2018 Forecast: Some Things to Consider...

- Retirement of Bond will reduce average total tax rate by 0.63% from 2017 rate.
- Different situation than in the last several years.
- When will a future recession hit? What is an appropriate solvency goal?

