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## Executive Summary

Pursuant to Iowa Code, Chapter 96.35, Iowa Workforce Development hereby submits an annual status report on the unemployment compensation trust fund to the general assembly.

**Unemployment Insurance Benefits Payout:** Benefits paid to workers rose from \$215 million in 2000 to \$313 million in 2001. A slower national economy caused both short-term and long-term manufacturing layoffs. Other industries, such as trade and services, followed this trend. Some other facts:

- The number of first payments during a benefit year rose by 35% from 84,455 in 2000 to 113,983 in 2001, the highest in almost twenty years.
- Average duration of benefits was 11.6 weeks in 2001. (Workers can receive payments for up to 26 weeks, or 39 weeks for a plant closing.)

**UI Trust Fund Revenue:** Fund revenue comes from UI taxes paid by employers and interest earned on the fund balance. Total revenue grew from \$256 million in 2000 to \$262 million in 2001. Benefits paid to claimants continue to surpass contributions received from employers. Here are some highlights:

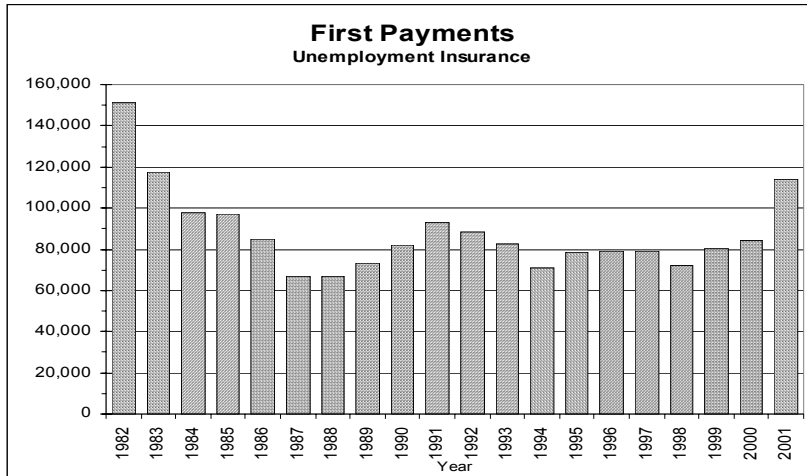
- The average tax rate was slightly below 1.0% for 1995 through 1999, the lowest average tax rates in over 20 years.
- The average tax rate increased to about 1.2% in 2000 and 2001. This is still well below the average tax rate during the 1980's.
- 47% of Iowa's private employers paid no UI taxes.
- The federal government paid \$52 million in interest on the fund balance.

**UI Trust Fund:** The philosophy guiding this fund requires balances to be large enough to endure heavy demands during periods of high unemployment, yet not place an excessive tax burden on employers. The challenge is to determine adequate reserves to ensure the fund's solvency through an economic downturn. The Iowa UI tax system automatically adjusts employer tax rates based on the strength of the UI trust fund and UI benefit experience.

The year-end UI trust fund balance fell from \$810 million in 2000 to \$760 million in 2001. When the fund balance is adjusted for wage growth, the strength of the fund has declined in six of the last seven years. If benefits were to increase to the recession level of the early 1980's, the 2001 year-end trust fund balance would be sufficient to pay 10.3 months of benefits.

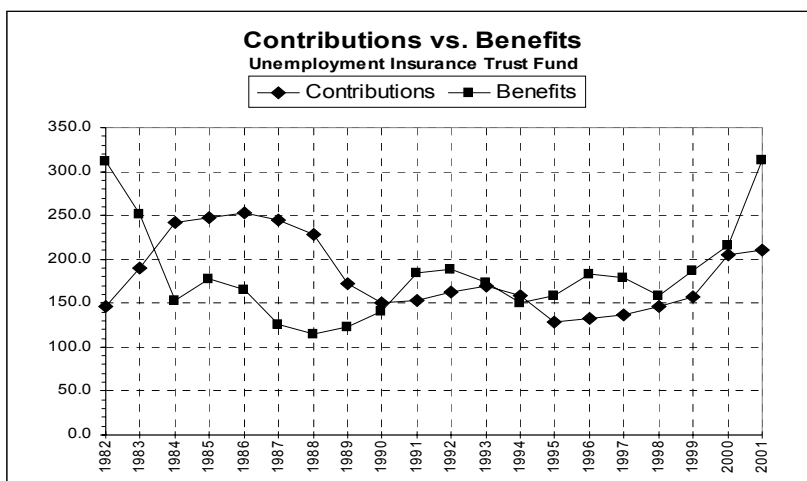
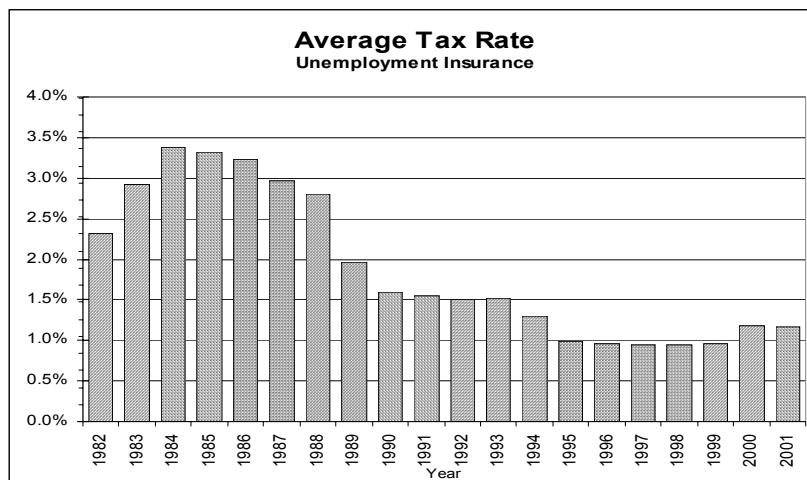
**Conclusions:** The Business Cycle Dating Committee determined that economic expansion ended in March 2001 and a recession began. The national economic slowdown has caused UI benefits to rise in Iowa. Benefits have exceeded employer contributions by over \$100 million in 2001. The fund is projected to remain solvent under all three sets of economic assumptions, but higher tax rate tables are projected to trigger to ensure future fund solvency.

# UI Trust Fund History at a Glance



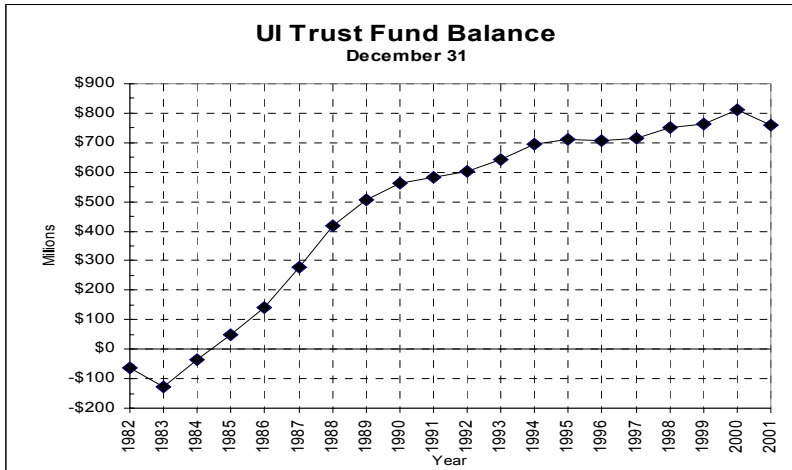
A slower national economy caused the number of first payment to rise by 35% to 114,000 in 2001. This represents the highest first payment total since 1983.

The average tax rate was below 1.2% in 2000 and 2001. This followed five years of average tax rates below 1.0%. Current rates are still well below the 1980's tax rates.



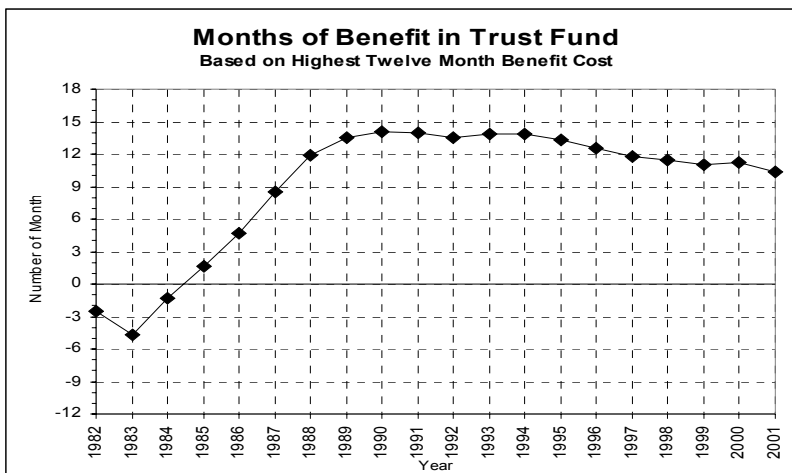
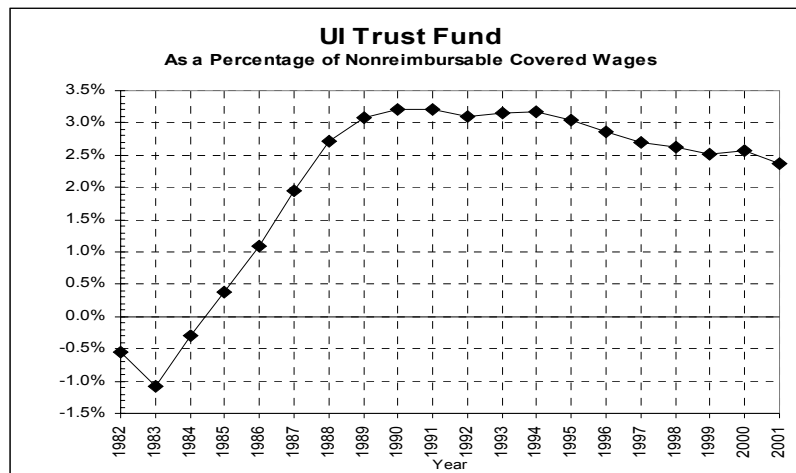
UI benefits have exceeded contributions during ten of the the last eleven years. During 2001 benefits exceeded contributions by \$100 million.

# UI Trust Fund History at a Glance



The year-end Trust Fund Balance fell to \$760 million, a \$50 million drop. This is the largest fund decrease in almost 20 years.

UI Trust Fund as a percent of wages was over 3.0% for 1989 - 1995. It has fallen to 2.38% in 2001. Wages are growing faster than the fund balance.

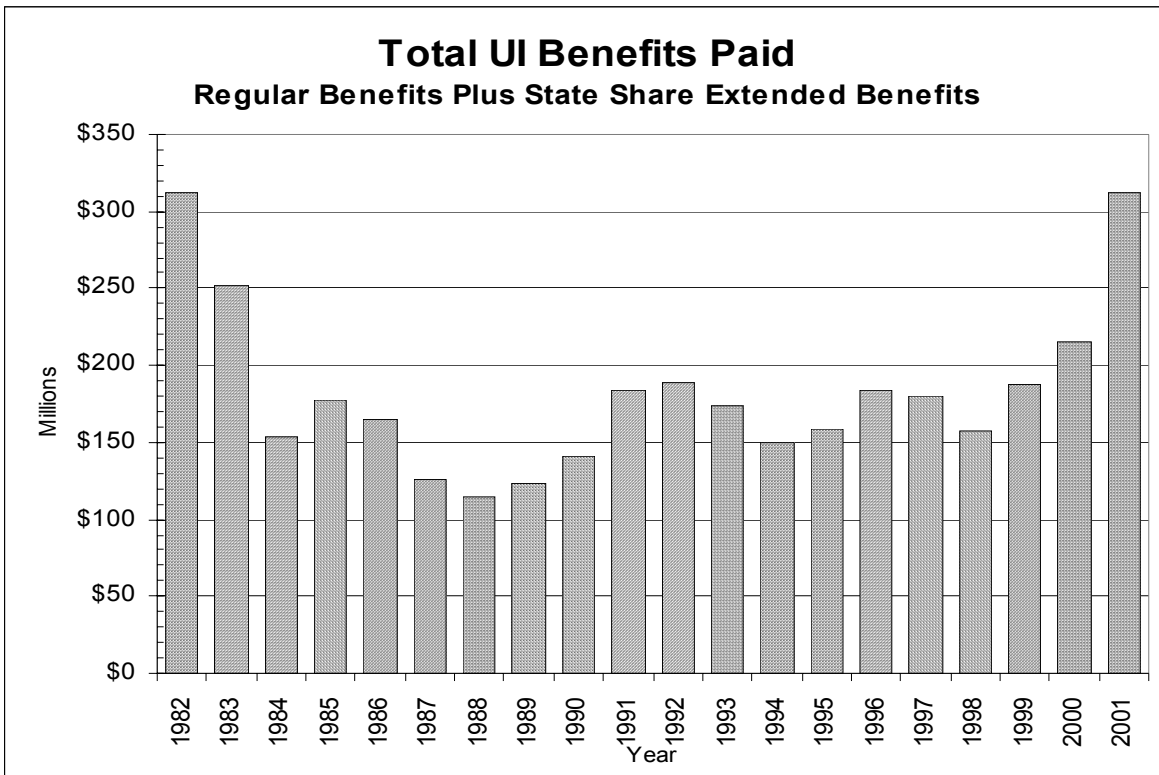


If a recession similar to 1982-1983 were to hit. The fund would be large enough to pay benefits for about 10 months.



Section A

# Unemployment Insurance Benefits







## A. Unemployment Insurance Benefits

Unemployment insurance benefits grew by 45% from \$215 million in 2000 to \$313 million in 2001. Benefits in manufacturing industries grew due to short-term and long-term layoffs. Other industries, such as trade and services followed.

**UI Benefits:** Benefits payments are a function of:

- ◆ average weekly benefit amount,
- ◆ duration of benefits, and
- ◆ number of persons receiving first payments for benefits

**Maximum Weekly Benefit Amount:**

The maximum weekly benefit (MWB) is computed each year based on the previous year's average weekly wage. Maximum weekly benefit amounts are listed below:

Number of Dependents	Average Weekly Wage 2000	Percent of Average Weekly Wage	Maximum Weekly Benefit July 2001
0	\$534.72	53%	\$283
1	\$534.72	55%	\$294
2	\$534.72	57%	\$304
3	\$534.72	60%	\$320
4	\$534.72	65%	\$347

**Average Weekly Benefit (AWB):**

Claimants' weekly benefit amounts are based on their high quarter earnings, subject to the above maximums. Normally, about half of UI claimants draw the maximum weekly benefit amount. A claimant would need high quarter earnings of about \$6,500 to qualify for the maximum weekly benefit.

The AWP grew by 4.4% from \$229.26 in 2000 to \$239.42 in 2001. [FIGURE A-2]

**Duration of UI Benefits:** The maximum duration of UI benefits in Iowa is 26 weeks. In the case of a plant closing, it is extended to 39 weeks. The average benefit duration grew

slightly from 11.2 weeks in 2000 to 11.6 weeks of benefits in 2001. [FIGURE A-3]

**First Payments:** The National Bureau of Economic Research's Business Cycle Dating Committee determined that the expansion that began in March 1991 ended in March 2001 and a recession began.

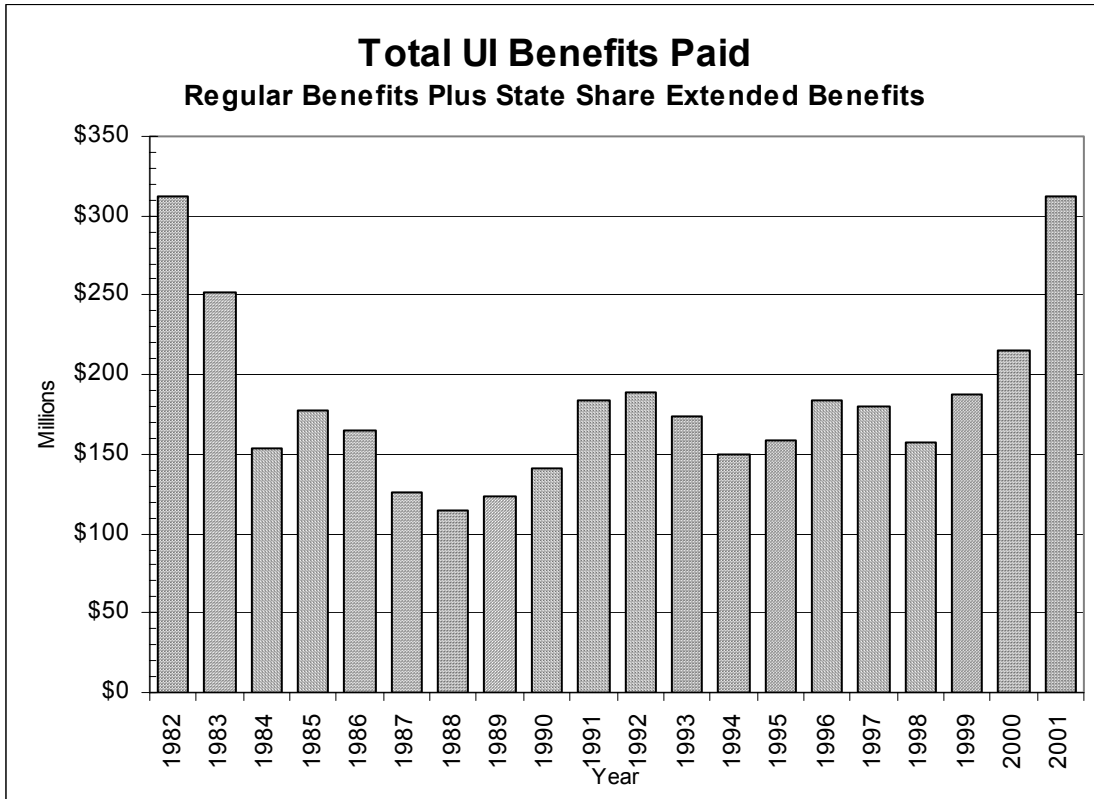
The national economic slowdown has had an effect on the number of UI claimants who received their first payment of a new benefit year. First payments rose by 35% from 84,455 in 2000 to 113,983 in 2001. The 2001 first payment figure was the highest since the 1983. [FIGURE A-4]

**Weeks Compensated:** The number of weeks of benefits compensated rose by 39.5% from 949,754 in 2000 to 1,324,643 in 2001. Weeks compensated growth followed a trend similar to first payments.

Weeks compensated grew from the lowest figure in more than 20 years in 1998 to the highest in more than 15 years in 2001. [FIGURE A-5]

**UI Benefit Summary:** Benefits grew \$313 million in 2001. The average weekly benefit amount and the average duration increased slightly. Most of the benefit increase was caused by a rise in first payments. In other words, more Iowans became unemployed and filed unemployment benefit claims. [FIGURE A-1]

Figure A-1



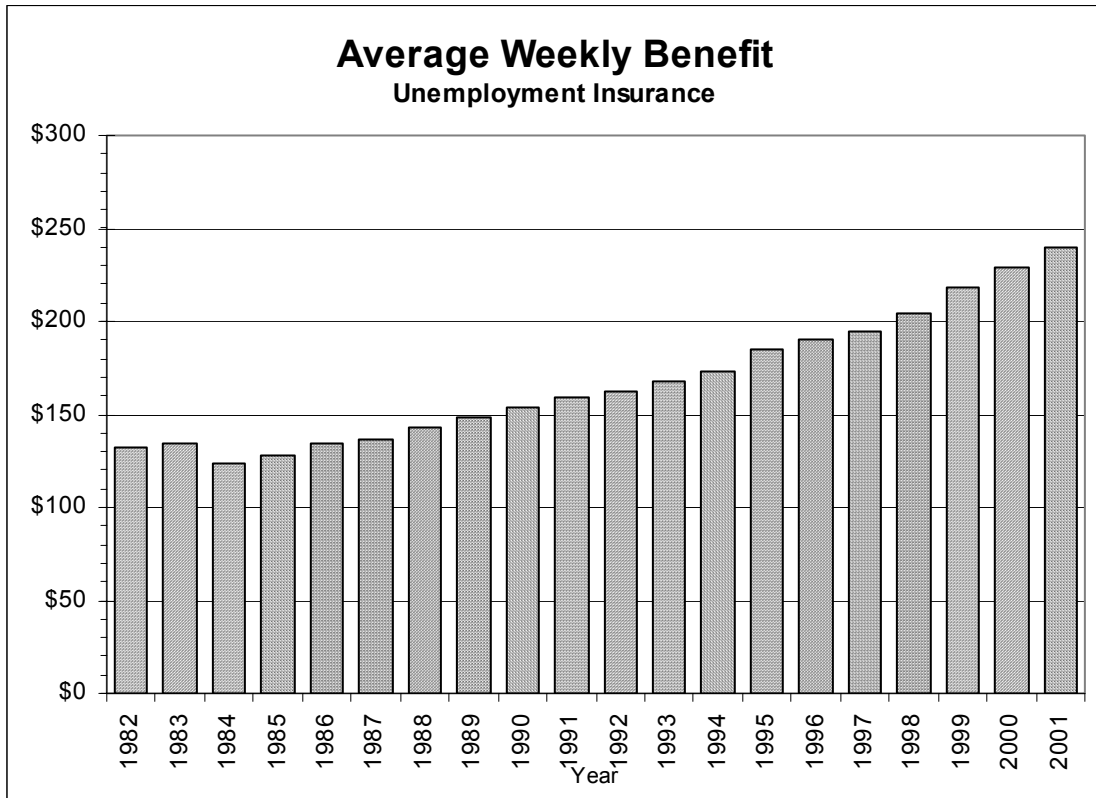
Total UI Benefits Paid					
Regular Benefits Plus State Share Extended Benefits					
Year	Benefits Paid (\$ millions)	% Change From Prev. Year	Year	Benefits Paid (\$ millions)	% Change From Prev. Year
1982	312.3	82.0%	1992	189.0	2.6%
1983	251.8	-19.4%	1993	174.2	-7.8%
1984	153.5	-39.1%	1994	149.9	-13.9%
1985	177.5	15.7%	1995	159.0	6.1%
1986	165.1	-7.0%	1996	183.8	15.6%
1987	126.4	-23.5%	1997	179.6	-2.3%
1988	114.2	-9.6%	1998	158.0	-12.0%
1989	123.3	8.0%	1999	187.5	18.7%
1990	141.4	14.6%	2000	215.4	14.8%
1991	184.1	30.2%	2001	312.6	45.2%

Total benefit paid for state UI program. The state's share of extended benefits (EB) is included. Federal benefits (UCFE and UCX) are excluded. The EB program was last in effect in Iowa in June 1983.

Source: ETA-5159 [14(302)]

2/8/2002

Figure A-2

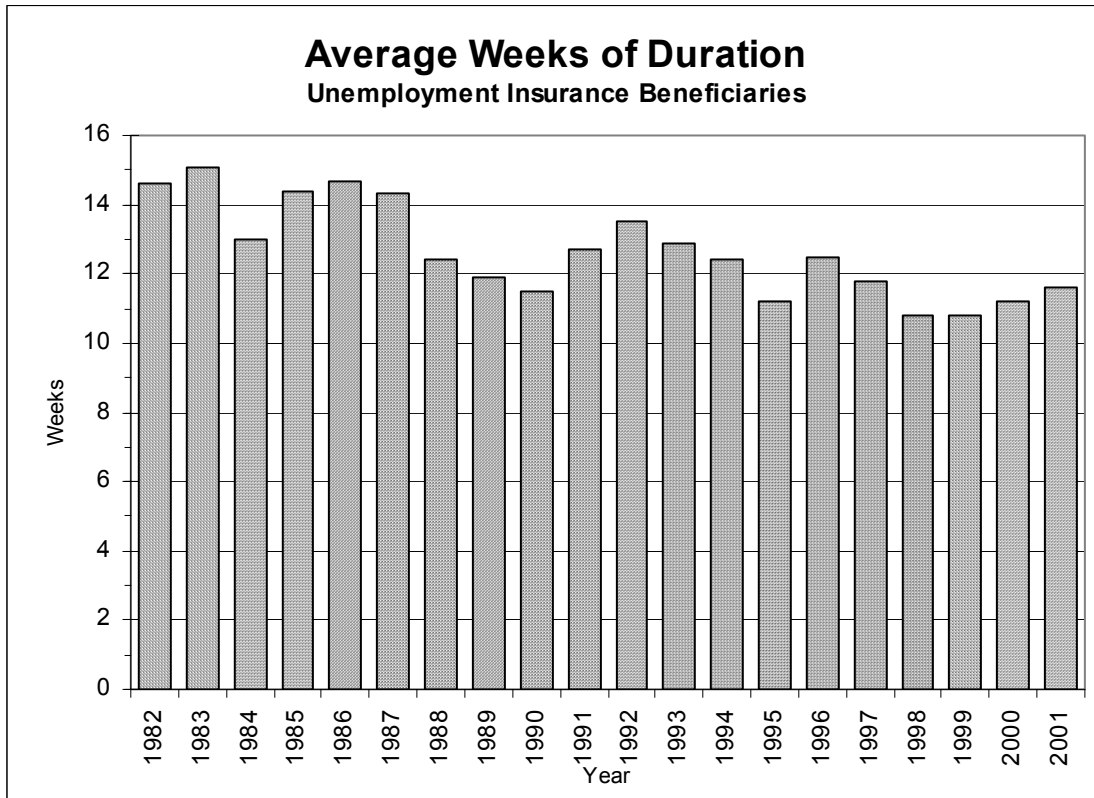


Year	Average Weekly Benefit (\$)	% Change From Prev. Year	Year	Average Weekly Benefit (\$)	% Change From Prev. Year
1982	132.02	11.4%	1992	162.28	1.7%
1983	134.39	1.8%	1993	167.96	3.5%
1984	123.28	-8.3%	1994	173.44	3.3%
1985	127.70	3.6%	1995	184.68	6.5%
1986	134.63	5.4%	1996	190.62	3.2%
1987	136.78	1.6%	1997	195.08	2.3%
1988	142.79	4.4%	1998	204.44	4.8%
1989	148.71	4.1%	1999	218.08	6.7%
1990	153.74	3.4%	2000	229.26	5.1%
1991	159.61	3.8%	2001	239.42	4.4%

Average Weekly Benefit for state UI program (UCFE and UCX excluded).

Source: ETA-5159 [14(302)/14(302)] 2/8/2002

Figure A-3

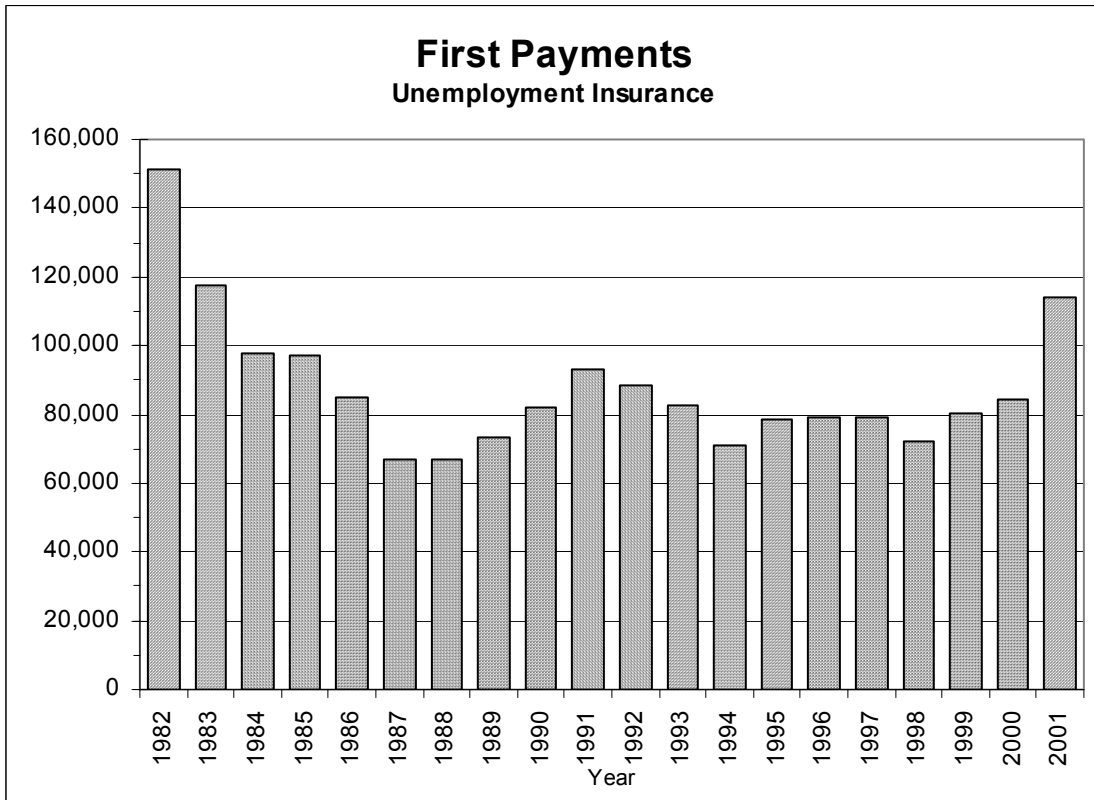


Year	Average Weeks	% Change From Prev. Year	Year	Average Weeks	% Change From Prev. Year
1982	14.6	10.6%	1992	13.5	6.3%
1983	15.1	3.4%	1993	12.9	-4.4%
1984	13.0	-13.9%	1994	12.4	-3.9%
1985	14.4	10.8%	1995	11.2	-9.7%
1986	14.7	2.1%	1996	12.5	11.6%
1987	14.3	-2.7%	1997	11.8	-5.6%
1988	12.4	-13.3%	1998	10.8	-8.5%
1989	11.9	-4.0%	1999	10.8	0.0%
1990	11.5	-3.4%	2000	11.2	3.7%
1991	12.7	10.4%	2001	11.6	3.6%

The number of weeks compensated for the year divided by the number of first payments.

Source: ETA-5159 2/8/2002

Figure A-4

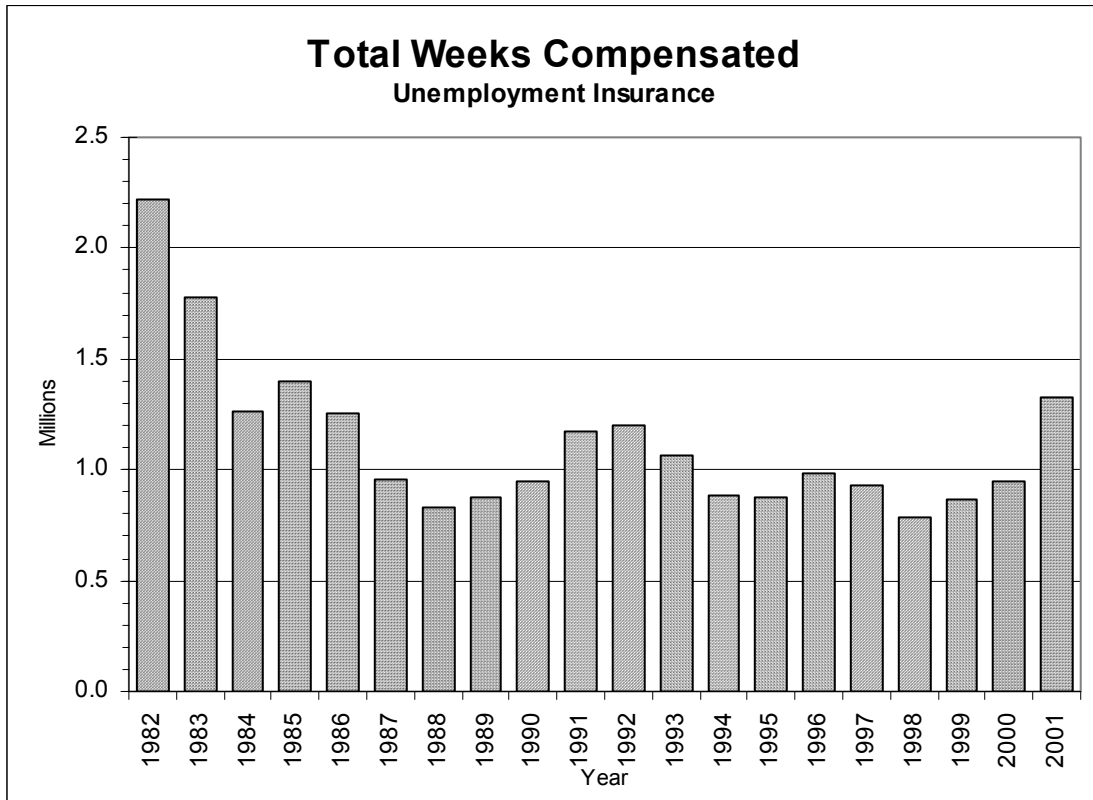


Year	First Payments	% Change From Prev. Year	Year	First Payments	% Change From Prev. Year
1982	151,520	35.6%	1992	88,604	-4.5%
1983	117,681	-22.3%	1993	82,565	-6.8%
1984	97,603	-17.1%	1994	71,184	-13.8%
1985	97,124	-0.5%	1995	78,467	10.2%
1986	84,882	-12.6%	1996	78,846	0.5%
1987	66,865	-21.2%	1997	79,155	0.4%
1988	67,023	0.2%	1998	72,383	-8.6%
1989	73,393	9.5%	1999	80,519	11.2%
1990	82,251	12.1%	2000	84,455	4.9%
1991	92,823	12.9%	2001	113,983	35.0%

Total number of first payments for state UI program (UCFE and UCX excluded).

Source: ETA-5159 [21(303)] 2/8/2002

Figure A-5



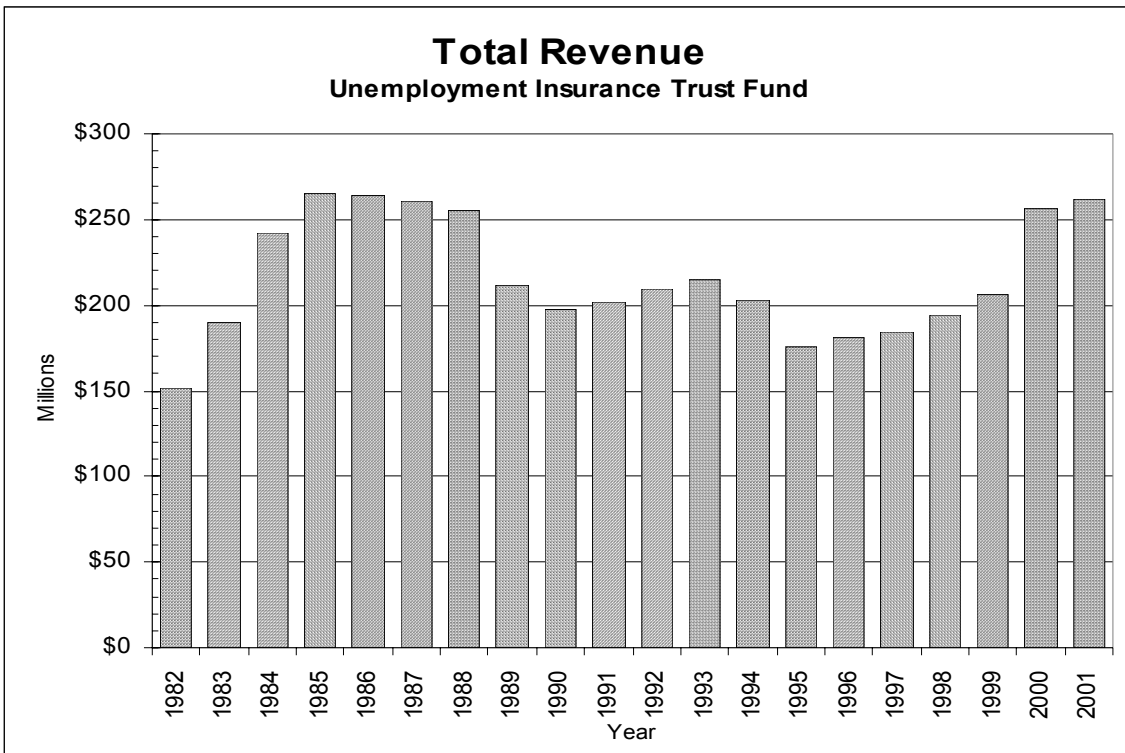
Total Weeks Compensated Unemployment Insurance					
Year	Weeks Compensated	% Change From Prev. Year	Year	Weeks Compensated	% Change Percent Change
1982	2,218,692	50.7%	1992	1,200,374	2.0%
1983	1,781,786	-19.7%	1993	1,062,863	-11.5%
1984	1,265,144	-29.0%	1994	882,883	-16.9%
1985	1,401,655	10.8%	1995	879,273	-0.4%
1986	1,250,942	-10.8%	1996	984,078	11.9%
1987	955,227	-23.6%	1997	931,796	-5.3%
1988	831,553	-12.9%	1998	783,500	-15.9%
1989	874,264	5.1%	1999	869,517	11.0%
1990	946,804	8.3%	2000	949,754	9.2%
1991	1,176,440	24.3%	2001	1,324,643	39.5%

Total number of weeks compensated for state UI program (UCFE and UCX excluded).

Source: ETA-5159 [14(301)] 2/8/2002

Section B

# UI Trust Fund Revenue







## B. UI Trust Fund Revenue

The UI trust fund revenue is composed of two major components:

- ◆ employer contributions (taxes), and
- ◆ interest paid on the trust fund balance

**Average Tax Rate:** The average employer tax rate was over 3.0% during 1984 through 1986 as the trust fund was rebuilding from the recession of the early 1980's. The average tax rate fell to around 1.5% when tax table 6 was in effect during 1990 through 1993.

The trust fund balance was large enough to trigger tax table 8 for 1995 through 1999. The average tax rate was slightly below 1.0% during these five years. Tax table 7 was triggered in 2000 and remained in effect during 2001. The average tax rate rose to 1.2%. [FIGURE B-1]

The Iowa Code has eight tax tables. Tax table 1 has the highest tax rates and tax table 8 has the lowest. Tax tables are triggered based on the relative trust fund strength. The average tax rate for experienced rated employers ranges from 3.5% in table 1 to around 1.0% in table 8.

**Individual Employer Tax Rates:** The average tax rate for 2001 was just below 1.2%, but tax rates for individual employer ranged from 0.0% to 7.5% under tax table 7. Some facts about experienced rated employers during 2001 follow:

- ◆ 59% received a zero rate
- ◆ 13% paid between 0.1% and 0.5%
- ◆ 8% paid the maximum (7.5%)

**Taxable Wages:** During 2001 employers in Iowa paid UI contributions of the first \$17,900 of an employee's wages. This taxable wage base is

updated each year based on the average annual wage for UI covered employment.

Taxable wages represents the total of all wages on which employers paid UI taxes. Taxable wages do not include earnings above the taxable wage base or wages reported by reimbursable employers.

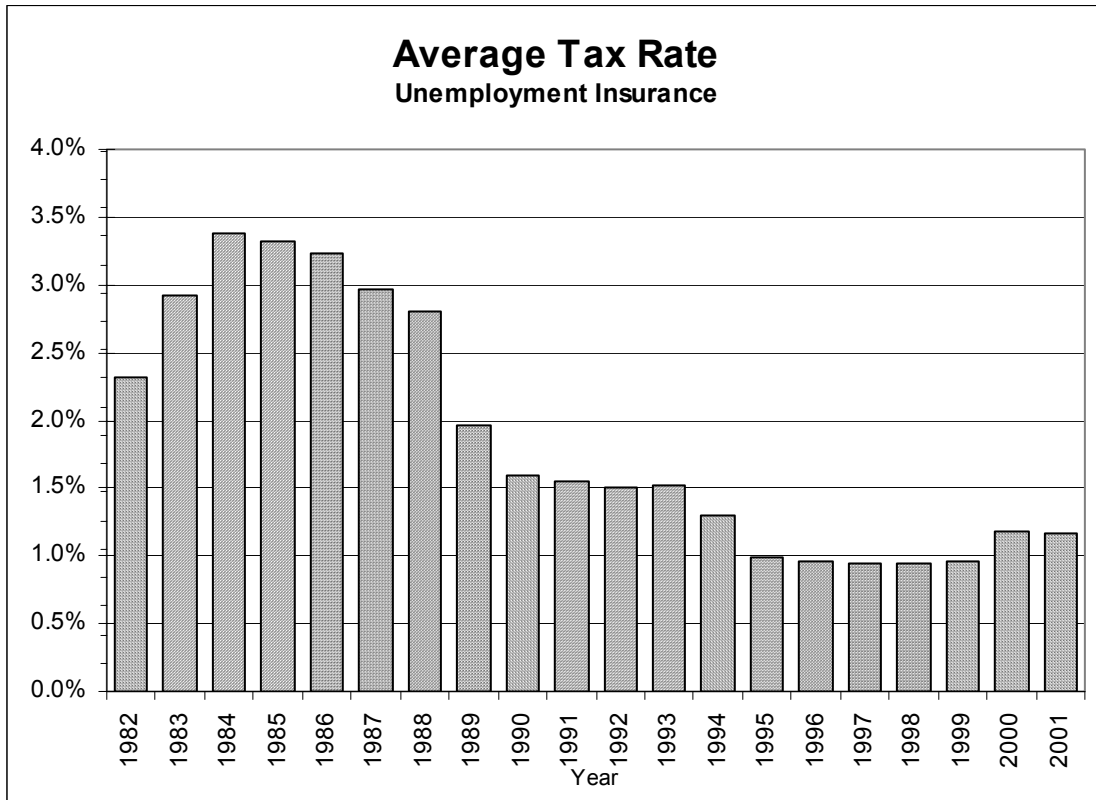
Taxable wages grew by 2.2% from \$16.9 billion in 2000 to an estimated \$17.3 billion in 2001. The national economic slowdown caused wage growth to slow in 2001. [FIGURE B-2]

**Contributions:** Total contributions grew by 2.3% from \$205 million in 2000 to \$210 million in 2002. Contributions growth followed taxable wage growth. [FIGURE B-3]

**Interest:** The federal government pays interest to the trust fund based on the UI trust fund balance. The fund received \$52 million in interest during 2001. The 2001 average interest rate was about 6.5%. The fund has received interest payments of around \$50 million per year for the last seven years. Interest received on the fund has been an important source of revenue. [FIGURE B-4]

**Revenue Summary:** UI trust fund revenue grew slightly from \$256 million in 2000 to \$262 million in 2001. Interest received accounted for about 20% of fund revenue during 2001. [FIGURE B-5]

Graph B-1

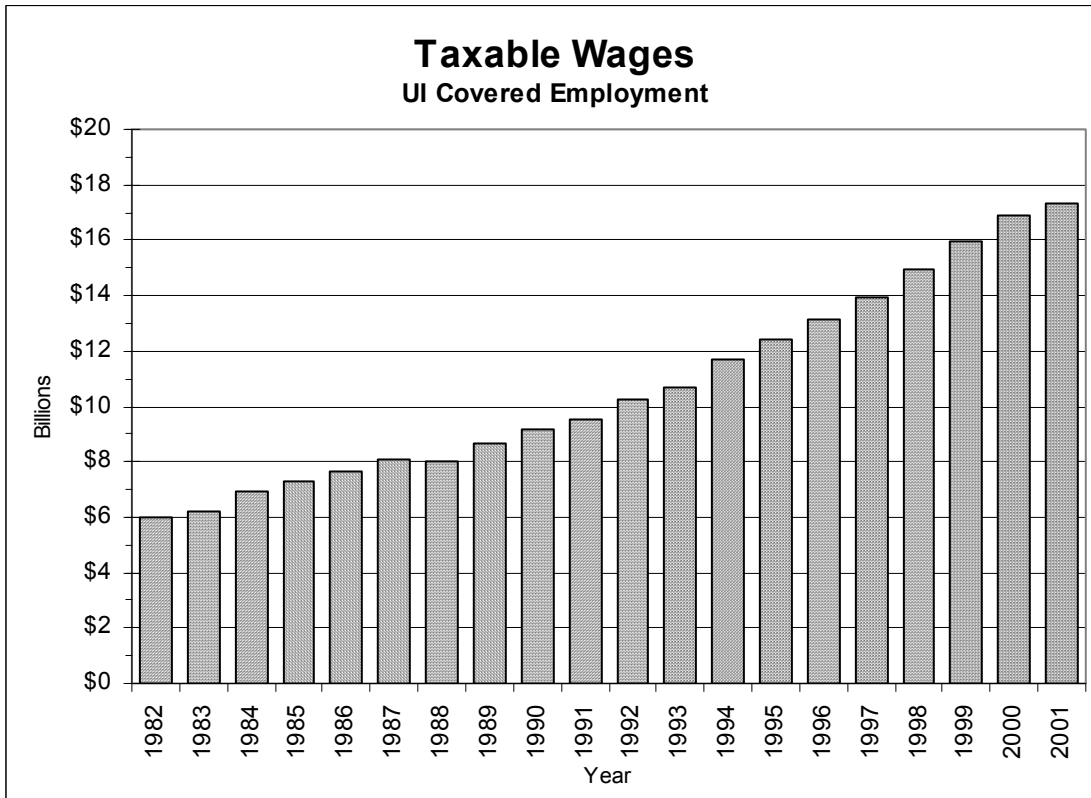


Year	Average Tax Rate	% Change From Prev. Year	Year	Average Tax Rate	% Change Percent Change
1982	2.32%	-4.1%	1992	1.51%	-2.6%
1983	2.92%	25.9%	1993	1.52%	0.7%
1984	3.38%	15.8%	1994	1.30%	-14.5%
1985	3.33%	-1.5%	1995	0.98%	-24.6%
1986	3.23%	-3.0%	1996	0.97%	-1.0%
1987	2.96%	-8.4%	1997	0.94%	-3.1%
1988	2.80%	-5.4%	1998	0.94%	0.0%
1989	1.96%	-30.0%	1999	0.95%	1.1%
1990	1.60%	-18.4%	2000	1.18%	24.2%
1991	1.55%	-3.1%	2001	1.17%	-0.8%

Contributions divided by taxable wages [reimbursable employers excluded]

Source: ETA-205 2/8/2002

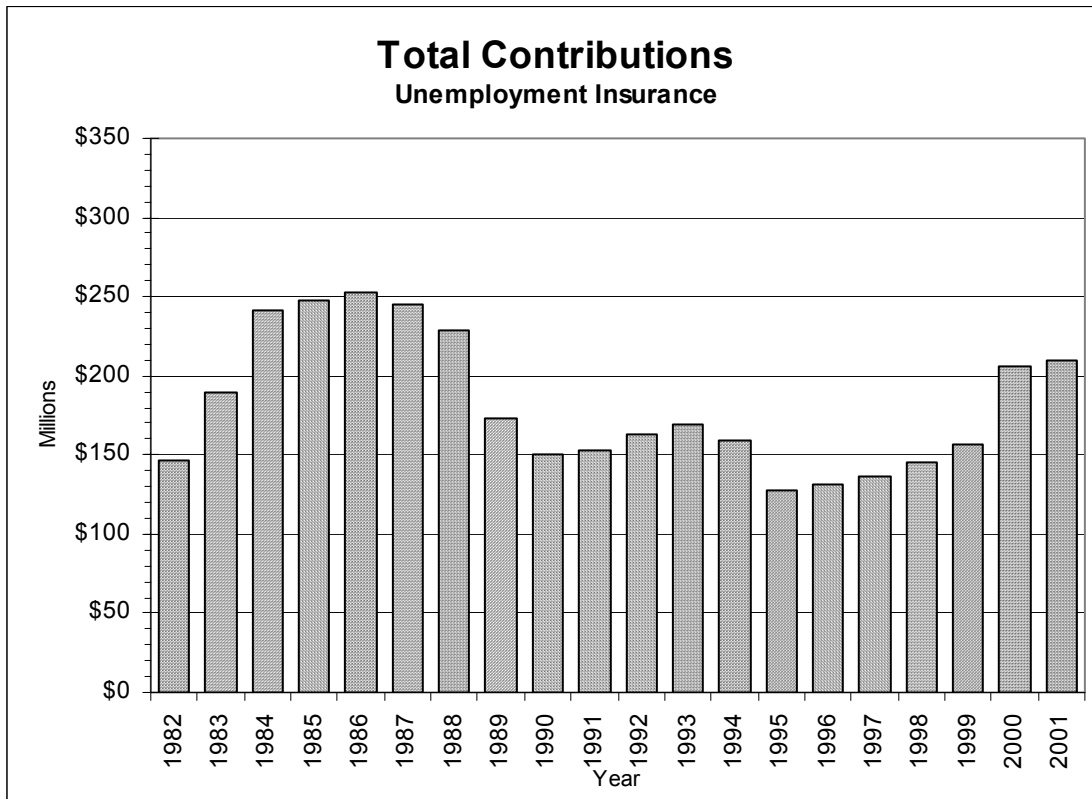
Figure B-2



Year	Taxable Wages (\$ billions)	% Change From Prev. Year	Year	Taxable Wages (\$ billions)	% Change From Prev. Year
1982	5.99	2.0%	1992	10.23	7.2%
1983	6.24	4.1%	1993	10.66	4.2%
1984	6.97	11.7%	1994	11.69	9.6%
1985	7.28	4.5%	1995	12.41	6.2%
1986	7.67	5.4%	1996	13.11	5.7%
1987	8.10	5.6%	1997	13.90	6.0%
1988	8.02	-0.9%	1998	14.94	7.4%
1989	8.65	7.8%	1999	15.98	7.0%
1990	9.20	6.4%	2000	16.93	5.9%
1991	9.54	3.7%	2001	17.30	2.2%

UI Total Taxable Wages (2001 is estimated based on two quarters of wages.)  
 In 1984 fund solvency legislation temporarily increased the taxable wage base above the amount computed by formula. This extra amount triggered off in 1988.  
 Source: ES-202 1/21/2002

Figure B-3

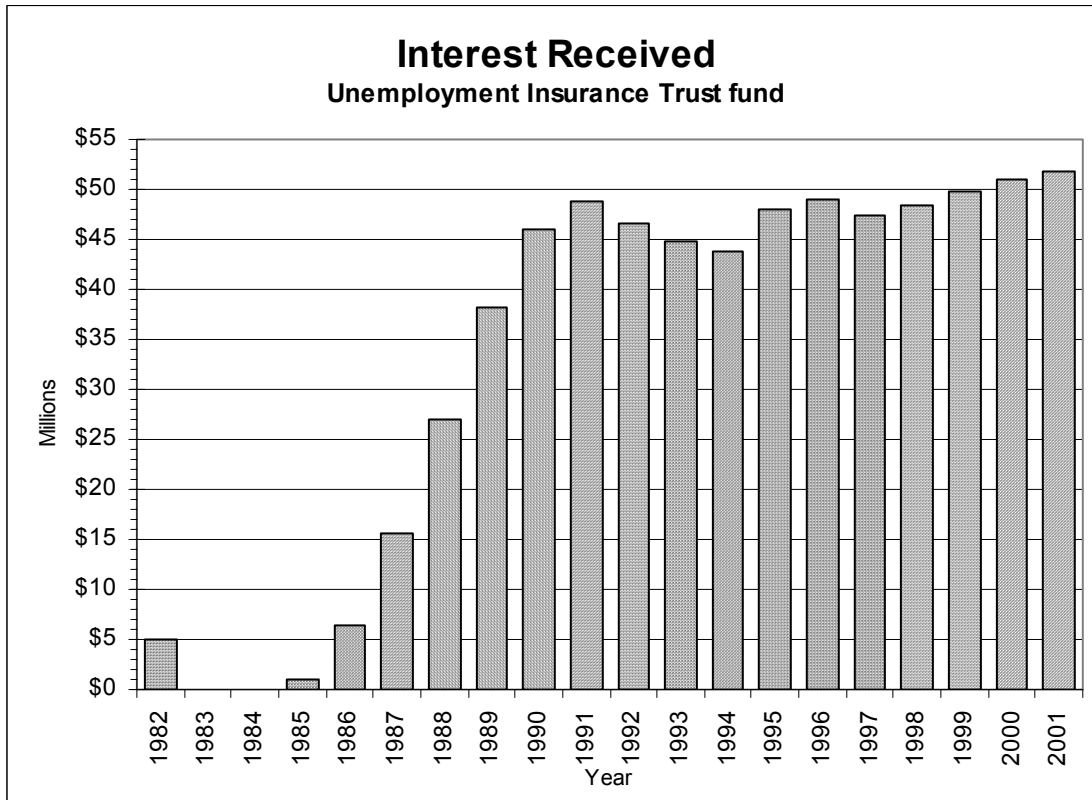


Total Contributions Unemployment Insurance					
Year	Contributions (\$ millions)	% Change From Prev. Year	Year	Contributions (\$ millions)	% Change From Prev. Year
1982	146.9	-0.2%	1992	162.8	6.4%
1983	189.6	29.0%	1993	169.8	4.3%
1984	241.9	27.6%	1994	158.9	-6.4%
1985	248.0	2.5%	1995	128.1	-19.4%
1986	252.7	1.9%	1996	132.0	3.0%
1987	244.8	-3.1%	1997	136.6	3.5%
1988	228.8	-6.6%	1998	145.9	6.8%
1989	172.9	-24.4%	1999	156.9	7.6%
1990	151.0	-12.7%	2000	205.4	30.9%
1991	153.1	1.4%	2001	210.1	2.3%

Total Contributions (including reimbursable)

Source: BES 84-05 and IESC-1272 2/8/2002

Figure B-4

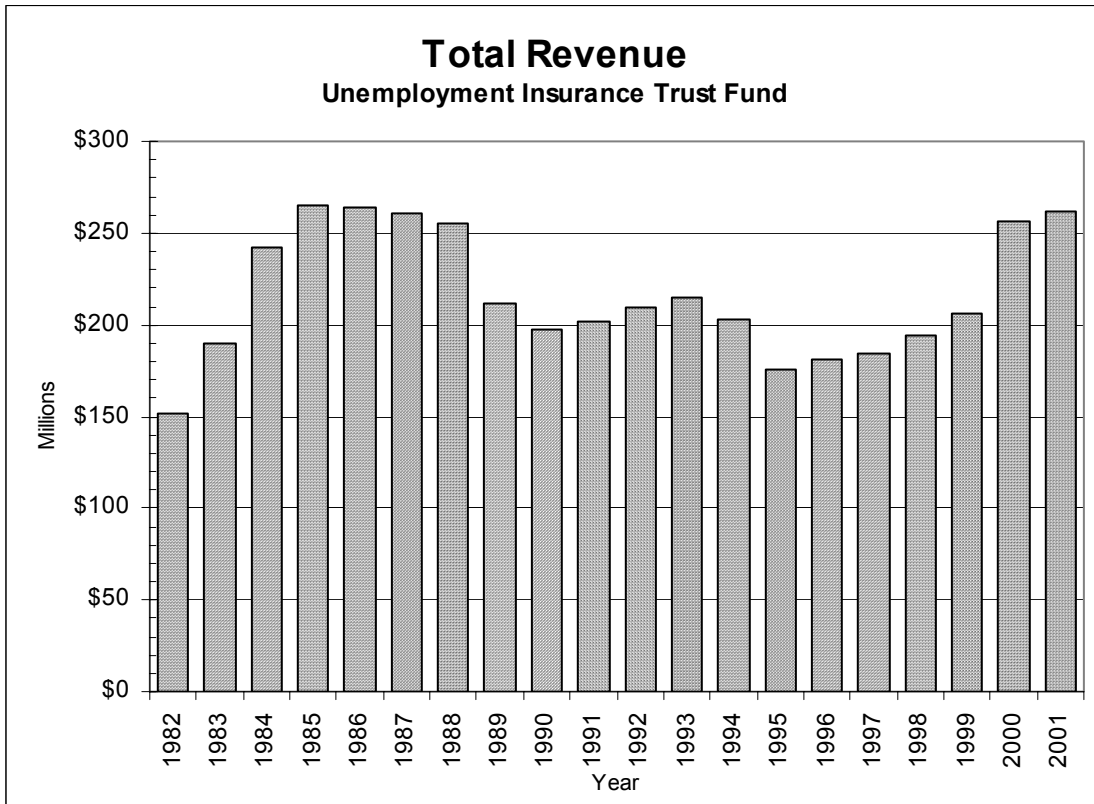


Year	Interest Received (\$ millions)	% Change From Prev. Year	Year	Interest Received (\$ millions)	% Change From Prev. Year
1982	\$5.0	-49.5%	1992	\$46.6	-4.4%
1983	\$0.0	-100.0%	1993	\$44.8	-4.0%
1984	\$0.0	-----	1994	\$43.9	-1.9%
1985	\$0.9	-----	1995	\$48.1	9.6%
1986	\$6.5	609.5%	1996	\$48.9	1.8%
1987	\$15.7	143.2%	1997	\$47.3	-3.3%
1988	\$26.9	71.6%	1998	\$48.5	2.4%
1989	\$38.3	42.1%	1999	\$49.8	2.7%
1990	\$46.1	20.4%	2000	\$51.1	2.6%
1991	\$48.8	5.9%	2001	\$51.7	1.3%

Interest paid on UI trust fund by federal government

Source: IESC-1272 2/8/2002

Figure B-5



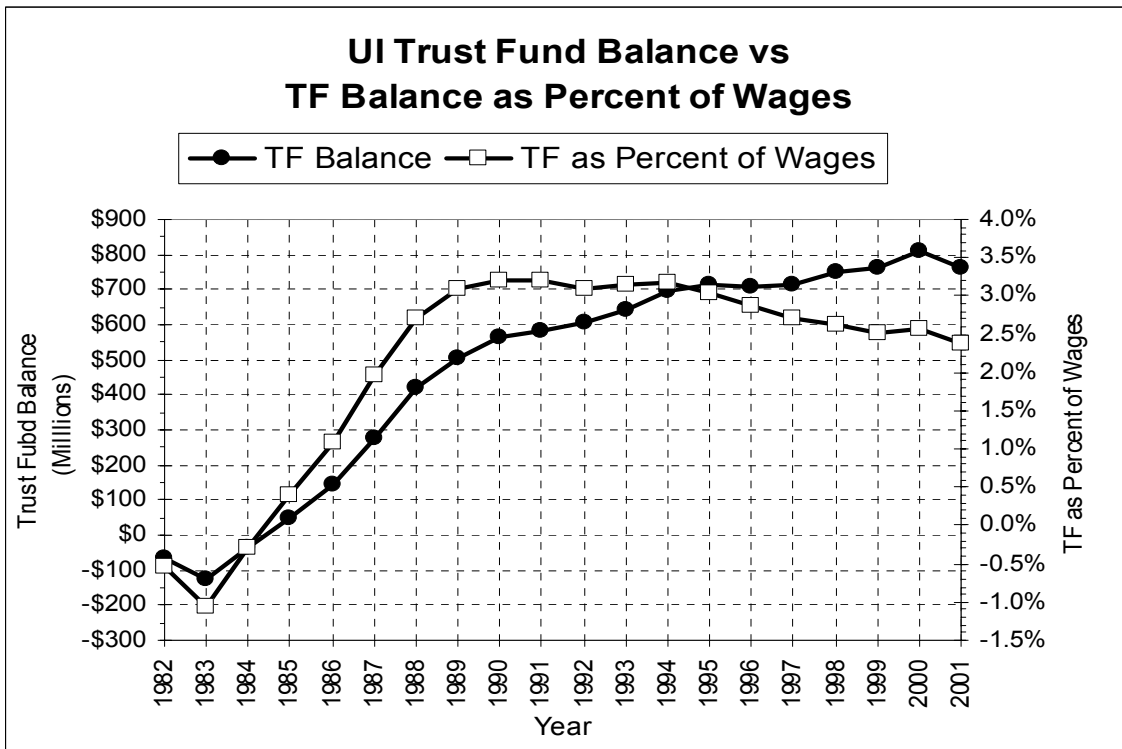
Year	Trust Fund Revenue (\$ millions)	% Change From Prev. Year	Year	Trust Fund Revenue (\$ millions)	% Change From Prev. Year
1982	152.0	-3.4%	1992	209.4	3.7%
1983	189.6	24.7%	1993	214.5	2.4%
1984	241.9	27.6%	1994	202.8	-5.5%
1985	265.4	9.7%	1995	176.2	-13.1%
1986	263.7	-0.7%	1996	180.9	2.7%
1987	260.6	-1.2%	1997	183.9	1.7%
1988	255.8	-1.8%	1998	194.3	5.7%
1989	211.3	-17.4%	1999	206.7	6.4%
1990	197.0	-6.8%	2000	256.4	24.1%
1991	201.9	2.4%	2001	261.8	2.1%

Total revenue includes total contributions plus interest received on fund.  
Revenue also includes FUTA offset payments (\$15.4 million in 1985 and \$0.2 million in 1986).

Source: BES 84-05 and IESC-1272 2/8/2002

# Section C

## UI Trust Fund Balance







## C. UI Trust Fund Balance

The year-end UI trust fund balance fell by \$50 million from \$810 million in 2000 to \$760 million in 2001. This section will discuss the trust fund balance in absolute dollars and examine the fund as a function of covered wages.

**Trust Fund Balance:** The lowest year-end trust fund balance was a deficit of \$126 million in 1983. The fund grew rapidly from this 1983 low to \$507 million in 1989. This growth was caused by lower levels of insured unemployment and some of the highest average tax rates in trust fund history.

Trust fund growth slowed during the 1990's, as higher trust fund balances triggered lower average tax rates.

During 2001, trust fund expenditures rose by 45%, while fund revenue increased by only 2%. This caused the year-end UI trust fund balance to fall by 6.1% to \$760 million in 2001. [FIGURE C-1]

Benefits paid by the trust fund have exceeded contributions received during ten of the last eleven years. The interest received on the fund has usually made up the deficit.

**Effect of Wage Growth:** Examining the UI trust fund balance in terms of absolute dollar amounts can be misleading. The trust fund balance must keep up with wage and employment growth.

The average weekly benefit amount has increased each year. Iowa's employment level has grown and more workers are covered by the Unemployment Insurance system. These items represent potential liabilities to the trust fund. The fund

must grow to keep pace with these potential liabilities.

Growth in the employment level and wage rates has caused total covered wages to increase at a faster rate than the trust fund balance.

**Trust Fund Balance as a Percent of Wages:** The UI trust fund is expressed as a percentage of covered wages in order to control for this wage growth.

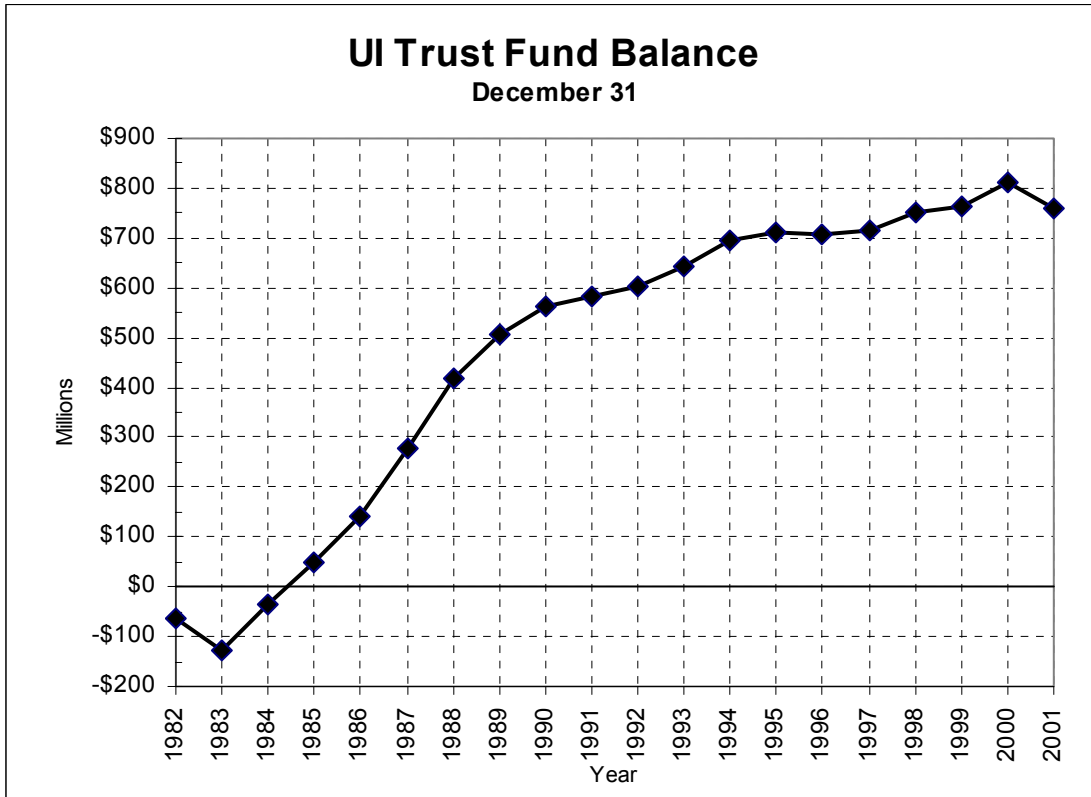
This percentage grew from a deficit during the early 1980's to 3.21% in 1990. This percentage remained relatively unchanged through 1994.

The percentage has decreases from 3.18% in 1994 to 2.37% in 2001. The trust fund as expressed as a percentage of covered wages has declined in six of the last seven years. [FIGURE C-2]

**UI Trust Fund Balance Summary:** The 2000 year-end fund balance was the highest in the history of the fund. The number of unemployed receiving benefits increased sharply during 2001 and the fund balance fell by \$50 million.

Measuring the fund in absolute dollar amounts can be misleading. Even during the years that the trust fund balance has increased, fund growth has not kept up with potential liabilities as measured by covered wage growth.

Figure C-1

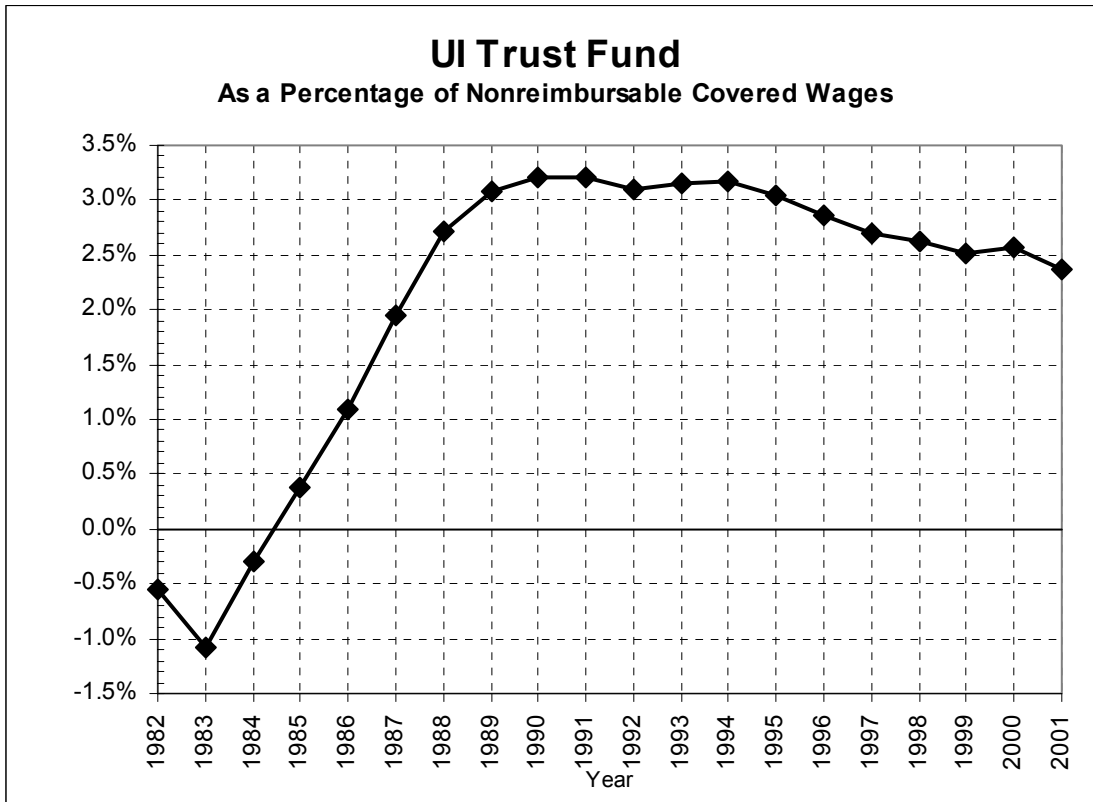


UI Trust Fund Balance December 31					
Year	Fund Balance (\$ millions)	% Change From Prev. Year	Year	Fund Balance (\$ millions)	% Change From Prev. Year
1982	-63.3	-----	1992	604.0	3.7%
1983	-126.3	-----	1993	643.8	6.6%
1984	-37.4	-----	1994	696.4	8.2%
1985	49.3	-----	1995	712.9	2.4%
1986	142.5	189.2%	1996	706.9	-0.8%
1987	276.9	94.3%	1997	715.1	1.2%
1988	418.6	51.2%	1998	752.1	5.2%
1989	506.7	21.0%	1999	762.7	1.4%
1990	562.4	11.0%	2000	809.8	6.2%
1991	582.6	3.6%	2001	760.3	-6.1%

UI Trust Fund balance.

Source: IESC-1272 2/8/2002

Figure C-2



UI Trust Fund As a Percentage of Nonreimbursable Covered Wages					
Year	Percent of Wages	% Change From Prev. Year	Year	Percent of Wages	% Change Percent Change
1982	-0.55%	-----	1992	3.11%	-3.1%
1983	-1.07%	-----	1993	3.16%	1.7%
1984	-0.30%	-----	1994	3.18%	0.6%
1985	0.38%	-----	1995	3.05%	-4.0%
1986	1.08%	181.9%	1996	2.87%	-6.1%
1987	1.95%	80.3%	1997	2.70%	-5.8%
1988	2.72%	39.4%	1998	2.61%	-3.1%
1989	3.08%	13.3%	1999	2.51%	-4.0%
1990	3.21%	4.1%	2000	2.56%	2.1%
1991	3.21%	-0.1%	2001	2.37%	-7.6%

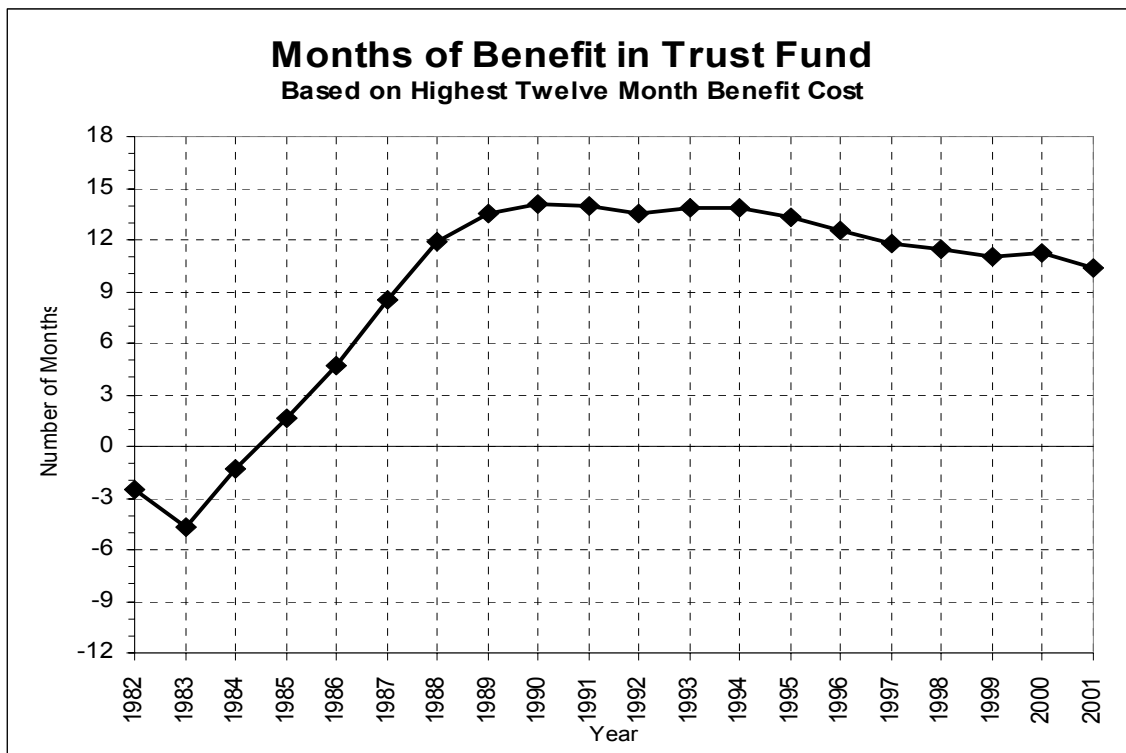
End-of-year UI trust fund balance divided by total UI covered wages (excluding reimbursable). This figure is also known as the current trust fund reserve ratio.

Source: IESC-1272 and ES-202 2/8/2002



Section D

# UI Trust Fund Solvency





## D. UI Trust Fund Solvency

Unemployment Insurance theory requires the trust fund balance be large enough to endure heavy demands during periods of high unemployment, yet not place an excessive tax burden on employers. The challenge is to determine an adequate reserve level to ensure the fund's solvency through an economic downturn.

### **Months of Benefits in Trust Fund:**

A popular measure of fund adequacy is the number of months of benefits in the trust fund. This can be measured in several different ways.

**Months of Current Benefits:** This calculates the number of months of benefits that could be paid at the current benefit level. Benefits could be paid for 29 months if they remain at the 2001 level. This measure assumes the economy will remain unchanged. [FIGURE D-1]

### **Months of Benefits at High Cost:**

The 2001 trust fund balance would be sufficient to pay benefits for 10.3 months at the historic highest benefit level. Iowa compares favorably to the national average of seven months. Fund strength is weaker than early 1990's when the fund balance was sufficient to pay about 14 months of benefits. [FIGURE D-2]

### **Federal Solvency Standards:**

The federal government recommends a solvency standard of twelve months of benefits at the highest three-year average benefit cost rate. Iowa's 2001 year-end figure was slightly higher than the federal standard at 13.1 months. [FIGURE D-3]

### **Recession Level Benefits:**

Iowa's highest benefit cost level is based on the twelve-month period ending April 1983. Benefits totaled \$317.5 million and wages totaled \$11.6 billion.

Benefits for the twelve-month period equaled 2.7% of wages. If an economic downturn had pushed 2001 benefits to this 1983 recession level, benefits would have reached \$882 million. [FIGURE D-4]

### **Rate Table Calculations:**

The Iowa UI tax system is designed to automatically adjust tax rates based on trust fund strength. Over the past fifteen years, the system has automatically reduced tax rates, as the fund balance has grown stronger.

This system is not only designed to maintain fund solvency, but it also to minimize rate fluctuations. If the fund strength starts to decline, the system will trigger to a tax table with higher tax rates. This helps the fund start rebuilding before fund reserves reach a critical point.

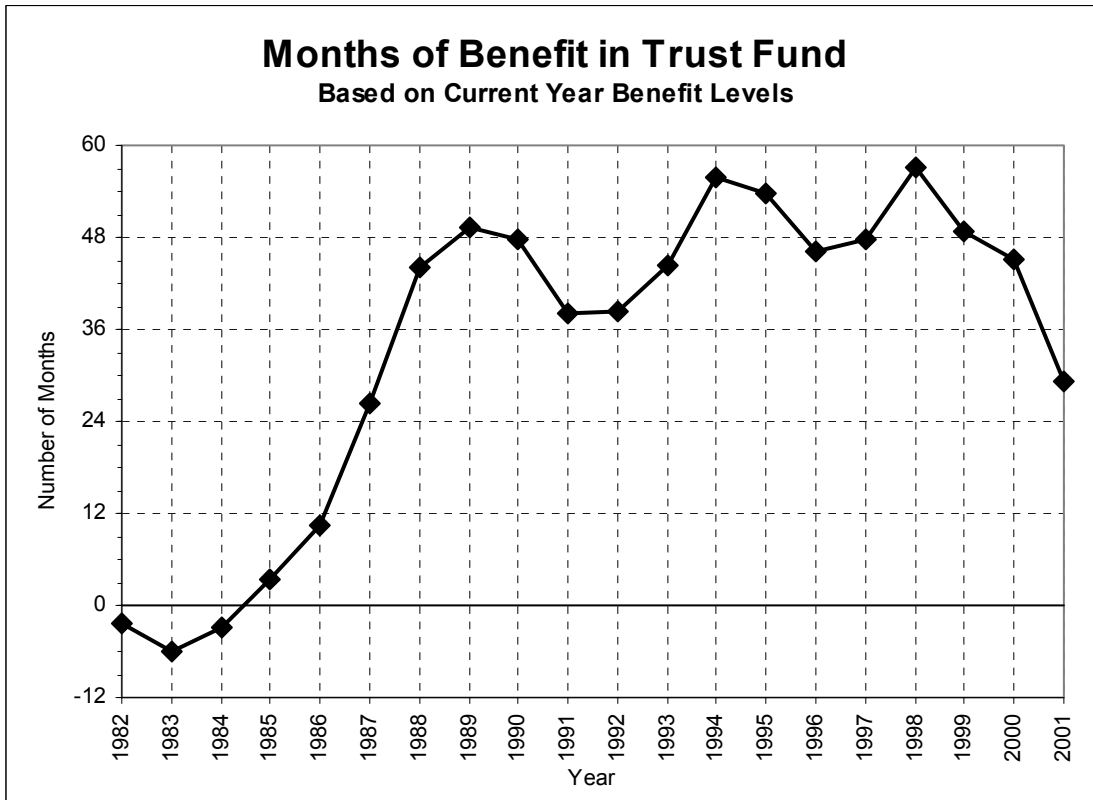
The system is designed to fortify the trust fund in small increments. This method diminishes the chances of a drastic tax increase in any single year if a recession should strike.

The system triggered a rate increase in tax year 2000 to keep the fund strong and to help stabilize tax rates should an economic downturn occur.

### **Fund Solvency Summary:**

Iowa's UI trust fund remains adequately strong. It currently has the ability to withstand a recession and continue to pay benefits.

Figure D-1



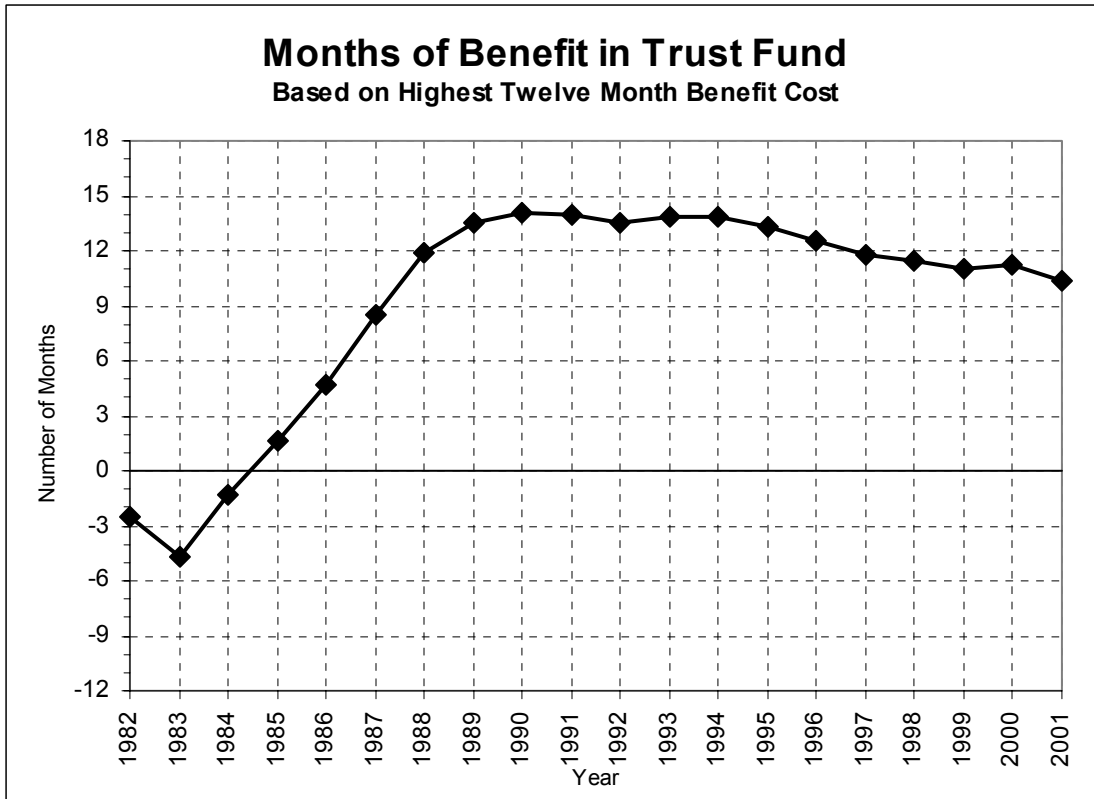
Year	Months Of Benefits	% Change From Prev. Year	Year	Months Of Benefits	% Change From Prev. Year
1982	-2.4	-----	1992	38.4	1.0%
1983	-6.0	-----	1993	44.4	15.6%
1984	-2.9	-----	1994	55.7	25.7%
1985	3.3	-----	1995	53.8	-3.5%
1986	10.4	211.0%	1996	46.1	-14.2%
1987	26.3	153.8%	1997	47.8	3.5%
1988	44.0	67.2%	1998	57.1	19.6%
1989	49.3	12.1%	1999	48.8	-14.6%
1990	47.7	-3.2%	2000	45.1	-7.5%
1991	38.0	-20.5%	2001	29.2	-35.3%

Number of months of benefits in the trust fund based on each year's benefit level.

Source: RIS Division, Actuarial Bureau 2/8/2002



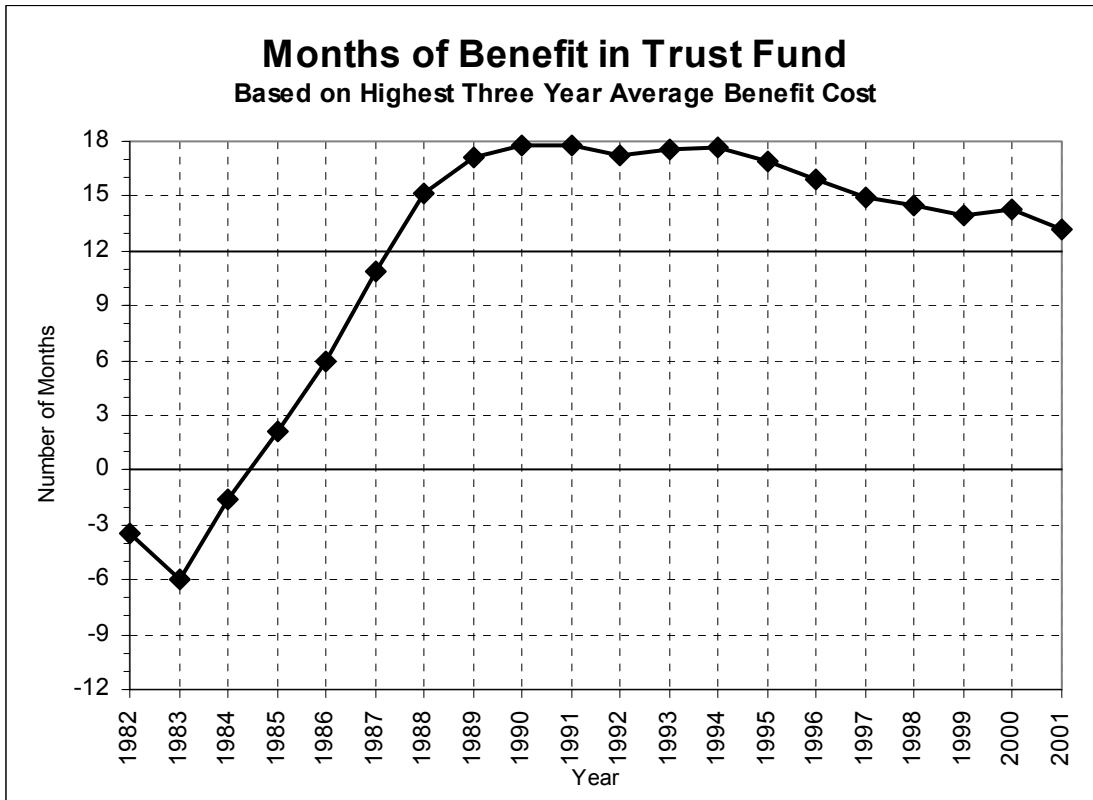
Figure D-2



Months of Benefit in Trust Fund Based on Highest Twelve Month Benefit Cost Percent					
Year	Months Of Benefits	% Change From Prev. Year	Year	Months Of Benefits	% Change From Prev. Year
1982	-2.5	-----	1992	13.6	-2.9%
1983	-4.7	-----	1993	13.8	1.5%
1984	-1.3	-----	1994	13.9	0.7%
1985	1.7	-----	1995	13.3	-4.3%
1986	4.7	176.5%	1996	12.5	-6.0%
1987	8.5	80.9%	1997	11.8	-5.6%
1988	11.9	40.0%	1998	11.4	-3.4%
1989	13.5	13.4%	1999	11.0	-3.5%
1990	14.0	3.7%	2000	11.2	1.8%
1991	14.0	0.0%	2001	10.3	-8.0%

Number of months of benefits in the trust fund based on the highest twelve month benefit cost percent. This adjusts the past high benefit level to the current total wage level.  
 The highest benefit cost was 2.746% of wages for the twelve months ending April 1983.  
 Source: RIS Division, Actuarial Bureau 2/8/2002

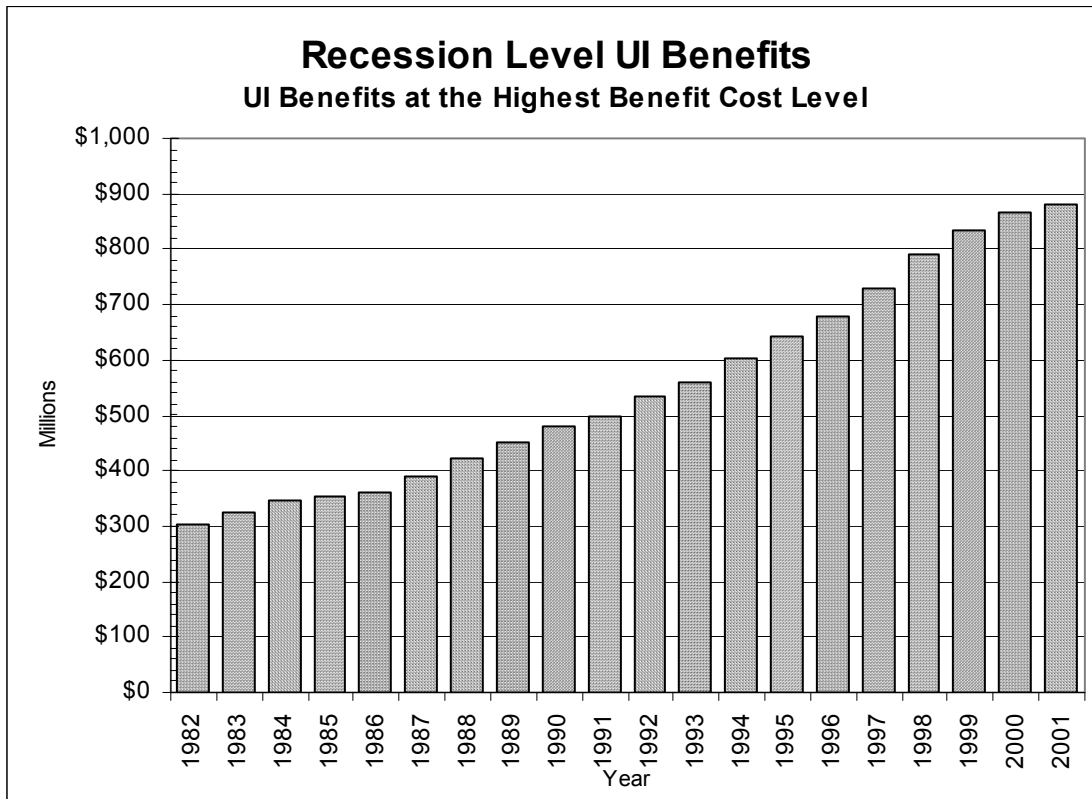
Figure D-3



Year	Months Of Benefits	% Change From Prev. Year	Year	Months Of Benefits	% Change From Prev. Year
1982	-3.4	-----	1992	17.2	-3.4%
1983	-6.0	-----	1993	17.5	1.7%
1984	-1.6	-----	1994	17.6	0.6%
1985	2.1	-----	1995	16.9	-4.0%
1986	6.0	185.7%	1996	15.9	-5.9%
1987	10.8	80.0%	1997	15.0	-5.7%
1988	15.1	39.8%	1998	14.5	-3.3%
1989	17.1	13.2%	1999	13.9	-4.1%
1990	17.8	4.1%	2000	14.2	2.2%
1991	17.8	0.0%	2001	13.1	-7.7%

Number of months of benefits in the trust fund based on the average three year highest benefit cost percent. This adjusts the past high benefit level to the current total wage level.  
 The highest benefit cost averaged 2.162% of wages for the three years ending June 1983.  
 Source: Information and Policy Division, Actuarial Unit 2/8/2002

Figure D-4



Year	Benefits Paid (\$ millions)	% Change From Prev. Year	Year	Benefits Paid (\$ millions)	% Change From Prev. Year
1982	302.5	37.7%	1992	533.9	7.0%
1983	323.6	7.0%	1993	559.5	4.8%
1984	346.3	7.0%	1994	601.8	7.6%
1985	352.5	1.8%	1995	641.7	6.6%
1986	361.6	2.6%	1996	677.5	5.6%
1987	389.5	7.7%	1997	727.7	7.4%
1988	422.6	8.5%	1998	789.8	8.5%
1989	451.3	6.8%	1999	834.3	5.6%
1990	481.0	6.6%	2000	867.8	4.0%
1991	498.8	3.7%	2001	881.7	1.6%

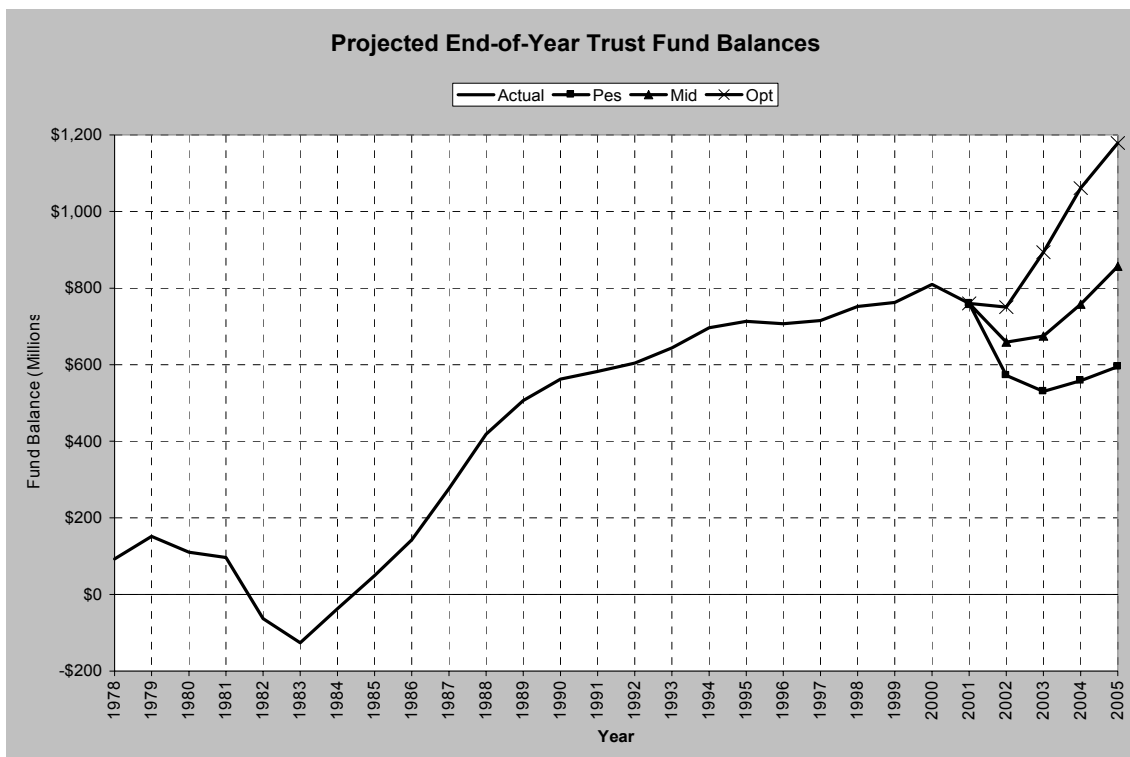
This figure represents the UI benefit payout at the highest historical benefit level. The current highest benefit cost level is equal to 2.7% of total nonreimbursable wages. This level is based on the twelve-month period ending April 1983.

Source: High Cost Rate Book 2/8/2002



# Section E

## UI Trust Fund Projections





## E. UI Trust Fund Projections

Three sets of trust fund projections have been developed. The projections are based on three different economic scenarios of insured unemployment, wage growth, employment growth, and interest rates for the 2002-2005 period.

### **What is Insured Unemployment?:**

The insured unemployment rate (IUR) is similar to the more publicized total unemployment rate (TUR). The TUR includes all persons meeting the definition of unemployed. The **IUR** only includes persons receiving UI benefits. Some of the unemployed that may not be receiving UI benefits are:

- ◆ Persons disqualified for misconduct
- ◆ Persons disqualified for voluntarily quitting without cause
- ◆ Persons who recently entered the labor force and do not have enough wages to meet minimum requirements
- ◆ Persons who have exhausted their UI Benefits
- ◆ Persons who are not covered by UI

**IUR History:** The IUR fell to 1.2% in 1998, a 20-year low and rose slightly to 1.3% in 1999 and 1.4% in 2000. The national economic slowdown pushed the IUR to 2.0% in 2001, the highest IUR since 1992.

**IUR Assumptions:** Optimistic IUR assumption shows a slight drop from 2.0% in 2001 to 1.8% in 2002. The middle IUR assumption assumes a slight jump to 2.2% in 2002. The pessimistic IUR assumption is based continuing current IUR growth. The IUR grew from 1.4% in 2000 to 2.0% in 2001. This scenario has the IUR continuing to grow by 0.6 percentage points to 2.6% in 2002.

Assumptions for 2003 through 2005 are based on selected historical

periods. The optimistic assumption is based the 1998-2000 IUR level, lowest in over twenty years (1.3%). The middle assumption is based on the IUR returning to the 1990-1996 average level (1.8%). Under the pessimistic assumption, the IUR will grow to the average level for 1984 through 1988 (2.3%).

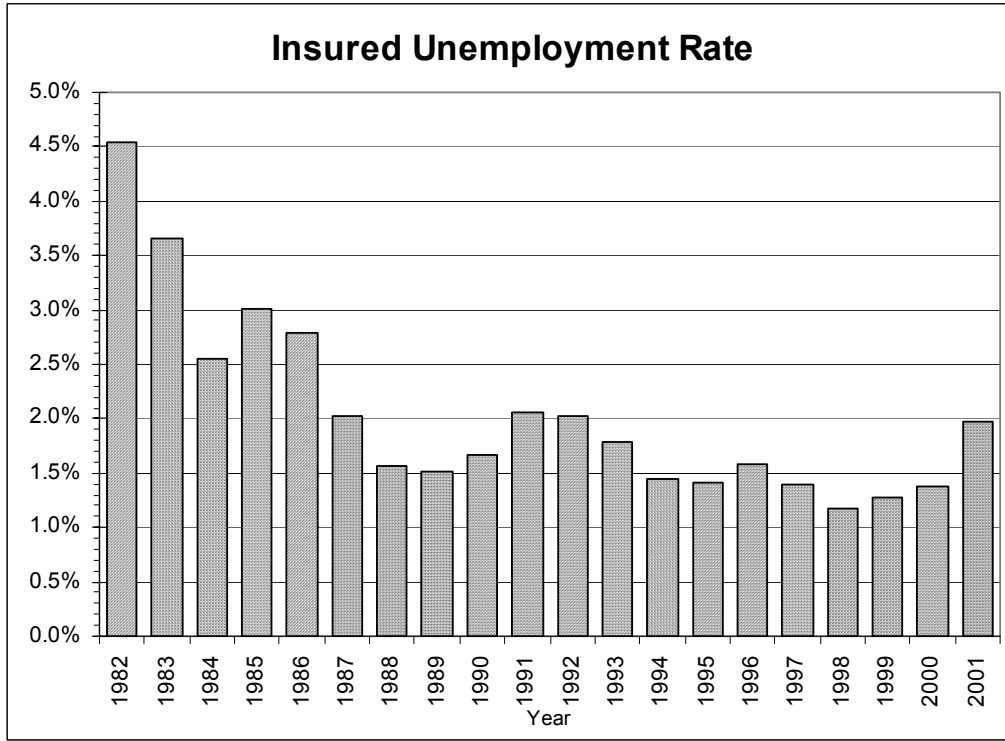
All three IUR assumptions reflect a slower economy in 2002 and some recovery activity in 2003. All three assumed IUR's are also **well below** the 1982 recession IUR of 4.5%.

**Tax Table Projections:** Tax table 7 is in effect for 2002. The tax table in effect for year 2003 will be officially determined in September 2002.

In 2003, table 6 is projected under both middle and optimistic assumptions. Higher projected UI benefits cause table 5 to trigger under the pessimistic assumption.

**Trust Fund Projections Summary:** Current projections are based on a continued economic downturn in 2002 and some economic recovery activity in 2003. The trust fund is projected to remain solvent under all three sets of economic assumptions. Tax tables with higher rates may trigger to insure future fund solvency

Figure E-1



Insured Unemployment Rate					
Year	Insured Unempl. Rate	% Change From Prev. Year	Year	Insured Unempl. Rate	% Change Percent Change
1982	4.54%	57.0%	1992	2.03%	-1.3%
1983	3.65%	-19.6%	1993	1.79%	-11.7%
1984	2.55%	-30.2%	1994	1.44%	-19.6%
1985	3.02%	18.4%	1995	1.41%	-1.8%
1986	2.80%	-7.4%	1996	1.58%	11.7%
1987	2.03%	-27.4%	1997	1.40%	-11.5%
1988	1.57%	-22.7%	1998	1.18%	-15.9%
1989	1.52%	-3.0%	1999	1.27%	8.4%
1990	1.66%	9.1%	2000	1.38%	8.1%
1991	2.06%	24.0%	2001	1.98%	43.6%

Total weeks claimed divided by UI covered employment.

Source: ETA-5159 and ES-202 2/8/2002



Figure E-2

UI Trust Fund Balance Projection Summary (\$ Millions)							
Year	Benefits Total	Tax Table	Contributions Total	Interest on Fund	Total Income	Balance Change	Trust Fund Balance
Under Optimistic Economic Assumptions							
2000	215.4	7	205.4	51.1	256.4	47.1	809.8
2001	312.6	7	210.1	51.7	261.8	-49.5	760.3
2002	318.3	7	252.9	55.4	308.3	-9.4	750.9
2003	246.7	6	330.2	57.9	388.1	143.8	894.7
2004	265.6	6	362.1	68.9	431.0	166.6	1,061.3
2005	286.4	7	323.9	80.4	404.3	118.3	1,179.6
Under Middle Economic Assumptions							
2000	215.4	7	205.4	51.1	256.4	47.1	809.8
2001	312.6	7	210.1	51.7	261.8	-49.5	760.3
2002	379.5	7	231.3	46.4	277.7	-100.6	659.7
2003	327.1	6	297.9	41.7	339.6	15.4	675.1
2004	245.3	5	384.1	43.5	427.6	83.6	758.7
2005	364.7	5	414.0	49.1	463.1	98.6	857.3
Under Pessimistic Economic Assumptions							
2000	215.4	7	205.4	51.1	256.4	47.1	809.8
2001	312.6	7	210.1	51.7	261.8	-49.5	760.3
2002	437.9	7	210.9	37.0	247.9	-187.4	572.9
2003	399.7	5	324.4	29.6	354.0	-42.6	530.3
2004	413.9	4	413.1	28.0	441.1	28.3	558.6
2005	428.8	4	436.2	29.7	465.9	37.1	595.7
Assumptions							
				Optimistic	Middle	Pessimistic	
Item							
Covered Employment Growth				3.00%	2.00%	1.00%	
Average Weekly Wage Growth				4.50%	3.50%	2.50%	
Interest Rate				7.50%	6.50%	5.50%	
Insured Unemployment Rate (IUR)							
2002				1.80%	2.20%	2.60%	
2003-2005				1.30%	1.80%	2.30%	

Projected data used for 2002 and beyond.

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**PROJECTED END-OF-MONTH TRUST FUND BALANCES  
CURRENT LAW BENEFIT COST RATIO ARRAY**

