

How the SSCM Stop Loss/Stop Gain features function

Stop Loss:

The Stop Loss is calculated and distributed before the need for Stop Gain is evaluated. If the Stop Loss is triggered, it first redistributes from the OBF allocation. Working with the unadjusted allocation results, the model calculates the total amount of OBF available from each institution **such that all contributing institutions remain above the Stop Loss threshold**. If PSU can contribute \$100,000 from its OBF allocation and all other institutions can contribute an additional \$900,000, then 10% of the Stop Loss need will be charged against PSU's OBF allocation. If enough OBF is available from the contributor pool to get all institutions above the Stop Loss threshold, then the redistribution is made and the Stop Loss operation is complete. If the Stop Loss need is greater than the amount of OBF available from contributing institutions, then all available OBF is redistributed, and the process begins again, this time using SCH allocations. The same mechanics are used to redistribute SCH except the model uses the post-OBF redistribution allocation figures as a basis, rather than the unadjusted allocation calculations. If the Stop Loss cannot be satisfied by the OBF and SCH processes, then Base adjustments (not calculated by the model) will be required.

Stop Gain:

Once the Stop Loss is complete, the need for Stop Gain is evaluated on the post-Stop Loss allocation figures. Stop Gain is not pointed to a specific allocation category like Stop Loss. Instead, it looks at the total post-Stop Loss allocation of each institution. If the Stop Gain is triggered, the model calculates the amount of allocation that can be redistributed **while keeping all institutions within the Stop Gain threshold**. A proportional redistribution is made to fill the Stop Gain need. The result is a total (Base + SCH + OBF) allocation calculation for each institution that is within both the Stop Loss and Stop Gain parameters.

The subtotals and thresholds used throughout the Stop Loss/Stop Gain process are visible on the "Collection" tab in the model.

Example:

The table that follows demonstrates the Stop Loss and Stop Gain functions.

Stop Loss Re-allocation example: Stop Loss set @ 0%										
Institution	Prior Year Allocation	Unadjusted Allocation	SL Threshold	Difference	SL Pool	% contribution to SL pool	SL Re-allocation needed	SL Contribution	Post SL Allocation	% Change from PY
1	\$ 100,000	\$ 90,000	\$ 100,000	\$ (10,000)			\$ 10,000		\$ 100,000	0%
2	\$ 100,000	\$ 110,000	\$ 100,000	\$ 10,000		29%		\$ 2,857	\$ 107,143	7%
3	\$ 100,000	\$ 105,000	\$ 100,000	\$ 5,000		14%		\$ 1,429	\$ 103,571	4%
4	\$ 100,000	\$ 120,000	\$ 100,000	\$ 20,000		57%		\$ 5,714	\$ 114,286	14%
Total:	\$ 400,000	\$ 425,000	\$ 400,000		\$ 35,000		\$ 10,000	\$ 10,000	\$ 425,000	6%
Column	A	B	C	D	E	F	G	H	I	J
Calculation			A*(100%+0%)	C-B	Positive Total D	D/E	C-B	F*E	B+G-H	I/A-1
Stop Gain Re-allocation example: Stop Gain set @ 10%										
Institution	Prior Year Allocation	Post SL Allocation	SG Threshold	Difference	SG Pool	% of available SG capacity	SG Re-allocation needed	SG Received	Post SG Allocation	% Change from PY
1	\$ 100,000	\$ 100,000	\$ 110,000	\$ (10,000)		52%		\$ 2,222	\$ 102,222	2%
2	\$ 100,000	\$ 107,143	\$ 110,000	\$ (2,857)		15%		\$ 635	\$ 107,778	8%
3	\$ 100,000	\$ 103,571	\$ 110,000	\$ (6,429)		33%		\$ 1,429	\$ 105,000	5%
4	\$ 100,000	\$ 114,286	\$ 110,000	\$ 4,286			\$ 4,286		\$ 110,000	10%
Total:	\$ 400,000	\$ 425,000	\$ 440,000		\$ (19,286)	100%	\$ 4,286	\$ 4,286	\$ 425,000	6%
Column	A	B	C	D	E	F	G	H	I	J
Calculation			A*(100%+10%)	B-C	Negative Total D	D/E	C-B	F*E	B+G-H	I/A-1