

Unemployment Insurance Trust Fund Report

Outlook Report May 2019

HIGHLIGHTS

This Outlook Report provides the status of the Unemployment Insurance Trust Fund and updated projections for the 2019 through 2023 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 2019 to 2023, as compared to the assumptions used in the February 2019 Outlook Report. For 2019, the average annual unemployment rate improved from 3.2 percent to 3.0 percent followed by a 3.2 percent annual rate in 2020, which is three-tenths of a percentage point lower than the previous rate used. Total labor force increased slightly in 2019 to 2023 posting an average annual increase of 3,176. The annual wage and salary growth rates are lower in 2019 and 2023, higher in 2020 and 2021, unchanged in 2022.

The outlook presented is for the regular UI program based on 2019 employer experience rates, benefit payments, and employer contributions through first quarter. A new forecasting model developed by the U.S. Department of Labor Employment and Training's Office of Unemployment Insurance was used for this outlook.

Chapter 63 of the Acts of 2017 sets tax rate schedule E for 2019 employer contributions.

The revised 2019 year-end projections indicate employer contributions, based on rate schedule E and a \$15,000 taxable wage base, will be \$1.810 billion, \$28 million more than the previous estimate of \$1.782 billion. Estimated benefit payments of \$1.366 billion are in-line with the previous estimate of \$1.354 billion first released in the February 2019 Outlook Report. The private contributory account year-end balance estimated at \$1.572 billion is just \$11 million higher than the previous estimate of \$1.561 billion. The projected 2019 ending balance is \$471 million more than last year's ending balance of \$1.101 billion.

For 2020 rate schedule E is projected to trigger for employer contributions. With a \$15,000 taxable wage base, employer contributions are projected to be \$1.778 billion and benefit payments are estimated at \$1.570 billion. Year-end 2020 private contributory account balance is projected at \$1.814 billion, \$185 million more than the previous estimate due to a projected decrease in benefit payments caused by a three-tenths of a percentage point improvement in the average annual unemployment rate.

Tax rate schedule D is projected to trigger for 2021 employer payrolls. Employer contributions estimated at \$1.498 billion are \$40 million less than the previous estimate of \$1.538 billion. Benefits payments projected at \$1.874 billion are \$257 million less than the previous projection. As a result, the year-end 2021 private contributory account balance projected at \$1.473 billion is \$401 million higher than the previously released estimate of \$1.072 billion.

Tax rate schedule E is projected to trigger for 2022 employer payrolls. Employer contributions are estimated at \$1.671 billion, a decrease of \$174 million from the previous projection of \$1.845 billion due to a lower average contribution rate. Benefit payments projected at \$2.032 billion are \$134 million less as the annual average unemployment rate is two-tenths of a percentage point lower. The year-end balance of \$1.143 billion is \$369 million higher than the previous estimate of \$774 million.

For 2023, tax rate schedule E is now projected to trigger for employer payrolls and generate \$1.649 billion in contributions. Benefit payments are projected at \$2.228 billion and a year-end balance of \$587 million.

Based on the current economic assumptions and statutory provisions, no borrowing from the federal unemployment account is anticipated throughout the 2019 to 2023 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 April 2019 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 October 2018 and February 2019 Outlook Reports are provided in Table 1.

The April 2019 Moody's Analytics Data Services Annual Wage and Salary Growth Rates forecasts for 2019 and 2023 were revised down and the 2020 and 2021 rates increased by nine-tenths and three-tenths of a percentage point, respectively.

The projected annual average total unemployment rates for 2019 to 2023 were all lower than the rates used in the

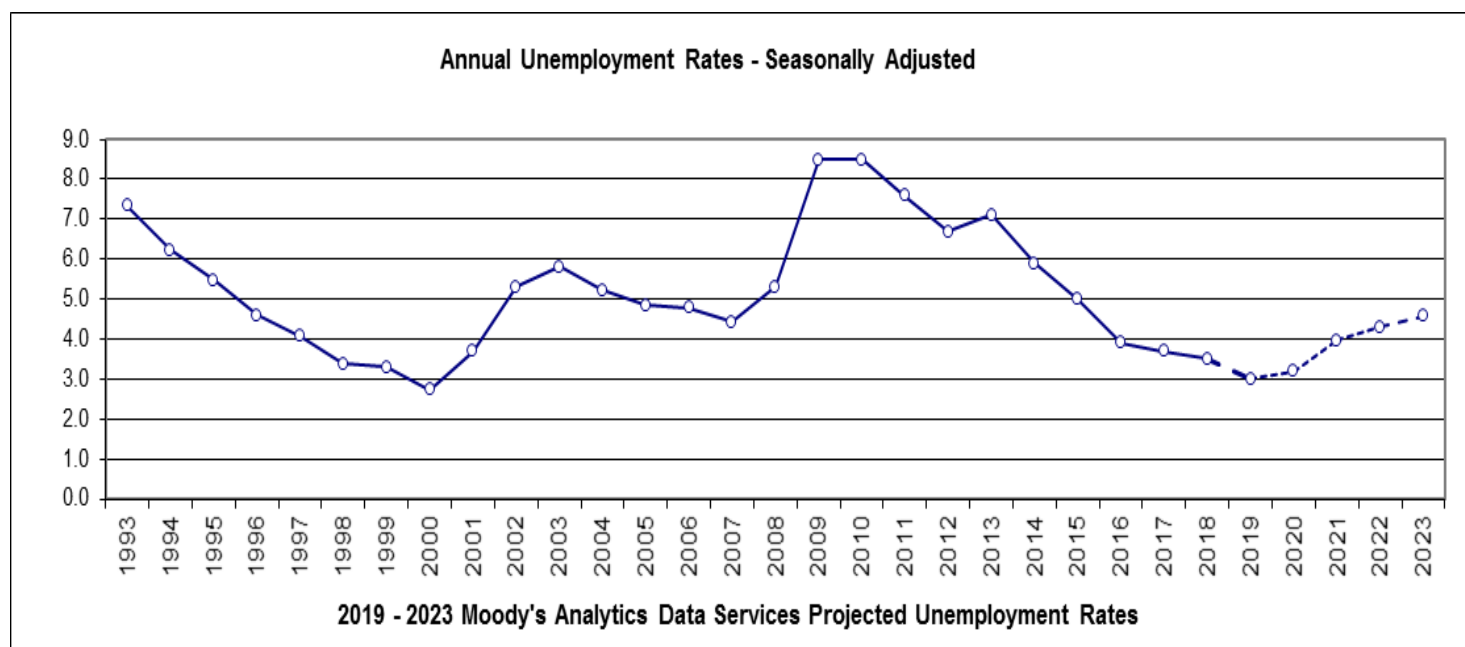
February 2019 Outlook Report. In 2019, an improvement of two-tenths of a percentage point, from 3.2 percent to 3.0 percent, and in 2020 three-tenths of a percentage point revision from 3.5 percent to 3.2 percent. This is followed by a 4.0 percent annual average unemployment rate in 2021 which is also three-tenths of a percentage point lower than the previously used rate.

The annual labor force projections for 2019 to 2023 showed slight increases with an average annual increase of 3,176 from the Moody's Analytics Data Services projections released in January 2019. The labor force is projected to be 3,924,370 in 2023.

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

	Wage & Salary Growth (%)			Total Unemployment Rate (%)			Labor Force		
	18-Sep	19-Jan	19-Apr	18-Sep	19-Jan	19-Apr	18-Sep	19-Jan	19-Apr
2019	6.0	5.1	5.0	3.4	3.2	3.0	3,792,753	3,852,425	3,857,045
2020	4.1	4.2	5.1	3.8	3.5	3.2	3,806,038	3,863,952	3,869,128
2021	2.3	2.3	2.5	4.5	4.3	4.0	3,822,871	3,879,683	3,881,416
2022	3.4	3.4	3.4	4.7	4.5	4.3	3,848,254	3,904,142	3,906,191
2023	NA	3.6	3.5	NA	4.7	4.6	NA	3,922,067	3,924,370

Source: Moody's Analytics Data Services



UNEMPLOYMENT INSURANCE TRUST FUND BALANCE

As of April 30, 2019, the preliminary Massachusetts Unemployment Insurance Trust Fund ending balance was \$1.759 billion. The private contributory account balance was at \$1.627 billion and the governmental contributory account balance was \$132 million. The private contributory account balance is \$34 million more than the projection of \$1.593 billion released in the February 2019 Outlook Report.

The private contributory account is projected to have a balance of \$1.572 billion at the end 2019, a reserve of \$1.814 billion in 2020 and a projected balance of \$1.473 billion by the end of 2021.

The 2019 year-end private contributory account balance of \$1.572 billion is in-line with the previous estimate of \$1.561 billion first published in the February 2019 Outlook Report. Year-end reserves as a percent of total wages are expected to be 0.80 percent.

The year-end 2020 account balance is expected to be \$1.814 billion, a \$185 million increase from the previous estimate of \$1.629 billion. The higher year-end balance is due to a decrease in total benefit payments caused by less insured unemployment and weeks compensated.

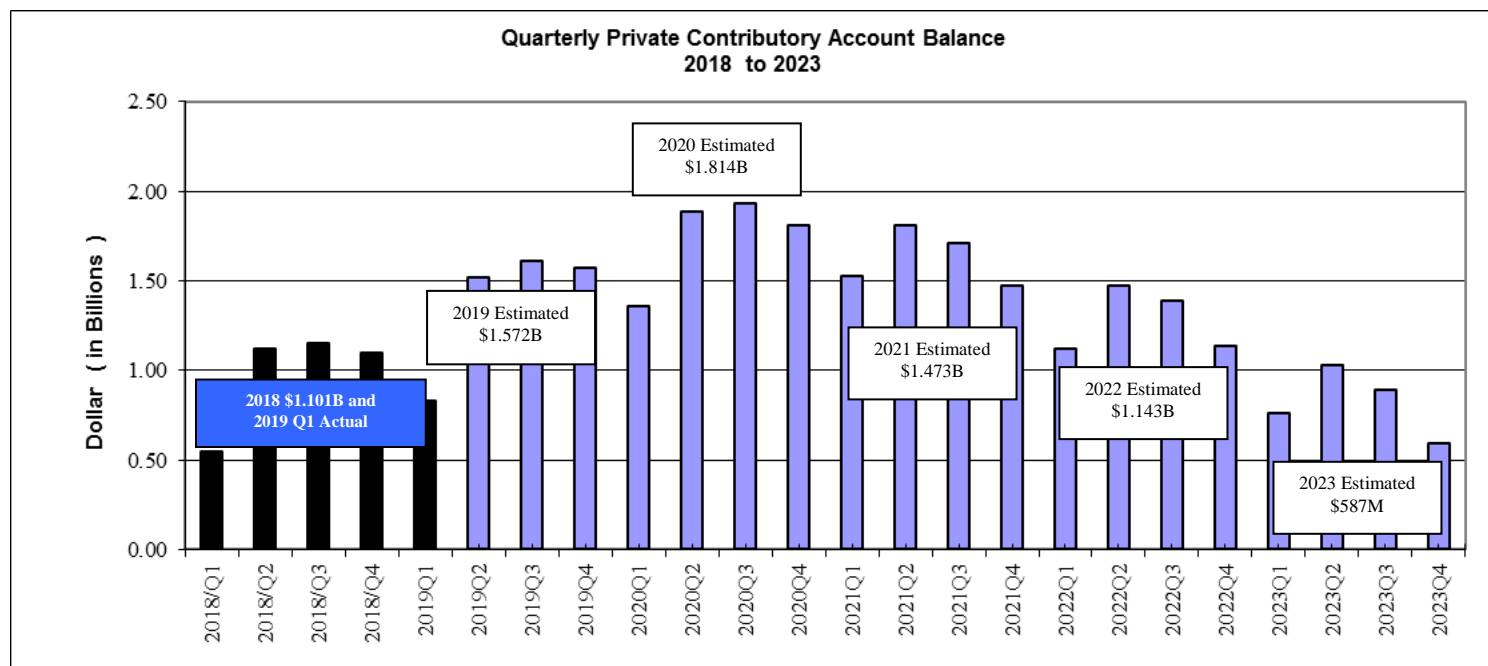
The year-end 2021 private account balance is expected to be \$1.473 billion, \$401 million more than the previous estimate of \$1.072 billion. As in the previous year, the increase is the result of fewer insured unemployment and weeks compensated generating less benefit payments.

The year-end 2022 account balance is estimated to be \$1.143 billion, a \$369 million increase from the previously released balance of \$774 million. With projected decreases in employer contributions and benefit payments, the larger ending balance is primarily a carryover of the previous years' higher ending balances.

The 2023 year-end private contributory account balance is estimated at \$587 million, in-line with the previous estimate of \$565 million and just 0.25 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 actual 2018 through first quarter 2019 and projected quarterly private UI Fund balance through 2023.



BENEFIT OUTLAYS

The updated simulation for the outlook period shows a slight increase in benefit payments in 2019 but large decreases in 2020 to 2023.

Preliminary benefit payments through April 2019 totaled \$538 million, a \$19.6 million decrease from the January to April 2018 payments of \$557.6 million but just \$5.3 million less than the projection of \$543.3 million released in the February to April 2019 Outlook Reports.

Initial claims in the first four months of 2019 were 3.7 percent lower and weeks compensated were 5.4 percent less than in the same months in 2018. The average weekly benefit amount of \$519.38 in April 2019 was \$18.12 or 3.6 percent more than the \$501.26 amount in the same month in 2018.

Benefit payments for 2019 estimated at \$1.366 billion are in-line with the previous estimate of \$1.354 billion first released in the February 2019 Outlook Report.

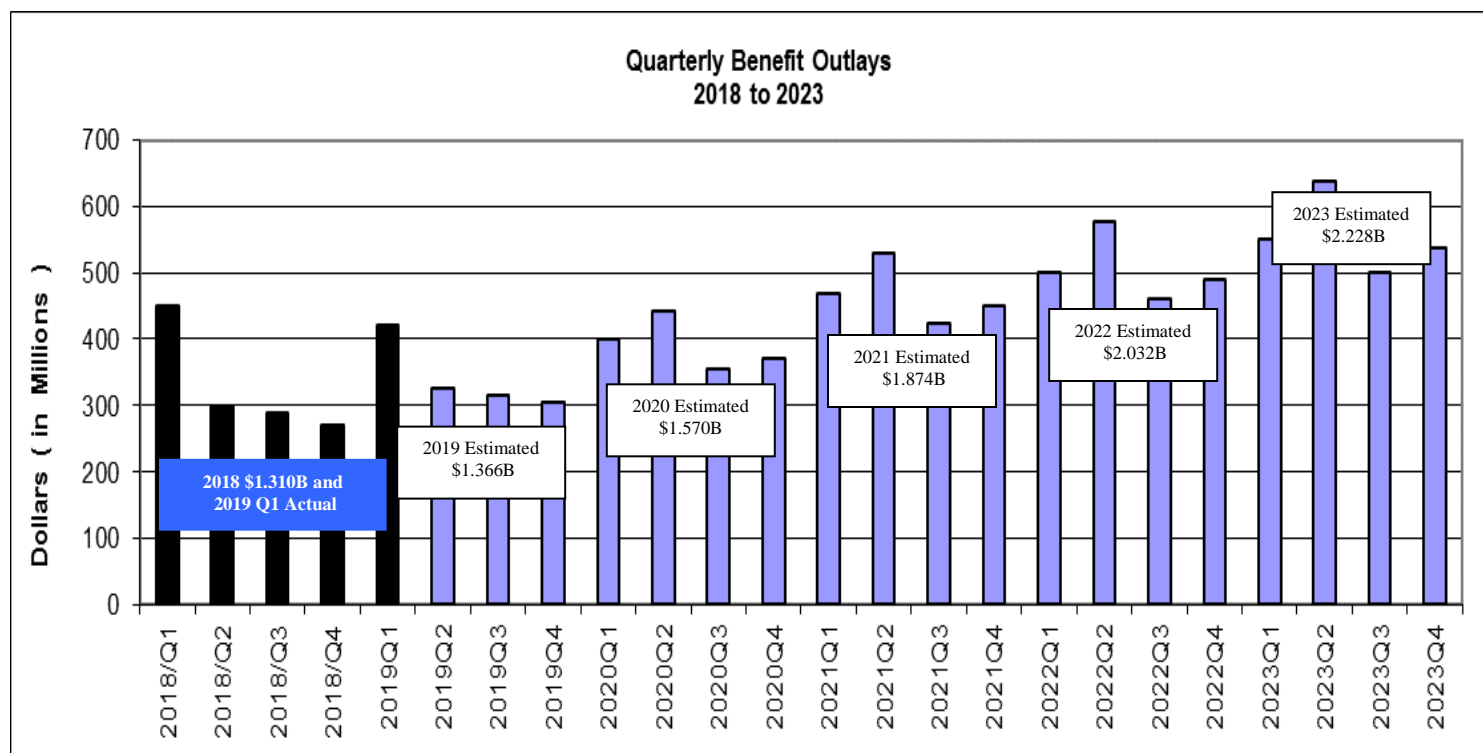
In 2020, benefit payments are projected to be \$1.570 billion, \$160 million lower than the previous estimate of \$1.730 billion. The revision is due to an improvement of three-tenths of a percentage point in the projected annual average unemployment rate resulting in fewer insured unemployment and weeks compensated.

For 2021, benefit payments are projected to be \$1.874 billion, \$257 million less than the previously released

estimate of \$2.131 billion. As in the previous years, a projected lower annual average unemployment rate resulted in less insured unemployment and weeks compensated.

Benefit payments are projected to be \$2.032 billion in 2022, \$134 million lower than the previous estimate of \$2.167 billion. As in previous years, the decrease is the result of expected decreases in total weeks compensated and insured unemployment generated by a better annual average unemployment rate.

In 2023, benefit payments are predicted to be \$2.228 billion, \$206 million less than the projected benefit payments first released in the February 2019 Outlook Report. Similar to the previous years, the projected lower annual average unemployment rate generated decreases in insured unemployment and weeks compensated.



EMPLOYER CONTRIBUTIONS

Updated projections for employer contributions showed increases in 2019 and 2020 but decreases in 2021 to 2023 caused by lower average contribution rates.

Employer contributions through the month of April 2019 totaled \$1.059 billion, an increase of \$164.7 million from the January to April 2018 contributions of \$894 million on a lower tax schedule and \$31 million more than projected.

For 2019, employer contributions on rate schedule E, as set by statute and a \$15,000 taxable wage base, are estimated at \$1.810 billion, a small increase of \$28 million from the previous estimate of \$1.782 billion.

Rate schedule E is projected to trigger for 2020 payrolls. Employer contributions projected at \$1.778 billion is a slight increase of \$20 million from the previous estimate of \$1.758 billion. The revision is due to an increase in taxable payrolls.

Tax rate schedule D is projected to trigger for 2021 payrolls with an estimated employer contribution of \$1.498 billion, a decrease of \$40 million from the previous estimate of \$1.538 billion. The difference was due a decrease in the average contribution rate.

For 2022, tax rate schedule E is projected to trigger for employer payrolls generating \$1.671 billion in contributions. This is a decrease of \$174 million from the previous projection first released in February 2019 of \$1.845 billion. As in the previous years, the decrease in contributions was caused by a lower average contribution rate.

Tax rate schedule E instead of schedule F is now projected to trigger for 2023 employer payrolls and generate a decrease in employer contributions now projected at \$1.649 billion.

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

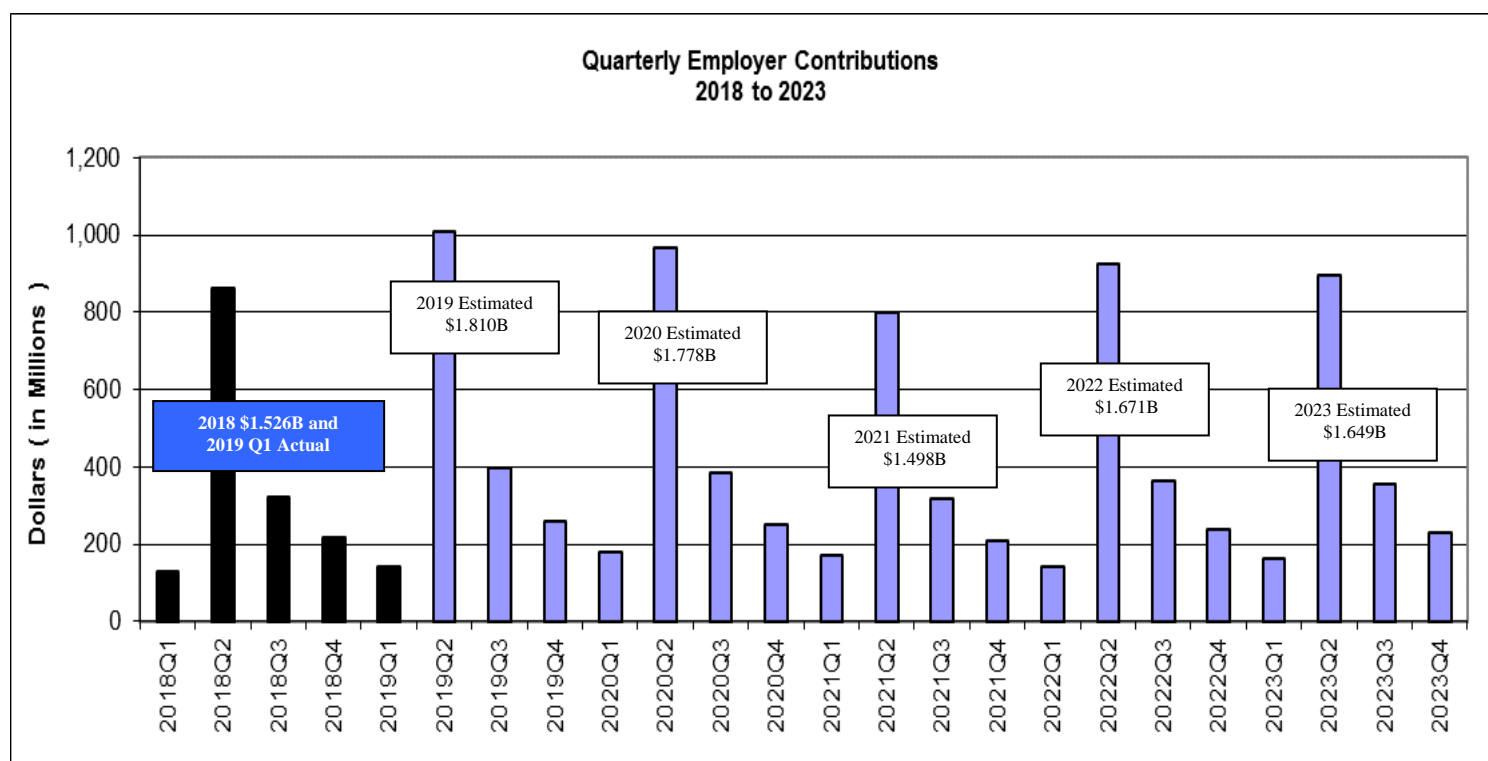


Table 2: Experience Rate Table

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 2019 through 2023 are displayed in Tables 3 and 4, below.

Table 3: Unemployment Trust Fund Projections for the Private Contributory Account, 2019 - 2023

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

	2018	2019	2020	2021	2022	2023
Balance, January 1	\$861	\$1,101	\$1,572	\$1,814	\$1,473	\$1,143
Income	\$1,526	\$1,810	\$1,778	\$1,498	\$1,671	\$1,649
Trust Fund Interest	\$24	\$27	\$34	\$35	\$30	\$24
Benefit Outlays	\$1,310	\$1,366	\$1,570	\$1,874	\$2,032	\$2,228
Federal Loan Interests						
Balance, December 31	\$1,101	\$1,572	\$1,814	\$1,473	\$1,143	\$587
Schedule*	"D"	"E"	"E"	"D"	"E"	"E"
Average Cost/Employee	\$553	\$644	\$632	\$528	\$610	\$607

* 2018 to 2019 rate schedules set by Legislation, 2020 to 2023 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 Unis-X simulation

Figures may not add up due to rounding.

Table 4: UNIS_X Simulation Output

	2018	2019	2020	2021	2022	2023
Total Covered Payroll (\$Billions)	\$198.0	\$197.3	\$212.5	\$220.0	\$229.4	\$239.3
Contributory Payroll (\$Billions)	\$44.5	\$45.7	\$48.2	\$49.4	\$51.5	\$53.1
Contributory Wage Proportion	22.5%	23.2%	22.7%	22.5%	22.4%	22.2%
Nominal Contribution Rate	3.5%	3.5%	3.5%	3.0%	3.5%	3.6%
Contributions as % of Total Payroll	0.77%	0.92%	0.84%	0.68%	0.73%	0.69%
Benefits as a % of Total Payroll	0.66%	0.69%	0.74%	0.85%	0.89%	0.93%
Trust Fund Balance as % of Total Payroll	0.56%	0.80%	0.85%	0.67%	0.50%	0.25%
Solvency Assessment	0.76%	0.69%	0.77%	0.76%	0.77%	0.77%
AHCM	0.33	0.41	0.44	0.35	0.26	0.13
Covered Employment (Thousands)	3,532	3,597	3,601	3,630	3,654	3,673
Total Unemployment Rate	3.5%	3.0%	3.2%	4.0%	4.3%	4.6%
Insured Unemployment Rate	1.9%	1.5%	1.7%	2.0%	2.2%	2.3%

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

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 12th 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.