

Actuarial Evaluation 2012

Financial Operations of the
Pennsylvania Unemployment Compensation Program



Commonwealth of Pennsylvania
Tom Corbett, Governor



Department of Labor & Industry
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INTRODUCTION

The 2012 Actuarial Evaluation of the Financial Operations of the Pennsylvania Unemployment Compensation (UC) Program is issued pursuant to Section 204.1 of the Pennsylvania UC law as amended July 1985. The projections contained in this report are based on the January 2013 Global Insight Baseline Forecast of economic activity.

The report provides analyses of Pennsylvania's UC Trust Fund activity for 2012 and a forecast for 2013 through 2015. The forecast incorporates the UC solvency mechanism provided for by the 1988 UC law amendments and an impact analysis of the mechanism on the UC Trust Fund cash flow. Highlights of the analyses and an overview of the economic forecasts and methodologies used to estimate UC activity are provided in the report.

Tables contained within this report provide detailed information and data on the January 2013 Global Insight Baseline Forecast used to project UC Trust Fund activity. The statistical appendix contains tables pertinent to Pennsylvania's UC program. Definitions of terms used on the tables in the statistical appendix appear on the page preceding each table.

HIGHLIGHTS

Pennsylvania's economy remained steady over the last year. The statewide average annual unemployment rate for 2012 was 7.9 percent, the same rate as in 2011. Average resident employment rose from 5.89 million in 2011 to 5.97 million in 2012. In comparison to pre-recession levels, Pennsylvania's average annual unemployment rate was 4.4 percent and average resident employment was 6.1 million in 2007.

In 2012, UC Trust Fund revenues exceeded benefit payments for the first time since 2007. UC legislation was enacted under Act 6 of 2011 and Act 60 of 2012 to address the structural imbalance between benefit payments and revenues. As a result of this legislation and forecasted improvement in economic conditions, the Trust Fund is projected to continue to move toward solvency through 2015 and beyond.

In 2012, in addition to the regular UC program, qualified claimants could collect benefits through the federally-funded Emergency UC (EUC) and Extended Benefits (EB) programs. These programs have provided additional benefits to claimants in response to the high unemployment rates during and following the recession that began in December 2007.

Here are UC program highlights from 2012 and projections for 2013-2015:

Pennsylvania UC Law Changes

- Act 6 of 2011 and Act 60 of 2012 reformed UC law to refinance the outstanding UC Trust Fund debt and better align revenues and benefit costs.
- The legislation included provisions on the use of bonds to repay federal loans, benefit eligibility and tax structure changes, establishment of an amnesty period to facilitate the recovery of improper payments and tax liabilities, and establishment of a new Reemployment Fund.
- Overall, this legislation is expected to produce an estimated average annual savings of \$385 million per year for the UC Trust Fund and a total of over \$150 million in interest cost savings from 2012 through 2019 for employers.

Benefit Costs

- Annual UC benefit costs decreased for the third consecutive year, from \$3.02 billion in 2011 to \$2.86 billion in 2012. Benefit costs are projected to continue to fall to \$2.51 billion in 2013, \$2.43 billion in 2014, and \$2.29 billion in 2015.
- Due to changes to Pennsylvania's UC law, the maximum weekly benefit rate will remain at \$573 through 2019. Act 6 of 2011 froze the maximum weekly benefit for 2012, and Act 60 of 2012 extends this freeze through 2019.
- A 2.3 percent benefit reduction decreased benefit costs by \$67 million in 2012. In 2013 through 2015, the benefit reduction will decrease to 1.7 percent due to recalculation of the solvency measures. The forecast amount of the reduction is \$43 million in 2013, \$42 million in 2014 and \$40 million in 2015.

Employer and Employee Contributions

- The estimated average UC tax rate for employers is projected to increase from 6.7 percent in 2012 to 6.8 percent in 2013. It is forecast to increase again to 7.0 percent in 2014 and then decrease to 6.7 percent in 2015.
- Employers paid a 5.8 percent surcharge and a 0.65 percent additional tax in 2012. For 2013 through 2015, the surcharge will decrease to 5.1 percent, but the additional tax will remain at 0.65 percent. These solvency measures generated \$383 million in 2012, and are forecast to generate \$364 million for 2013, \$385 million for 2014, and \$405 million for 2015.
- An employee solvency tax of 0.08 percent was in effect for 2012. The employee tax will decrease to 0.07 percent in 2013 through 2015. Contributions due from employees were \$209 million in 2012 and are forecast to be \$189 million in 2013, \$196 million in 2014 and \$205 million in 2015.
- Total UC employer and employee contributions deposited into the Trust Fund are projected to decrease from \$2.95 billion in 2012 to \$2.81 billion in 2013, and then increase to \$2.98 billion in 2014 and \$3.02 billion in 2015.

Federal Loans, FUTA Tax Credit Reduction, Interim Financing, and Bonds

- Act 60 of 2012 included provisions for refinancing Pennsylvania’s federal loans through the sale of bonds to obtain the lowest possible rate of interest and to fully restore the FUTA tax credit for employers starting in 2012.
- On July 25, 2012, Pennsylvania’s \$2.8 billion federal loan balance was repaid in full from \$3.2 billion in interim financing obtained through Citibank, N.A. The interim financing also included \$382 million in UC benefits funding for the remainder of calendar year 2012.
- By repaying the federal loan balance, the full Federal Unemployment Tax Act (FUTA) credit was restored for employers starting in 2012, lowering the effective FUTA tax rate from 1.2 percent to 0.6 percent.
- The federal debt repayment also resulted in the forgiveness of \$6.2 million in interest on the \$1.1 billion in federal loans received in calendar year 2012. Employers were assessed an Interest Tax Factor of 0.20 percent in 2012 to pay the remaining \$82.1 million in interest that was due to the federal government in September 2012.
- On Oct. 18, 2012, Pennsylvania closed on the sale of UC bonds generating a total of \$3.2 billion in funds to repay the interim financing and establish a \$75 million Bond Reserve Fund. The interest cost for the fixed rate bonds was 1.29 percent, compared to the interest rate of 2.94 percent charged on federal loans in 2012.
- Refinancing of the federal loan debt through the interim Citibank loan and subsequent bond sale is estimated to save employers over \$150 million in interest costs from 2012 through 2019.
- The UC Trust Fund balance at the end of 2012 was \$164 million.

Emergency UC (EUC) and Extended Benefits (EB) Programs

- A total of 366,000 Pennsylvania UC claimants collected \$2.3 billion in EUC and EB in 2012.
- At the start of 2012, 47 weeks from Emergency UC (EUC) Tiers 1-3 and 20 weeks from regular and High Unemployment Period (HUP) EB were available.
- In February 2012, the President signed the *“Middle Class Tax Relief and Job Creation Act of 2012,”* which extended EUC benefits and 100 percent federal funding for EB through December 2012. This legislation also reduced the duration of EUC Tier 1 from 20 to 14 weeks and EUC Tier 3 from 13 to 9 weeks and increased EUC Tier 4 from 6 to 10 (Tier 4 was not available in Pennsylvania in 2012) starting with the week ending Sept. 8, 2012. The duration of Tier 2 remained unchanged at 14 weeks.

PENNSYLVANIA UC LAW CHANGES

During the recent recession the UC program paid benefits to unemployed workers that far exceeded the program's resources and required borrowing from the federal government. This produced the historic imbalance between the UC Trust Fund's revenues and its benefit obligations. In 2011 and 2012 the General Assembly enacted legislation to allow for the refinancing of the Fund's debt, better align the Fund's benefit payments with its resources, adjust the revenue structure to allow a greater accumulation of reserves in the Fund, and improve the Fund's ability to perform in future economic downturns. The 2011 legislation is Act of June 17, 2011, P.L. 16, No. 6 ("Act 6"), and the 2012 legislation is Act of June 12, 2012, P.L. 577, No. 60 ("Act 60"). Overall, this legislation is expected to produce an estimated average annual savings of \$385 million per year for the UC Trust Fund and a total of over \$150 million in interest cost savings from 2012 through 2019 for employers.

The following key changes to UC law were enacted through Act 6 of 2011 and Act 60 of 2012:

UC Bonds

- Provided for the issuance of bonds through the Pennsylvania Economic Development Financing Authority (PEDFA) on behalf of the Department of Labor & Industry. The sale of UC bonds closed on Oct. 18, 2012.
- Re-purposed the Interest Tax Factor, originally created for the payment of interest on federal loans, for the payment of debt service on the bonds as well as for interest on federal loans.
- Raised the maximum Interest Tax Factor rate from 1.0 percent to 1.1 percent until the bonds are paid off, at which time the maximum rate returns to 1.0 percent.
- The \$3.2 billion in proceeds from the bond sale were used to repay the interim financing obtained on July 25, 2012 from Citibank, N.A. (which was used to repay the outstanding \$2.8 billion federal loan balance and provide \$382 million to cover UC benefit costs through the end of 2012) and provide \$75 million for the Bond Reserve Fund.
- The refinancing of the federal loan debt through the interim Citibank loan and subsequent bond sale reversed the FUTA credit loss otherwise in place for 2012.
- The fixed rate bonds were issued at an overall interest rate of 1.29 percent, well below the 2012 interest rate of 2.94 percent on federal loans for UC.

Benefit Eligibility (these provisions take effect in 2013 unless otherwise noted)

- Eliminated weekly benefit rates from \$35 to \$69.
- Eliminated fixed benefit duration of 16 or 26 weeks and introduced variable duration: one week of benefits for each “credit week” in the base year, up to 26 weeks of benefits. Claimants must have at least 18 credit weeks to qualify for benefits.
- Adjusted the formula to determine the maximum weekly benefit rate in order to slow the growth of the maximum rate; capped the maximum rate at the 2011 level through 2019; return to normal growth phased in from 2020 through 2023.
- Increased the required percentage of base year wages outside the high quarter from approximately 37 percent to 49.5 percent.
- Required severance pay exceeding a specified amount to be deducted from the claimant’s benefits beginning in 2012.
- Raised credit week earnings requirement from \$50 to \$100 in 2013 and to \$116 in 2015.
- Limited the step down provision to two steps instead of three. If a claimant's base year wages are insufficient to qualify for the weekly benefit rate as determined by his/her high quarter wage or full-time weekly wage, the benefit rate may be determined at the highest of the next two lower rates for which he/she qualifies.
- Lowered partial benefit credit (PBC) from 40 percent to 30 percent. Claimants that work part-time while collecting benefits may earn up to their PBC without a reduction in the amount of UC payable for the week. For every dollar earned above the PBC, the UC benefit payment for the week is reduced by a dollar.
- Required a claimant’s earnings to be in UC-covered employment in order to purge a non-monetary determination or qualify for a new UC benefit year.
- Required claimants to register for employment-search services offered by the PA CareerLink® system and conduct an active search for work beginning in 2012.

Tax Structure

- Increased the taxable wage base in steps from \$8,000 in 2012 to \$10,000 in 2018 and thereafter.
- Decreased the maximum State Adjustment Factor (SAF) from 1.5 percent in 2012 to 1.0 percent in 2013 through 2016, 0.85 percent in 2017, and 0.75 percent in 2018 and thereafter.
- These changes resulted in a revenue neutral re-alignment of the tax structure.

Solvency Trigger Mechanism (these provisions take effect in 2013)

- Restructured the solvency trigger mechanism such that the solvency measures and target dollar amounts previously applicable when the trigger percentage was less than 50 percent now apply from 0 percent through 249 percent.
- Raised the total targeted dollar amount for the solvency trigger mechanism from \$544 million to \$750 million, effective after all bonds and federal loans are fully repaid.

Recovery of Improper Payments and Tax Liabilities

- Extended from six to 10 years the statute of limitations on the recovery of UC benefit overpayments where the claimant is at fault beginning in 2013.
- Provided for the establishment of a UC amnesty period, which will run from June 1, 2013 to Aug. 31, 2013, during which an employer or claimant can pay an outstanding UC debt and receive a reduction in the amount of assessed interest, penalty, or overpayment amount.

Reemployment Fund

- Established a new fund to provide or enhance reemployment services.
- Allocated 5 percent of contributions from the Employee Tax from 2013 through 2017 to the Reemployment Fund.

2012 IN REVIEW

Economic Performance

In 2012, Pennsylvania's economy showed modest signs of recovery. Average annual nonagricultural jobs in the state increased to 5.73 million, a year-over-year gain of 42,200 jobs. Most industry sectors saw moderate job gains in 2012. Goods-producing jobs rose by 8,500, while service-providing jobs increased by 33,600 in 2012. This was the second consecutive year of growth in goods-producing jobs after a 10-year stretch of decline.

Total Unemployment Rate (TUR)

In 2012, Pennsylvania's average total unemployment rate (TUR) was 7.9 percent, the same as in 2011. TUR is the ratio of the number of unemployed persons to the number of persons in the civilian labor force. It is the general unemployment rate that is released monthly by states and the nation. The U.S. Department of Labor's Current Population Survey (CPS) provides monthly and annual estimates of the labor force for the nation and states. The steady TUR resulted from an increase in employment from 5.88 million in 2011 to 5.97 million in 2012 coupled with an increase in unemployment from 507,000 in 2011 to 513,000 in 2012. Overall, the civilian labor force increased by 101,000, from 6.39 million in 2011 to 6.49 million in 2012.

Insured Unemployment Rate (IUR)

The 2012 (preliminary) annual average IUR fell to 3.9 percent compared to 4.2 percent in 2011. The IUR is an unemployment measure that reflects the percent ratio of regular UC claims to covered employment. Covered employment rose from 5.43 million in 2011 to an estimated 5.46 million in 2012. Weeks claimed for 2012 were 11.0 million (an average of 212,000 per week), compared to 11.9 million (an average of 228,000 per week) for 2011, a decrease of 0.9 million weeks.

Benefit Costs

Net regular UC benefits paid decreased by 5 percent to \$2.86 billion in 2012 from \$3.02 billion in 2011. A benefit reduction of 2.3 percent was in place for both 2011 and 2012. The number of weeks paid in regular UC decreased by 928,437, lowering weeks paid to 8.98 million for 2012, the lowest level since 2007 and 42 percent lower than the peak of 15.35 million in 2009. There was an increase in the average regular UC weekly benefit amount from \$335 in 2011 to \$348 in 2012.

The number of individuals receiving regular UC benefits in 2012 was 640,828. This was 37,716 fewer than the 678,544 who received benefits in 2011. First payments decreased from 530,009 in 2011 to 502,647 in 2012. Claimants who received UC first payments in 2012 had an estimated average duration of 17.9 weeks of regular UC benefits, a decrease from the 2011 average duration of 18.7 weeks. The overall decrease in UC benefits paid resulted from declines in the number of recipients and average duration on UC.

Employer and Employee Contributions

During 2012, deposits into the UC Trust Fund from employer and employee contributions totaled \$2.95 billion, up from \$2.79 billion in 2011.

The average tax rate for employers in 2012 was an estimated 6.70 percent, up from 6.54 percent in 2011. Taxable wages rose from \$38.5 billion in 2011 to an estimated \$40.9 billion in 2012.

UC Trust Fund Solvency Measures

On June 30 of each year, the activation of annual solvency measures is determined by calculating the solvency percentage which compares UC Trust Fund reserves to average annual benefit payouts. The solvency percentage is the ratio of the UC Trust Fund balance on June 30 to the average three-year benefit cost ending June 30. This calculated solvency percentage determines the activation of solvency measures for the following calendar year. The following solvency measures were in effect for 2012:

- Employer surcharge of 5.8 percent (yielded \$133 million in contributions due)
- Employer additional tax of 0.65 percent (yielded \$250 million in contributions due)
- Employee tax of 0.08 percent (yielded \$209 million in contributions due)
- Benefit reduction of 2.3 percent (yielded \$67 million in savings)

The solvency percentage calculated for June 30, 2012 was 0 percent. As provided under the reforms of Act 60 of 2012, the solvency measures and target dollar amounts previously applicable when the trigger percentage was less than 50 percent now apply from 0 percent to 249 percent. For calendar year 2013, the employer surcharge, employer additional tax, employee tax, and benefit reduction will be assessed at the rates that have been calculated to meet the target dollar amounts specified by state UC Law. Please see pages 28 and 29 for more details on the solvency trigger mechanism.

Federal Loans, FUTA Tax Credit Reduction, Interim Financing, and Bonds

Starting in March 2009, Pennsylvania's UC Trust Fund required Title XII federal loans to meet benefit payment obligations. At the beginning of 2012, the net loan balance stood at \$3.2 billion, the third highest among 26 states that had Title XII federal loan balances at the beginning of 2012. Between January 1 – July 25, 2012, an additional \$1.1 billion in federal loans were received, and \$1.5 billion in repayments were made. On July 25, 2012, Pennsylvania's \$2.8 billion federal loan balance was repaid in full from \$3.2 billion in interim financing obtained through Citibank, N.A. The interim financing also included \$382 million in UC benefits funding for the remainder of calendar year 2012.

Under the Federal Unemployment Tax Act (FUTA), employers are taxed at a rate of 6.0 percent (rate went from 6.2 to 6.0 on July 1, 2011) each year but are given a credit of 5.4 percent (when certain conditions are met), which reduces the FUTA rate to 0.6 percent. FUTA revenues are used to pay for UC administrative costs, loans to states, and payments under the Extended Benefits (EB) program. However, if a state has an outstanding federal loan balance at the end of a third successive year, employers will have their credit reduced for that year, as the case was in 2011. The FUTA loss-of-credit for 2011 was 0.3 percent, effectively raising the FUTA tax by 0.3 percent. The 2011 FUTA tax increase generated \$96 million (deposited in 2012) that was used to pay down the UC loan balance.

By repaying the federal loan balance in July 2012 through the interim financing with Citibank, the full FUTA credit was restored for employers starting in 2012, lowering the effective FUTA tax rate from 1.2 percent to 0.6 percent. (If the loan balance had not been repaid, the FUTA loss-of-credit would have increased to 0.6 percent.) The federal debt repayment also resulted in the forgiveness of \$6.2 million in interest on the \$1.1 billion in federal loans received in calendar year 2012. Employers were assessed an Interest Tax Factor of 0.20 percent in 2012 (compared to 0.44 percent in 2011) to pay the remaining \$82.1 million in interest that was due to the federal government in September 2012. On Oct. 18, 2012, Pennsylvania closed on the sale of UC bonds generating a total of \$3.2 billion in funds to repay the interim financing and establish a \$75 million Bond Reserve Fund. The interest cost for the fixed rate bonds was 1.29 percent, compared to the interest rate of 2.94 percent charged on federal loans in 2012.

Refinancing of the federal loan debt through the interim Citibank loan and subsequent bond sale is estimated to save employers over \$150 million in interest costs from 2012 through 2019.

Emergency UC and Extended Benefits

The Emergency UC (EUC) program, created in June 2008 and expanded in November 2008 and November 2009, is a federally funded benefit extension that provides for the payment of four separate “tiers” of EUC for up to a total of 53 weeks of benefits for claimants who qualify.

The federal/state Extended Benefits (EB) program became available in Pennsylvania starting in February 2009. EB is available to workers who have exhausted regular UC or EUC during periods of high unemployment. The regular EB program provides up to 13 additional weeks of benefits. An additional seven weeks of High Unemployment Period (HUP) EB benefits is available during peak periods of high unemployment. The American Recovery and Reinvestment Act of 2009 (ARRA) provided for 100 percent federal funding of EB for weeks of unemployment beginning after Feb. 17, 2009. In February 2012, the President signed federal legislation which extended EUC benefits and 100 percent federal funding for EB through December 2012. However, due to a drop in the unemployment rate, Pennsylvania’s EB program triggered off in April 2012, and the last compensable week was the week ending May 12, 2012.

In 2012, a total of 366,000 claimants collected \$2.3 billion in EUC and EB in Pennsylvania (EUC and EB are paid at the same weekly rate as regular UC). At the start of 2012, 47 weeks from three tiers of EUC (20 weeks of Tier 1 + 14 weeks of Tier 2 + 13 weeks of Tier 3) plus 13 weeks from regular EB and 7 weeks from HUP EB were available. In February 2012, the President signed the *“Middle Class Tax Relief and Job Creation Act of 2012,”* which extended EUC benefits and 100 percent federal funding for EB through December 2012. This legislation also reduced the duration of EUC Tier 1 from 20 to 14 weeks and EUC Tier 3 from 13 to nine weeks and increased EUC Tier 4 from six to 10 (Tier 4 was not available in Pennsylvania in 2012) starting with the week ending Sept. 8, 2012.

A detailed timeline on EUC and EB legislation and provisions dating back to 2008 is on provided on pages 42 through 44.

JULY 2012 FORECAST COMPARED TO ACTUAL DATA
2012 CASH FLOW
(DOLLARS IN MILLIONS)

	FORECAST	ACTUAL
Beginning Trust Fund Balance	\$40	\$40
Beginning Federal Loan Balance	\$3,235	\$3,235
Beginning Bond Balance	\$0	\$0
Revenue	\$3,020	\$2,955
Employer and Employee Trust Fund Contributions	\$3,017	\$2,950
Other Trust Fund Revenues ¹	\$3	\$5
Interest Factor Contributions	\$81	\$96
Disbursements	\$2,871	\$2,876
Benefit Payments	\$2,856	\$2,860
Other ²	\$15	\$16
Title XII Federal Loans	\$1,104	\$1,104
Title XII Federal Loan Repayment from Trust Fund	\$1,442	\$1,442
Title XII Federal Loan Repayment from FUTA Credit Reduction ³	\$96	\$96
Title XII Federal Loan Interest Due on September 30	\$82	\$82
Bonds ⁴	\$2,827	\$2,827
Bond Repayment	\$0	\$0
Ending Trust Fund Balance	\$234	\$164
Ending Federal Loan Balance	\$0	\$0
Ending Bond Balance	\$2,827	\$2,827
Trust Fund Balance as of June 30	\$31	\$31
Three Year Average Benefit Cost as of June 30	\$3,467	\$3,467
Solvency Percentage as of June 30 ⁵	0%	0%

Sources: Pennsylvania Department of Labor & Industry
US Bureau of Public Debt
Global Insight July 2012 Baseline Forecast for Pennsylvania

¹Includes other deposits to the Trust Fund such as special Reed Act distributions from the federal government, interest earnings on Trust Fund reserves, and excess FUTA credit reduction revenues.

²Includes other withdrawals from the Trust Fund such as expenditures from Reed Act subaccounts for administrative purposes.

³After two consecutive January 1 pass (Jan. 1, 2010 and Jan. 1, 2011) with a loan balance and the loan balance is not repaid by November 10 of the second year (Nov. 10, 2011), the employer FUTA tax is increased by 0.3 percent to repay federal loans. The tax is increased by 0.3 percent each year, with certain exceptions, until loans are repaid. The FUTA loss of credit began at 0.3% in 2011 (the 0.3% increase will be applied to 2011 taxable wages and collected with tax returns in 2012).

⁴On October 18, 2012, Pennsylvania closed on a \$2.827 billion (par value) UC bond sale generating a total of \$3.244 billion in funds to repay the \$3.185 billion in interim financing that covered the federal loan balance and \$382 million in UC benefit funding through 2012, establish a \$75 million bond reserve fund, and cover the cost of issuance.

⁵Per Act 60 of 2012, the solvency percentage calculation starting in 2012 is based on the nominal Trust Fund balance minus the amount of outstanding federal loans and bond principal.

GLOBAL INSIGHT FORECAST COMPARISON JULY 2012 AND JANUARY 2013¹

JANUARY 2013 GLOBAL INSIGHT FORECAST				
	2012	2013	2014	2015
UNITED STATES				
Gross Domestic Product (Bil. 2005\$'s)	\$13,598.6	\$13,835.9	\$14,209.0	14,695.8
Percent Change	2.3%	1.7%	2.7%	3.4%
National Total Unemployment Rate	8.1%	7.6%	7.3%	6.7%
PENNSYLVANIA				
Industrial Production Index (2007=100)	99.2	101.5	104.7	108.6
Percent Change	3.4%	2.3%	3.2%	3.7%
Total Nonag. Employment (Thousands)	5,726.9	5,795.7	5,874.0	5,964.6
Growth Rate	0.6%	1.2%	1.4%	1.5%
Avg Annual Wage, Total Nonag. (Thous. \$)	\$48.4	\$49.4	\$50.7	\$52.1
Growth Rate	2.3%	2.0%	2.6%	2.8%
State Total Unemployment Rate	7.7%	7.6%	7.2%	6.6%

Source: Global Insight January 2013 Baseline Forecasts for the US and Pennsylvania

JULY 2012 GLOBAL INSIGHT FORECAST				
	2012	2013	2014	2015 ²
UNITED STATES				
Gross Domestic Product (Bil. 2005\$'s)	\$13,580.1	\$13,849.6	\$14,227.6	
Percent Change	2.0%	2.0%	2.7%	
National Total Unemployment Rate	8.1%	8.0%	7.7%	
PENNSYLVANIA				
Industrial Production Index (2007=100)	99.7	102.5	105.7	
Percent Change	3.9%	2.8%	3.1%	
Total Nonag. Employment (Thousands)	5,727.5	5,792.4	5,860.5	
Growth Rate	0.6%	1.1%	1.2%	
Avg Annual Wage, Total Nonag. (Thous. \$)	\$48.5	\$49.6	\$50.8	
Growth Rate	2.4%	2.3%	2.4%	
State Total Unemployment Rate	7.4%	7.3%	6.9%	

Source: Global Insight July 2012 Baseline Forecasts for the US and Pennsylvania

¹Comparison of the economic forecast indicators under the January 2013 Global Insight Forecast versus the July 2012 Forecast used for the 2011 Actuarial Evaluation.

²Projected data for calendar year 2015 were not included in the 2011 Actuarial Evaluation.

OUTLOOK FOR 2013-2015

2013-2015 Economic Data

The Pennsylvania Department of Labor & Industry uses Global Insight's economic forecasts for Pennsylvania and the nation as the basis for projections of UC Trust Fund activity. Global Insight is an economic research firm used by Pennsylvania state agencies. The key Global Insight economic forecast indicators used to determine UC benefit costs are Pennsylvania's total unemployment rate and nonagricultural wage and salary employment. Pennsylvania's nonagricultural wages and employment are used to forecast UC revenue activity.

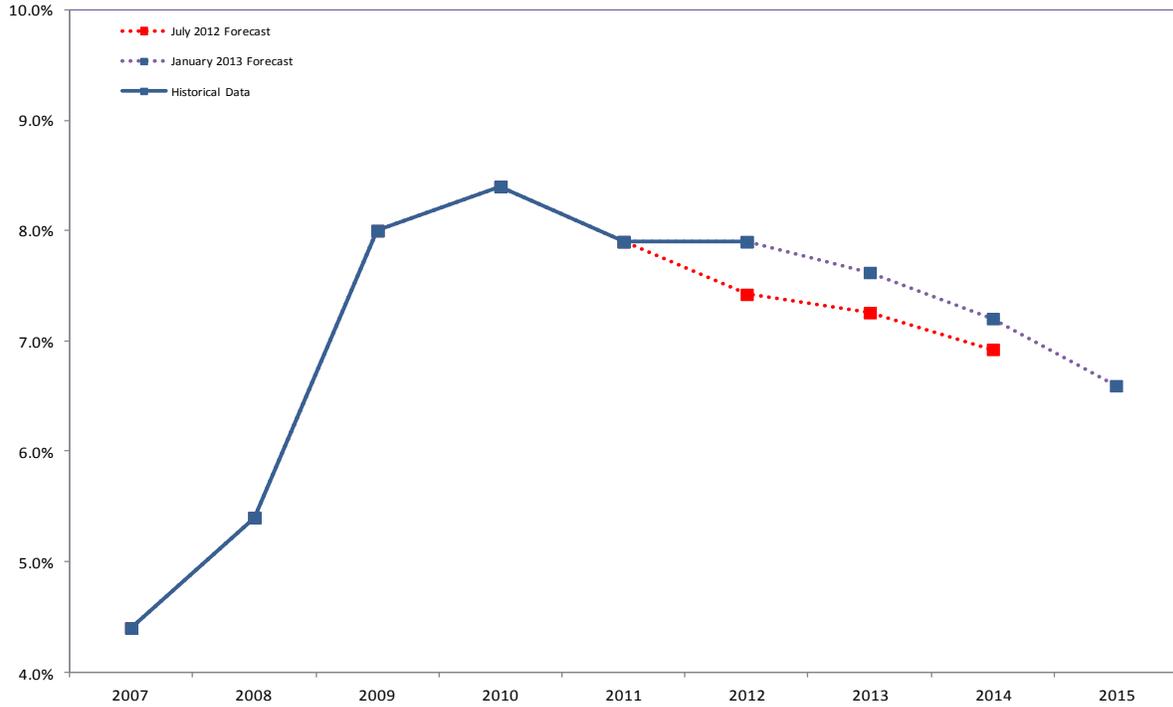
The outlook for 2013-2015 UC activity provided in this report is based on the January 2013 Global Insight Baseline Forecast for the nation and Pennsylvania (referred to as the January 2013 Global Insight Forecast). The table found on page 14 of this report and the graphs on pages 16 through 21 provide a comparison of the economic forecast indicators under the January 2013 Global Insight Forecast versus the July 2012 Global Insight Forecast used for the 2011 Actuarial Evaluation of the UC Trust Fund.

The January 2013 Global Insight Forecast indicates that the economic recovery in Pennsylvania will continue. Pennsylvania's unemployment rate in 2012 remained steady at 7.9 percent, the same as in 2011, and is projected to decline to 7.6 percent in 2013, 7.2 percent in 2014, and 6.6 percent in 2015. Pennsylvania's employment growth reflects this trend. Average annual nonagricultural employment increased from 5.69 million in 2011 to 5.73 million in 2012 and is projected to grow to 5.80 million in 2013, 5.90 million in 2014, and 6.00 million in 2015.

The economy at the national level is also showing signs of improvement. The average annual unemployment rate for the nation is expected to fall from 8.1 percent in 2012 to 7.6 percent in 2013, 7.3 percent in 2014, and 6.7 percent in 2015. Also, the real gross domestic product for the nation is projected to grow 1.7 percent in 2013, 2.7 percent in 2014, and 3.4 percent in 2015.

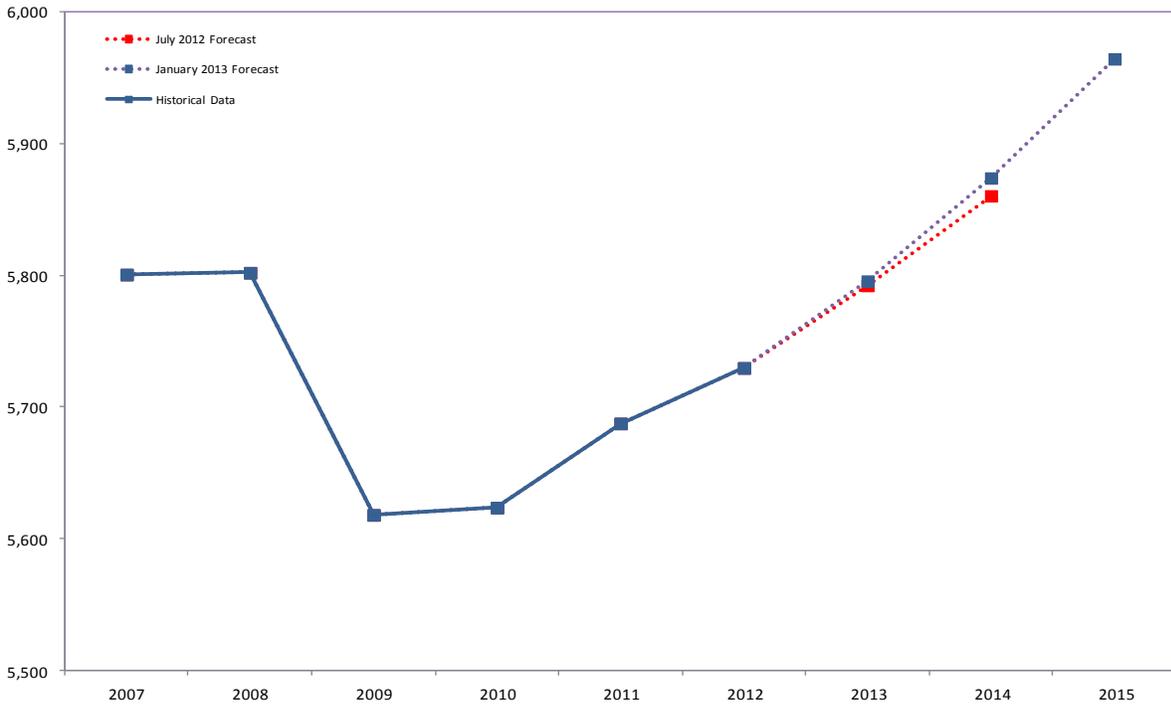
The forecast of UC activity reflects both the outlook for growth in the economy as well as the \$385 million in projected average annual benefit cost savings from the reforms of Act 6 of 2011 and Act 60 of 2012. UC benefit costs are forecasted to decline from \$2.86 billion in 2012 to \$2.51 billion in 2013, \$2.43 billion in 2014, and \$2.29 billion in 2015. Contributions from employers and employees deposited into the UC Trust Fund are projected to decrease from \$2.95 billion in 2012 to \$2.81 billion in 2013, then increase to \$2.98 billion in 2014, and \$3.02 billion in 2015. The UC Trust Fund is projected to continue to move toward solvency through 2015 and beyond as annual revenues from employer and employee contributions are expected to exceed annual benefit costs each year of the projection period.

PA TOTAL UNEMPLOYMENT RATE



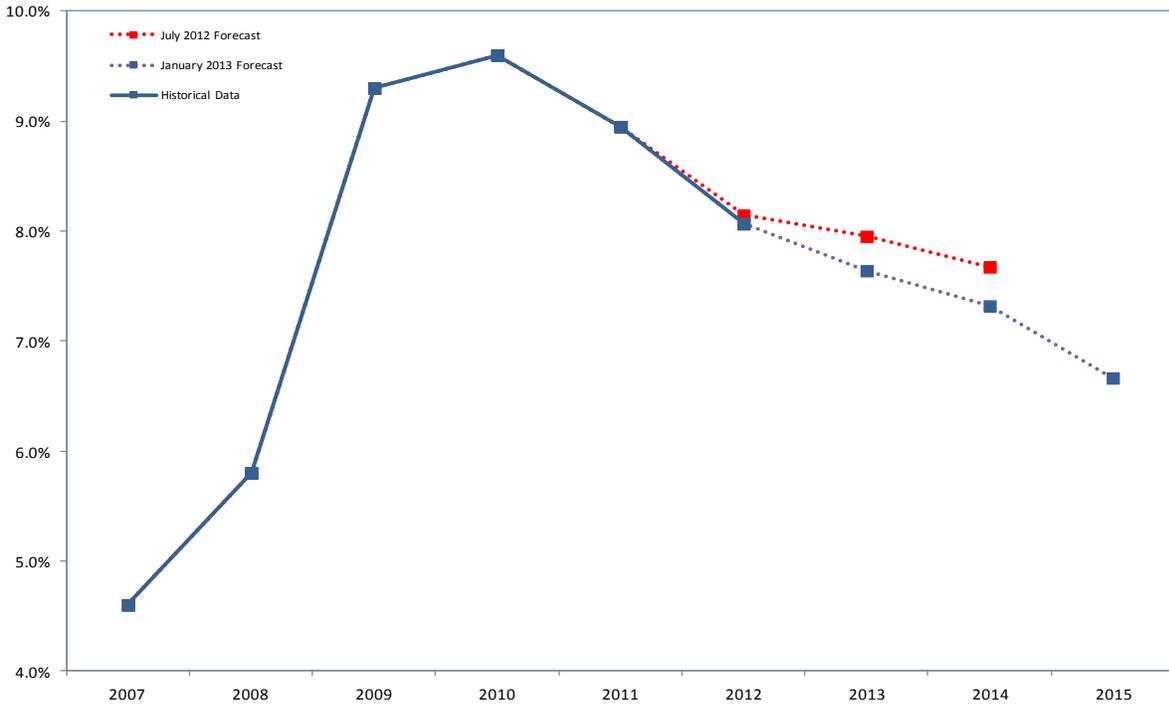
Sources: Pennsylvania Local Area Unemployment Statistics (LAUS)
Global Insight July 2012 and January 2013 Baseline Forecasts for Pennsylvania

PA NONAGRICULTURAL EMPLOYMENT (IN THOUSANDS)



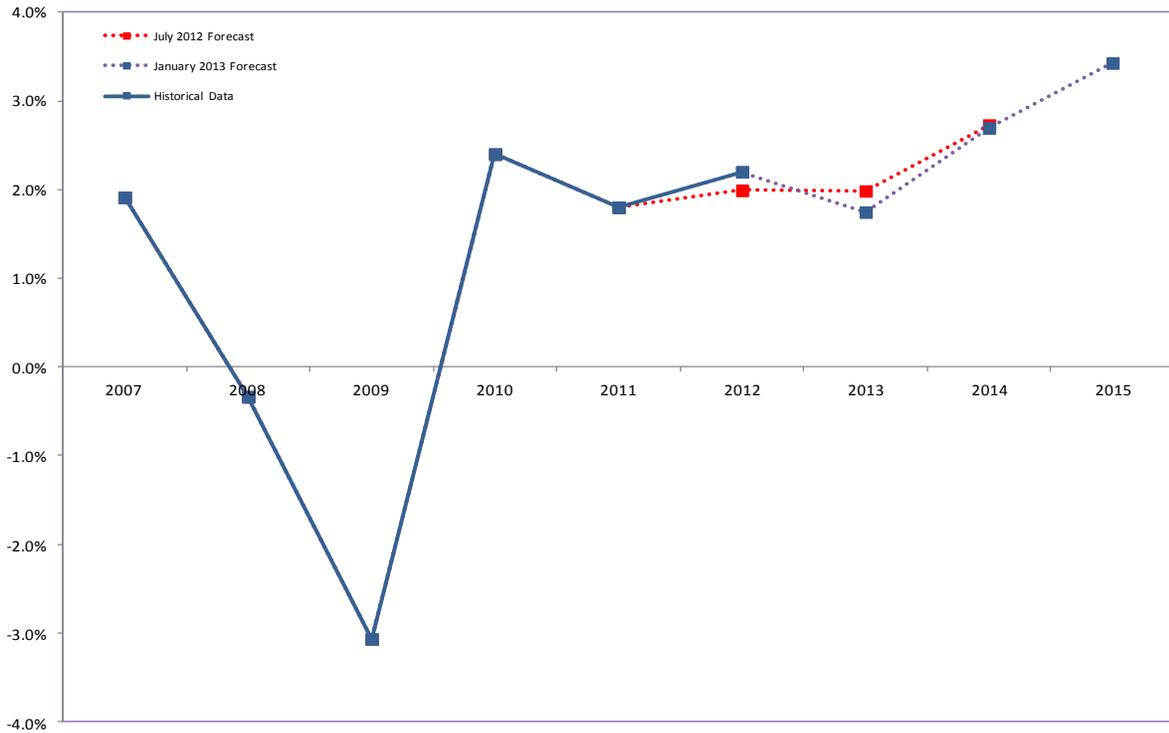
Sources: Pennsylvania Department of Labor & Industry, Current Employment Statistics (CES)
Global Insight July 2012 and January 2013 Baseline Forecasts for Pennsylvania

US TOTAL UNEMPLOYMENT RATE



Sources: US Bureau of Labor Statistics, Current Population Survey (CPS)
Global Insight July 2012 and January 2013 Baseline Forecasts for the US

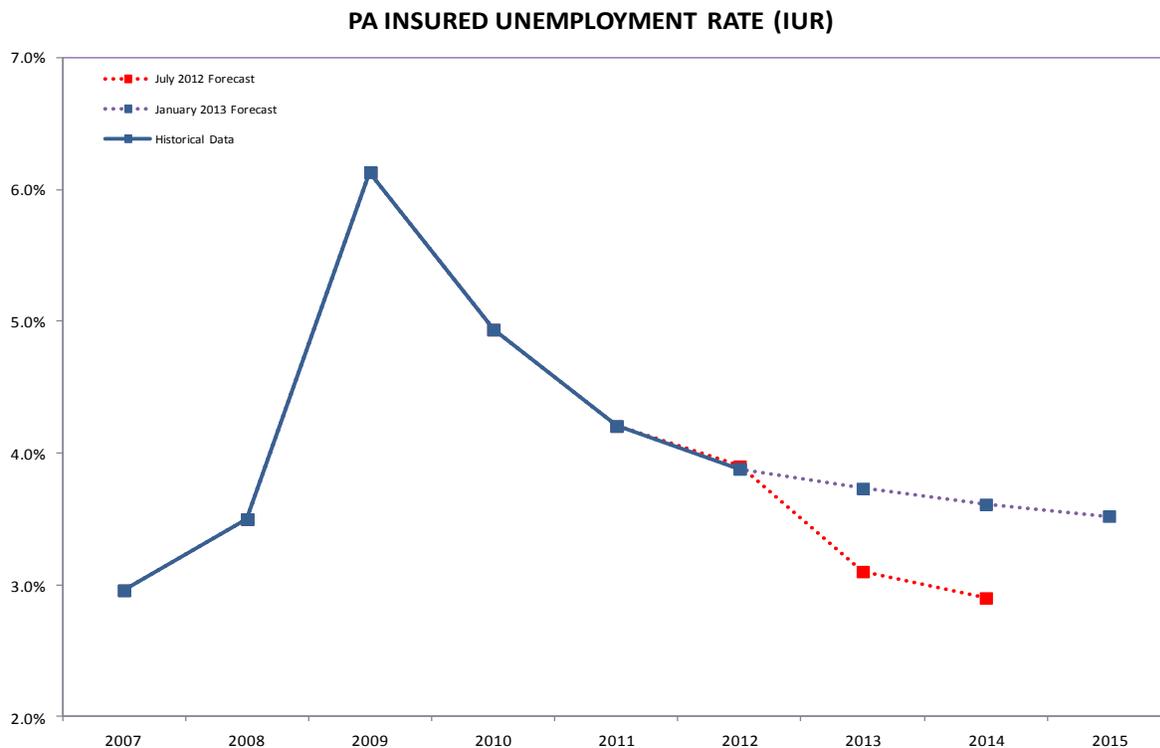
US GROSS DOMESTIC PRODUCT (PERCENT CHANGE)



Source: Global Insight July 2012 and January 2013 Baseline Forecasts for the US

Insured Unemployment Rate (IUR)

The IUR (percent ratio of regular UC claims to covered employment) is projected to decrease from 3.9 percent in 2012 to 3.7 percent in 2013, followed by rates of 3.6 percent in 2014 and 3.5 percent in 2015. The trend in the IUR reflects the projected decline in weeks claimed coupled with moderate growth in UC covered employment through 2015. The number of weeks claimed forecast during the period is 10.8 million for 2013 (down from 11.0 million in 2012), 10.5 million for 2014 and 10.4 million for 2015. UC covered employment is forecast to rise from 5.46 million in 2012 to 5.5 million in 2013, 5.6 million in 2014, and 5.7 million in 2015. Growth in UC covered employment generally follows the same pattern as growth in nonagricultural employment.



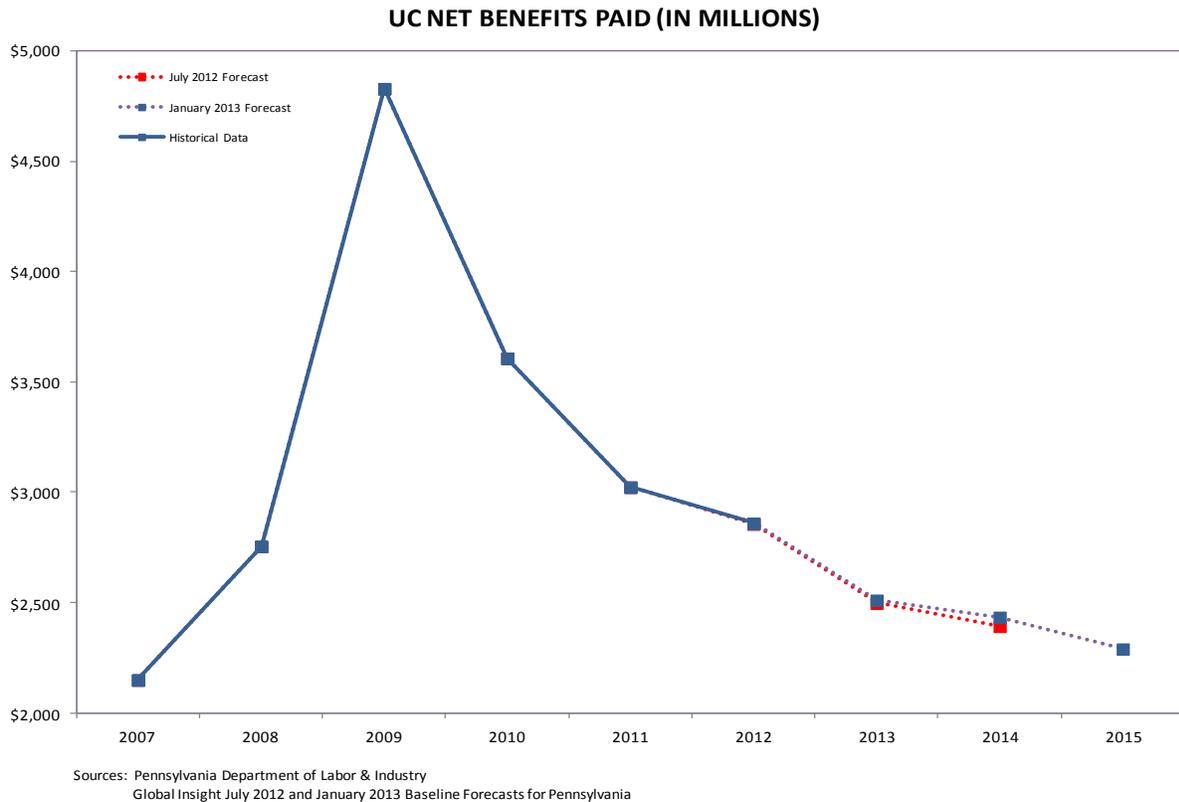
Sources: Pennsylvania Department of Labor & Industry
Global Insight July 2012 and January 2013 Baseline Forecasts for Pennsylvania

Benefit Costs

As a result of the gradual recovery in the economy and savings from Act 6 and Act 60 reforms, UC benefit costs are forecast to fall in the coming years. In 2013, benefits paid will fall to \$2.51 billion, down from 2012's \$2.86 billion level. UC benefits paid are forecast to continue to decline to \$2.43 billion in 2014 and \$2.29 billion in 2015.

The forecast for weeks paid reflects the decline in the amount of benefits paid. The number of weeks paid decreased from 9.91 million in 2011 to 8.98 million in 2012, the lowest level since 2007 and 42 percent lower than the peak of 15.35 million in 2009. Weeks paid are forecast to fall to 8.5 million in 2013, 8.3 million in 2014, and 8.2 million in 2015.

The average weekly benefit amount (based on weeks paid for total unemployment) projected for 2013 is \$353, up from \$348 in 2012, and reflects a benefit reduction of 1.7 percent (compared to a reduction of 2.3 percent in 2012). The average weekly benefit amount projected for 2014 and 2015, \$358 and \$363, respectively, also reflects a 1.7 percent benefit reduction. Act 60 of 2012 freezes the maximum weekly benefit at \$573 through 2019.



Employer and Employee Contributions

Employer and employee contributions during 2013 are forecast to total \$2.82 billion, a decrease over the 2012 total of \$2.95 billion. The amount of total contributions is projected to increase to \$2.98 billion in 2014 and \$3.02 billion in 2015. This section describes the factors that determine the outlook for employer and employee contributions.

Taxable employers subject to the UC law are assigned an UC tax rate each year, which is based on the employer's UC experience (benefits charged versus taxes paid) and the employer solvency measures in effect. The assigned tax rate is applied to the employer's taxable wages to generate the amount of contributions due.

The average UC employer tax rate is projected to be 6.8 percent for 2013, up from 6.7 percent in 2012. The average tax rate is projected to increase again to 7.0 percent in 2014 before dropping to 6.7 percent in 2015. The drop after 2014 reflects the improvement in employers' tax experience factors as benefit charges continue to decline as a result of the economic recovery and benefit cost savings from Act 6 and Act 60 reforms.

Taxable wages are wages paid by contributory employers, up to the taxable wage base for each employee. Since 1984, the taxable wage base has been \$8,000. Under the provisions of Act 60, the taxable wage base will increase from 2012 through 2018 as follows:

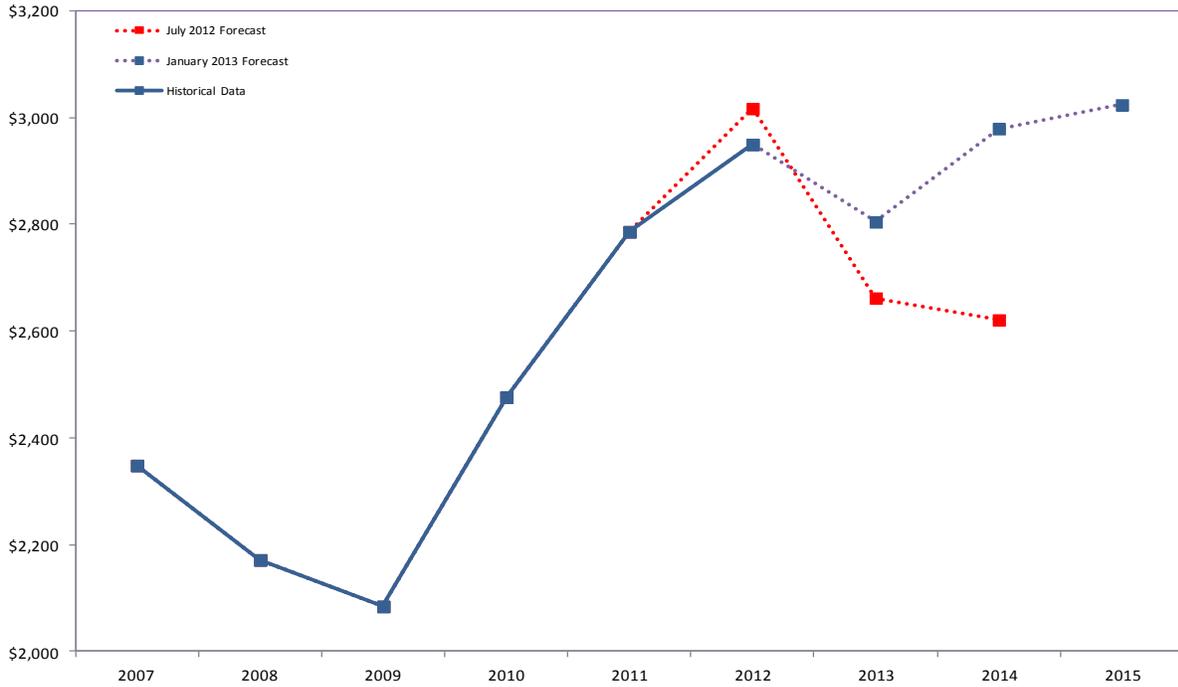
- 2012: \$8,000
- 2013: \$8,500
- 2014: \$8,750
- 2015: \$9,000
- 2016: \$9,500
- 2017: \$9,750
- 2018 and thereafter: \$10,000

Taxable wages are projected to increase from the estimated 2012 total of \$40.9 billion to \$42.3 billion in 2013, \$44.1 billion in 2014 and \$47.1 billion in 2015. Taxable wages will increase as a result of the statutory increase in the taxable wage base as well as growth in UC covered employment. UC covered employment is forecast to rise from an estimated 5.46 million in 2012 to 5.50 million in 2013, 5.60 million in 2014, and 5.70 million in 2015 (follows same pattern as growth in nonagricultural employment).

Some employers, called "reimbursable employers" do not pay UC taxes. Instead, a reimbursable employer reimburses the UC Trust Fund dollar-for-dollar for benefits paid to former employees. Section 501(c)(3) non-profit organizations and political subdivisions may elect to be reimbursable employers. In 2012, an estimated 2.4 percent of covered employers were reimbursable.

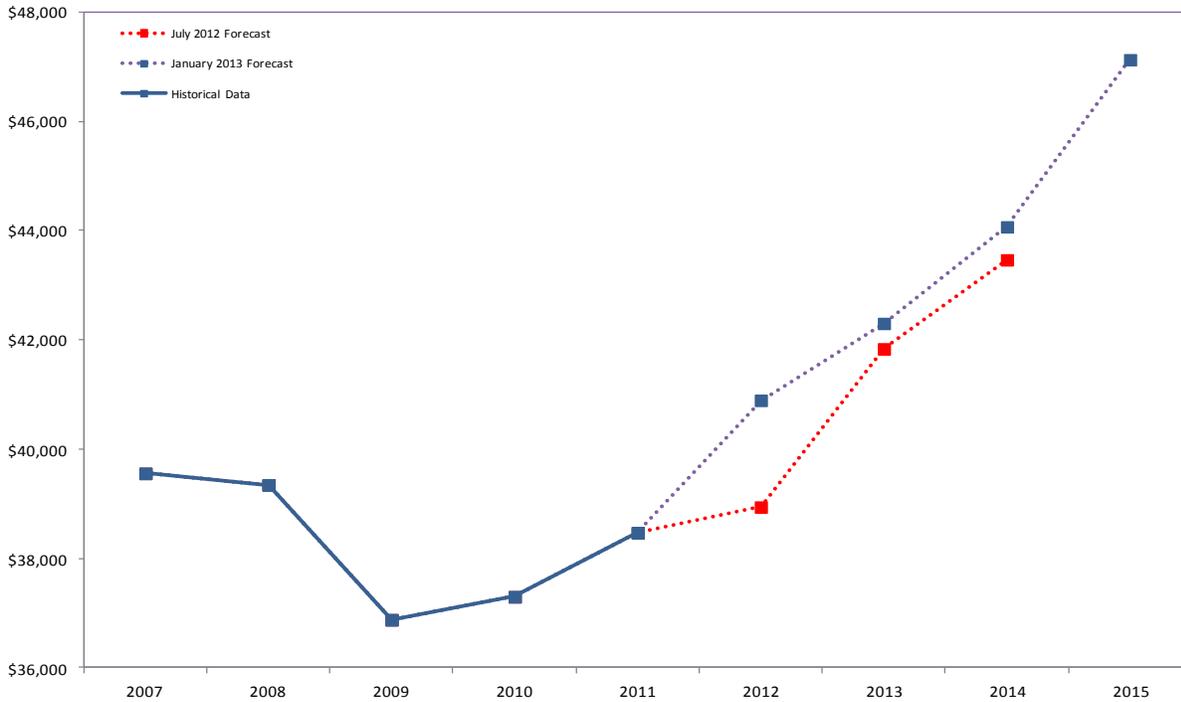
Employee contributions are generated from the employee tax (from the solvency trigger mechanism) applied to total wages, not just those under the taxable wage base. The employee tax rate was 0.08 percent for 2012 and will drop to 0.07 percent for 2013-2015. Total wages are projected to increase from \$261 billion in 2012 to \$270 billion in 2013, \$281 billion in 2014, and \$293 billion in 2015. Under the forecast, the employee tax is expected to generate \$189 million in 2013, \$196 million in 2014, and \$205 million in 2015.

UC EMPLOYER AND EMPLOYEE CONTRIBUTIONS (IN MILLIONS)



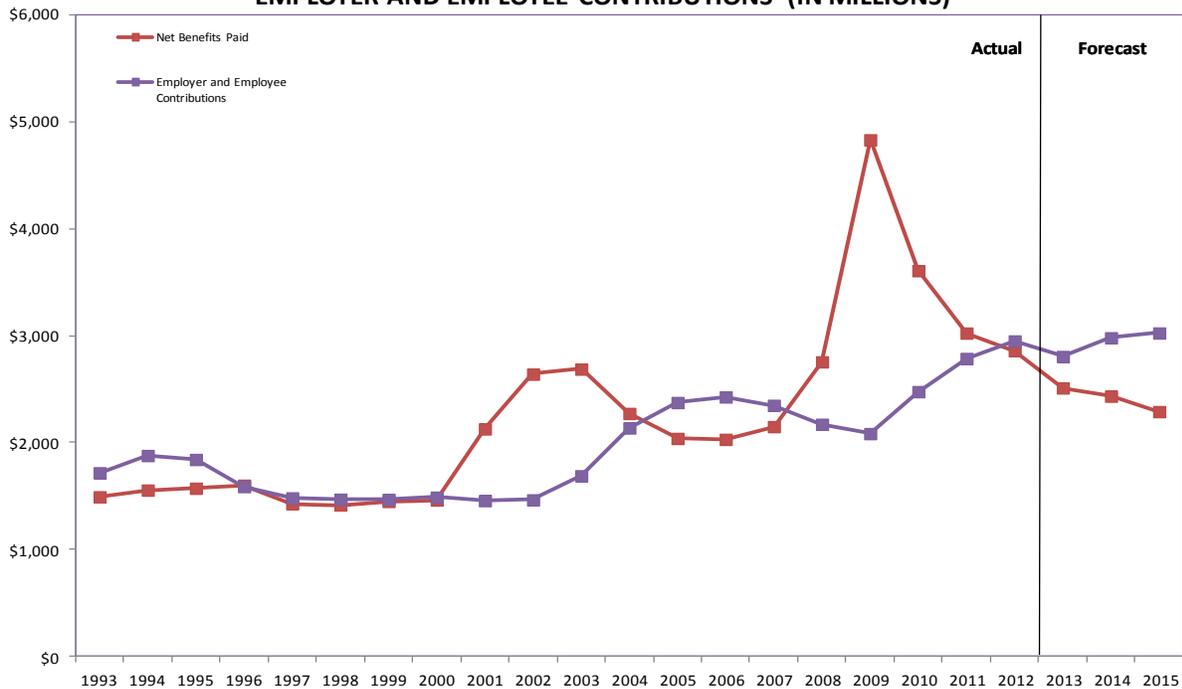
Sources: Pennsylvania Department of Labor & Industry
Global Insight July 2012 and January 2013 Baseline Forecasts for Pennsylvania

UC TAXABLE WAGES (IN MILLIONS)



Sources: Pennsylvania Department of Labor & Industry
Global Insight July 2012 and January 2013 Baseline Forecasts for Pennsylvania

**UC NET BENEFITS PAID VERSUS
EMPLOYER AND EMPLOYEE CONTRIBUTIONS (IN MILLIONS)**



Sources: Pennsylvania Department of Labor & Industry
Global Insight January 2013 Baseline Forecast for Pennsylvania

UC Trust Fund Solvency Trigger Mechanism

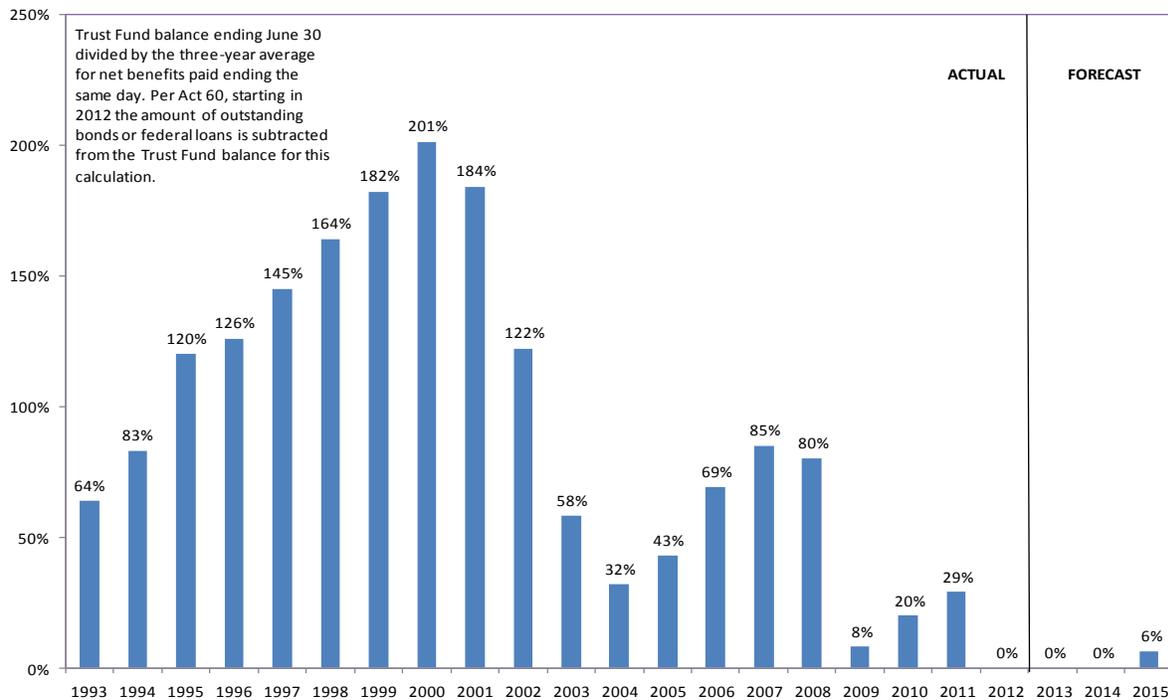
Effective in 1992 and each fifth year thereafter, the UC law requires the solvency measure rates to be redetermined to derive a total targeted annual monetary impact of \$544 million. In July 2012, the solvency measure rates for 2013-2017 were determined based on calendar year 2011 benefit and tax contribution activity. The rate redeterminations are intended to maintain the targeted \$544 million monetary impact of the solvency measures. More detailed information on the solvency trigger mechanism is provided on pages 28 through 30.

The solvency percentage calculated as of June 30 of each year is projected to be 0 percent in 2013 and 2014 and 6 percent in 2015. The calculated solvency percentage determines the activation of solvency measures for the following calendar year. As provided under the reforms of Act 60 of 2012, the solvency measures and target dollar amounts previously applicable when the trigger percentage was less than 50 percent now apply from 0 percent to 249 percent. For calendar years 2013 through 2015, the employer surcharge, employer additional tax, employee tax, and benefit reduction will be assessed at the rates that have been calculated to meet the target dollar amounts specified by state UC law.

The projected solvency measure rates and amounts generated for 2013 through 2015 are as follows:

- **Employer Surcharge:** A 5.1 percent surcharge on employer contributions is in effect for 2013, down from 5.8 percent in 2012. The employer surcharge will remain at 5.1 percent in 2014 and 2015. Employer contributions due from the surcharge will be \$105 million in 2013, \$115 million in 2014 and \$116 million in 2015.
- **Employer Additional Tax:** The employer additional tax is forecast to remain triggered on through 2015. The rate for 2012 was 0.65 percent, and it is forecast to remain at 0.65 percent in 2013-2015. The employer additional tax will yield contributions due totaling \$259 million in 2013, \$270 million in 2014, and \$289 million in 2015.
- **Employee Tax:** The employee tax will be in effect in 2013 through 2015. For 2013, the employee tax rate is 0.07 percent (down from 0.08 percent in 2012) and will remain at 0.07 percent in 2014 and 2015. Tax contributions due from this measure will total \$189 million in 2013, \$196 million in 2014 and \$205 million in 2015. Per Act 60, 5 percent of employee tax contributions from 2013 through 2017 will be allocated to the Reemployment Fund to provide or enhance reemployment services for UC claimants.
- **Benefit Reduction:** The benefit reduction will be in effect for 2013 through 2015. A rate of 1.7 percent (down from 2.3 percent in 2012) will yield benefit reductions totaling \$43 million in 2013, \$42 million in 2014, and \$40 million in 2015.

UC TRUST FUND SOLVENCY PERCENTAGE



Sources: Pennsylvania Department of Labor & Industry
Global Insight January 2013 Baseline Forecast for Pennsylvania

UC TRUST FUND SOLVENCY TRIGGER MECHANISM¹
2012-2015
JANUARY 2013 GLOBAL INSIGHT FORECAST

	ACTUAL	FORECAST		
	2012	2013	2014	2015
Solvency Percentage ²	0%	0%	0%	6%
Trigger Level ²	Less than 50%	Less than 250%	Less than 250%	Less than 250%
EMPLOYER SURCHARGE				
Percentage	5.8%	5.1%	5.1%	5.1%
Contributions Due (in millions)	\$133	\$105	\$115	\$116
EMPLOYER ADDITIONAL TAX				
Percentage	0.65%	0.65%	0.65%	0.65%
Contributions Due (in millions)	\$250	\$259	\$270	\$289
EMPLOYEE TAX				
Percentage	0.08%	0.07%	0.07%	0.07%
Contributions Due (in millions)	\$209	\$189	\$196	\$205
BENEFIT REDUCTION				
Percentage	2.3%	1.7%	1.7%	1.7%
Benefit Reduction (in millions)	\$67	\$43	\$42	\$40

Source: Pennsylvania Department of Labor & Industry

¹Solvency measures are applicable to year shown but are activated by the prior year solvency percentage. Solvency measure rates were recalculated in 2007 (for 2008-2012) and in 2012 (for 2013-2017) as required by Unemployment Compensation Law.

²Solvency percentages are calculated as of June 30 and determine the trigger levels which yield the solvency measures for the following calendar year. Beginning in 2013, there will be a single trigger level of "Less than 250%". See the following pages for a more detailed explanation of the Solvency Trigger Mechanism.

Federal Loans, FUTA Tax Credit Reduction, Interim Financing, and Bonds

Act 60 of 2012 included provisions for refinancing Pennsylvania's Title XII federal loans for UC through the sale of bonds to obtain the lowest possible rate of interest and to fully restore the Federal Unemployment Tax Act (FUTA) credit for employers starting in 2012. On July 25, 2012, Pennsylvania's \$2.8 billion federal loan balance was repaid in full from \$3.2 billion in interim financing obtained through Citibank, N.A. The interim financing also included \$382 million in UC benefits funding for the remainder of calendar year 2012. As a result of repaying the federal loan balance, the full FUTA credit was restored for employers starting in 2012. If the federal loan balance had not been repaid before November 10, 2012, the FUTA loss-of-credit would have increased from 0.3 percent (previously assessed on 2011 wages) to 0.6 percent on 2012 wages. On Oct. 18, 2012, Pennsylvania closed on the sale of UC bonds generating a total of \$3.2 billion in funds to repay the interim financing, establish a \$75 million Bond Reserve Fund, and cover the cost of issuance. This refinancing of the federal loan debt through the interim Citibank loan and subsequent bond sale is estimated to save employers over \$150 million in interest costs from 2012 through 2019.

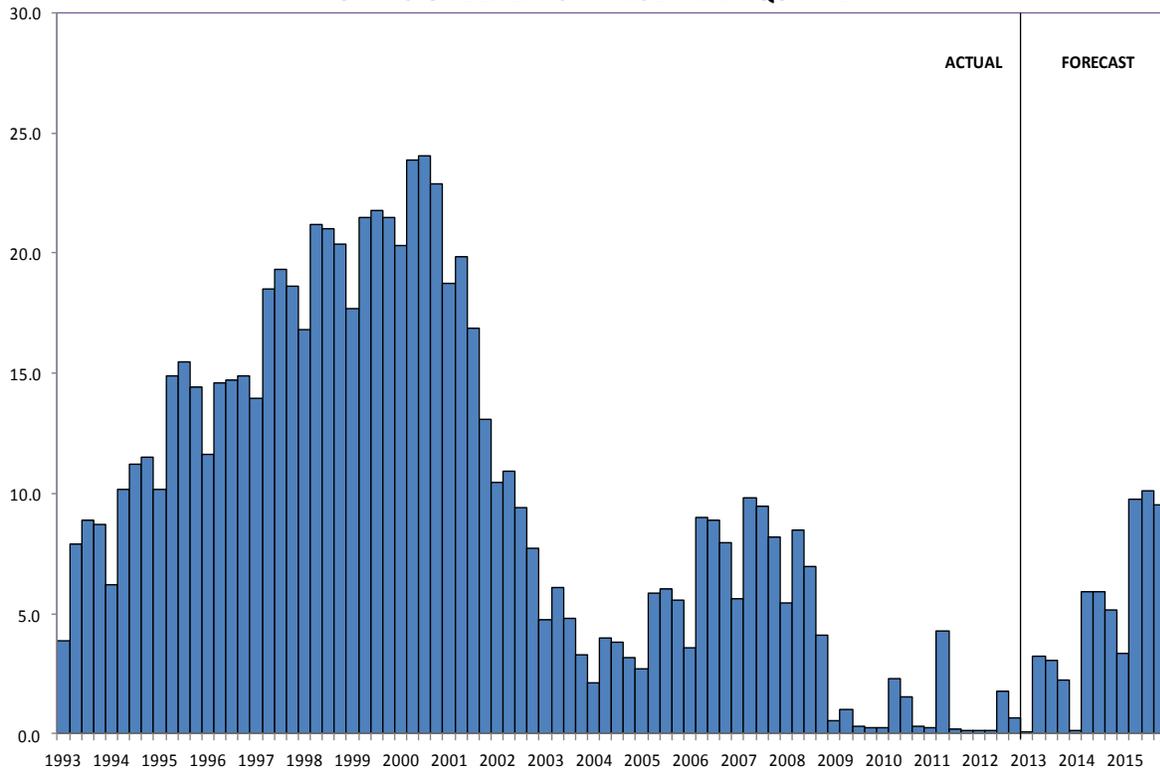
The Interest Factor, a separate component of the employer UC contribution rate that was originally created for repaying interest on Title XII federal loans, was repurposed under the provisions of Act 60 for both interest on federal loans and to pay off bonds. An Interest Factor of 0.20 percent was assessed on employers in 2012 to pay the \$82.1 million in interest that was due on September 30, 2012 to the federal government. Starting in 2013, the rate is required to be set annually in an amount sufficient to ensure full and timely payment of the bond debt, up to a maximum of 1.1 percent. In 2013, 2014 and 2015, the Interest Factor will be 1.1 percent. Interest Factor revenues are projected to be \$410 million in 2013, \$455 million in 2014, and \$485 million in 2015.

Federal cash flow loans are anticipated in the first quarter of 2013 and 2014 which will be repaid before the end of the second quarter in the same year.

UC Trust Fund Summary

As a result of cost savings from Act 6 and Act 60 provisions and gradually improving economic conditions, employer and employee contributions will exceed benefit payments in 2013, 2014 and 2015, as the UC Trust Fund starts to move toward solvency. The calendar year ending Trust Fund balance is projected to reach \$469 million (2.2 months of benefits) for 2013, \$1.0 billion (5.2 months of benefits) for 2014, and \$1.8 billion (9.5 months of benefits) for 2015.

**UC TRUST FUND BALANCE
MONTHS OF BENEFITS IN RESERVE BY QUARTER**



Sources: Pennsylvania Department of Labor & Industry
Global Insight January 2013 Baseline Forecast for Pennsylvania

**UC TRUST FUND
2012 - 2015 CASH FLOW
JANUARY 2013 GLOBAL INSIGHT FORECAST
(DOLLARS IN MILLIONS)**

	ACTUAL	FORECAST		
	2012	2013	2014	2015
Beginning Trust Fund Balance	\$40	\$164	\$469	\$1,046
Beginning Federal Loan Balance	\$3,235	\$0	\$0	\$0
Beginning Bond Balance	\$0	\$2,827	\$2,464	\$2,039
Employer and Employee Trust Fund Contributions	\$2,950	\$2,805	\$2,979	\$3,024
Trust Fund Interest Earned	\$4	\$16	\$32	\$40
Interest Factor Contributions ¹	\$96	\$410	\$455	\$485
Benefit Payments	\$2,860	\$2,511	\$2,434	\$2,290
Title XII Federal Loans	\$1,104	\$410	\$0	\$0
Title XII Federal Loan Repayment from Trust Fund	\$1,442	\$410	\$0	\$0
Title XII Federal Loan Repayment from FUTA Credit Reduction ²	\$96	\$0	\$0	\$0
Title XII Federal Loan Interest Due on September 30	\$82	\$0	\$0	\$0
Bonds ³	\$2,827	\$0	\$0	\$0
Bond Repayment	\$0	\$363	\$425	\$460
Ending Trust Fund Balance	\$164	\$469	\$1,046	\$1,820
Ending Federal Loan Balance	\$0	\$0	\$0	\$0
Ending Bond Balance	\$2,827	\$2,464	\$2,039	\$1,579
Trust Fund Balance as of June 30	\$31	\$721	\$1,212	\$1,917
Three Year Average Benefit Cost as of June 30	\$3,467	\$2,831	\$2,669	\$2,500
Solvency Percentage as of June 30 ⁴	0%	0%	0%	6%

Sources: Pennsylvania Department of Labor & Industry
US Bureau of Public Debt
Global Insight January 2013 Baseline Forecast for Pennsylvania

¹Interest Factor contributions are deposited into the Debt Service Fund to cover bond debt service and Title XII federal loan interest.

²After two consecutive January 1 pass (Jan 1, 2010 and Jan 1, 2011) with a loan balance and the loan balance is not repaid by November 10 of the second year (Nov 10, 2011), the employer FUTA tax is increased by 0.3 percent to repay federal loans. The tax is increased by 0.3 percent each year, with certain exceptions, until loans are repaid. The FUTA loss of credit was 0.3% for 2011 (the 0.3% increase was applied to 2011 taxable wages and

³On October 18, 2012, Pennsylvania closed on a \$2.827 billion (par value) UC bond sale generating a total of \$3.244 billion in funds to repay the \$3.185 billion in interim financing that covered the federal loan balance and \$382 in UC benefit funding through 2012, establish a \$75 million bond reserve fund, and cover the cost of

⁴Per Act 60 of 2012, the solvency percentage calculation starting in 2012 is based on the nominal Trust Fund balance minus the amount of outstanding federal loans and bond principal.

UC TRUST FUND SOLVENCY TRIGGER MECHANISM

The UC Law was amended in October 1988 to include an UC trigger mechanism. The amendment provided that a solvency measurement, in the form of a solvency percentage, be taken each July 1, starting in 1989. The solvency percentage determines the trigger level, which in turn activates in the subsequent calendar year specified tax measures for both employers and employees and triggers “on” or “off” a reduction to UC benefits.

The solvency percentage is calculated annually on July 1 according to the following formula:

$$\text{Solvency Percentage} = \frac{\text{UC Trust Fund balance (June 30)}}{\text{Average of benefit costs for last three fiscal years (June 30)}} \times 100$$

Effective in 1992 and each fifth year thereafter, the UC Law requires the solvency measure rates to be redetermined to derive a targeted annual monetary impact for each solvency measure. Rates are to be redetermined based on the prior calendar year's benefit and contribution activity and are effective in the following calendar year. The rate redeterminations are intended to maintain the monetary impact of each solvency measure at a level comparable to what would be derived by the original rates at the time of the solvency trigger's adoption. Solvency measure targeted dollar values are listed below. Under Act 60, starting in 2013, the solvency trigger mechanism was reduced to a single level where all measures trigger “on” at a solvency percentage less than 250 percent.

**SOLVENCY MEASURES TARGETED DOLLAR AMOUNTS
PRIOR TO 2013 (PRE-ACT 60)
(DOLLARS IN MILLIONS)**

TRIGGER LEVEL	EMPLOYER SURCHARGE ¹	EMPLOYER ADDITIONAL CONTRIBUTIONS ²	EMPLOYEE TAX ³	BENEFIT REDUCTION
150% or more	-\$18	\$0	\$0	\$0
125% but less than 150%	0	0	0	0
110% but less than 125%	50	0	33%	0
95% but less than 110%	100	0	66%	0
75% but less than 95%	100	75	116%	0
50% but less than 75%	100	150	166%	0
Less than 50%	100	225	166%	52
Less than 25%		Prior trigger level solvency measures and transfer (if any) from Unemployment Compensation Trigger Reserve Account.		

Source: Pennsylvania Department of Labor & Industry

**SOLVENCY MEASURES TARGETED DOLLAR AMOUNTS
BEGINNING IN 2013 (AS SPECIFIED UNDER ACT 60)
(DOLLARS IN MILLIONS)**

TRIGGER LEVEL	EMPLOYER SURCHARGE ¹	EMPLOYER ADDITIONAL CONTRIBUTIONS ²	EMPLOYEE TAX ³	BENEFIT REDUCTION
250% or more	\$0	\$0	\$0	\$0
Less than 250%	100	225	166%	52

Source: Pennsylvania Department of Labor & Industry

¹ Assessed on employer contributions due and excludes reimbursable employers. The surcharge is not assessed on employer additional contributions.

² Added on to an employer's assigned rate and excludes new and reimbursable employers. The measure is not subject to the solvency surcharge on contributions due.

³ Assessed on all employee gross wages for a calendar year.

In 1992, 1997, 2002, 2007, and 2012 the rates were recalculated to meet the targeted dollar amounts based on the previous calendar year contribution and benefit activity. The following tables show the solvency measure rates that were recalculated for use in 2008 through 2012 and 2013 through 2017.

SOLVENCY MEASURES 2008-2012¹

TRIGGER LEVEL	EMPLOYER SURCHARGE ³	EMPLOYER ADDITIONAL CONTRIBUTIONS ⁴	EMPLOYEE TAX ⁵	BENEFIT REDUCTION
150% or more	-1.1%	None	None	None
125% but less than 150%	None	None	None	None
110% but less than 125%	2.9%	None	0.02%	None
95% but less than 110%	5.8%	None	0.03%	None
75% but less than 95%	5.8%	0.25%	0.06%	None
50% but less than 75%	5.8%	0.45%	0.08%	None
Less than 50%	5.8%	0.65%	0.08%	2.3%
Less than 25%		Prior trigger level solvency measures and transfer (if any) from Unemployment Compensation Trigger Reserve Account.		

Source: Pennsylvania Department of Labor & Industry

Beginning in 2013, solvency measures will be assessed if the solvency percentage on June 30 of the preceding year is less than 250 percent. The following table shows projected solvency measure rates for 2013 through 2017.

SOLVENCY MEASURES 2013-2017²

TRIGGER LEVEL	EMPLOYER SURCHARGE ³	EMPLOYER ADDITIONAL CONTRIBUTIONS ⁴	EMPLOYEE TAX ⁵	BENEFIT REDUCTION
250% or more	None	None	None	None
Less than 250%	5.1%	0.65%	0.07%	1.7%

Source: Pennsylvania Department of Labor & Industry

¹Solvency measures for 2008-2012 were determined in 2007 based on contribution and benefit activity for calendar year 2006.

²Solvency measures for 2013-2017 are based on contribution and benefit activity for calendar year 2011.

³Assessed on employer contributions due and excludes reimbursable employers. The surcharge is not assessed on solvency additional contributions.

⁴Added on to an employer's assigned rate and excludes new and reimbursable employers. The measure is not subject to the solvency surcharge on contributions due.

⁵Assessed on all employee gross wages for a calendar year.

Status of UC Programs and Initiatives

Office of UC Tax Services (OUCTS)

Workload Highlights for 2012

- Completed 5,078 tax compliance audits on gross payroll of \$158,278,820
- Completed audits included the pickup of 8,971 misclassified workers and \$2,453,944 in underreported contributions
- Approximately \$2.95 billion dollars was deposited into the UC Trust Fund, representing timely and delinquent payments from employers.
- There are 1,007 payment plans as of Dec. 31, 2012.

Employer Outreach

OUCTS continues to participate in seminars and outreach programs to educate employers, accountants and payroll services on their rights and responsibilities under the Pennsylvania UC Law. Topics included are:

- Misclassified workers
- Professional employer organizations (PEO)
- Contribution rates
- Rate appeal deadlines
- Taxability of corporate officer wages
- Coverage issues
- UC audits
- History of UC
- UC Management System (UCMS)

Electronic Filing

Employers now have a more efficient means of filing quarterly UC reports and paying taxes online now that the UC Management System (UCMS) has replaced the e-TIDES electronic filing system. In addition, employers and employer representatives (i.e., third party administrators, or TPAs) will be able to do the following:

- File quarterly wage report (UC-2A) information online. UCMS uses the wage information to calculate the employer's quarterly tax report (UC-2) information: gross and taxable wages and the amounts due for employee withholding, employer contributions, and interest and penalty if applicable.

- Upload a file containing quarterly wage report and tax report information. Acceptable file formats are Interstate Conference of Employment Security Agencies (ICESA) and Comma Delimited.
- Send a file containing quarterly wage report information via File Transfer Protocol (FTP). FTP allows the transfer of files over the Internet. Acceptable file formats are ICESA and Social Security Administration.
- Send a file containing quarterly tax report information via FTP using a tab delimited file format.
- Amend previously filed quarterly wage and tax reports. Through UCMS, this can be done online by uploading files or by sending files via FTP using the ICESA format.
- Pay all quarterly amounts due online by ACH debit and credit card (including a PIN-less debit card). Employers can also print a payment voucher to mail. With the arrival of UCMS, TPAs representing more than one employer can file wage and tax report information for multiple clients by FTP. Filing quarterly wage reports via magnetic tapes, cartridges or diskettes will be discontinued.

UCMS was opened up for electronic filing for the first time with the filing of the 4th quarter 2012 UC tax reports. E-Tides is no longer available.

2012 Q4 UC-2 Processing by Filing Type	
Filing Type	Actual
FTP	85,491
File Upload	2,806
Online (UCMS)	41,589
Total Electronic Filing	129,886
Paper(Dept of Revenue)	144,023
Total	273,909

Misclassified Workers

Studies have estimated that up to 25 percent of workers are misclassified as independent contractors when in fact an employer/employee relationship exists. Misclassified workers have become an important education and auditing initiative for OUCTS.

The federal government and other states have also encountered problems with the misclassification of employees as “independent contractors,” and the subsequent under-reporting of taxable wages.

In order to address this issue, OUCTS is conducting audits of registered and unregistered employers in industries, where historically workers have been misclassified. During 2012, OUCTS discovered 8,971 misclassified workers and \$2,453,944.37 in underreported contributions. This effort will continue in 2013.

SUTA Dumping

Like all states, Pennsylvania uses an “experience rating” system to compute the yearly UC tax rates that are assigned to covered employers. The experience rating system bases the yearly tax rate assigned to an employer on the employer’s history of taxable wages, contributions paid into the UC Trust Fund and benefits payments to former employees.

“SUTA Dumping” is the term applied to schemes by which employers artificially reduce state UC tax obligations by evading unfavorable experience records. When employers engage in SUTA Dumping and receive artificially low tax rates, any UC benefits that are not recovered by the lower rates must be underwritten by the general employer population, which tends to raise the tax rates that must be paid by all employers.

For several years, OUCTS has been systematically targeting and investigating suspected cases of SUTA Dumping in the Commonwealth. As of the end of 2012, OUCTS has undertaken 264 investigations and has identified \$32.3 million in additional contributions payable to the UC Trust Fund. This effort will continue in 2013 with the implementation of the latest version of the U.S. Department of Labor’s automated SUTA Dumping Detection System (SDDS) program.

Office of UC Service Centers (OUCSC) and Office of UC Benefits Policy (OUCBP)

Workload Highlights for 2012

In 2012, OUCSC processed 754,558 new initial claims, 671,412 additional claims and more than 11.0 million continued claims. Additionally, OUCSC issued 275,980 non-monetary determinations for UC eligibility.

OUCSC completed over 3 million telephone calls in 2012. A new ACD system was installed and incoming telephone ports were increased in order to deal with the increased demands of serving unemployed individuals and Pennsylvania employers.

A total of 660,315 new initial and additional claims were processed over the Internet in 2012 at uc.pa.gov, accounting for 46 percent of all new initial and additional claims filed. Also, Internet usage for filing biweekly continued claims continued to grow. In 2012, continued claims processed through the Internet accounted for about 60 percent of all continued claims, up from 57 percent in 2011.

Weekly Mass Email to Claimants

In an attempt to reduce the number of telephone calls to the service centers, increase communication with UC claimants and acclimate them to information available on the Department of Labor & Industry website, starting in May 2011, OUCSC began sending weekly mass emails to claimants who have provided their email addresses when filing their initial claims for benefits and have received their first benefit payments. The email messages mainly focus on fraud prevention, but also include other information such as holiday payment schedules, Internet services, etc., and are written in English and Spanish. The email messages are sent to approximately 61,205 claimants each week.

Services for Limited English Proficiency (LEP) Customers

Recognizing the importance of providing services based on the individual needs of the customers, OUCSC provides translation services in over 200 different languages through Language Services Associates IntrepreTalk® for customers who are limited English or non-English speaking. When a claimant or other individual contacts OUCSC by telephone and the individual has difficulty communicating in English, OUCSC representatives use IntrepreTalk® to assist in determining the customer's language needs before providing further service. In 2012, OUCSC used IntrepreTalk® to assist with 46,013 calls in 73 different languages. The top four languages requested were: Spanish, Arabic, Vietnamese and Cantonese, with Spanish comprising 87 percent of the calls. Twelve new languages were requested this year: Asante, Cape Verdean Creole, Fante, Fulani, German, Hebrew, Kirundi, Krio, Oromo, Pashto, Sinhalese and Teluga. Additionally, eight bilingual staff throughout OUCSC are available to assist Spanish-speaking customers.

There were 4,410 Spanish Internet initial claims in 2012 as compared to 2,741 in 2011. Over 43,195 continued claims were filed via the Spanish Internet continued claims site during 2012 as compared to 41,496 in 2011. In addition, there is a paper claim form in Spanish for individuals who have difficulty using the Internet or telephone systems. As the need is determined, paper claim forms will be provided in other languages.

Videophone Services for the Deaf

Since March 2011, OUCSC has been offering videophone service for the deaf to communicate directly with an UC claims representative through a state-registered American Sign Language interpreter. The service is available from noon to 4 p.m. every Wednesday by calling 717-704-8474 from any videophone. The videophone service is a collaboration between the Pennsylvania Office for the Deaf & Hard of Hearing, OUCSC's Customer Services Division and local service agencies. Individuals who are deaf may use the videophone service to file claims for unemployment benefits, ask questions about their claims or get information about UC programs. This program averages 13 calls per week.

Shared-Work Program

During the second quarter of 2012 the Department of Labor & Industry began a short-time compensation program for Pennsylvania employers and their employees, providing them with more flexibility in an uncertain economy. This program, called the Shared-Work Program, is an alternative to employer having to lay off their trained workforces during economic downturns. A shared-work plan allows an employer to temporarily reduce the work hours of a group of employees. Employees covered by the plan receive a percentage of their UC weekly benefit amount while they work the reduced schedule, if they are otherwise eligible for UC. Since the roll out of this program approximately 12 companies and over 100 employees have benefited from participation in a work share plan.

Keystone Works

On July 5, 2012, Governor Tom Corbett signed legislation that will help to connect unemployed Pennsylvanians with employers who are looking for new hires. Keystone Works provides an opportunity for unemployed workers to receive training with an employer while continuing to receive UC benefits.

The program allows UC claimants to receive training directly from an employer looking for people to fill openings in high priority occupations. During the training period the employer will not provide any compensation to the worker, who will continue to receive their UC benefits. At the conclusion of the training period the employer will receive a monetary incentive when the employer hires the unemployed, newly-trained worker.

Keystone Works requires that all training programs be approved by the Department of Labor & Industry and that they are consistent with the Fair Labor Standards Act. Participating businesses are also required to provide a maximum of 24 hours of training a week for up to eight weeks. In 2012 five businesses obtained Keystone Works approval. As communication about the program reaches employers participation is expected to increase.

JobGatewaySM

In an attempt to assist UC claimants in finding reemployment, the new JobGatewaySM website was created specifically for them to register for employment-search services. This replaces the existing PA CareerLink[®] website, which continues to be available for those not collecting UC benefits who want to explore new career opportunities.

Workforce Development Initiatives

Personal computers, funded by the UC program, are installed in all PA CareerLink[®] centers to facilitate claimant access to automated UC applications and PA CareerLink[®] enrollment processes. Also, all UC services are available in Spanish over the Internet. This initiative was designed to allow direct access to both UC and reemployment services in a single location, thereby returning customers to gainful employment as soon as possible. It also means more claimants can take advantage of the wide variety of UC services available via the Internet.

OUCBP workforce development field staff continue to participate with PA CareerLink[®] partners in reemployment services for UC claimants. In 2012, OUCBP staff assisted at 707 rapid response informational presentations and trade benefit rights interviews that impacted over 20,000 workers. OUCBP staff also participated in 22 job fairs and *Here to Help* events throughout the state. These events, often sponsored by PA CareerLinks[®], provided unemployed persons with one location where information about local job opportunities and social services was available. In addition to answering questions from participants and making presentations regarding UC eligibility requirements and how to file applications for benefits, OUCBP staff also provided information on state civil service employment opportunities.

OUCBP workforce development field staff also participated in chairing 17 regional workforce development meetings. These meetings brought together workforce development partners for discussions regarding UC reemployment programs. In addition, the staff conducted 200 UC informational meetings with both claimants and employers explaining all aspects of the UC system specifically highlighting newly enacted UC laws as well as emphasizing steps employers can take to reduce their UC charges.

OUCBP Services to Employers

OUCBP sponsored 84 speaking engagements across the state in 2012. The purpose of these events conducted by OUCBP workforce development staff was to educate employers in all aspects related to new UC laws and procedures. Topics included specific explanations regarding separation issues, relief from charges, suitable work and appeal hearings. Feedback was very positive from the employers who attended the seminars, which were held in conjunction with meetings sponsored by the Employers Advisory Council, Chamber of Commerce, Workforce Investment Board and other employer group meetings about UC program benefit changes and initiatives.

UC Integrity Initiatives

Pennsylvania is continuing to undertake several new projects and initiatives to develop and implement tangible and measureable processes and procedures to prevent and detect the root causes of improper benefit payments, and to develop and implement strategies to materially reduce Pennsylvania's overall UC benefit overpayment rate. Additionally, increasing efforts are being made to increase the recovery of overpaid UC benefits.

Perjury Certification Statement

All claimants who filed new initial UC claims in 2012 via the UC service center will have agreed to the following perjury certification statement: "By completing this application, you certify that all the information you have provided to establish your claim is correct and complete and you acknowledge that false statements made to establish a claim for benefits are punishable by law." Claimants who filed new initial UC claims in 2012 via the internet must read and agree to the same statement, and will not have been able to submit their application without marking a checkbox indicating that they have read and agreed to that statement.

Claimant Identity Verification

On July 31, 2006, the Department of Labor & Industry implemented a new computer cross match to confirm claimant information provided on an application for UC benefits. Specifically, the cross match verifies the name, date of birth and Social Security number. This cross match helps eliminate benefit fraud and overpayments. During 2012, a total of 580,325 claimant identity verification requests were generated. Of these, 563,611, or 97.1 percent, were either immediately verified through the cross match or verified through manual procedures such as telephone interviews. OUCSC staff investigate any unverified claims in order to bring them to a resolution.

Pennsylvania Justice Network

On May 30, 2012, the Department of Labor & Industry reinstated the Pennsylvania Justice Network (JNET) cross-match system to identify and stop benefit payments to UC claimants incarcerated in the state's county prisons. In the past, JNET had provided a cross match that was not beneficial to non-criminal justice users. Department staff previously had to identify and exclude traffic violations and other infractions before accessing the incarcerated claimants whose benefits were at issue. The new, improved JNET system provides information that is filtered to provide only incarceration data in which an individual is either admitted to or released from prison.

The capability to cross-match incarcerated individuals against UC claimants allows the department to stop payments rather than go to the added expense of ferreting out and trying to recoup erroneous payments made. Estimates by the department indicate annual savings of nearly \$12 million to the UC Trust Fund through a real-time benefits payment stop that occurs when UC claimants are incarcerated in a Commonwealth of Pennsylvania county prison. This estimate is based on the average size and number of weeks of payments that are prevented from being paid to claimants while they are incarcerated.

JNET is a secure portal used by criminal justice and public safety professionals to access data from local, state and federal agencies. When a new inmate enters a county prison that participates in JNET, the individual's information is compared against UC records maintained by the Department of Labor & Industry. After the department receives and verifies the report, the individual is immediately removed from active UC benefit status, saving the UC Trust Fund and the commonwealth's businesses and employees millions of dollars.

The Benefit Payment Control & Benefit Integrity section of OUCBP administers the program and works in conjunction with the Office of Integrity which was established in 2011 to combat fraud, waste and abuse of government funds.

Individuals Filing Claims from Outside Of the Country (OOC)

Beginning in March 2012, all claims filed via internet from a location outside of the United States, excluding Canada, Puerto Rico, US Virgin Islands, Guam, and U.S. Minor Outlying Islands, began to be blocked, and such claims were not established. When individuals attempted to file an initial or continued claim from another country, they received a message indicating, "We see you are currently out of the country; therefore, we are unable to accept your claim. You may file your claim upon your return."

In the fall of 2012, the Department of Labor & Industry implemented a change to this procedure. Claimants who now file from outside the United States, other than from the locations mentioned above, are no longer blocked from filing claims. Instead, such claimants are now permitted to file from outside the country and have their claims established based on that filing location, so that these claims are identified. Payment of benefits to these out-of-country claimants is then temporarily held up until their eligibility to receive UC benefits is investigated and confirmed. Additionally, by allowing these claims to be established, it also enables the department to later track any subsequent instances where someone may later attempt to inappropriately file from within the United States on the claimant's behalf.

OUCBP has been conducting fact-finding and issuing determinations as necessary on OOC claims. A total of 874 OOC cases have been resolved to date. A case is considered resolved once fact-finding is concluded and the claimant is found eligible or ineligible for weeks claimed. Where the claimant is found ineligible, a written determination is issued, indicating that the claimant is ineligible due to not being realistically attached to his/her local labor market area, a requirement for being able and available for work. Of the 874 OOC cases, 515 were deemed ineligible determination; 359 were eligible.

Each week produces an average of 1,100 weeks pended with an OOC stop, generated by an average of 330 claimants. The OOC activity per UC service center (UCSC) varies from an average of 380 weeks/125 claimants (Erie UCSC) to an average of 12 claim weeks/eight claimants (Indiana UCSC).

OUCBP also captures a group of claimants who appear to have opened claims from outside the United States but have not yet filed continued claims for weeks of benefits. Also, each week produces an average of six claimants with potentially ineligible claims.

Pennsylvania New Hires Program

Under the New Hires program, employers must report, within 20 days, any new employees and employees who return to work after a leave of absence of 30 days or more to the State Directory of New Hires (SDNH). Reports from the New Hires Directory are cross matched with records from the departments of Public Welfare and Labor & Industry to identify and locate people owing child support, as well as individuals who may have been overpaid public assistance, unemployment, and/or worker's compensation. To further help prevent overpayments from occurring, Form UC-1010 (previously form UC-202), Important Notice, was developed by the department. On Sept. 6, 2011, the form began being mailed to claimants whenever a hit was received through either the SDNH or National Directory of New Hires (NDNH) cross match runs. This computer-generated letter is mailed to a claimant at the same time that Form UC-767, New Hire Cross Match Questionnaire, is generated to the employer. It informs claimants that the department is aware of their new employment, and instructs them that if they are going to continue to claim benefits they must properly report their earnings. The letter also advises that failure to report employment while filing for benefits may constitute fraud. Through the department's cross matching with both the SDNH and the NDNH, the department detected 5,573 overpayments in UC benefits, totaling \$4.16 million, during 2012. Almost \$2.57 million in overpayments was recovered in 2012.

Treasury Offset Program (TOP)

On Sept. 30, 2008, the President signed Public Law 110-328, the “SSI Extension for Elderly and Disabled Refugees Act.” Among other things, this act amended federal law to permit the states to recover certain UC debts due to fraud from a claimant’s federal income tax refunds under the Treasury Offset Program (TOP), which is administered by the United States Department of Treasury (Treasury). Amendments to the act also allowed overpayments incurred as a result of unreported earnings to be included in the Treasury Offset Program.

During 2012, the Department of Labor & Industry put into operation TOP enabling the department to reclaim \$9.5 million in UC benefits fraudulently collected by unemployed individuals.

TOP is a debt collection program that allows states to intercept the federal income tax refunds of individuals who have intentionally claimed UC benefits to which they were not entitled.

During November 2011, Pennsylvania notified nearly 9500 claimants who had fraudulently claimed benefits totaling \$50 million, that their claims were being submitted by the department to Treasury to have their federal income tax refunds for 2011 intercepted and sent to the department to help recover their UC debts. By the end of 2012, the department was successful in collecting money back in almost 46 percent of these cases.

Expanding its efforts, during November 2012 Labor & Industry began notifying nearly 18,000 claimants who had fraudulently claimed benefits totaling \$80.7 million that their 2012 federal income tax refund could be intercepted by the department to help recover their UC overpayments. The individuals notified again included 2011 claimants whose names will continue to remain on the Treasury list until their UC overpayment has been repaid in full.

During the first week of this program’s operation in 2013, Labor & Industry has already been able to recover over \$2.1 million from 2012 tax refunds. This first week’s total amount is nearly \$357,000 higher than the amount recovered for same week last year, and is already equal to over 22 percent of the entire amount recovered during the department’s TOP recovery last year.

Claimants whose refunds are intercepted receive notice from the Federal Management Services, a bureau of the US Treasury, and are provided with contact information for OUCBP’s Benefit Payment Control Section, should they have questions or require clarification as to why their refund was intercepted.

Claimants may call the UC service center to set up payments to reduce the amount of the UC overpayment; however, this does not stop the submission of the claimant’s name to the Treasury Offset Program. UC fraud can be reported at www.uc.pa.gov

Disaster Unemployment Assistance (DUA) Events

The Federal Emergency Management Agency (FEMA) made available federal aid to Pennsylvania due to the flooding from Hurricane Irene beginning on August 26, 2011, and from Tropical Storm Lee beginning on Sept. 3, 2011.

The first disaster, FEMA No. DR-4025, was declared on Sept. 3, 2011, due to the effects of Hurricane Irene and the second, FEMA No. DR-4030, was declared on Sept. 9, 2011, due to Tropical Storm Lee. For FEMA No. DR-4025 (Hurricane Irene), DUA benefits were approved for the following counties: Bucks, Chester, Delaware, Lehigh, Luzerne, Monroe, Montgomery, Northampton, Philadelphia, Sullivan and Wyoming. For Tropical Storm Lee (FEMA No. DR-4030), DUA benefits were approved for the following counties: Adams, Bradford, Columbia, Cumberland, Dauphin, Lancaster, Lebanon, Luzerne, Lycoming, Montour, Northumberland, Perry, Schuylkill, Snyder, Sullivan, Susquehanna, Union, Wyoming and York. These additional counties were added on Sept. 27, 2011: Berks, Bucks, Chester, Delaware, Montgomery, Northampton and Philadelphia.

From Jan. 1, 2012 through Dec. 31, 2012, 106 weeks totaling \$29,004 were paid under FEMA No. DR-4025. For FEMA No. DR-4030, a total of 1177 weeks have been paid totaling \$264,271 for the same period.

The disaster benefit periods for FEMA No. DR-4025 ended on March 3, 2012 and for FEMA No. DR-4030 on March 17, 2012 after which, DUA benefits were no longer payable under these events.

Trade Adjustment Assistance (TAA)

On Oct. 21, 2011, President Obama signed the "Trade Adjustment Assistance Extension Act of 2011" (TAAEA) (Public Law 112-40). The new legislation applies to all claimants covered under certified petitions filed on or after Oct. 21, 2011. It also applies retroactively to all claimants covered under certified petitions filed after Feb. 14, 2011, who did not receive any benefits under the Trade Act of 2002 prior to Dec. 20, 2011. These claimants will be offered a one-time election during the period of Dec. 20, 2011, through March 19, 2012, to either continue to receive benefits under the Trade Act of 2002 or to begin receiving benefits under the Trade Act of 2011.

Trade Adjustment Assistance (TAA) is a federally funded program offering benefits to certain trade impacted workers, as determined by the U.S. Department of Labor, at no cost to employers. These benefits include job training, income support, job search and relocation allowances, re-employment services, and a tax credit to help pay the costs of health insurance. The purpose of the TAA Program is to return workers to suitable employment. While many trade-affected workers will be able to find re-employment without assistance, the Trade Act program provides additional benefits to support the re-employment effort.

During 2012, 61 TAA petitions were certified under the Trade Act of 2011. As a result, 4,539 workers were notified of their eligibility to apply for TAA. During this period, there was approximately \$11,809,022 of TRA benefits paid.

HCTC is a tax credit that currently covers 72.5 percent of the premium amount paid by eligible individuals who are receiving TAA and individuals receiving benefits from the Pension Benefit Guaranty Corporation for qualified health insurance coverage. During calendar year 2012, the department transmitted a monthly average of 4,471 potentially eligible TRA recipients to the program administrator for the Internal Revenue Service (IRS). Of these individuals, an average of 1,636 were enrolled per month and received a payment for the tax credit.

The Reemployment Trade Adjustment Assistance (RTAA) for Older Workers (over 50 years old) Program permits workers to receive up to \$10,000 over a two-year period. In 2012, 746 claimants were paid RTAA benefits and 26 claimants were paid Alternative Trade Adjustment Assistance (ATAA) benefits totaling \$2,650,041.

Federal Emergency UC (EUC) and Pennsylvania Extended Benefits (EB) Programs

EUC benefits began in July 2008 with the first tier of 13 weeks of EUC benefits. Legislation was enacted in November 2008 to increase the maximum entitlement of the first tier of EUC to up to 20 weeks of EUC benefits in all states. This federal law applied retroactively as if included in original EUC Law. The first payable week of the extended EUC benefits was the week ending Nov. 29, 2008. This legislation also provided for a second tier of up to 13 more weeks of EUC benefits that became available to unemployed Pennsylvanians who had exhausted their entire first tier of EUC entitlement if a period of very high unemployment, as defined in EUC Law, “triggered on” in Pennsylvania. During the week ending Jan. 3, 2009, Pennsylvania reached that level of unemployment, and, during the week ending Jan. 24, 2009, Pennsylvania began to pay Tier 2 EUC benefits.

On Feb. 17, 2009, the “American Recovery and Reinvestment Act of 2009” (ARRA, Public Law 111- 5, a.k.a. “Stimulus Law”) was signed into federal law. Under a provision of this law, states were permitted to opt to pay EUC benefits to claimants before EB if the state was in an extended benefits period. During the week ending Jan. 31, 2009, Pennsylvania reached the level of unemployment specified in the Pennsylvania UC law to permit the payment of up to 13 weeks of Pennsylvania EB benefits. The first EB week payable was Feb. 21, 2009. The EB Program is a joint federal-state undertaking pursuant to the Federal-State Extended UC Act of 1970 (EUCA).

Because Pennsylvania was in an EB period, as permitted under ARRA, the state opted to pay EUC benefits to qualified claimants prior to paying their EB benefits. When EUC claimants exhausted the maximum amount of EUC they qualified to receive, they could then begin to claim EB if they remained eligible for UC and Pennsylvania remained in an EB period. Also under ARRA, the cost allocation for EB temporarily changed so that the federal government paid for 100 percent, rather than the usual 50 percent, of the cost of EB for weeks of unemployment through Jan. 2, 2010. However, state and local government employers remained liable to reimburse the full costs of EB benefits paid to their former workers.

On July 29, 2009, Governor Rendell signed into law HR 1770. This amended Pennsylvania UC law by adding a temporary, alternative trigger mechanism based on Pennsylvania's total unemployment rate (TUR) that allowed Pennsylvania to provide up to seven additional weeks of EB available to regular EB exhaustees during a "High Unemployment Period" (HUP). Under this amended law, the new TUR trigger for High Unemployment Period Extended Benefits (HUP EB) remains in effect only as long as 100 percent federal funding of EB benefits is available under ARRA. During the week ending July 18, 2009, Pennsylvania reached the level of unemployment specified in the Pennsylvania UC Law, to permit the payment of up to seven weeks of HUP EB, beginning with the week ending August 8, 2009.

On Nov. 6, 2009, the "Worker, Homeownership, and Business Assistance Act of 2009" (Public Law 111- 92) was enacted into federal law. This law expanded benefits currently available under EUC, effective with the week ending Nov. 14, 2009. Although the maximum amount of Tier 1 EUC benefits available to claimants remained unchanged, the maximum Tier 2 EUC benefits for all EUC claimants increased by up to one more week. This law also provided for two new tiers of EUC benefits. At the time, EUC Tier 3 provided for up to 13 more weeks of EUC benefits under certain conditions, and EUC Tier 4 provided for up to six more weeks of EUC benefits under certain conditions.

On Dec. 19, 2009, the "2010 Defense Appropriations Act" (Public Law 111-118), was signed into federal law. This new legislation continued the EUC program through the end of February 2010. In addition, this legislation allowed HUP EB to continue.

On March 2, 2010, the "Temporary Extension Act of 2010" (Public Law 111-114) was signed into federal law allowing the continuation of the EUC and HUP EB programs through April 2010.

On April 15, 2010, the "Continuing Extension Act of 2010" (Public Law 111-157) was signed into federal law allowing the continuation of the EUC and HUP EB programs through June 2010.

On July 22, 2010, the "UC Extension Act of 2010" (Public Law 111-205) was signed into federal law allowing the continuation of the EUC program through November 2010 and the HUP EB program through December 2010. Additionally, this law introduced four "options" provided to the states which would allow claimants who qualify for a new regular UC claim to continue to receive EUC benefits under certain circumstances. Pennsylvania chose the option requiring that EUC claimants who qualify for a new regular UC claim must continue to collect EUC if switching to UC would reduce their weekly benefit rate (WBR) by at least \$100 or 25 percent.

On Dec. 17, 2010, the "Tax Relief, UI Reauthorization, and Job Creation Act of 2010" (Public Law 111-312), was signed into law which extended the EUC program through Dec. 31, 2011 and provided full federal funding for HUP EB through Jan. 7, 2012.

On March 10, 2011, Pennsylvania's three-month average TUR fell to 8.4 percent, making April 9, 2011, the phase out week for Tier 4 EUC. Triggering off Tier 4 would not affect an individual's Tier 4 entitlement, if already established on or before April 2, 2011.

On May 20, 2011, the U.S. Department of Labor notified Pennsylvania that EB and HUP EB had triggered off based on the three-month comparable average falling below 6.5 percent and the TUR falling below 110 percent for the same period in the previous two years. The last payable week of EB and HUP EB was June 11, 2011.

On June 17, 2011, Governor Corbett signed into law Senate Bill 1030 allowing the use of the three-year look-back when calculating the three-month comparable average for EB. This bill allowed for the continued payment of EB. Based on the three-year look-back, Pennsylvania still did not qualify to remain on HUP EB.

On Oct. 21, 2011, the US Department of Labor notified Pennsylvania the TUR rose from 7.9 percent to 8.1 percent. This increase restarted HUP EB, with the first payable week of Nov. 12, 2011.

On Dec. 23, 2011, the “Temporary Payroll Tax Cut Continuation Act of 2011” (P.L. 112-78 (H.R. 3765)), was signed into federal law extending the EUC program and 100 percent federal funding of the EB program for two months. 100 percent federal funding of EB was extended to March 10, 2012. On Feb. 12, 2012, the “Middle Class Tax Relief and Job Creation Act of 2012” (P.L. 112-96), was signed into federal law. The act extended the expiration dates of the EUC program through the period ending Dec. 31, 2012 and provided 100 percent of federal funding of the EB program for weeks of unemployment beginning before Dec. 31, 2012. If an individual received EB with respect to one or more weeks of unemployment beginning after Feb. 17, 2009, and before Dec. 31, 2012, the Federal government continued to pay 100 percent of the eligible (shareable) EB benefit costs for weeks of unemployment ending before June 30, 2013.

Important aspects of the Act are below:

- The act eliminated the phase out period for EUC. The last payable week of EUC was Dec. 29, 2012.
- There were several changes to the EUC program tier structure:
 - Effective for weeks of unemployment after June 1, 2012, a total unemployment rate (TUR) trigger of 6 percent was added to Tier 2, the TUR trigger was increased to 7 percent for Tier 3 and the TUR trigger was increased to 9 percent for Tier 4.
 - Effective for weeks of unemployment after Sept. 1, 2012, the maximum entitlement of Tier 1 was reduced to the lesser of 54 percent of the maximum regular UC entitlement or 14 times the regular UC benefit amount. For Tier 3, the maximum entitlement was reduced to 35 percent of the maximum regular UC entitlement or nine times the regular UC benefit amount. For Tier 4, the maximum entitlement was increased to the lesser, of 39 percent of the maximum regular UC entitlement or 10 times the regular UC weekly benefit amount.
- The Act amended the eligibility provisions to require that individuals must be able to work, available for work, and actively seeking work in order to qualify for EUC and also required states to provide reemployment services and in-person reemployment and eligibility assessments, REA. From the REA Program’s inception through the week ending Dec. 29, 2012, the number of claimants scheduled for REA totaled 49,160.

As a result of Pennsylvania's unemployment rate falling below the required thresholds (three-month average TUR announced on Jan. 24, 2012 fell to 7.9 percent and three-month average TUR announced on April 20, 2012 fell below 110 percent of the comparable three-year look-back averages), the last payable week of HUP EB was Feb. 18, 2012 and the last payable week of regular EB was May 12, 2012.

From the EUC program's inception through the week ending Dec. 29, 2012, initial EUC claims totaled 1,509,527. The number of payments issued for all tiers totaled 36,724,656 and the total amount of EUC benefits paid totaled \$12,121,756,536, making the average weekly payment amount \$330.

From the EB program's inception through the week ending Dec. 29, 2012, initial EB claims filed totaled 570,013. The number of payments issued for EB and HUP EB totaled 4,970,014 and the total amount all EB benefits paid totaled \$1,646,624,600 making the average weekly payment amount \$331.

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DEFINITIONS FOR WEEKLY BENEFIT RATES AND EARNING REQUIREMENTS

Minimum Weekly Benefit Rate

Lowest amount of weekly UC (UC) benefits available under Pennsylvania's UC law before deductions (e.g., for pensions).

Maximum Weekly Benefit Rate

Highest amount of weekly UC benefits established by Pennsylvania's UC law before deductions (e.g., for pensions) or supplements (e.g., for dependent allowance).

Earning Requirement, High Quarter

Amount of an individual's highest quarterly wages needed to qualify for a particular weekly benefit rate – used in combination with the base year earning requirement to determine benefit eligibility.

Earning Requirement, Base Year

Amount of wages during a four quarter period needed to qualify for benefits – used in conjunction with the high quarter earning requirement to determine the weekly benefit rate.

WEEKLY BENEFIT RATES AND EARNING REQUIREMENTS

YEAR	MINIMUM			MAXIMUM		
	WEEKLY BENEFIT RATE ¹	EARNING REQUIREMENT		WEEKLY BENEFIT RATE ¹	EARNING REQUIREMENT	
		HIGH QUARTER	BASE YEAR		HIGH QUARTER	BASE YEAR
1993	\$35	\$800-812	\$1,320	\$317	\$7,863	\$12,600
1994	35	800-812	1,320	329	8,163	13,080
1995	35	800-812	1,320	340	8,438	13,520
1996	35	800-812	1,320	352	8,738	14,000
1997	35	800-812	1,320	362	8,988	14,400
1998	35	800-812	1,320	375	9,313	14,920
1999	35	800-812	1,320	393	9,763	15,640
2000	35	800-812	1,320	408	10,138	16,240
2001	35	800-812	1,320	430	10,688	17,120
2002	35	800-812	1,320	442	10,988	17,600
2003	35	800-812	1,320	451	11,213	17,960
2004	35	800-812	1,320	461	11,463	18,360
2005	35	800-812	1,320	478	11,888	19,040
2006	35	800-812	1,320	497	12,363	19,800
2007	35	800-812	1,320	520	12,938	20,720
2008	35	800-812	1,320	539	13,413	21,480
2009	35	800-812	1,320	558	13,888	22,240
2010	35	800-812	1,320	564	14,038	22,480
2011	35	800-812	1,320	573	14,263	22,840
2012	35	800-812	1,320	573	14,263	22,840

Source: Pennsylvania Department of Labor & Industry

¹In 2005, 2006, 2010, 2011, and 2012 all weekly benefit checks were subject to a 2.3 percent reduction. For example, a \$252 weekly benefit rate was reduced to \$246.

DEFINITIONS FOR UC CLAIM ACTIVITIES

Insured Unemployment Rate (IUR)

Ratio of the average annual weekly number of persons claiming UC benefits to average annual covered employment - calculated by dividing average annual weekly continued weeks claimed by average annual covered employment.

Initial Claims

Notices of unemployment filed to request a determination of entitlement to and eligibility for compensation in a new benefit year (period of eligibility) following a period of employment or to begin a second or subsequent period of eligibility within the benefit year following interim employment - included are transitional claims which provide another period of eligibility (benefit year) based on a second determination of entitlement without a period of employment separating the end of the first benefit year from the beginning of the second.

New Claims

Type of initial claim representing an individual's first separation from employment for which a determination of benefit eligibility is requested.

Weeks Claimed

Requests for benefits filed by claimants which certify to the fact the claimants experienced total, partial, or part-total unemployment for given weeks (includes waiting weeks claimed and requests subsequently denied).

Waiting Weeks Claimed

First week of unemployment in a benefit year for which individuals do not receive benefits but must meet UC eligibility requirements in order to qualify for benefits for subsequent weeks of unemployment.

UC CLAIM ACTIVITIES

YEAR	IUR	INITIAL CLAIMS	NEW CLAIMS	WEEKS CLAIMED	WAITING WEEKS
1993	3.4 %	1,072,969	595,600	8,525,718	492,604
1994	3.4	1,136,370	619,189	8,807,115	538,926
1995	3.3	1,229,122	628,771	8,627,578	549,288
1996	3.3	1,218,496	618,255	8,711,731	497,917
1997	2.8	1,101,409	569,514	7,615,908	502,559
1998	2.7	1,138,641	567,585	7,312,502	493,259
1999	2.6	1,036,558	535,309	7,099,459	494,849
2000	2.4	983,951	538,767	6,882,190	495,799
2001	3.3	1,309,511	707,974	9,269,080	664,459
2002	3.9	1,314,267	716,947	10,843,412	709,960
2003	4.0	1,341,118	726,556	11,205,336	697,212
2004	3.4	1,177,499	640,967	9,515,424	605,155
2005	3.1	1,148,256	614,444	8,728,555	570,225
2006	3.0	1,176,669	596,054	8,496,746	574,111
2007	3.0	1,250,506	621,639	8,535,079	590,835
2008	3.5	1,445,344	747,708	10,102,236	702,410
2009	6.1	2,026,055	962,106	17,099,144	963,009
2010	4.9	1,577,833	806,635	13,763,953	795,540
2011	4.2	1,469,617	777,119	11,875,753	729,762
2012	3.9 ¹	1,425,970	754,558	11,006,537	682,125

Source: Pennsylvania Department of Labor & Industry

¹Preliminary rate based on actual 2012 claims activity and a 2012 covered employment estimate based on the first six months of the year due to a six-month lag in the reporting of covered employment and wages.

DEFINITIONS FOR UC PAYMENT ACTIVITIES

First Payments

First benefit payment a claimant receives for a week of unemployment in a benefit year.

Final Payments

Number of claimants drawing the final payment of their original entitlement in a benefit year under the regular state UC program.

Weeks Paid

The number of weeks claimed for which UC benefits are paid. Weeks compensated for partial unemployment are included.

Net Benefits Paid

Net amount withdrawn from the UC Trust Fund to pay regular state UC benefits. Includes adjustments to original amounts paid such as returned and redeposited payments.

Average Weekly Benefit Amount

The average weekly benefit amount is the benefits paid for total unemployment during the year divided by the number of weeks for which benefits were paid (weeks compensated for total unemployment). Payments for partial unemployment are excluded from both numerator and denominator.

Average Duration

Average number of regular UC weeks paid per claimant for a given time period - calculated by dividing the number of weeks compensated by the number of first payments.

UC PAYMENT ACTIVITIES

YEAR	FIRST PAYMENTS	EXHAUSTIONS	WEEKS PAID	NET BENEFITS PAID	AVERAGE WEEKLY BENEFIT AMOUNT ²	AVERAGE DURATION IN WEEKS
1993	434,761	166,111	7,751,530	\$1,493,693,000	\$210.41	17.8
1994	470,271	154,824	8,008,853	1,556,280,000	211.95	17.0
1995	479,269	133,540	7,832,627	1,573,785,000	219.48	16.3
1996	467,434	135,550	7,830,542	1,602,333,000	219.08	16.8
1997	429,874	111,217	6,881,145	1,429,864,000	227.50	16.0
1998	418,539	104,690	6,516,439	1,417,968,000	237.77	15.6
1999	402,078	102,613	6,328,215	1,450,836,000	250.56	15.7
2000	396,227	96,622	6,019,988	1,463,846,000	264.76	15.2
2001	545,596	128,679	8,178,922	2,128,215,000	281.52	15.0
2002	560,805	197,968	9,681,140	2,639,703,000	291.06	17.3
2003	566,022	212,711	10,095,011	2,686,940,000	291.84	17.8
2004	486,975	165,590	8,429,492	2,272,460,000	293.61	17.3
2005 ¹	461,257	139,872	7,671,548	2,039,148,000	291.89	16.6
2006 ¹	447,066	133,827	7,346,051	2,030,681,000	301.27	16.4
2007	461,807	131,934	7,458,854	2,149,766,000	322.93	16.2
2008	562,343	166,335	9,035,608	2,754,579,000	335.40	16.1
2009	782,870	355,542	15,354,988	4,828,715,000	352.16	19.6
2010 ¹	587,347	295,647	11,724,613	3,606,521,000	337.91	19.9
2011 ¹	530,009	228,135	9,909,169	3,023,271,000	335.18	18.7
2012 ¹	502,647	204,218	8,980,732	2,859,610,000	348.27	17.9

Source: Pennsylvania Department of Labor & Industry

¹The benefits paid and average weekly benefit amount include the benefit reduction that was in effect that year.

²The average weekly benefit amount calculation does not include partial payments.

DEFINITIONS FOR UC NONMONETARY DETERMINATIONS

Nonmonetary Determinations

Decisions relative to a claimant's nonfinancial eligibility for UC benefits - includes such issues as voluntary quit, fired for misconduct, and able and available for work. Employers or claimants may appeal adverse determinations.

UC NONMONETARY DETERMINATIONS

YEAR	TOTAL	INELIGIBLE	ELIGIBLE
1993	362,225	95,459	266,766
1994	388,006	104,127	283,879
1995	396,162	109,715	286,447
1996 ¹	507,641	179,673	327,968
1997 ¹	624,074	281,634	342,440
1998 ¹	546,432	249,510	296,922
1999 ¹	470,807	219,703	251,104
2000 ¹	389,187	194,454	194,733
2001	375,761	167,541	208,220
2002	382,176	214,937	167,239
2003	410,574	232,727	177,847
2004	436,097	251,112	184,985
2005	331,430	155,630	175,800
2006	319,658	134,318	185,340
2007	308,011	124,349	183,662
2008	280,859	115,229	165,630
2009	321,513	131,324	190,189
2010	320,666	130,259	190,407
2011	332,297	141,647	190,650
2012	275,980	131,646	144,334

Source: Pennsylvania Department of Labor & Industry

¹Includes additional categories of nonmonetary determinations pertaining primarily to the establishment of overpayments and penalty weeks not counted in other years. The majority of these determinations are ineligible.

DEFINITIONS FOR EMPLOYER CONTRIBUTION FACTORS

Taxable Wage Base

Maximum amount of an employee's annual wages subject to employer state UC taxes - the wage base must be no less than the federal minimum tax base (FUTA) of \$7,000 effective starting in 1983.

Average Tax Rate

Average rate at which UC taxes are payable. Calculated by dividing total UC contributions due by taxable wages - excludes contributions from employees and reimbursable employers.

Portion Experience Rated

Portion of employer taxes that is based on the employer's experience with unemployment. Calculated as the ratio of the average tax rate minus any flat tax to the average tax rate.

Portion Not Experience Rated

Portion of employer taxes that is not based on the employer's experience with unemployment. Calculated as the ratio of any flat tax to the average tax rate.

EMPLOYER CONTRIBUTION FACTORS

YEAR	TAXABLE WAGE BASE	AVERAGE TAX RATE	BREAKDOWN OF AVERAGE TAX RATE	
			PORTION EXPERIENCE RATED	PORTION NOT EXPERIENCE RATED
1993	8,000	4.83% ¹	51%	49%
1994	8,000	4.99% ¹	52%	48%
1995	8,000	4.78% ¹	55%	45%
1996	8,000	4.16% ²	59%	41%
1997	8,000	3.95%	62%	38%
1998	8,000	3.84%	61%	39%
1999	8,000	3.78% ³	62%	38%
2000	8,000	3.72% ³	61%	39%
2001	8,000	3.66% ³	60%	40%
2002	8,000	3.70% ³	61%	39%
2003	8,000	4.22% ⁴	61%	39%
2004	8,000	5.07% ⁵	57%	43%
2005	8,000	5.43% ⁶	56%	44%
2006	8,000	5.39% ⁶	56%	44%
2007	8,000	5.01% ⁵	56%	44%
2008	8,000	4.67% ⁷	58%	42%
2009	8,000	4.63% ⁷	57%	43%
2010	8,000	5.58% ⁸	57%	43%
2011	8,000	6.54% ⁹	57%	43%
2012	8,000	6.70% ¹⁰	61%	39%

Source: Pennsylvania Department of Labor & Industry

¹Tax rates for 1993, 1994, and 1995 include a positive 9.3 percent surcharge. The additional tax for 1993 and 1994 is 0.5 percent and for 1995 is 0.25 percent.

²Tax rate for 1996 includes a positive 4.7 percent surcharge.

³The tax rate for 1999, 2000, 2001 and 2002 includes a negative 1.4 percent surcharge.

⁴The tax rate for 2003 includes a positive 3.6 percent surcharge.

⁵The tax rate for 2004 and 2007 includes a positive 7.2 percent surcharge and 0.4 percent additional tax.

⁶The tax rate for 2005 and 2006 includes a positive 7.2 percent surcharge and 0.6 percent additional tax.

⁷The tax rates for 2008 and 2009 include a positive 5.8 percent surcharge and a 0.25 percent additional tax.

⁸The tax rate for 2010 includes a positive 5.8 percent surcharge and a 0.65 percent additional tax.

⁹The tax rate for 2011 includes a positive 5.8 percent surcharge, a 0.65 percent additional tax, and a 0.44 percent interest tax.

¹⁰The tax rate for 2012 includes a positive 5.8 percent surcharge, a 0.65 percent additional tax, and a 0.20 percent interest tax.

DEFINITIONS FOR SUMMARY OF TAX RATES BY INDUSTRY

Major Sector

Primary activity of covered employers based on the grouping according to the 2012 edition of the "North American Industry Classification System."

Number of Contributory Employers

Number of taxable employers subject to the Pennsylvania UC law.

Average Tax Rate

Average tax rate derived by dividing taxable payroll by contributions due.

Total Payroll

Total wages paid by contributory employers who are subject to the Pennsylvania UC Law.

Taxable Payroll

Amount of wages subject to UC taxes - these are wages paid by contributory employers, up to the taxable wage base for each employee. Since 1984, the taxable wage base has been \$8,000.

Contributions Due

Total amount due to the UC Trust Fund from contributory employers.

SUMMARY OF TAX RATES BY INDUSTRY FOR 2012¹
(Dollars in Millions)

MAJOR SECTOR	NUMBER CONTRIBUTORY EMPLOYERS	AVERAGE TAX RATE	TOTAL PAYROLL	TAXABLE PAYROLL	CONTRIBUTIONS DUE
Natural Resources and Mining	2,968	6.0 %	\$2,501	\$546	\$33
Construction	27,716	9.4	9,186	2,410	226
Manufacturing	13,443	7.8	25,584	5,205	405
Trade, Transportation, and Utilities	41,706	6.2	33,581	8,921	557
Information	3,054	7.8	4,566	770	60
Financial Activities	17,658	6.3	17,331	2,765	175
Professional and Business Services	49,467	7.1	30,491	5,906	419
Education and Health Services	47,785	5.6	15,151	4,234	237
Leisure and Hospitality	26,248	5.7	7,053	3,698	209
Other Services	28,203	5.5	3,438	1,212	66
Local Government	1,057	5.1	221	75	4
TOTAL	259,306	6.7 %	\$149,103	\$35,741	\$2,391

Source: Pennsylvania Department of Labor & Industry

¹Reflects data from January through September only, due to a six-month lag in the reporting of covered employment and wages.

DEFINITIONS FOR COVERED EMPLOYMENT AND WAGES

Active Employers

Employers who either are subject to or voluntarily elect to be covered under the provisions of the Pennsylvania UC law.

Average Covered Employment

Twelve-month average number of employees working for employers covered under the Pennsylvania UC law.

Total Wages

Amount of annual wages paid to all employees in covered employment.

Taxable Wages

Amount of wages subject to UC taxes - these are wages paid by contributory employers, up to the taxable wage base for each employee. Since 1984, the taxable wage base has been \$8,000.

UC COVERED EMPLOYMENT AND WAGES

YEAR	ACTIVE EMPLOYERS ¹	AVERAGE COVERED EMPLOYMENT	TOTAL WAGES	TAXABLE WAGES
1993	233,948	4,858,713	\$126,453,677,063	\$31,574,695,981
1994	234,182	4,923,717	131,501,351,196	32,326,625,150
1995	236,746	4,986,418	137,994,113,987	32,839,723,690
1996	236,276	5,046,174	144,910,231,319	33,664,898,315
1997	238,308	5,158,118	154,383,264,744	34,854,248,991
1998	246,154	5,253,652	164,800,517,598	36,290,518,613
1999	250,367	5,345,921	173,807,881,592	37,343,375,939
2000	259,492	5,443,618	184,042,135,595	38,648,909,978
2001	265,451	5,442,944	189,076,552,731	38,418,405,066
2002	268,723	5,396,047	191,748,701,127	37,612,959,735
2003	271,459	5,363,633	196,855,782,949	37,239,889,015
2004	275,853	5,390,750	206,119,193,758	37,766,495,714
2005	280,394	5,446,514	214,210,346,757	38,291,369,992
2006	284,770	5,502,645	225,612,061,613	38,839,811,010
2007	289,289	5,549,120	237,997,366,817	39,556,490,803
2008	287,417	5,554,566	244,561,264,585	39,345,958,986
2009	285,010	5,363,287	238,327,258,507	36,878,066,196
2010	284,682	5,362,687	243,186,797,577	37,298,262,921
2011	307,613	5,432,412	253,351,180,050	38,471,034,196
2012	306,408	5,461,705 ²	193,713,681,281 ²	35,741,588,551 ²

Source: Pennsylvania Department of Labor & Industry

¹As of December 31 of each year. Includes contributory and reimbursable employers.

²Reflects data from January through September only, due to a six-month lag in the reporting of covered employment and wages.

DEFINITIONS FOR UC SOLVENCY TRIGGER MEASURES

Solvency Percentage

The solvency percentage is calculated on July 1 of each year and is defined as the UC Trust Fund balance ending June 30 divided by the average benefit cost for the three fiscal years ending the same date multiplied times one-hundred. The solvency percentage determines the trigger level that in turn establishes the solvency measures to be used in the following calendar year.

Employer Surcharge

Assessed on an employer's contributions due for a calendar year at a rate established by the solvency trigger level - the surcharge is not assessed on employer reimbursable contributions due and employer solvency additional contributions.

Employer Additional Contribution Tax

Added on to an employer's assigned calendar year tax rate at a rate established by the solvency trigger level - the additional tax is not assigned to new contributory employers and reimbursable employers-the tax is not subject to the employer surcharge solvency measure.

Employee Tax

Assessed on the calendar year gross wages of all employees covered under the state's UC law at a rate established by the solvency trigger level.

Benefit Reduction

All weekly benefit rates during a calendar year are reduced at a rate established by the solvency trigger level.

UC SOLVENCY MEASURES (DOLLARS IN MILLIONS)

YEAR ¹	SOLVENCY PERCENTAGE ²	EMPLOYER SURCHARGE		EMPLOYER ADDITIONAL TAX		EMPLOYEE TAX		BENEFIT REDUCTION	
		RATE	AMOUNT DUE ³	RATE	AMOUNT DUE ³	RATE	AMOUNT DUE ³	RATE	REDUCTION
1993	64 %	9.3 %	\$116	0.50 %	\$156	0.15 %	\$190	None	\$0
1994	83	9.3	124	0.50	160	0.15	197	None	0
1995	120	9.3	127	0.25	81	0.11	152	None	0
1996	126	4.7	63	None	0	0.03	43	None	0
1997	145	None	0	None	0	None	0	None	0
1998	164	None	0	None	0	None	0	None	0
1999	182	-1.4	-20	None	0	None	0	None	0
2000	201	-1.4	-20	None	0	None	0	None	0
2001	184	-1.4	-20	None	0	None	0	None	0
2002	122	-1.4	-20	None	0	None	0	None	0
2003	58	3.6	55	None	0	0.02	39	None	0
2004	32	7.2	119	0.40	142	0.09	186	None	0
2005	43	7.2	125	0.60	215	0.09	193	2.3 %	51
2006	69	7.2	126	0.60	219	0.09	203	2.3	52
2007	85	7.2	123	0.40	149	0.09	214	None	0
2008	80	5.8	96	0.25	93	0.06	147	None	0
2009	8	5.8	89	0.25	87	0.06	143	None	0
2010	20	5.8	102	0.60	230	0.08	195	2.3	86
2011	29	5.8	116	0.65	236	0.08	203	2.3	72
2012	0	5.8	133	0.65	250	0.08	209	2.3	67

Source: Pennsylvania Department of Labor & Industry

¹The Unemployment Compensation (UC) Law was amended in 1988 to include an UC solvency trigger mechanism. The first solvency percentage calculation occurred in 1989.

²Solvency percentage activates solvency measures for the following calendar year. The 1989 solvency measures were fixed by the Unemployment Compensation Law.

³Amount of contributions due for the calendar year. Actual receipts during the year may differ as a result of contributions due for a quarter being received in the subsequent quarter.

DEFINITIONS FOR TRUST FUND SUMMARY

Employer and Employee Contributions Deposited

Payments made to the state's UC Trust Fund by employers and employees subject to Pennsylvania's UC law. Includes contributions from employers who submit quarterly contributions to the UC Trust Fund based on their tax rate and taxable wages - included are all businesses for profit, and all nonprofit associations or local governments who do not elect to be reimbursable employers. Also includes reimbursements from employers who repay the UC Trust Fund dollar-for-dollar for benefits paid to former employees – included are state government agencies, nonprofit associations and local governments who elect this method of financing their UC costs. Contributions from the employee tax (from the solvency trigger mechanism) are also included.

Net Benefits Paid

Net amount withdrawn from the UC Trust Fund to pay regular state UC benefits. Includes adjustments to original amounts paid such as returned and redeposited payments.

UC Trust Fund Balance

Cash balance in the UC Trust Fund at the end of the calendar year. Includes Title XII federal loans.

Title XII Federal Loan Balance

Total outstanding federal loans at the end of the calendar year.

UC Bond Balance

Total outstanding UC bond balance at the end of the calendar year.

UC TRUST FUND SUMMARY

YEAR	EMPLOYER AND EMPLOYEE CONTRIBUTIONS DEPOSITED ¹	NET BENEFITS PAID ²	UNEMPLOYMENT COMPENSATION TRUST FUND BALANCE ³	TITLE XII FEDERAL LOAN BALANCE	UC BOND BALANCE
1993	\$1,718,388,000	\$1,493,693,000	\$1,071,404,000	\$0	\$0
1994	1,879,618,000	1,556,280,000	1,491,261,000	0	0
1995	1,842,669,000	1,573,785,000	1,879,920,000	0	0
1996	1,589,414,000	1,602,333,000	2,002,263,000	0	0
1997	1,483,977,000	1,429,864,000	2,199,308,000	0	0
1998	1,471,416,000	1,417,968,000	2,410,055,000	0	0
1999	1,469,814,000	1,450,836,000	2,596,412,000	0	0
2000	1,490,359,000	1,463,846,000	2,802,479,000	0	0
2001	1,458,548,000	2,128,215,000	2,314,313,000	0	0
2002	1,465,332,000	2,639,703,000	1,710,128,000	0	0
2003	1,690,395,000	2,686,940,000	761,931,000	0	0
2004	2,136,803,000	2,272,460,000	613,986,000	0	0
2005	2,374,444,000	2,039,148,000	980,813,000	0	0
2006	2,426,901,000	2,030,681,000	1,383,464,000	0	0
2007	2,348,476,000	2,149,766,000	1,545,652,000	0	0
2008	2,171,544,000	2,754,579,000	981,162,000	0	0
2009	2,084,405,000	4,828,715,000	116,777,000	1,871,458,000	0
2010	2,476,501,000	3,606,521,000	94,082,000	3,008,615,000	0
2011	2,786,242,000	3,023,271,000	40,007,000	3,234,745,000	0
2012	2,949,685,000	2,859,610,000	164,275,000	0	2,827,405,000

Sources: Pennsylvania Department of Labor & Industry
US Bureau of Public Debt

¹Liability for employee contributions occurred from January 1984 through 1988, January 1992 through 1996 and January 2003 through 2012. Revenue received from 1989-1991 and from 1997-2002 pertains to residual activity from prior years in which liability was effective.

²Net amount withdrawn from the UC Trust Fund to pay benefits. Includes adjustments to original amounts paid such as returned and redeposited payments.

³Trust Fund Balances include Title XII Loans (Federal Advances) and 2012 Unemployment Compensation Revenue Bonds.

DEFINITIONS FOR EXTENDED AND EMERGENCY UC CLAIM ACTIVITIES AND NONMONETARY DETERMINATIONS

Initial Claims

Notices of continued unemployment or separation from employment filed in the state's local offices by individuals who have received their maximum benefit entitlement for UC.

New Claims

Type of initial claim representing an individual's first request for extended benefits, EUC, or TEUC from which a determination of eligibility results.

Weeks Claimed

Requests for benefits filed by claimants which certify to the fact the claimants experienced total, partial, or part-total unemployment for given weeks (includes waiting weeks claimed and requests subsequently denied).

Nonmonetary Determinations

Decisions relative to a claimant's non-financial eligibility for UC benefits - includes such issues as voluntary quit, fired for misconduct, and able and available for work-employers or claimants may appeal adverse determinations.

Extended Benefits Claim Activities and Nonmonetary Determinations

YEAR ¹	INITIAL CLAIMS	NEW CLAIMS	WEEKS CLAIMED	NONMONETARY DETERMINATIONS		
				TOTAL	INELIGIBLE	ELIGIBLE
2009	159,794	156,105	1,258,658	3,597	2,380	1,217
2010	162,009	156,066	1,218,263	5,226	2,420	2,806
2011	198,506	187,341	1,527,637	7,176	3,244	3,932
2012	49,704	47,554	447,468	3,493	2,278	1,215

Source: Pennsylvania Department of Labor & Industry

¹The Extended Benefits (EB) period began on February 15, 2009. Data include UC, UCFE, and UCX claims and determinations.

Temporary Extended Unemployment Compensation Claim Activities and Nonmonetary Determinations

YEAR ¹	INITIAL CLAIMS	NEW CLAIMS	WEEKS CLAIMED	NONMONETARY DETERMINATIONS		
				TOTAL	INELIGIBLE	ELIGIBLE
2002	314,921	278,559	2,784,923	20,375	9,477	10,898
2003	329,190	286,850	3,031,335	44,709	30,414	14,014
2004	11,621	5,277	338,969	23,428	16,579	6,849
2005	2,101	2,005	141	498	354	144
2006	42	0	1	79	51	28
2007	57	0	0	29	20	9

Source: Pennsylvania Department of Labor & Industry

¹Temporary Extended Unemployment Compensation (TEUC) period began during week of March 17, 2002 and ended April 3, 2004. TEUC for displaced airline and related industry workers ended January 1, 2005. Data include UC, UCFE, and UCX claims and determinations.

Emergency Unemployment Compensation Claim Activities and Nonmonetary Determinations

YEAR ¹	INITIAL CLAIMS	NEW CLAIMS	WEEKS CLAIMED	NONMONETARY DETERMINATIONS		
				TOTAL	INELIGIBLE	ELIGIBLE
EUC 1991						
1991	76,930	76,930	330,630 ²	1,351	432	919
1992	412,192	322,314	5,192,764	64,156	15,637	48,519
1993	541,866	337,311	5,152,268	106,238	24,326	81,912
1994	85,273	28,769	680,658	33,951	6,725	27,226
EUC 2008						
2008	208,716	183,336	1,761,127	11,921	5,717	6,204
2009	416,051	344,489	7,679,747	20,045	9,039	11,006
2010	327,193	239,283	12,239,635	21,082	9,273	11,809
2011	309,920	206,570	8,649,839	47,611	23,232	24,379
2012	247,647	158,878	6,789,483	38,104	23,960	14,144

Source: Pennsylvania Department of Labor & Industry

¹An Emergency Unemployment Compensation period (EUC 1991) began during the week of November 23, 1991. The last payable week for EUC 1991 was the week ending on April 30, 1994. Another EUC period (EUC 2008) began during the week of July 12, 2008. Data include UC, UCFE, & UCX claims and determinations.

²Estimated

DEFINITIONS FOR EXTENDED BENEFITS, TEMPORARY EXTENDED AND EMERGENCY UC PAYMENT ACTIVITIES

First Payment

First extended benefit, EUC, or TEUC payment claimants receive for a week of unemployment.

Final Payment

Last extended benefit, EUC, or TEUC payment claimants receive for a week of unemployment, which exhausts their extended benefit or EUC entitlement.

Weeks Paid

Extended benefit, EUC, or TEUC weeks claimed which were paid to eligible claimants upon certification that UC qualifying unemployment was experienced during given weeks.

Benefits Paid

Benefits paid to individuals under the extended benefits, EUC, or TEUC programs.

Average Payment

The amount of extended benefits, EUC, or TEUC paid for total unemployment during the year divided by the number of weeks for which benefits were paid (weeks compensated for total unemployment). Payments for partial unemployment are excluded from both numerator and denominator.

Average Duration

Average number of weeks of extended benefits, EUC, or TEUC paid per claimant - calculated by dividing the number of weeks paid by the number of first payments.

Extended Benefit Payment Activities

YEAR ¹	FIRST PAYMENTS	FINAL PAYMENTS	WEEKS PAID	BENEFITS PAID	AVERAGE WEEKLY BENEFIT AMOUNT	AVERAGE DURATION IN WEEKS
2009	84,973	75,364	1,327,832	\$422,330,759	\$322.33	15.6
2010	86,621	48,581	1,371,190	455,389,873	338.64	15.8
2011	103,528	57,190	1,720,157	583,914,988	346.63	16.6
2012	34,328	49,128	550,835	184,988,980	343.12	16.0

Source: Pennsylvania Department of Labor & Industry

¹The Extended Benefits (EB) period began on February 15, 2009. Data include UC, UCFE, and UCX claims and determinations.

Temporary Extended Unemployment Compensation Payment Activities

YEAR ¹	FIRST PAYMENTS	FINAL PAYMENTS	WEEKS PAID	BENEFITS PAID	AVERAGE WEEKLY BENEFIT AMOUNT	AVERAGE DURATION IN WEEKS
2002	214,001	110,219	2,755,681	\$779,026,456	\$282.70	12.9
2003	200,904	171,819	3,015,761	845,002,582	280.20	15.0
2004	6,380	36,866	348,266	95,512,355	274.25	n/a

Source: Pennsylvania Department of Labor & Industry

¹Temporary Extended Unemployment Compensation (TEUC) period began during week of March 17, 2002 and ended April 3, 2004. TEUC for displaced airline and related industry workers ended January 1, 2005. Data include UC, UCFE, and UCX claims and determinations.

Emergency Unemployment Compensation Payment Activities

YEAR ¹	FIRST PAYMENTS	FINAL PAYMENTS	WEEKS PAID	BENEFITS PAID	AVERAGE WEEKLY BENEFIT AMOUNT	AVERAGE DURATION IN WEEKS
EUC 1991						
1991	75,371	0	271,949	\$52,049,733	\$191.40	3.6
1992	232,412	72,307	5,167,281	986,242,398	190.86	22.2
1993	259,655	169,533	5,250,899	1,014,625,298	193.23	20.2
1994	27,465	62,362	719,399	129,990,652	180.69	26.2
EUC 2008						
2008	143,556	43,992	1,691,947	\$529,118,048	\$318.87	11.8
2009	593,062	346,007	7,687,253	2,517,699,653	334.32	13.0
2010	1,114,067	985,212	12,521,187	4,176,346,738	340.47	11.2
2011	615,576	525,817	8,433,988	2,782,242,718	338.21	13.7
2012	419,649	382,839	6,390,281	2,116,349,379	341.74	15.2

2012						
Tier I	151,667	134,906	2,946,952	\$987,105,275	\$345.61	19.4
Tier II	139,125	121,381	1,849,921	607,996,171	339.37	13.3
Tier III	128,219	125,072	1,587,062	520,613,820	337.05	12.4
Tier IV	638	1,480	6,346	1,634,113	412.49	9.9

Source: Pennsylvania Department of Labor & Industry

¹An Emergency Unemployment Compensation period (EUC 1991) began during the week of November 23, 1991. The last payable week for EUC 1991 was the week ending on April 30, 1994. Another EUC period (EUC 2008) began during the week of July 12, 2008. Data include UC, UCFE, & UCX claims and determinations.

DEFINITIONS FOR POPULATION AND LABOR FORCE DATA

Total Population

Total number of Pennsylvania residents.

Civilian Labor Force

Twelve-month average number of Pennsylvania residents who are classified by the U.S. Bureau of the Census as either employed or unemployed.

Total Resident Employment

Twelve-month average number of civilian Pennsylvania residents, 16 years old and older, who are either working or on a paid absence from work – resident employment is derived from a monthly survey of a sample of Pennsylvania households by the U.S. Bureau of the Census.

Total Unemployment

Twelve-month average number of Pennsylvania residents, 16 years old and older, who are not working but are looking for work or are waiting to report to a new job within 30 days - total unemployment is derived from a monthly survey of a sample of Pennsylvania households by the U.S. Bureau of the Census.

Total Unemployment Rate (TUR)

The percentage of individuals unemployed in the civilian labor force defined as the number of individuals 16 years of age or older who do not have a job but are available for work and actively seeking work including individuals on layoff and waiting to report to a new job within 30 days, divided by the number of persons in the civilian labor force – the civilian labor force is the sum of the number of individuals who are either employed or unemployed.

Population and Labor Force Data (in Thousands)

YEAR	TOTAL POPULATION ¹	LABOR FORCE ²	RESIDENT EMPLOYMENT ²	RESIDENT UNEMPLOYMENT ²	UNEMPLOYMENT RATE ²
1993	12,120	5,923	5,504	419	7.1 %
1994	12,166	5,903	5,530	373	6.3
1995	12,198	5,900	5,554	346	5.9
1996	12,220	5,988	5,662	326	5.4
1997	12,228	6,086	5,775	311	5.1
1998	12,246	6,068	5,788	281	4.6
1999	12,264	6,078	5,810	268	4.4
2000	12,281	6,086	5,831	255	4.2
2001	12,296	6,168	5,874	293	4.8
2002	12,322	6,218	5,869	349	5.6
2003	12,351	6,145	5,796	349	5.7
2004	12,377	6,197	5,860	337	5.4
2005	12,405	6,270	5,958	312	5.0
2006	12,471	6,308	6,021	287	4.5
2007	12,523	6,330	6,054	276	4.4
2008	12,566	6,448	6,103	345	5.4
2009	12,605	6,404	5,895	509	8.0
2010	12,702	6,393	5,855	538	8.4
2011	12,744	6,400	5,893	507	7.9
2012	12,764	6,487	5,973	513	7.9

2012					
JAN	n/a	6,436	5,946	490	7.6 %
FEB	n/a	6,447	5,959	487	7.6
MAR	n/a	6,461	5,968	493	7.6
APR	n/a	6,473	5,969	504	7.8
MAY	n/a	6,476	5,965	511	7.9
JUN	n/a	6,478	5,960	519	8.0
JUL	n/a	6,482	5,959	523	8.1
AUG	n/a	6,493	5,966	527	8.1
SEP	n/a	6,507	5,979	529	8.1
OCT	n/a	6,517	5,993	525	8.0
NOV	n/a	6,531	6,005	526	8.1
DEC	n/a	6,535	6,016	519	7.9

Sources: Pennsylvania Local Area Unemployment Statistics (LAUS)
US Bureau of the Census

¹The 2000 and 2010 data reflect actual US Bureau of the Census counts. For all other years, data reflect mid-year statistics provided by the US Bureau of the Census.

²Monthly data are seasonally adjusted. Data may not add to totals due to rounding. Labor force statistics reflect March 1, 2012 revision.

