



UWC ANNUAL CONFERENCE FUTA & SUTA PROJECTIONS

AUSTIN, TEXAS
JUNE 28, 2018



Summary of Presentation

- › Basics of Projections
- › Current Situation
- › Projections During a Recession

Equifax has the experience and expertise to reduce unemployment costs through a variety of solutions

\$282,000,000

Voluntary contribution and
joint account recommendations

\$380,000,000

Benefit charge errors recovered

\$14,300,000,000

Employer unemployment liability removed

120

Number of hearing
representatives and consultants

6,000

Clients representing all industries
and employer sizes

5,000

Merger – Acquisition
state transactions handled
Average Per Year

10

Average years of experience

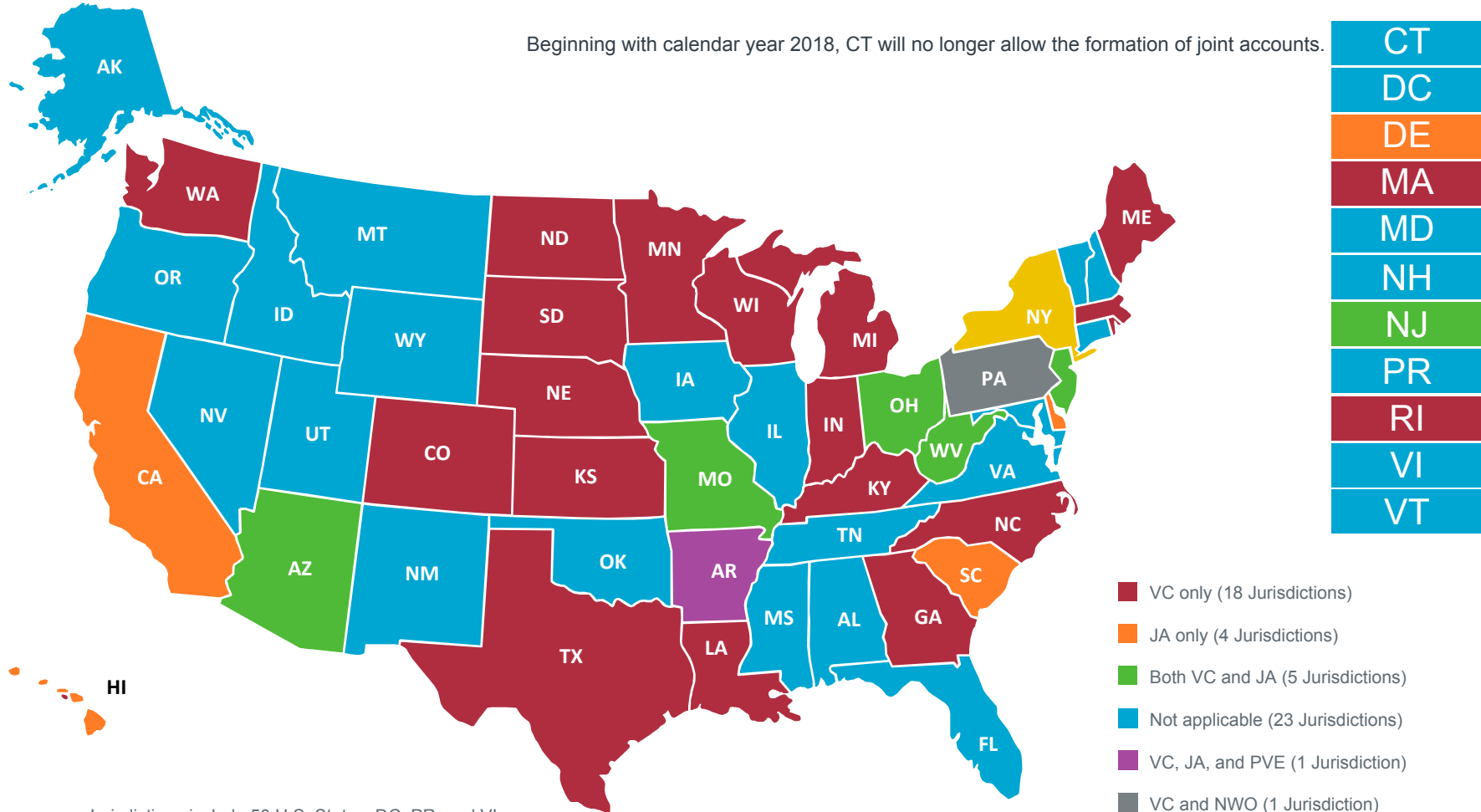
250,312

State unemployment accounts managed

Source: Equifax Workforce Solutions

Equifax utilizes tax savings opportunities within each taxing jurisdiction to reduce your UI tax burden

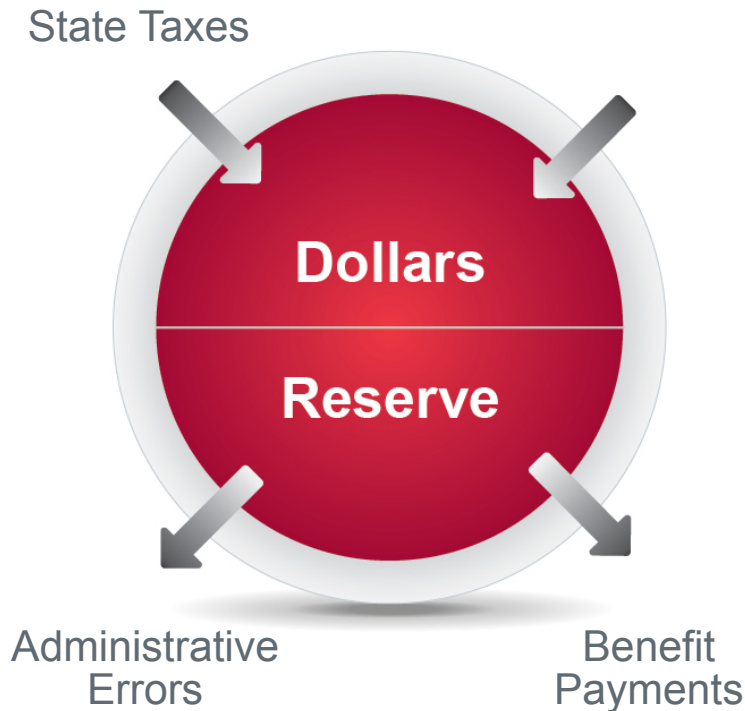
Beginning with calendar year 2018, CT will no longer allow the formation of joint accounts.



Jurisdictions include 50 U.S. States, DC, PR, and VI

Joint Accounts (JA), Voluntary Contributions (VC),
Negative Write-Offs (NWO), and Payroll Variations Elections (PVE)

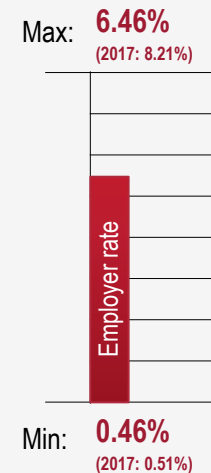
Unemployment costs are impacted by several UI related activities



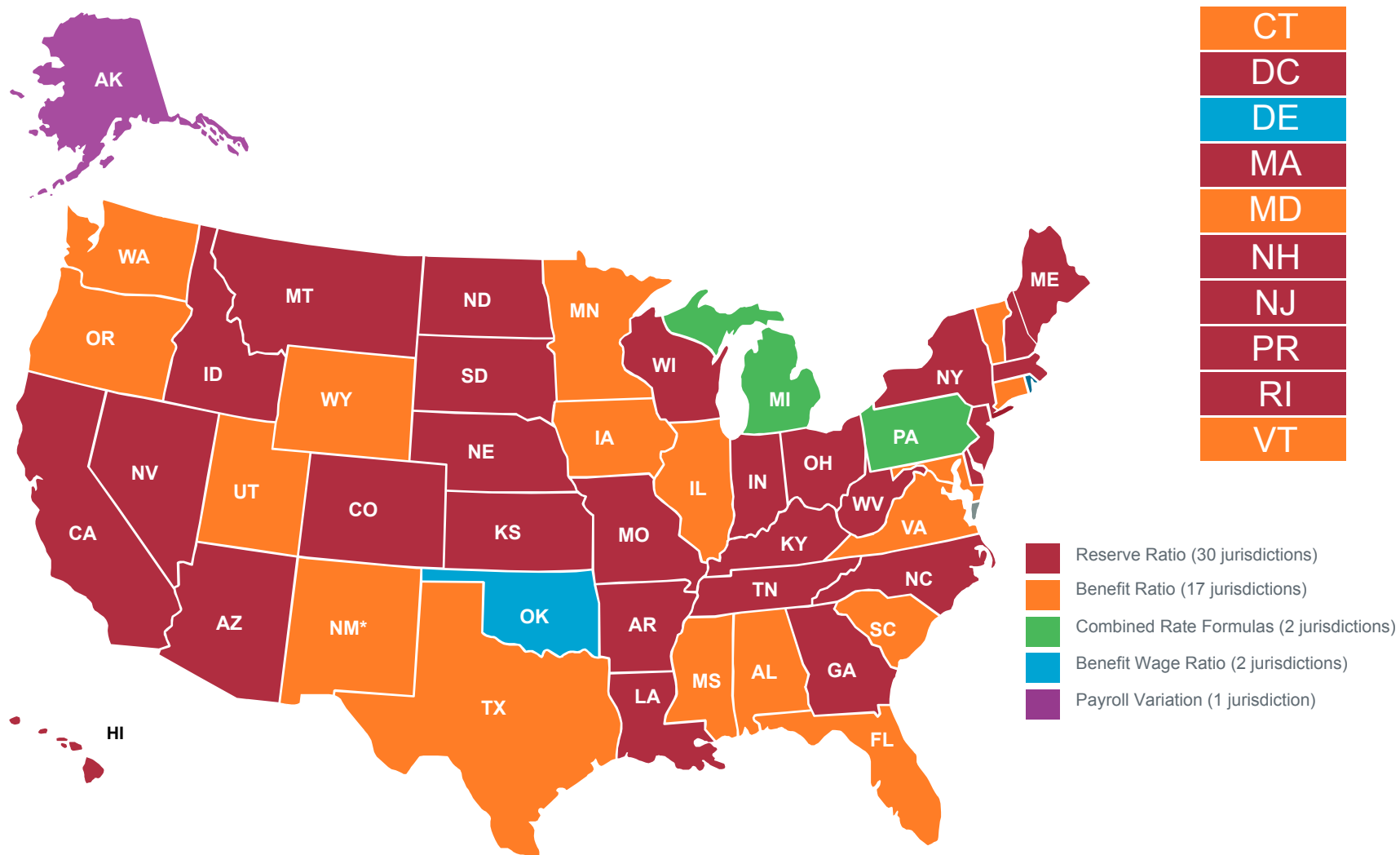
Texas 2018 merit rating

A state example:

<u>\$9,000</u>	Taxable wage base
<u>\$581</u>	Maximum tax / employee
<u>\$41</u>	Minimum tax / employee
<u>\$12,844</u>	Maximum claim liability













Unemployment Tax Rate Calculations



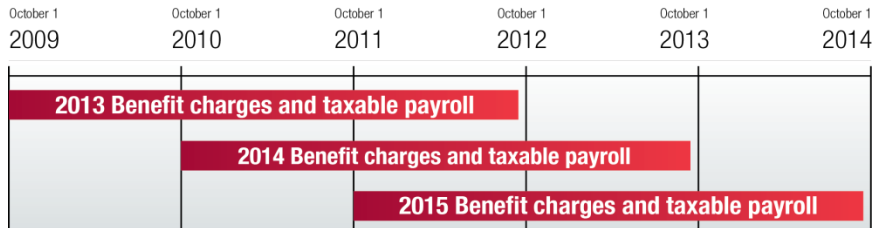
Jurisdictions include 50 U.S. States, DC and PR
 *2015 – Switch to three year benefit ratio calculation

Computation Factors Impact on SUI Rates

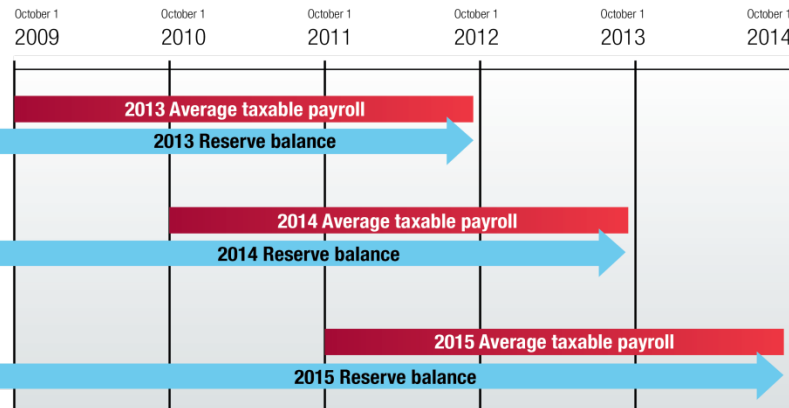
Factor	Reserve Ratio State		Benefit Ratio State	
Charges Increase	Increase		Increase	
Charges Decrease	Decrease		Decrease	
Taxable Payroll Increase	Increase		Decrease	
Taxable Payroll Decrease	Decrease		Increase	
Reserve Balance Increase	Decrease		N/A	
Reserve Balance Decrease	Increase		N/A	

Unemployment Tax Rate Forecast

$$\text{Sample Benefit Ratio} = \frac{\text{3 Yr. Benefit Charges}}{\text{3 Yr. Taxable Payroll}}$$



$$\text{Sample Reserve Ratio} = \frac{\text{Ending Reserve Balance}^*}{\text{Average Taxable Payroll}}$$



* Cumulative total of all contributions/taxes paid in less all benefits paid out.

Variables Impacting UI Tax Rates

Employer Variables

- › Current and projected payrolls (gross and taxable)
- › UI claim and benefit charges activity
- › Contributions paid during rating period
- › Current and contemplated M&A activity
- › Reserve account balances

State Variables

- › Updates to UI rating formulas and tables
- › Imposition of interest assessments
- › Anticipated changes to taxable wage bases
- › Impacts of recent/pending legislation

Economic Variables

- › Broad economic trends
- › National and state unemployment trends
- › Title XII loans and FUTA credit reductions
- › Legislative responses to UI trust fund solvency

Unemployment Tax Management

› Unemployment Tax Rate Projections

- Tax rate based on:
 - Benefit charges
 - Taxable Project payroll
 - State factors
- Modify tax projection based on passed unemployment tax legislation
- **Economic Circumstances**

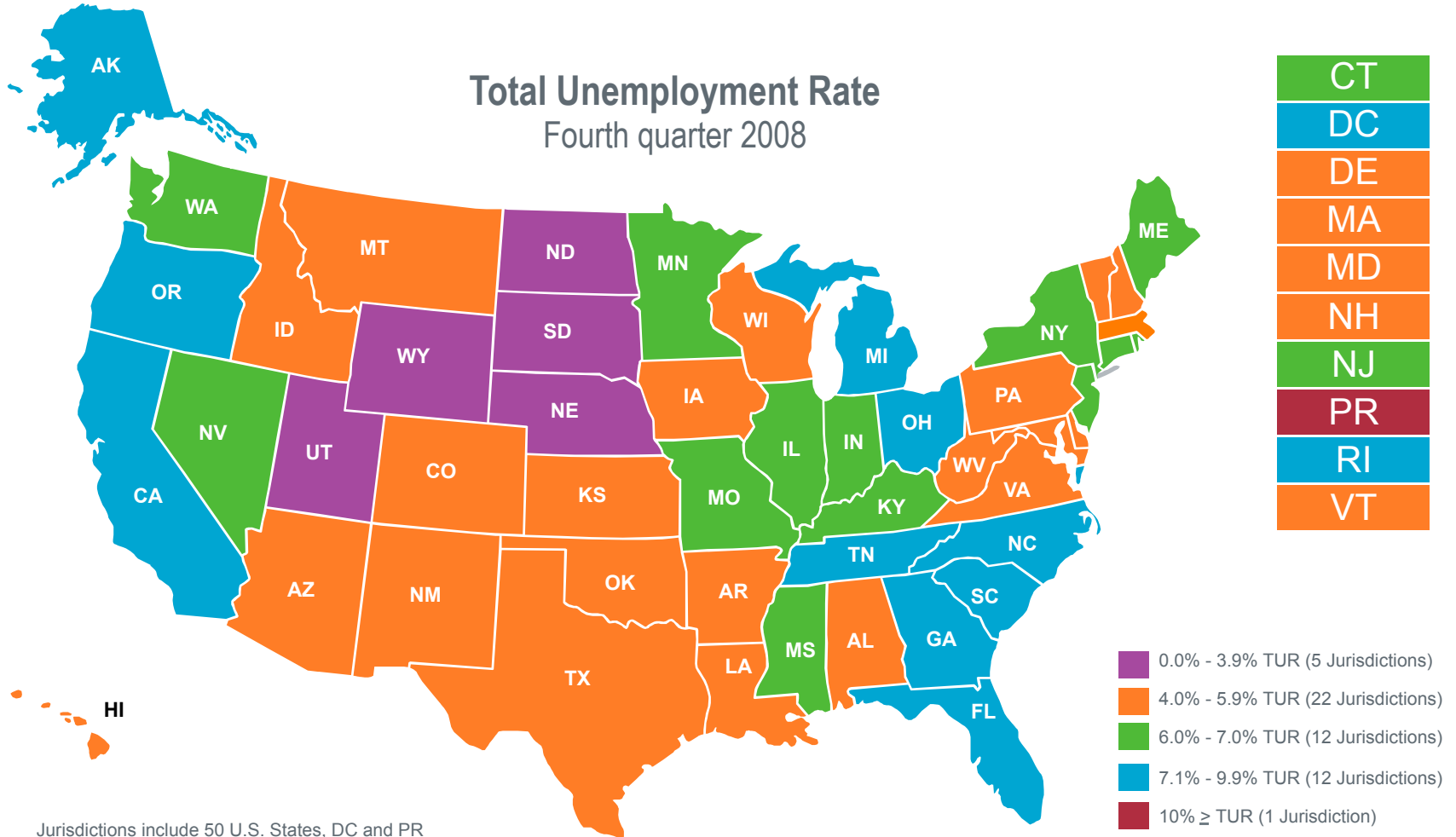
› Joint and Common Rating Analysis

- Analyze all possible tax rate combinations based on legal entity structure
- Review tax election, duration, termination process and projected tax savings

› Special Rating Strategies

- Negative write-offs
- Payroll variation elections

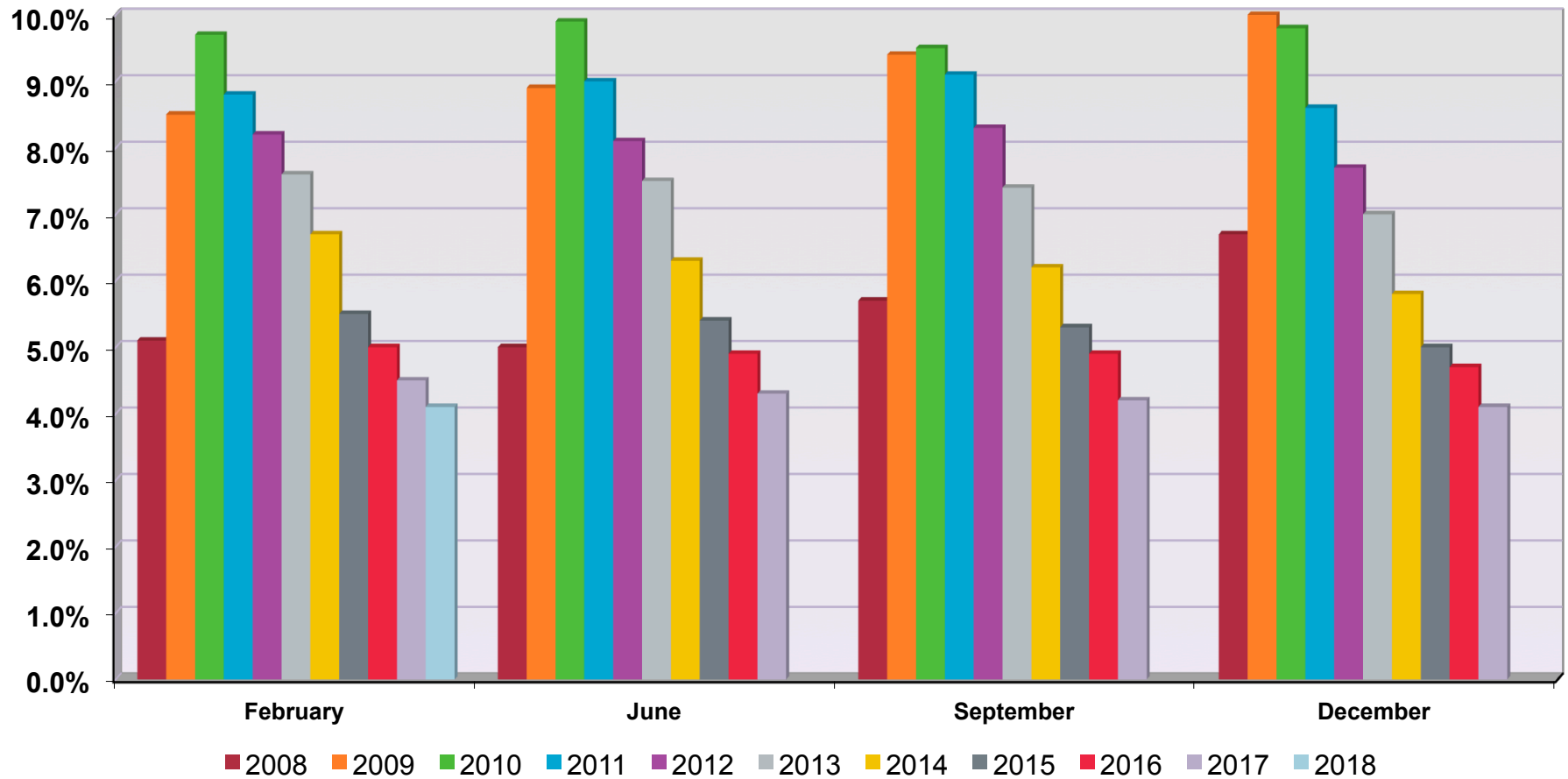
Prior to the recent economic downturn, most states were experiencing unemployment rates between 4.0 and 7.0%



Jurisdictions include 50 U.S. States, DC and PR
Source: U.S. Department of Labor Fourth Quarter 2008

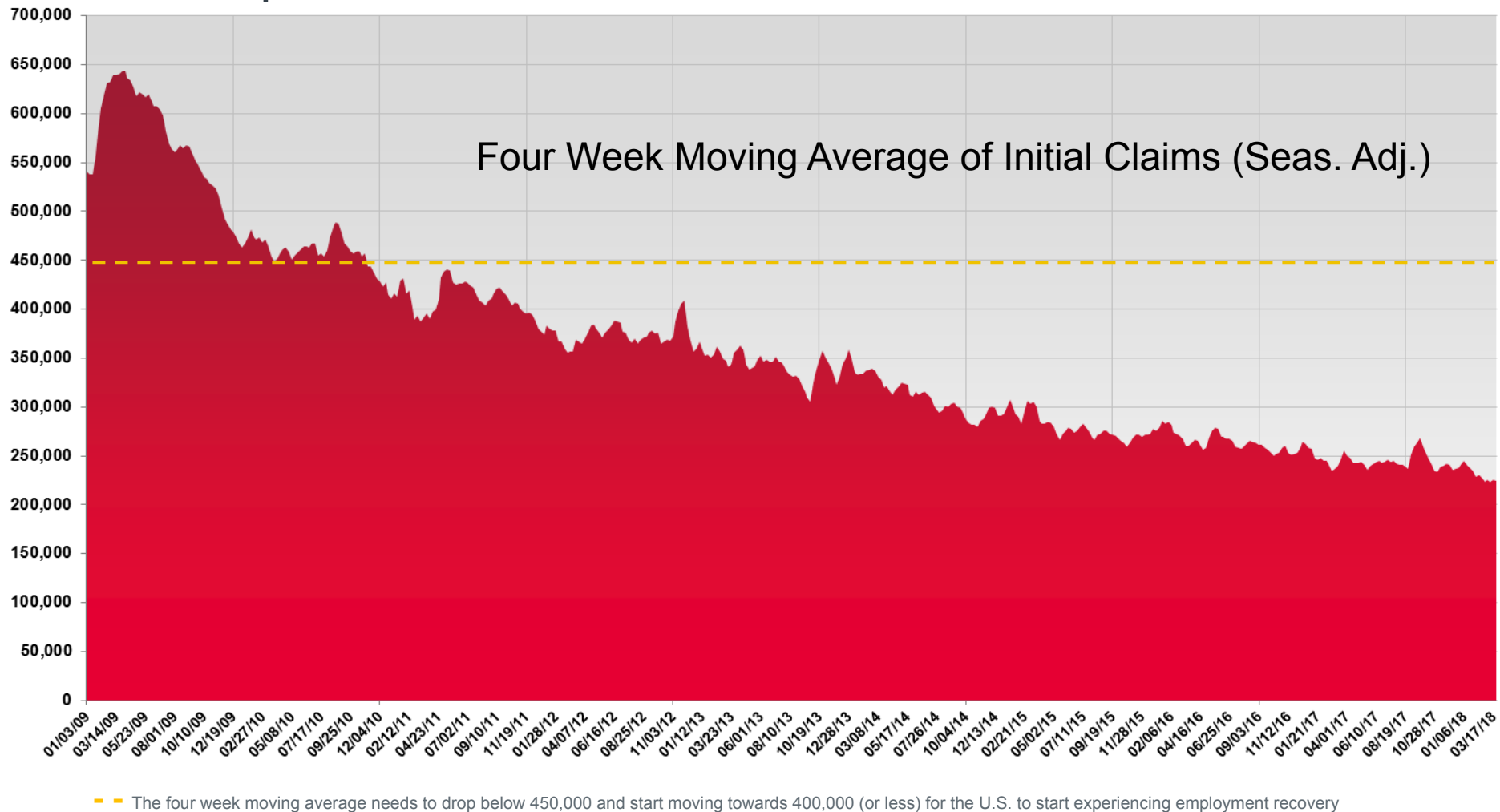
The Total Unemployment Rate (TUR) is the rate computed by dividing Total Unemployed by the Civilian Labor Force.
Source: Bureau of Labor Statistics

The U.S. Unemployment (jobless) Rates is at a 17-year low



Source: U.S. Department of Labor

Initial unemployment claims activity has steadily declined since its peak in 2009

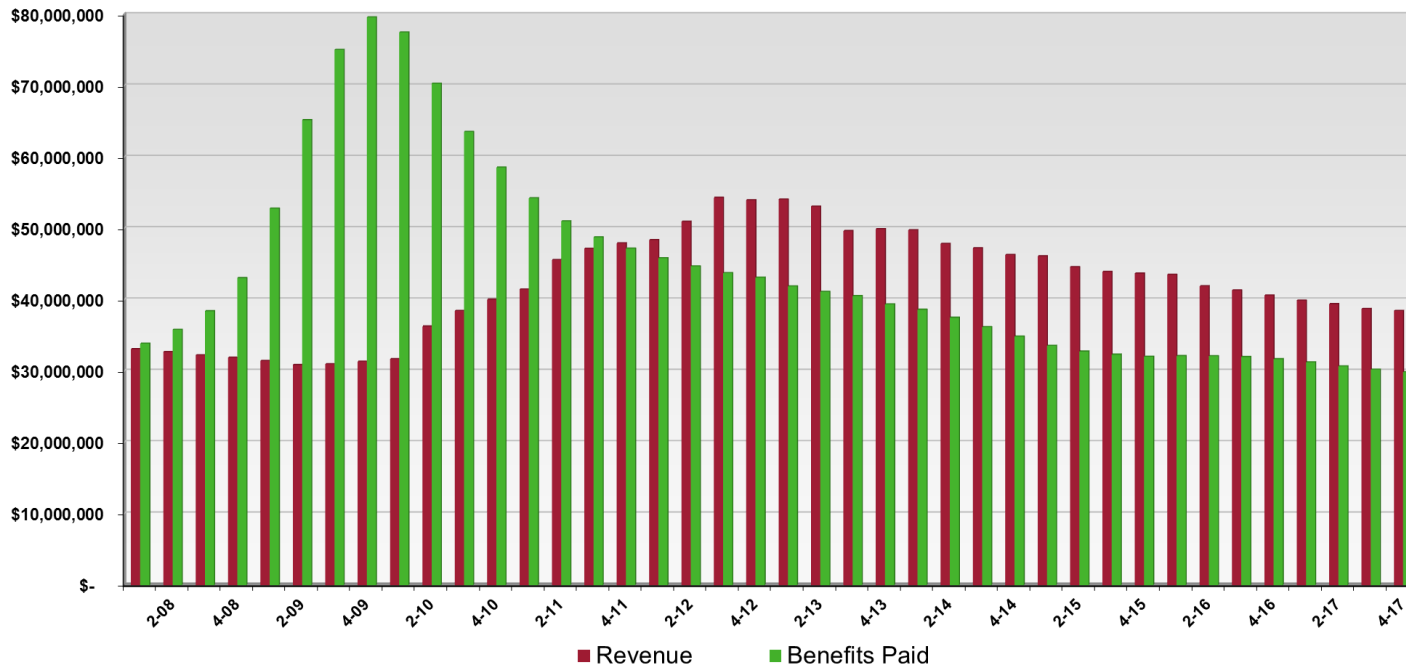


As of 01/30/18

Source: Compiled from U.S. Department of Labor UI Data Summary

States are replenishing unemployment reserves after deficits during the recession

U.S. Tax Revenues vs. Benefit Payments (000s)



- › Unemployment benefits spiked during recession
- › Unemployment tax rates continue to be higher than pre-recessionary rates

Source: Compiled from U.S. Department of Labor UI Data Summary, 12 month rolling period (in thousands)

Employer Unemployment Costs are Stabilizing

\$5,191

Average cost of an unemployment claim
2Q 2013

10.67%

National annual benefit charge
overpayment rate 2011

\$20,129,509,304

Title XII loans outstanding as of 8/29/2013

19

States facing FUTA tax
increases in 2013 (As of 8/29/2013)

7.4%

National total
Unemployment rate
July 2013

16.8

Average weeks a person
draws unemployment
2Q 2013

\$609,667,071

Title XII loan interest – 2013
accrued as of 8/29/2013

18

Insolvent state trust funds
(As of 8/29/2013)

\$534.85

Average tax cost per employee 2013

Source: U.S. Department of Labor and Equifax Workforce Solutions, as of 8/9/13

The costs of unemployment remain escalated despite an improved economic environment

\$5,249

Average benefit paid per
unemployment claim
(4Q 2017)¹

\$77,836,490

Title XII Loans Outstanding
(03/23/2018)⁴

\$316

Average Tax Cost Per Employee
(2017)²

11.07%

National Annual Benefit Charge
Overpayment Rate
(2016)⁵

2

States Facing FUTA Tax
Increases in 2018
(as of 01/01/18)⁴

4.1%

National Total
Unemployment Rate
(February 2018)³

15.4

Average Weeks a
Claimant Draws Unemployment
(4Q 2017)¹

\$11,163,374

Title XII Loan Interest
(accrued/billed as of 03/23/2018)⁴

29

Underfunded state trust funds
(01/01/18)¹

129%

Amount of each benefit paid that employers
must contribute to their state trust fund
(3Q 2017)¹

Source: As of 03/23/2018

1. U.S. DOL Data Summary

2. Simple average of SUI wage bases x Est. Average Tax Rate

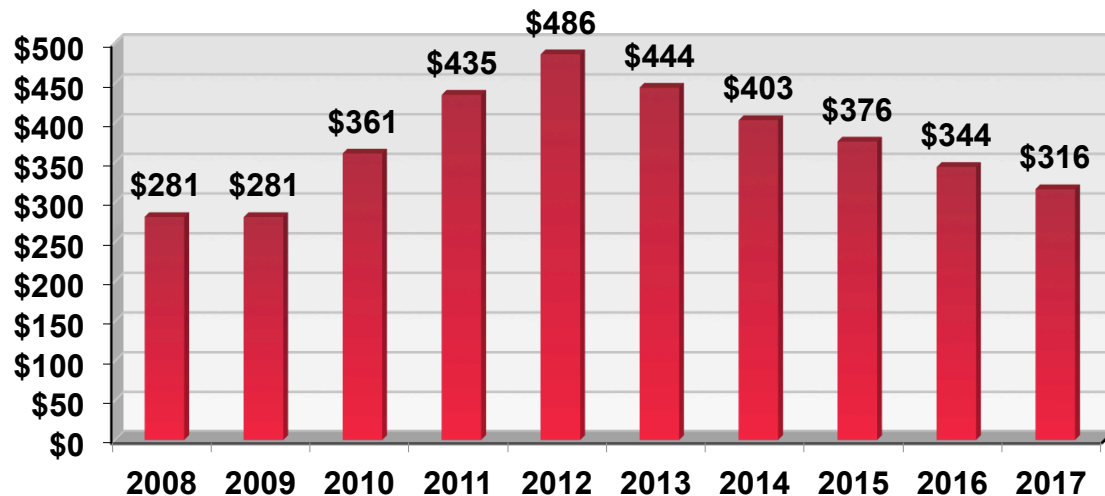
3. Bureau of Labor Statistics Monthly Current Population Survey

4. Treasury Direct Title XII Advance Activities Schedule

5. U.S. DOL Benefit Accuracy Measurement Report

Average annual SUI tax cost per employee has decreased by 35% since the height of the Great Recession

Unemployment Cost Per Employee



Source: U.S. DOL, Employment & Training Administration

- › States compensated for increased claims through higher taxes
- › Annual unemployment cost per employee has decreased to \$316
- › Unemployment tax cost rose 12.46% since 2008
- › Increases in unemployment tax rate magnified by rise in state wage bases

Unemployment costs have decreased approximately \$170,000 per 1,000 employees over the past 5 years.

Even when tax rates remain unchanged, employers may be subject to additional taxes due to increases in state wage bases

State	2017 Wage Base	2018 Wage Base		% of Increase or Decrease
ND	\$35,100	<i>\$35,500</i>	A	1.1%
NE	\$9,000	\$9,000	A	0.0%
NH	\$14,000	\$14,000	A	0.0%
NJ	\$33,500	<i>\$33,700</i>	A	0.6%
NM	\$24,300	<i>\$24,200</i>	A	-0.4%
NV	\$29,500	<i>\$30,500</i>	A	3.4%
NY	\$10,900	<i>\$11,100</i>	A	1.8%
OH	\$9,000	<i>\$9,500</i>	A	5.6%
OK	\$17,700	<i>\$17,600</i>	A	-0.6%
OR	\$38,400	<i>\$39,300</i>	A	2.3%
PA	\$9,750	<i>\$10,000</i>	A	2.6%
PR	\$7,000	\$7,000	A	0.0%
RI ⁽²⁾	\$22,400	<i>\$23,000</i>	A	1.8%
	\$23,900	<i>\$24,500</i>		

State	2017 Wage Base	2018 Wage Base		% of Increase or Decrease
SC	\$14,000	\$14,000	A	0.0%
SD	\$15,000	\$15,000	A	0.0%
TN	\$8,000	<i>\$7,000</i>	A	-12.5%
TX	\$9,000	\$9,000	A	0.0%
UT	\$33,100	<i>\$34,300</i>	A	3.6%
VA	\$8,000	\$8,000	A	0.0%
VI	\$23,500	<i>\$24,200</i>	A	3.0%
VT	\$17,300	<i>\$17,600</i>	A	1.7%
WA	\$45,000	<i>\$47,300</i>	A	5.1%
WI	\$14,000	\$14,000	A	0.0%
WV	\$12,000	\$12,000	A	0.0%
WY	\$25,400	<i>\$24,700</i>	A	-2.8%
FUTA	\$7,000	\$7,000	A	0.0%

A – Actual wage base, assuming no law change.

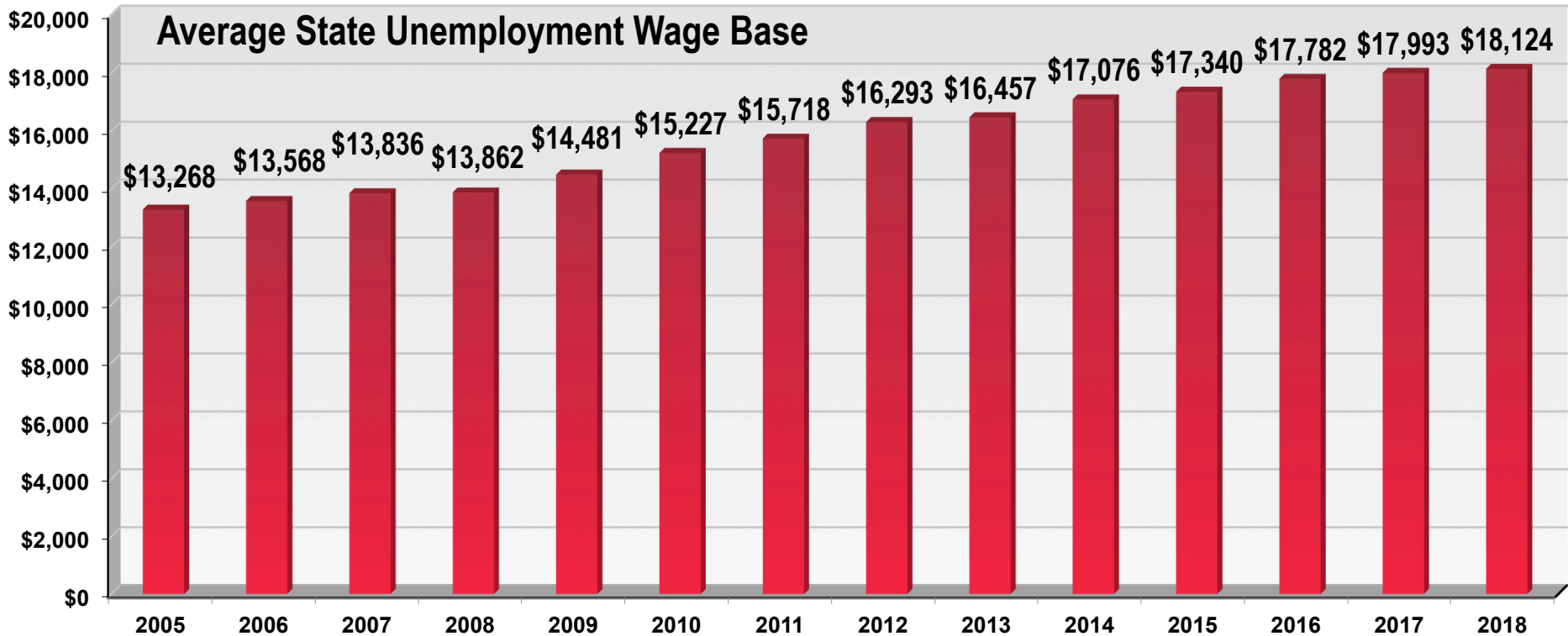
E – Estimated wage base, assuming no law change.

Red Italics – Denotes increase in the unemployment taxable wage base over 2017

Green Italics – Denotes decrease in the unemployment taxable wage base over 2017

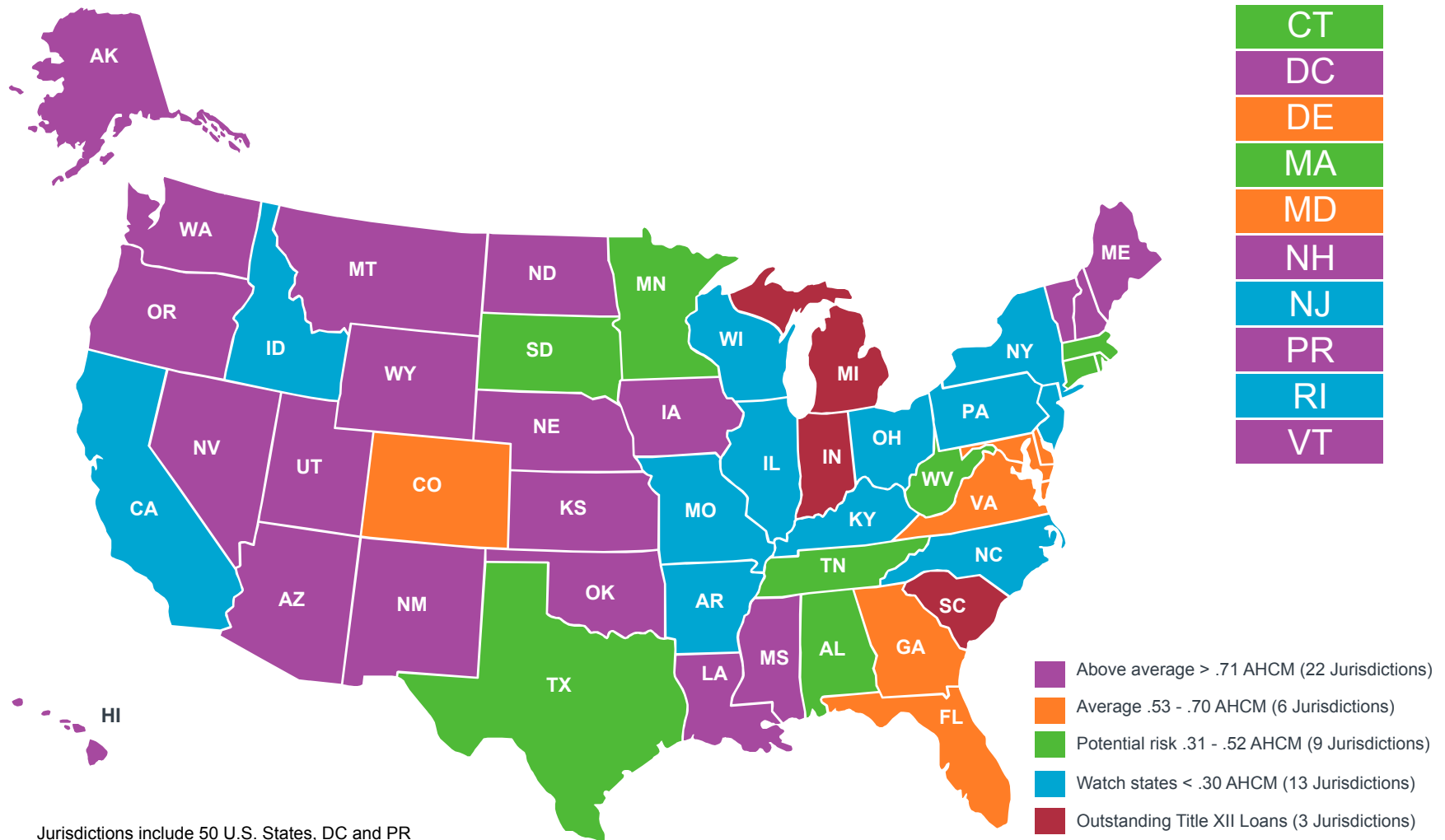
2 – The higher wage base only applies to employers assigned the maximum rate.

Average state unemployment taxable wage bases have increased every year since 2005 to allow states to increase revenue



Unemployment Trust Fund Solvency

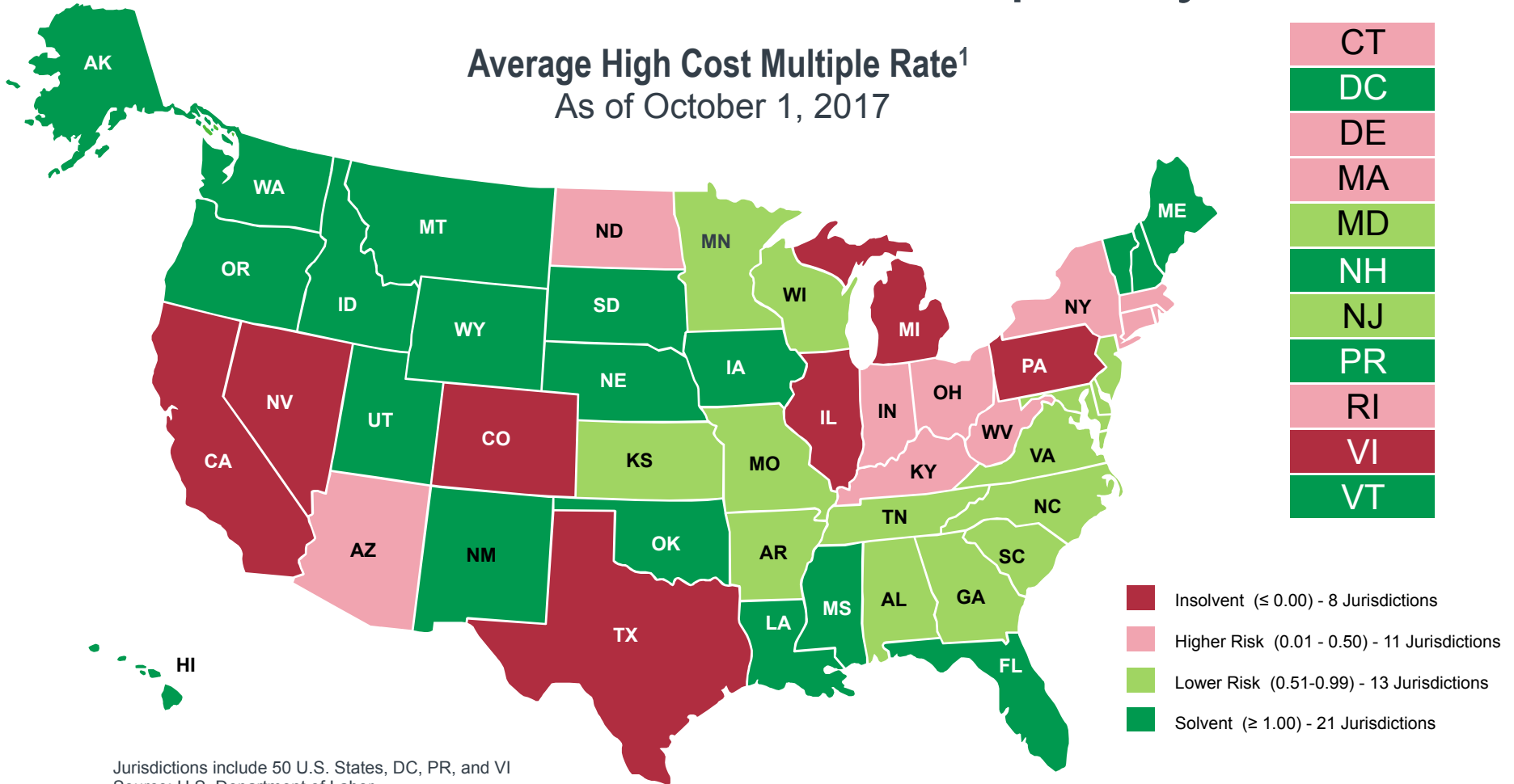
Fourth quarter 2008



Jurisdictions include 50 U.S. States, DC and PR
Source: U.S. Department of Labor Fourth Quarter 2008

The Total Unemployment Rate (TUR) is the rate computed by dividing Total Unemployed by the Civilian Labor Force.
Source: Bureau of Labor Statistics

Despite improving trust fund balances, 32 states are not considered adequately funded



1. Average High Cost Multiple (AHCM) - a standard measure of trust fund solvency used by the U.S. Department of Labor. A multiple of 1.00 indicates the state trust fund is sufficiently solvent.

State repayment of Title XII loans can significantly impact an employer's FUTA tax rates

FUTA Tax Review: Effective 7/1/2011

FUTA tax rate	FUTA taxable wage base	FUTA tax
6.0%	\$7,000	\$420 Per Employee

- › If employer pays state SUI taxes timely and in full, a 5.4% credit is granted

FUTA tax rate	FUTA tax credit	FUTA tax rate (less credit)	FUTA tax
6.0%	5.4%	0.6%	\$42 Per Employee

- › If Federal Title XII loan remains outstanding for two years (as of January 1st), employers in the affected state lose 0.3% of the 5.4% credit (or \$21 per employee)
- › 0.3% FUTA credit loss continues for every year the Federal Title XII loan remains unpaid (Example: Year 1 = 0.3%; Year 2 = 0.6%, etc.)

Final 2015 FUTA Tax Rates

State	FUTA Credit Reduction	BCR Add-On	Total FUTA Credit Reduction	Effective Base FUTA Rate	2015 Effective FUTA Tax Rate
Loan Paid Off Prior to November 10, 2015					
Indiana	0.0%	0.0%	0.0%	0.6%	0.6%
Kentucky	0.0%	0.0%	0.0%	0.6%	0.6%
New York	0.0%	0.0%	0.0%	0.6%	0.6%
North Carolina	0.0%	0.0%	0.0%	0.6%	0.6%
South Carolina	0.0%	0.0%	0.0%	0.6%	0.6%
Loan Outstanding as of November 10, 2015					
California	1.5%	0.0%	1.5%	0.6%	2.1%
Connecticut	1.5%	0.6%	2.1%	0.6%	2.7%
Ohio	1.5%	0.0%	1.5%	0.6%	2.1%
Virgin Islands	1.5%	0.0%	1.5%	0.6%	2.1%

Source: U.S. Department of Labor (U.S. DOL)

FUTA Credit Reduction: Applicable in states following their second consecutive January 1 with an outstanding Title XII loan. Employers in an impacted state lose 0.3% of the 5.4% standard credit for each year the Federal Title XII loan remains outstanding (i.e., 0.3%, 0.6%, 0.9%, 1.2%, 1.5%, etc.).

Benefit Cost Rate/Ratio ("BCR") Add-On: Applicable in states following their fifth consecutive January 1 with an outstanding Title XII loan. States can request a waiver by submitting a request to the U.S. DOL by July 1 of each respective year. The U.S. DOL granted waivers to all states that applied in 2014.

Final 2016 FUTA Tax Rates

State	FUTA Credit Reduction	+ BCR Add-On	= Total FUTA Credit Reduction	+ Effective Base FUTA Rate	= 2016 Effective FUTA Tax Rate
Loan Paid Off Prior to November 10, 2016					
Ohio	0.0%	0.0%	0.0%	0.6%	0.6%
Loan Outstanding as of November 10, 2016					
California	1.8%	0.0%	1.8%	0.6%	2.4%
Virgin Islands	1.8%	0.0%	1.8%	0.6%	2.4%

Source: U.S. Department of Labor (U.S. DOL)

FUTA Credit Reduction: Applicable in states following their second consecutive January 1 with an outstanding Title XII loan. Employers in an impacted state lose 0.3% of the 5.4% standard credit for each year the Federal Title XII loan remains outstanding (i.e., 0.3%, 0.6%, 0.9%, 1.2%, 1.5%, etc.).

Benefit Cost Rate/Ratio ("BCR") Add-On: Applicable in states following their fifth consecutive January 1 with an outstanding Title XII loan. States can request a waiver by submitting a request to the U.S. DOL by July 1 of each respective year. The U.S. DOL granted waivers to all states that applied in 2014.

Final 2017 FUTA Tax Rates

State	FUTA Credit Reduction	+	BCR Add-On	=	Total FUTA Credit Reduction	+	Effective Base FUTA Rate	=	2017 Effective FUTA Tax Rate
California*	2.1%		0.0%		2.1%		0.6%		2.7%
Virgin Islands	2.1%		0.0%		2.1%		0.6%		2.7%

Source: U.S. Department of Labor (U.S. DOL)

* In early May of 2017, the state of California paid off its Title XII loan, then immediately took another advance. If California had repay its Title XII loan by November 10, 2017, its 2017 Effective FUTA Tax Rate would return to 0.6%. This would have translated into a per employee maximum FUTA tax cost of \$42 versus the actual \$189.

FUTA Credit Reduction: Applicable in states following their second consecutive January 1 with an outstanding Title XII loan. Employers in an impacted state lose 0.3% of the 5.4% standard credit for each year the Federal Title XII loan remains outstanding (i.e., 0.3%, 0.6%, 0.9%, 1.2%, 1.5%, etc.).

Benefit Cost Rate/Ratio ("BCR") Add-On: Applicable in states following their fifth consecutive January 1 with an outstanding Title XII loan. States can request a waiver by submitting a request to the U.S. DOL by July 1 of each respective year. The U.S. DOL granted waivers to all states that applied in 2017.

Preliminary 2018 FUTA Tax Rates

State	FUTA Credit Reduction	+	BCR Add-On	=	Total FUTA Credit Reduction	+	Effective Base FUTA Rate	=	2017 Effective FUTA Tax Rate
California*	2.4%		0.0%		2.4%		0.6%		3.0%
Virgin Islands	2.4%		1.1%		3.5%		0.6%		4.1%

Source: U.S. Department of Labor (U.S. DOL)

* If California repays its Title XII loan by November 10, 2018, its 2018 Effective FUTA Tax Rate will return to 0.6%. This would translate into a per employee maximum FUTA tax cost of \$42 versus a potential \$210 (excluding any “BCR” or “2.70% Add-Ons”).

FUTA Credit Reduction: Applicable in states following their second consecutive January 1 with an outstanding Title XII loan. Employers in an impacted state lose 0.3% of the 5.4% standard credit for each year the Federal Title XII loan remains outstanding (i.e., 0.3%, 0.6%, 0.9%, 1.2%, 1.5%, etc.).

Benefit Cost Rate/Ratio (“BCR”) Add-On: Applicable in states following their fifth consecutive January 1 with an outstanding Title XII loan. States can request a waiver by submitting a request to the U.S. DOL by July 1 of each respective year. The U.S. DOL granted waivers to all states that applied in 2017.

Many states are still accruing interest on outstanding Title XII loans due to trust fund insolvency

Current Interest Rate	2.21530180%
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State	Loan Amount As Of 03/23/2018	Advance Authorization Current Month	Interest Billed for FY18
California	\$0	\$580,000,000	\$10,440,787
Virgin Islands	\$77,836,490	\$5,000,000	\$722,607
Totals	\$77,836,490	\$585,000,000	\$11,163,374

Source: U.S. Treasury