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EXECUTIVE OFFICE OF LABOR AND WORKFORCE DEVELOPMENT  
DEPARTMENT OF UNEMPLOYMENT ASSISTANCE

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**MEMORANDUM**

**TO:** Senator Michael Rodrigues, Chair, Senate Committee on Ways and Means  
Representative Aaron Michlewitz, House Committee on Ways and Means  
Senator Patricia D. Jehlen, Chair, Joint Committee on Labor and Workforce Development  
Representative Stephen Hay, Vice Chair, Joint Committee on Labor and Workforce Development  
Michael D. Hurley, Senate Clerk  
Steven T. James, House Clerk

**FROM:** Richard A. Jeffers

**DATE:** March 5, 2020

**SUBJECT: FEBRUARY 2020 UNEMPLOYMENT INSURANCE TRUST FUND REPORT**

The attached February Unemployment Insurance Trust Fund Report provides information on the trust fund status through the end of January 2020, revised projections for the private contributory account for 2020 through 2023 and new projections for 2024. The projections are based on the January 2020 Moody's Analytics Data Services forecasts, 2019 claims and payments activities and 2020 employer experience rates.

The report highlights include:

The January 2020 preliminary private contributory account balance was \$1.602 billion, \$16 million more than previously projected as employer contributions were larger than expected.

Employer contribution projections for 2020 are based on a \$15,000 taxable wage base and as triggered on rate schedule E.

The revised 2020 outlook for benefit payments is \$1.271 billion; employer contributions are estimated at \$1.738 billion and the year-end private contributory account balance is expected to be \$2.106 billion.

Revised economic assumptions include lower annual average unemployment rates that result in benefit payments exceeding employer contributions in 2022 through 2024.

Under the current economic assumptions the projections indicate that no borrowing from the federal unemployment account will be required through the 2024 outlook period.

cc: Distribution List



# Unemployment Insurance Trust Fund Report

Outlook Report February 2020

## HIGHLIGHTS

This Outlook Report provides the status of the Unemployment Insurance Trust Fund and updated projections for the 2020 through 2024 outlook period.

As required by MGL Chapter 151A, Section 14F, DUA publishes quarterly outlooks for the Trust Fund based on forecasts for total unemployment rate, annual wage and salary growth rate, and annual labor force. DUA also provides monthly reports updating the status of the Trust Fund.

New economic assumptions from Moody's Analytics Data Services used in these projections show lower average annual unemployment rates for 2020 to 2023, as compared to the assumptions used in the October 2019 Outlook Report. For 2020, the average annual unemployment rate improved from 3.3 percent to 2.9 percent followed by a 3.3 percent annual rate in 2021, which is four-tenths of a percentage point lower than the previous rate used. Total labor force decreased in 2020 to 2023 posting an average annual decrease of 22,189. The annual wage and salary growth rate is lower in 2019, 2022 and 2023 but higher in 2021.

The outlook presented is for the regular UI program based on 2020 employer experience rates and 2019 benefit payments, and employer contributions.

Tax rate schedule E triggered for 2020 employer contributions and a taxable wage base remaining at \$15,000.

The revised 2020 year-end projections indicate employer contributions, based on rate schedule E and a \$15,000 taxable wage base, will be \$1.738 billion, \$76 million more than the previous estimate of \$1.662 billion. Estimated benefit payments of \$1.271 billion are \$146 million lower than the previous estimate of \$1.417 billion first released in the October 2019 Outlook Report. The difference is due to a projected decrease in the annual average unemployment rate resulting in less weeks compensated and insured unemployment. As a result, the private contributory account year-end balance estimated at \$2.106 billion is \$235 million higher than the previous estimate of \$1.871 billion. The projected 2020 ending balance is \$504 million more than last year's ending balance of \$1.602 billion.

For 2021 rate schedule D is projected to trigger for employer contributions. With a \$15,000 taxable wage base, employer contributions are projected to be \$1.558 billion and benefit payments are estimated at \$1.468 billion. Year-end 2021 private contributory account balance is projected at \$2.235 billion, \$456 million more than the previous estimate due to a projected decrease in benefit payments and a carryover from the 2020 higher year-end balance.

Tax rate schedule D is again projected to trigger for 2022 employer payrolls. Employer contributions are estimated at \$1.512 billion and benefits payments at \$1.633 billion. Year-end 2022 private contributory account balance is projected at \$2.154 billion.

Tax rate schedule D is now projected to trigger for 2023 employer payrolls. Employer contributions are estimated at \$1.505 billion, a decrease of \$117 million from the previous projection of \$1.622 billion on a higher tax schedule E. Benefit payments projected at \$1.736 billion is in-line with the previous estimate of \$1.724 billion with a 2023 year-end balance of \$1.960 billion.

For 2024, tax rate schedule D is projected to trigger for employer payrolls and generate \$1.506 billion in contributions. Benefit payments are projected at \$1.754 billion and a year-end balance of \$1.745 billion.

Based on the current economic assumptions and statutory provisions, no borrowing from the federal unemployment account is anticipated throughout the 2020 to 2024 outlook period.

**ECONOMIC ASSUMPTIONS**

DUA utilizes independent economic forecasts as the basis for its estimates of income and expenditure for the Massachusetts Unemployment Insurance program. Moody's Analytics Data Services January 2020 forecasts were used in the benefit financing simulations for this report. The current assumptions, along with assumptions used to produce the simulation estimates published in the August and October 2019 Outlook Reports are provided in Table 1.

The January 2020 Moody's Analytics Data Services Annual Wage and Salary Growth Rates forecasts for 2020, 2022 and 2023 were revised down while the 2021 rate was up from 2.4 percent to 2.9 percent.

The projected annual average total unemployment rates for 2020 to 2023 were all lower than the rates used in the October 2019 Outlook Report. In 2020 and 2021, an

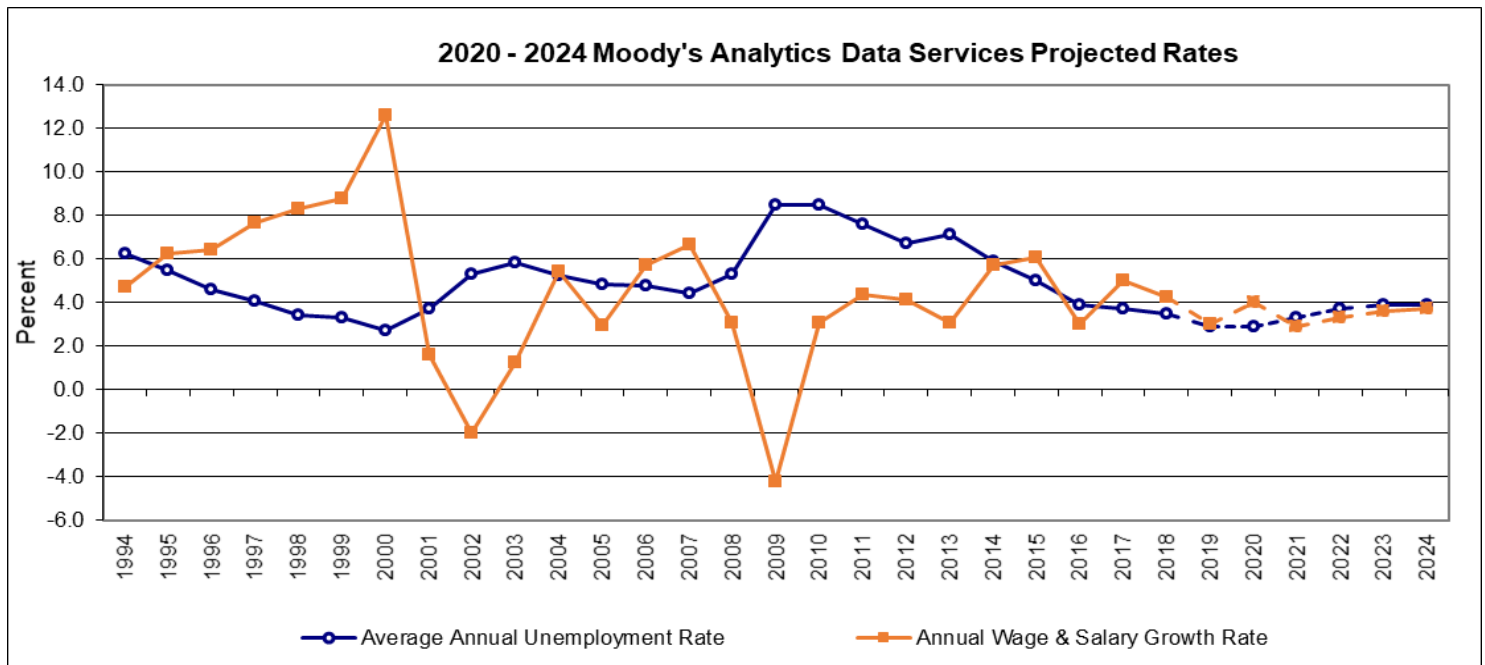
improvement of four-tenths of a percentage point, from 3.3 percent to 2.9 percent and from 3.7 percent to 3.3 percent, respectively. This is followed by three-tenths of a percentage point reduction in the average annual unemployment rate in 2022 now at 3.7 percent.

The annual labor force projections for 2020 to 2023 showed an average annual decrease of 22,189 from the Moody's Analytics Data Services projections released in September 2019. The 2020 labor force showed the smallest decrease of 17,303. The labor force is projected to be 3,907,533 in 2024.

**Table 1: Moody's Analytics Data Services Forecasts, Three Most Recent Reports**

	Wage & Salary Growth (%)			Total Unemployment Rate (%)			Labor Force		
	19-Jul	19-Sep	20-Jan	19-Jul	19-Sep	20-Jan	19-Jul	19-Sep	20-Jan
2020	4.8	4.4	4.0	3.3	3.3	2.9	3,862,652	3,869,901	3,852,598
2021	2.6	2.4	2.9	3.7	3.7	3.3	3,874,718	3,881,134	3,860,770
2022	3.4	3.6	3.3	4.0	4.0	3.7	3,899,021	3,904,519	3,880,616
2023	3.6	3.8	3.6	4.0	4.0	3.9	3,919,649	3,924,159	3,896,972
2024	NA	NA	3.7	NA	NA	3.9	NA	NA	3,907,533

Source: Moody's Analytics Data Services



**UNEMPLOYMENT INSURANCE TRUST FUND BALANCE**

As of January 31, 2020, the preliminary Massachusetts Unemployment Insurance Trust Fund ending balance was \$1.744 billion. The private contributory account balance was at \$1.602 billion and the governmental contributory account balance was \$142 million. The private contributory account balance is \$16 million more than the latest projection of \$1.586 billion for the month of January.

The private contributory account is projected to have a balance of \$2.106 billion at the end 2020, a reserve of \$2.235 billion in 2021 and a projected balance of \$2.154 billion by the end of 2022.

The 2020 year-end private contributory account balance of \$2.106 billion is \$235 million higher than the previous estimate of \$1.871 billion first published in the January 2020 Outlook Report. The difference in the year-end balance is the result of expected decreases in benefit payments. The revised 2020 annual average unemployment rate improved by four-tenths of a percentage point resulting in less insured unemployment and weeks compensated. Year-end reserves as a percent of total wages are expected to be 0.99 percent.

The year-end 2021 account balance is expected to be \$2.235 billion, a \$456 million increase from the previous estimate of \$1.779 billion. The increase was due to a decrease in the annual average unemployment rate generating fewer insured unemployment and weeks compensated resulting in less benefit payments coupled with a carryover of the 2020 higher year-end balance.

The year-end 2022 private account balance is expected to be \$2.154 billion, \$614 million higher than the previous

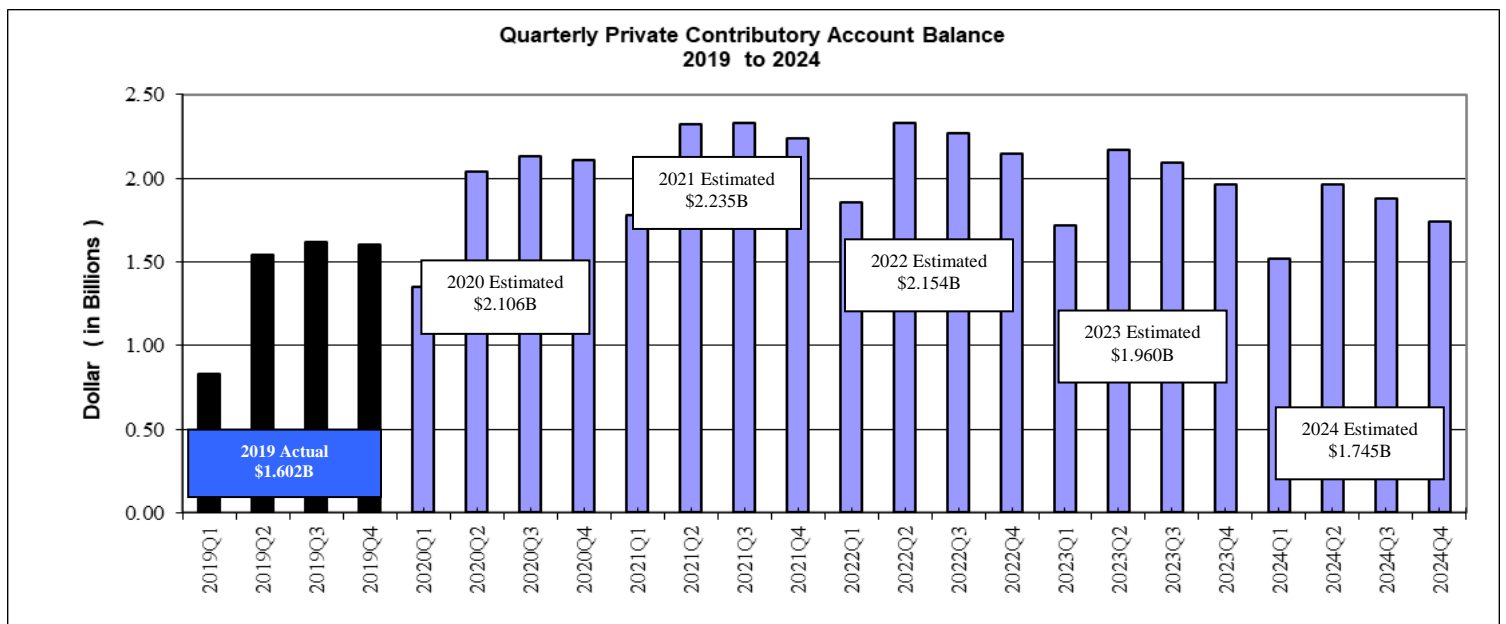
estimate of \$1.540 billion. However, the increase in the projected ending balance is primarily a carryover from the higher year-end balances of the previous two years as benefit payments were higher than employer contributions.

The 2023 year-end account balance is estimated to be \$1.960 billion. However, with projected benefit payments being higher than employer contributions, this 2023 year-end balance is \$194 million less than the 2022 year-ending balance.

The 2024 year-end private contributory account balance is estimated at \$1.745 billion, 0.75 percent of total wages.

It is anticipated that no borrowing from the federal unemployment account will be required throughout the outlook period.

The chart below shows the 2019 actual and projected quarterly private UI Fund balance through 2024.



**BENEFIT OUTLAYS**

The updated simulation for the outlook period shows decreases in benefit payments in 2020 to 2022 and a small increase in 2023.

Preliminary benefit payments in January 2020 totaled \$138.8 million, a \$12.5 million decrease from the January 2019 payment of \$151.3 million and \$5.3 million less than the projection of \$144.1 million.

Initial claims in the month of January 2020 were 8.6 percent lower and weeks compensated were 13.6 percent less than in January 2019. The average weekly benefit amount of \$531.86 in January 2020 was \$15.81 or 3.1 percent more than the \$516.05 amount in the same month in 2019.

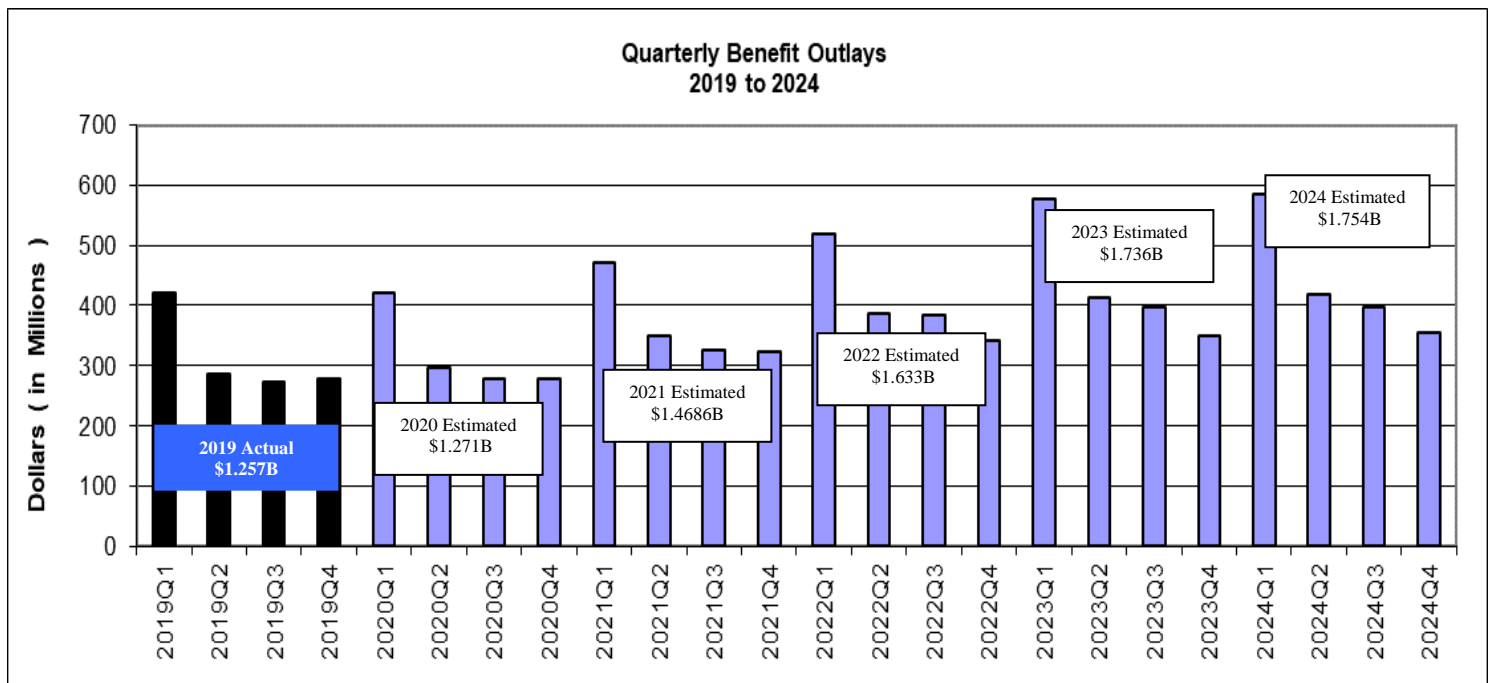
Benefit payments for 2020 are now estimated to be \$1.271 billion, \$146 million less than the previous estimate of \$1.417 billion first released in the October 2019 Outlook Report. The difference is due to projected decreases in total weeks compensated and insured unemployment generated by four-tenths of a percentage point improvement in the annual average unemployment rate.

In 2021, benefit payments are projected to be \$1.468 billion, \$120 million lower than the previous estimate of \$1.588 billion. The revision, as in the previous year, is due to a decrease in the projected annual average unemployment rate resulting in fewer insured unemployment and weeks compensated.

For 2022, benefit payments are projected to be \$1.633 billion, a decrease of \$75 million from the previous estimate of \$1.708 billion first released in October 2019. As in the previous years, the reduction in payment was the result of less insured unemployment and weeks compensated caused by a projected lower average annual unemployment rate.

Benefit payments are projected to be \$1.736 billion in 2023, at just \$12 million higher is in-line with the previous estimate of \$1.724 billion

In 2024, benefit payments are predicted to be \$1.754 billion, a small increase of \$18 million from the 2023 projected benefit payments as the annual average unemployment rate holds steady at 3.9 percent.



**EMPLOYER CONTRIBUTIONS**

Updated projections for employer contributions showed increases in 2020 to 2022 and decreases in 2023.

Employer contributions in the month of January 2020 totaled \$138.7 million, an increase of \$15.2 million from the January 2019 contributions of \$123.5 million and \$11.1 million more than projected.

For 2020 rate schedule E triggered for employer contributions and with a \$15,000 taxable wage base, contributions are estimated at \$1.738 billion, an increase of \$76 million from the previous estimate of \$1.662 billion. The increase was due to a higher average contribution rate.

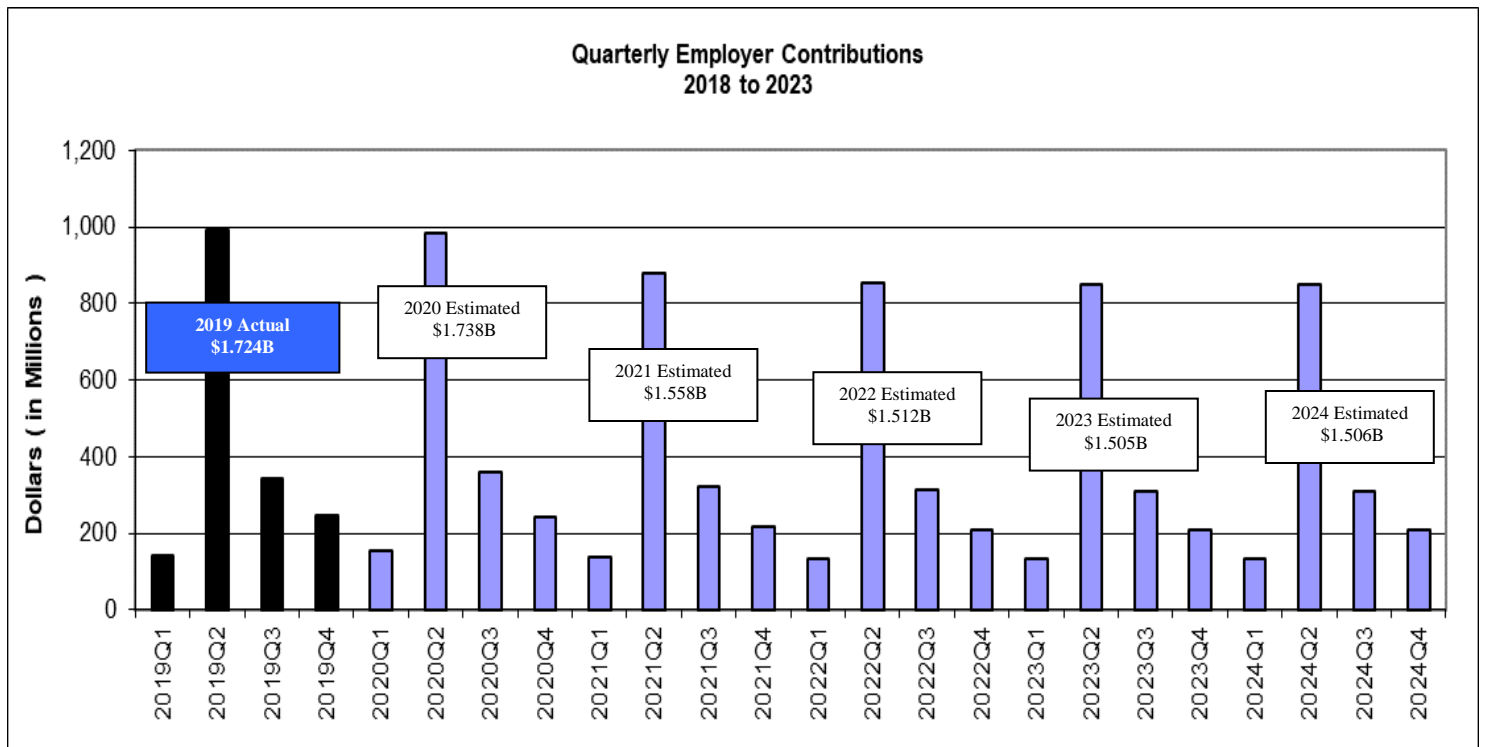
Rate schedule D is projected to trigger for 2021 payrolls. Employer contributions projected at \$1.558 billion is an increase of \$88 million from the previous estimate of \$1.470 billion. The revision is due to an increase in the average contribution rate.

Tax rate schedule D is again projected to trigger for 2022 payrolls with an estimated employer contribution of \$1.512 billion, an increase of \$67 million from the previous estimate of \$1.445 billion. As in previous years, the increase was due to a slightly higher average contribution rate.

For 2023, tax rate schedule D is now projected to trigger for employer payrolls generating \$1.505 billion in contributions. This is a decrease of \$117 million from the previous projection first released in October 2019 of \$1.622 billion on tax rate schedule E.

For 2024 employer payrolls are expected to remain on tax rate schedule D and generate \$1.506 billion in employer contributions

Table 2, on page 7, contains the experience rate table that took effect in 2015.



**Table 2: Experience Rate Table**

Employer Account Reserve Percentages	Unemployment Compensation Fund Reserve Percentage						
	A	B	C	D	E	F	G
	1.65% and over	1.5% or more less than 1.65%	1.2% or more less than 1.5%	0.9% or more less than 1.2%	0.6% or more less than 0.9%	0.3% or more less than 0.6%	less than 0.3%
Negative Percentage	Employer Contribution Rate*						
23 or more	8.62	9.79	11.13	12.65	14.37	16.33	18.55
21.0 but less than 23.0	8.25	9.37	10.65	12.11	13.76	15.63	17.76
19.0 but less than 21.0	7.88	8.96	10.18	11.57	13.15	14.94	16.97
17.0 but less than 19.0	7.52	8.54	9.71	11.03	12.53	14.24	16.18
15.0 but less than 17.0	7.15	8.13	9.24	10.49	11.93	13.55	15.39
13.0 but less than 15.0	6.78	7.71	8.76	9.95	11.31	12.85	14.60
11.0 but less than 13.0	6.42	7.29	8.29	9.42	10.70	12.16	13.81
9.0 but less than 11.0	6.05	6.87	7.81	8.88	10.09	11.46	13.02
7.0 but less than 9.0	5.68	6.46	7.34	8.34	9.48	10.77	12.23
5.0 but less than 7.0	5.32	6.04	6.86	7.80	8.86	10.07	11.44
3.0 but less than 5.0	4.95	5.63	6.39	7.27	8.26	9.38	10.66
1.0 but less than 3.0	4.58	5.21	5.92	6.72	7.64	8.68	9.86
0.0 but less than 1.0	4.22	4.79	5.45	6.19	7.03	7.99	9.08
Positive Percentage							
0.0 but less than 0.5	3.14	3.57	4.06	4.61	5.24	5.96	6.77
0.5 but less than 1.0	3.06	3.48	3.96	4.50	5.11	5.81	6.60
1.0 but less than 1.5	2.98	3.39	3.85	4.38	4.98	5.65	6.43
1.5 but less than 2.0	2.90	3.30	3.75	4.26	4.84	5.50	6.25
2.0 but less than 2.5	2.82	3.21	3.65	4.14	4.71	5.35	6.08
2.5 but less than 3.0	2.75	3.12	3.54	4.02	4.57	5.20	5.90
3.0 but less than 3.5	2.67	3.03	3.44	3.91	4.44	5.05	5.74
3.5 but less than 4.0	2.58	2.93	3.33	3.79	4.30	4.89	5.56
4.0 but less than 4.5	2.50	2.84	3.23	3.67	4.17	4.74	5.38
4.5 but less than 5.0	2.42	2.75	3.13	3.55	4.04	4.59	5.21
5.0 but less than 5.5	2.34	2.66	3.02	3.43	3.90	4.43	5.04
5.5 but less than 6.0	2.25	2.56	2.91	3.31	3.76	4.28	4.86
6.0 but less than 6.5	2.17	2.47	2.81	3.20	3.63	4.13	4.69
6.5 but less than 7.0	2.09	2.38	2.71	3.08	3.50	3.97	4.51
7.0 but less than 7.5	2.02	2.30	2.61	2.96	3.37	3.82	4.35
7.5 but less than 8.0	1.94	2.20	2.50	2.84	3.23	3.67	4.17
8.0 but less than 8.5	1.85	2.10	2.39	2.72	3.09	3.51	3.99
8.5 but less than 9.0	1.78	2.02	2.29	2.61	2.96	3.37	3.82
9.0 but less than 9.5	1.70	1.93	2.19	2.49	2.82	3.21	3.65
9.5 but less than 10.0	1.61	1.83	2.08	2.36	2.69	3.05	3.47
10.0 but less than 10.5	1.53	1.74	1.98	2.25	2.56	2.91	3.30
10.5 but less than 11.0	1.45	1.65	1.87	2.13	2.42	2.75	3.12
11.0 but less than 11.5	1.37	1.56	1.77	2.01	2.29	2.60	2.96
11.5 but less than 12.0	1.29	1.47	1.67	1.89	2.15	2.45	2.78
12.0 but less than 12.5	1.21	1.37	1.56	1.77	2.01	2.29	2.60
12.5 but less than 13.0	1.13	1.28	1.46	1.66	1.89	2.14	2.43
13.0 but less than 13.5	1.05	1.19	1.35	1.54	1.75	1.99	2.26
13.5 but less than 14.0	0.97	1.10	1.25	1.42	1.61	1.83	2.08
14.0 but less than 15.0	0.81	0.92	1.04	1.18	1.34	1.53	1.73
15.0 but less than 16.0	0.73	0.83	0.94	1.07	1.21	1.38	1.57
16.0 but less than 17.0	0.64	0.73	0.83	0.95	1.08	1.22	1.39
17.0 or more	0.56	0.64	0.73	0.83	0.94	1.07	1.21

Employer Contribution Rate is applied to the first \$15,000 of wages per employee.

The current law simulation estimates for 2020 through 2024 are displayed in Tables 3 and 4, below.

**Table 3: Unemployment Trust Fund Projections for the Private Contributory Account, 2020 - 2024**

(All \$ in Millions except Average Cost/Employee)

	2019	2020	2021	2022	2023	2024
<b>Balance, January 1</b>	\$1,101	\$1,602	\$2,106	\$2,235	\$2,154	\$1,960
<b>Income</b>	\$1,724	\$1,738	\$1,558	\$1,512	\$1,505	\$1,506
Trust Fund Interest	\$34	\$37	\$39	\$40	\$37	\$33
<b>Benefit Outlays</b>	\$1,257	\$1,271	\$1,468	\$1,633	\$1,736	\$1,754
Federal Loan Interests						
<b>Balance, December 31</b>	\$1,602	\$2,106	\$2,235	\$2,154	\$1,960	\$1,745
Schedule*	"E"	"E"	"D"	"D"	"D"	"D"
Average Cost/Employee	\$617	\$616	\$550	\$553	\$555	\$554

\* 2019 rate schedules set by Legislation, 2020 to 2024 rate schedule projected based on current statutory triggers, calculated with the previous three years average total wages. Taxable Wage Base of \$15,000 effective beginning 2015.

Source: Massachusetts Department of Unemployment Assistance benefit financing simulation, UNIS-X.

Figures may not add up due to rounding.

**Table 4: Benefit Financing Simulation Output**

	2019	2020	2021	2022	2023	2024
Total Covered Payroll (\$Billions)	\$207.4	\$212.5	\$216.6	\$221.1	\$226.3	\$232.8
Contributory Payroll (\$Billions)	\$45.8	\$46.9	\$47.7	\$48.2	\$48.5	\$48.9
Contributory Wage Proportion	22.1%	22.1%	22.0%	21.8%	21.4%	21.0%
Nominal Contribution Rate	3.8%	3.8%	3.4%	3.4%	3.3%	3.2%
Contributions as % of Total Payroll	0.83%	0.82%	0.72%	0.68%	0.66%	0.65%
Benefits as a % of Total Payroll	0.61%	0.60%	0.68%	0.74%	0.77%	0.75%
Trust Fund Balance as % of Total Payroll	0.77%	0.99%	1.03%	0.97%	0.87%	0.75%
Solvency Assessment	0.69%	0.58%	0.68%	0.72%	0.81%	0.86%
AHCM	0.40	0.51	0.53	0.50	0.45	0.39
Covered Employment (Thousands)	3,580	3,614	3,627	3,646	3,661	3,676
Total Unemployment Rate	2.9%	2.9%	3.3%	3.7%	3.9%	3.9%
Insured Unemployment Rate	1.6%	1.6%	1.7%	1.9%	2.0%	2.0%

Source: Economic assumptions are based on Moody's Analytics Data Services forecasts and Massachusetts benefit financing simulation, UNIS-X.

Figures may not add up due to rounding.



## APPENDIX UNEMPLOYMENT INSURANCE DEFINITIONS

**AVERAGE HIGH COST RATE:**

The average of the three highest calendar benefit cost rates in the last 20 years (or a period including three recessions, if longer). The benefit cost rates private UI contributory employers benefits paid (including the state's share of extended benefits when applicable) as a percent of their total wages.

**AVERAGE HIGH COST MULTIPLE (AHCM):**

The ratio of the year-end trust fund balance as a percent of total wages divided by the Average High Cost Rate.

**BENEFITS PAID:**

The unemployment insurance benefits paid to individuals funded through the state program. This includes all weeks compensated including partial payments.

**CIVILIAN LABOR FORCE:**

The estimated average number of Massachusetts residents who are either employed or unemployed in the week of the 12th for the three months of the quarter.

**COVERED EMPLOYMENT:**

The number of employees covered by Unemployment Insurance reported to the state by employers. The numbers represent the count of all employees for the payroll period that includes the 12<sup>th</sup> of the month.

**HIGH-COST MULTIPLE (HCM):**

The ratio of the Trust Fund balance as a percent of total wages divided by the High Cost Rate. The High Cost Rate is the highest historical ratio of benefits paid to total wages for a 12-month period.

**INITIAL CLAIMS:**

Any notice of unemployment filed by an individual (1) to request a new determination of entitlement to and eligibility for unemployment compensation or (2) to begin a second or subsequent period of eligibility within a benefit year or period of eligibility following an additional separation from employment.

**INSURED UNEMPLOYED:**

The average number of weeks claimed for the three months of the quarter.

**INSURED UNEMPLOYMENT RATE (IUR):**

The rate computed by dividing Insured Unemployed for the current quarter by the average Covered Employment for the first four of the last six completed quarters.

**OUTSTANDING LOAN BALANCES:**

Balance, as of the end of the quarter, of advances acquired by the state under Title XII of the Social Security Act which allows states to use repayable advances from the federal UI account.

**SOLVENCY ASSESSMENT:**

The annual factor assessed to employer taxable payrolls to cover the net balance of charges and credits not directly assigned to individual employers.

**TAXABLE WAGES:**

Wages paid to covered employees that are subject to State Unemployment Insurance taxes. For Massachusetts, the first \$15,000 in wages per employee is covered by UI,

**TAXABLE WAGE BASE:**

For each State, the maximum amount of wages paid to an employee by an employer during a year in which their employment is subject to UI taxes. Wages above this amount are not subject to UI tax.

**TOTAL UNEMPLOYED:**

The estimated average number of residents, 16 years of age or older, who do not have a job but are available for work

and actively seeking work in the week of the 12th for the three months of the quarter. This includes individuals on layoff and waiting to report to a new job within 30 days.

**TOTAL UNEMPLOYMENT RATE (TUR):**

The rate computed by dividing Total Unemployed by the Civilian Labor Force.

**TOTAL WAGES:**

All wages or remuneration paid to workers on all payrolls covered by Unemployment Insurance.

**TRUST FUND BALANCE (TF):**

The balance in the individual state account in the Unemployment Trust Fund. Outlook estimates are for the private contributory account within the Trust Fund.

**TRUST FUND AS % OF TAXABLE WAGES:**

Year-end Trust Fund Balance as a percent of estimated taxable wages for the most recent 12 months; also referred to as the Reserve Ratio. Estimated wages are based on the latest growth rate in the 12 month moving average (MA).

**UNEMPLOYMENT TRUST FUND (UTF):**

A fund established in the Treasury of United States which contains all monies deposited by state agencies to the credit of their unemployment fund accounts.

**WEEKS CLAIMED:**

The number of weeks claimed for UI benefits, including weeks for which a waiting period or fixed disqualification period is being served. Interstate claims are counted in the state of residence.

**WEEKS COMPENSATED:**

The number of weeks claimed for which UI benefits are paid. Weeks compensated for partial unemployment are included. Interstate claims are counted in the paying state.