

Unemployment Insurance Advisory Council Meeting



September 22, 2016

Opening Remarks

DLR Legislative Proposal

- Individuals who quit their job for health reasons are considered to have good cause for quitting if the individual was advised that continued employment is a health hazard.
- Under current law, this only applies if the individual was advised by a medical doctor or chiropractor.
- The DLR proposal modifies the good cause for quitting provision to include physician assistants.

UI Trust Fund – Projected 2016 & 2017 as of September 2, 2016

UI Financials - Quarterly Summary (in Millions)

CY 2016	Actual	Actual	Projected	Projected	Total
	1st Qtr	2nd Qtr	3rd Qtr*	4th Qtr	
Contributions/Interest In	\$4.8	\$16.3	\$11.3	\$6.2	\$38.6
Benefits Paid Out	\$11.7	\$5.8	\$5.0	\$6.4	\$28.9

Trust Fund	\$92.2	\$102.8	\$109.7	\$109.6	\$109.6
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CY 2017	Projected	Projected	Projected	Projected	Total
	1st Qtr	2nd Qtr	3rd Qtr	4th Qtr	
Contributions/Interest In	\$4.9	\$15.8	\$10.8	\$6.6	\$38.1
Benefits Paid Out	\$13.6	\$6.4	\$4.7	\$6.4	\$31.1

Trust Fund	\$100.9	\$110.2	\$116.2	\$116.6	\$116.6
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* Actual data through July 2016.

UI Trust Fund – Projected 2018 as of September 2, 2016

UI Financials - Quarterly Summary (in Millions)

CY 2018	Projected	Projected	Projected	Projected	Total
	1st Qtr	2nd Qtr	3rd Qtr	4th Qtr	
Contributions/Interest In	\$5.1	\$15.9	\$11.1	\$6.7	\$38.8
Benefits Paid Out	\$13.5	\$6.3	\$4.9	\$6.7	\$31.4
Trust Fund	\$108.2	\$117.7	\$123.9	\$123.9	\$123.9

Projected Average High Cost Multiple (AHCM)

- Projected December 31, 2016 balance - \$109.6 million
 - Projected AHCM of 1.61
- Projected December 31, 2017 balance - \$116.6 million
 - Projected AHCM of 1.63
- Projected December 31, 2018 balance - \$123.9 million
 - Projected AHCM of 1.66

2016 Council Action Recap

- Three commonly used measures of assessing trust fund solvency were presented to the Council.
- The average high cost multiple (AHCM) measure is a ratio of trust fund reserves compared to the average of the three highest benefits to total wages ratios for the last three recessions or past twenty years.
- The federal recommendation, to be minimally solvent, is a 1.0 AHCM trust fund balance on December 31 of any given year.

2016 Council Action Recap

- States will be required to have a 1.0 AHCM in order to be eligible to receive interest-free loans.
- The AHCM was chosen as the measure South Dakota should use to define an adequate trust fund balance.
- An AHCM of 1.6 was set as the starting point for an adequate trust fund balance. This means the trust fund could pay out 19 months of benefits at the average highest cost rate.

Current Annual Tax Rate Process

- Current tax rate is based on the employer's account status as of June 30 and prior three fiscal years of taxable payroll.
- Employers receive their tax notice for the upcoming year in October of prior year.
- The current tax rating process does not adjust employer tax rates based on the health of the trust fund.

Proposed Annual Tax Rate Process

- Employer tax rate is based on the employer's account status as of June 30 and prior three fiscal years of taxable payroll.
- Proposed tax rating process would decrease ALL experience-rated employer's tax rate by a set percent based on the trust fund balance on June 30.
- Employers would still receive their tax notice for the upcoming year in October of prior year.

AHCM Calculation

- June 30, 2016 trust fund balance: \$102.8 million, actual AHCM: 1.58
- June 30, 2017 projected trust fund balance: \$110.2 million, projected AHCM: 1.62
- October 2017, employers receive their tax rate notice for the upcoming year.
- January 1, 2018, reduced tax rates go into effect.

UI Trust Fund – Projected 2018

DLR Administrative Fee Rate Offset

UI Financials - Quarterly Summary

(in Millions)

CY 2018	Projected	Projected	Projected	Projected	Total
	1st Qtr	2nd Qtr	3rd Qtr	4th Qtr	
Contributions/Interest In	\$5.1	\$15.5	\$10.9	\$6.5	\$38.0
Benefits Paid Out	\$13.5	\$6.3	\$4.9	\$6.7	\$31.4
Trust Fund	\$108.2	\$117.3	\$123.2	\$123.2	\$123.2

- CY 2018 projected trust fund accumulation: \$6.6 million
- Tax year 2018 contribution revenue: \$ 34.9 million
- Administrative fee revenue: \$800,000

UI Trust Fund – Projected 2018

Proposal A – Tax Rate Reduction of .1%

UI Financials - Quarterly Summary

(in Millions)

CY 2018	Projected	Projected	Projected	Projected	Total
	1st Qtr	2nd Qtr	3rd Qtr	4th Qtr	
Contributions/Interest In	\$5.1	\$13.6	\$9.6	\$5.8	\$34.1
Benefits Paid Out	\$13.5	\$6.3	\$4.9	\$6.7	\$31.4
Trust Fund	\$108.2	\$115.5	\$120.1	\$119.3	\$119.3

- CY 2018 projected trust fund accumulation: \$2.7 million
- Tax year 2018 contribution revenue: \$30.7 million
- Administrative fee revenue: \$800,000
- Tax reduction trigger June 30, 2018 AHCM: 1.62

UI Trust Fund – Projected 2018

Proposal B – Tax Rate Reduction of .2%

UI Financials - Quarterly Summary

(in Millions)

CY 2018	Projected	Projected	Projected	Projected	Total
	1st Qtr	2nd Qtr	3rd Qtr	4th Qtr	
Contributions/Interest In	\$5.1	\$11.8	\$8.3	\$5.0	\$30.2
Benefits Paid Out	\$13.5	\$6.3	\$4.9	\$6.7	\$31.4
Trust Fund	\$108.2	\$113.6	\$116.9	\$115.4	\$115.4

- CY 2018 projected trust fund accumulation: -\$1.2 million
- Tax year 2018 contribution revenue: \$ 26.3 million
- Administrative fee revenue: \$800,000
- Tax reduction trigger June 30, 2018 AHCM: 1.59

UI Trust Fund – Projected 2018

Proposal C – Tax Rate Reduction of .3%

UI Financials - Quarterly Summary

(in Millions)

CY 2018	Projected	Projected	Projected	Projected	Total
	1st Qtr	2nd Qtr	3rd Qtr	4th Qtr	
Contributions/Interest In	\$5.1	\$10.1	\$7.1	\$4.3	\$26.6
Benefits Paid Out	\$13.5	\$6.3	\$4.9	\$6.7	\$31.4
Trust Fund	\$108.2	\$111.9	\$114.0	\$111.8	\$111.8

- CY 2018 projected trust fund accumulation: -\$4.8 million
- Tax year 2018 contribution revenue: \$22.3 million
- Administrative fee revenue: \$800,000
- Tax reduction trigger June 30, 2018 AHCM: 1.57

Public Comment

Council Action