

Memorandum

Cedar Hill ISD – Risk Management



To: Gilberto Prado – *Chief Financial Officer*
Caleb Pape - *Purchasing Coordinator*
Kathy Shaw - *Employee Benefits Coordinator*

From: Russ Edwards
Cedar Hill ISD - Risk Management Consultant

Date: August 17, 2020

Re: Unemployment Compensation Coverage – TASB RMF - 2020-21

The COVID pandemic greatly impacts this year's renewal of CHISD's unemployment. The sudden closure of schools resulted in unprecedented and widespread unemployment across Texas and our Nation.

TASB RMF communicated¹ that between mid-March and the end of June, more claims were filed by members in this time period than the total number of claims filed from 2014 through 2018. TASB RMF points out that the total cost of claims expected will be around \$44 million compared to \$9.5 in total contributions.

It does appear that the CARES Act passed by Congress will assist in reimbursing unemployment claims incurred from March through December. The CARES Act, along with the Catastrophic Cash Flow Strain Act of 2020, passed on August 3rd, should provide some relief and reimbursement of unemployment claims.

The district's historical claims experience provided by TASB RMF does not include the 2nd quarter of 2020. Overall, CHISD has remained very steady for the past several years.

Renewal

TASB RMF has indicated that they have a strong financial position and that the renewal contribution² is intended to cover next year's claims. It is very important to note, though, that they have set a maximum amount that potentially the TASB RMF will cover in claims, 300% of a district's contribution. This amount would equate to \$446,664 for CHISD. This "cap" would be determined, if needed, by the Fund's Board of Trustees.

Recommendation/Considerations

The TASB RMF renewal for UC is similar to other unemployment risk pools in the State and the Nation. The rate increase of 65%³ is in line with other risk pools, which have increased rates anywhere from 50% to more than 100%. Hopefully, this a one time increase, and we will be able to see a significant decrease once the pandemic comes to an end.

Thank you for the opportunity to assist Cedar Hill ISD with its risk management program. If you have any questions, please let me know.

¹ *TASB RMF Renewal Memo*

² *CHISD UC Contribution Summary*

³ *CHISD UC Historical Summary*

RE: TASB Risk Management Fund Renewal for Unemployment Compensation Coverage

8/13/2020

Below is a link to your renewal proposal for unemployment compensation (UC) coverage with the TASB Risk Management Fund (Fund) for October 1, 2020 – September 30, 2021. The proposal is based on our best estimates of the cost of UC benefits to be paid next year. We also include background and context for how we determined contributions.

Impact of Coronavirus Pandemic on Unemployment Compensation Program

As you are undoubtedly aware, the current pandemic has resulted in widespread unemployment throughout Texas. Although school districts and other Fund members continued to pay most of their employees, unemployment claims by substitutes and other non-contract employees reached a historic level. Between mid-March and end of June, **44,921 new UC claims** were filed against Fund Members. That is more than the **total number of claims filed from 2014 through 2018**. We estimate that the total cost of claims for the current UC program year will be approximately \$44 million, far surpassing the Fund's annual UC contributions of \$9.5 million. Fortunately, the Fund is in strong financial condition and can absorb these claims without additional contributions from members.

As a reminder, former employees are eligible for 26 weeks of regular benefits and an additional 13 weeks of emergency benefits during the pandemic period. That results in a maximum liability for any claim of \$20,319. Our initial review indicates that claims arose from the following scenarios:

- Substitute teachers
- Employees who may not have understood they would continue to be paid
- Employees who had left school district employment but lost a subsequent job and whose eligibility period included their district work
- Employees who lost second jobs

Fortunately, the CARES Act passed by Congress promises to reimburse local governments for unemployment compensation claims incurred from March through December up to 50%. Your renewal proposal incorporates CARES Act reimbursements into the estimation of future claims.

Estimating Next Year's Costs and Your Renewal

Although a great deal of uncertainty remains for the upcoming year, we anticipate that UC claims will stabilize, although at a higher than normal level.

Because the Fund is in strong financial position, next year's funding does not attempt to recover for claims paid this year. Next year's contributions are intended to cover next year's claims. However, because of the uncertainty of the economic and employment environment over the next 12 months, the Fund is reserving the right to ask for an additional contribution if your organization's UC claims next year exceed 300% of your 2020-21 contribution. You will only be charged the additional contribution if the Fund's Board of Trustees determines that overall Fund UC claims exceed

contributions to the point of jeopardizing the Fund's financial condition. If this occurs, you will only be charged if your organization's claims exceed your contribution by more than 300%. You will not be charged for other members' claims.

In determining costs for UC coverage for next year, we considered the following factors

1. Your actual UC claims experience over the past year.
2. Credit for your participation and positive claims experience in other Fund programs.
3. The overall funding needs of the Fund as a risk-sharing pool.

Steps You Can Take

TASB staff, working with Fund Members, have found some inappropriate claims paid including claims filed by individuals who are not eligible for benefits and some instances of identity theft. As we have identified those claims, we have notified TWC and stopped payment. To ensure that only legitimate benefits are paid, we urge you to review your C58R report under [Unemployment Compensation Resources](#) in myTASB to ensure that all of your organization's claims are legitimate. If you find any that are not, or have questions, please notify TASB's UC Attorney, James Ezell, at james.ezell@tasb.org immediately.

Renewing Your UC Coverage with the Fund

As in the past, you can renew your coverage in our online member renewal portal. Review, approve and submit your renewal documents by clicking [Member Renewal Packet](#) or by logging into the [Fund Website](#) with your myTASB password.

Please carefully review the terms, conditions, and pricing of the renewal proposal. Please note that if you take no action, coverage automatically renews with no opportunity for termination on October 1, 2020. If you are evaluating other options, please submit a tentative notice of termination no later than September 1 to avoid penalties for late termination notice.

If you would like to explore other coverage options with the Fund, please contact your Risk Management Marketing Consultant. We appreciate your membership in the Fund. We recognize that this renewal is difficult, and we are hopeful that benefit payments will stabilize in the coming months.

We believe that the Fund's ability to weather this unexpected UC storm in the current year shows the value of your continued membership in the Fund's UC program.

Sincerely,

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Cedar Hill ISD

Contribution & Coverage Summary (CCS)

Participation Period: October 1, 2020 through September 30, 2021

UNEMPLOYMENT COMPENSATION	Contribution
Unemployment Compensation - Pool	\$148,888

TOTAL CONTRIBUTION	\$148,888
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This is not an Invoice.

Cedar Hill ISD
Unemployment - Historical Summary
8/1/2020

	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21
Payroll	\$ 44,931,141	\$ 45,591,925	\$ 47,272,000	\$ 47,823,687	\$ 53,166,365	\$ 53,166,365
Rate	0.00219	0.00222	0.00204	0.00196	0.00170	0.00280
Contribution	\$ 98,441	\$ 101,394	\$ 96,324	\$ 93,508	\$ 90,235	\$ 148,888
Rate Change	-6.8%	1.5%	-8.4%	-4.0%	-13.2%	65.0%
Contribution Change	\$ -	\$ 2,953	\$ (5,070)	\$ (2,816)	\$ (3,273)	\$ 58,653

Claims

	2015	2016	2017	2018	2019	2020
Q1	\$ 39,951	\$ 14,733	\$ 12,875	\$ 4,697	\$ 14,087	\$ 15,978
Q2	\$ 34,124	\$ 5,899	\$ 9,184	\$ 7,486	\$ 10,895	\$ -
Q3	\$ 22,978	\$ 8,179	\$ 24,687	\$ 20,510	\$ 10,915	\$ -
Q4	\$ 17,527	\$ 18,293	\$ 16,893	\$ 12,906	\$ 12,095	\$ -
Total	\$ 114,580	\$ 47,104	\$ 63,639	\$ 45,599	\$ 47,992	\$ 15,978
Total Claims	47	44	40	47	34	-