



Unemployment Insurance Trust Fund Report

Outlook Report May 2015

HIGHLIGHTS

This Outlook Report provides the current status and updated projections of the Unemployment Insurance Trust Fund for the 2015 through 2019 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 current status of the Trust Fund.

New economic assumptions from Moody's economy.com used in this projections show a lower average annual unemployment rate for 2015 but higher rates in the outlook period for all years as compared to the assumptions used in the February Outlook Report. For 2015, the average annual unemployment rate is down from 5.3 percent to 4.8 percent. The projected annual rate remains at 4.8 percent in 2016 which is three-tenths of a percentage point higher than the rate used in the February report. Total labor force is higher in all the outlook years with an average annual increase of 88,943. The annual wage and salary growth rates are higher in 2015 and 2019 but lower in 2016 to 2018.

The outlook presented is for the regular UI program based on 2015 employer experience rates and benefit payments and employer contributions through the end of the first quarter 2015.

In June 2014, the Legislature introduced a new experience rating table and a \$15,000 taxable wage base for private contributory employers beginning in 2015. In addition, rate schedule C was set for employer contributions for 2015 to 2017 payrolls.

The revised 2015 year-end projections indicate employer contributions, based on rate schedule C and a \$15,000 taxable wage base, will be \$1.503 billion or \$7 million more than the previous estimate of \$1.496 billion. This is due to an increase in the projected taxable payroll. Estimated benefit payments of \$1.471 billion are \$40 million lower than the previous estimate of \$1.511 billion first released in the February 2015 Outlook Report. The 2014 year-end balance was revised up \$12 million. As a result, the private contributory account year-end balance estimated at \$890 billion is \$61 million higher than the

previous estimate of \$829 million and \$54 million more than the 2014 year-end balance.

Under the current economic assumptions, no federal loan advances are expected in 2015 as the private and governmental contributory account reserves are expected to be sufficient to cover benefit payments.

Employer contributions for 2016 payrolls on schedule C and the \$15,000 taxable wage base are expected to be \$1.542 billion. Benefit payments are projected to be \$1.509 billion with a year-end balance of \$947 million that is \$52 million more than the previously published estimate of \$895 million.

In 2017 benefit payments are expected to be \$1.549 billion, an increase of \$85 million compared to the previous estimate of \$1.464 billion due primarily to an increase of six-tenths of a percentage point in the average annual unemployment rate, from 4.1 percent to 4.7 percent. With employer contributions of \$1.543 billion, the year-end private account balance is expected to be \$964 million or \$23 million less than the February estimate of \$987 million.

Based on the current economic assumptions, the private contributory account will continue to rebuild in 2018 and 2019. Under the same assumptions and statutory provisions, no borrowing from the federal unemployment account is anticipated through 2019. The 2019 year-end balance is expected to be \$1.502 billion.

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 Economy.com April 2015 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 2014 and February 2015 Outlook Trust Fund Reports are provided in Table 1.

The April 2015 Moody's Economy.com Annual Wage and Salary Growth Rate forecasts for 2015 and 2019 were revised upwards, while the 2016 through 2018 were revised down. The 2015 wage and salary growth rate was revised slightly from 5.6 percent to 5.7 percent while the 2016 rate decreased from 7.1 percent to 6.9 percent.

The projected annual average total unemployment rate for 2015 was revised down, the rates increased in 2016 to 2019. A decrease of five-tenths of a percentage point revision was made in 2015, from 5.3 percent to 4.8 percent. Upward revisions of three-tenths to seven-tenths of a percentage point were made in the 2016 to 2019 annual average unemployment rates.

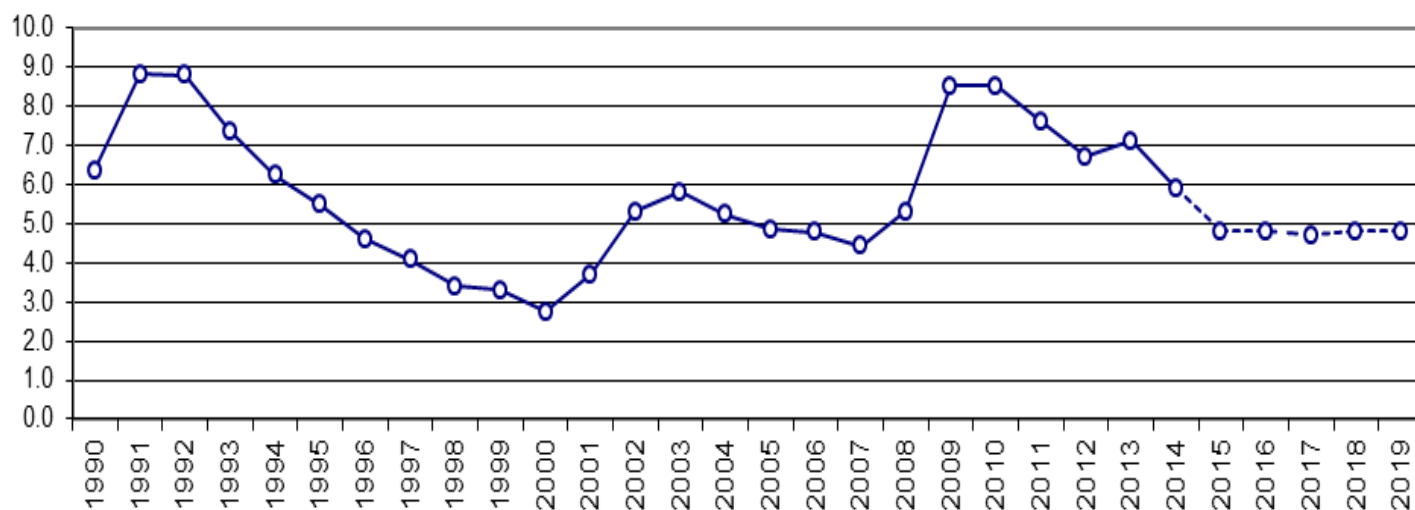
The annual labor force projections for 2015 to 2019 showed an average annual increase of 88,943 from the Moody's economy.com projections released in January. The labor force is projected to be 3,730,414 in 2019.

Table 1: Moody's Economy.com Forecasts, Three Most Recent Reports

	Wage & Salary Growth (%)			Total Unemployment Rate (%)			Labor Force		
	14-Sep	15-Jan	15-Apr	14-Sep	15-Jan	15-Apr	14-Sep	15-Jan	15-Apr
2015	6.8	5.6	5.7	5.5	5.3	4.8	3,537,741	3,545,121	3,618,671
2016	6.9	7.1	6.9	5.4	4.5	4.8	3,579,807	3,582,263	3,657,767
2017	5.8	6.3	6.1	5.2	4.1	4.7	3,593,346	3,601,508	3,686,277
2018	5.3	6.0	5.7	5.2	4.1	4.8	3,592,969	3,610,842	3,708,285
2019	NA	4.6	4.7	NA	4.2	4.8	NA	3,616,967	3,730,414

Source: Moody's Economy.com

Annual Unemployment Rates - Seasonally Adjusted



2015 - 2019 Moody's Economy.com Projected Unemployment Rates

UNEMPLOYMENT INSURANCE TRUST FUND BALANCE

As of April 30, 2015, the preliminary Massachusetts Unemployment Insurance Trust Fund ending balance was \$1.128 billion. The preliminary private contributory account balance was at \$1.015 billion and the preliminary governmental contributory account balance was \$113 million. The preliminary private contributory account balance is \$52 million less than projected due to lower than predicted employer contributions in the month of April.

The private contributory account is projected to have a balance of \$890 million at the end 2015, a reserve of \$947 million in 2016 and a projected balance of \$965 million by the end of 2017.

The 2015 year-end private contributory account balance of \$890 million is \$61 million higher than the previous estimate of \$829 million first published in the February 2015 Outlook Report. The difference in the year-end balance is due to a combination of a projected decrease in benefit payments and an upward revision in the 2014 year-end balance of \$12 million.

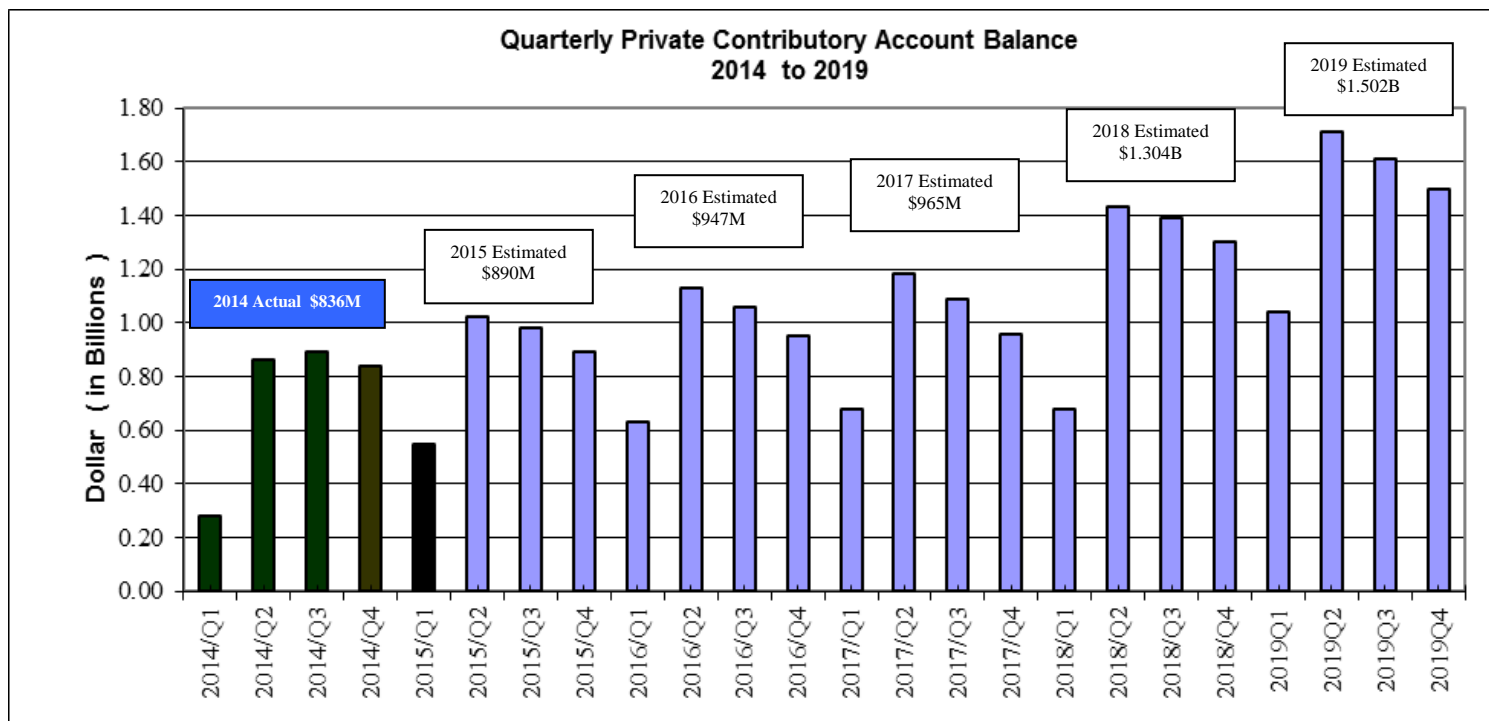
The year-end 2016 account balance is expected to be \$947 million, a \$52 million increase from the previous estimate of \$895 million. The difference is a carryover of the higher 2015 year-end balance.

The year-end 2017 account balance is expected to be \$965 million; \$22 million lower than the previous estimate of \$987 million. The difference is due to a projected increase of six-tenths of a percentage in the annual average unemployment rate. As a result, benefit payments are projected to be higher due to an increase in total weeks compensated and insured unemployment.

The December 31, 2018 account balance is estimated at \$1.304 billion, a \$26 million decrease from the previous estimate of \$1.330 billion. The difference was caused by the combination of an increase in benefit payments due to an increase in the projected annual average unemployment rate and the lower ending balance in 2017.

Rate schedule E is again projected to trigger for 2019 payrolls. By the end of the year, private contributory account balance is expected to be \$1.502 billion or 0.68 percent of total payrolls.

It is anticipated that no borrowing from the federal unemployment account will be required in the outlook period. The chart below shows the 2014 actual and projected quarterly private UI Fund balance through 2019.



BENEFIT OUTLAYS

The updated simulation for the outlook period resulted in a decrease in benefit payments in 2015 but increases in 2016 to 2019.

Preliminary benefit payments through April 2015 totaled \$571.9 million, a \$74.6 million decrease from the January to April 2014 payment of \$646.5 million and \$28.5 million less than the projection of \$600.4 million. Initial claims through April 2015 were 2.0 percent lower than last year's first four month's total while weeks compensated were 12.3 percent less. The average weekly benefit amount of \$437.46 in April was \$12.40 more than last year's \$425.06 amount. The average duration of a claim was 18.3 weeks.

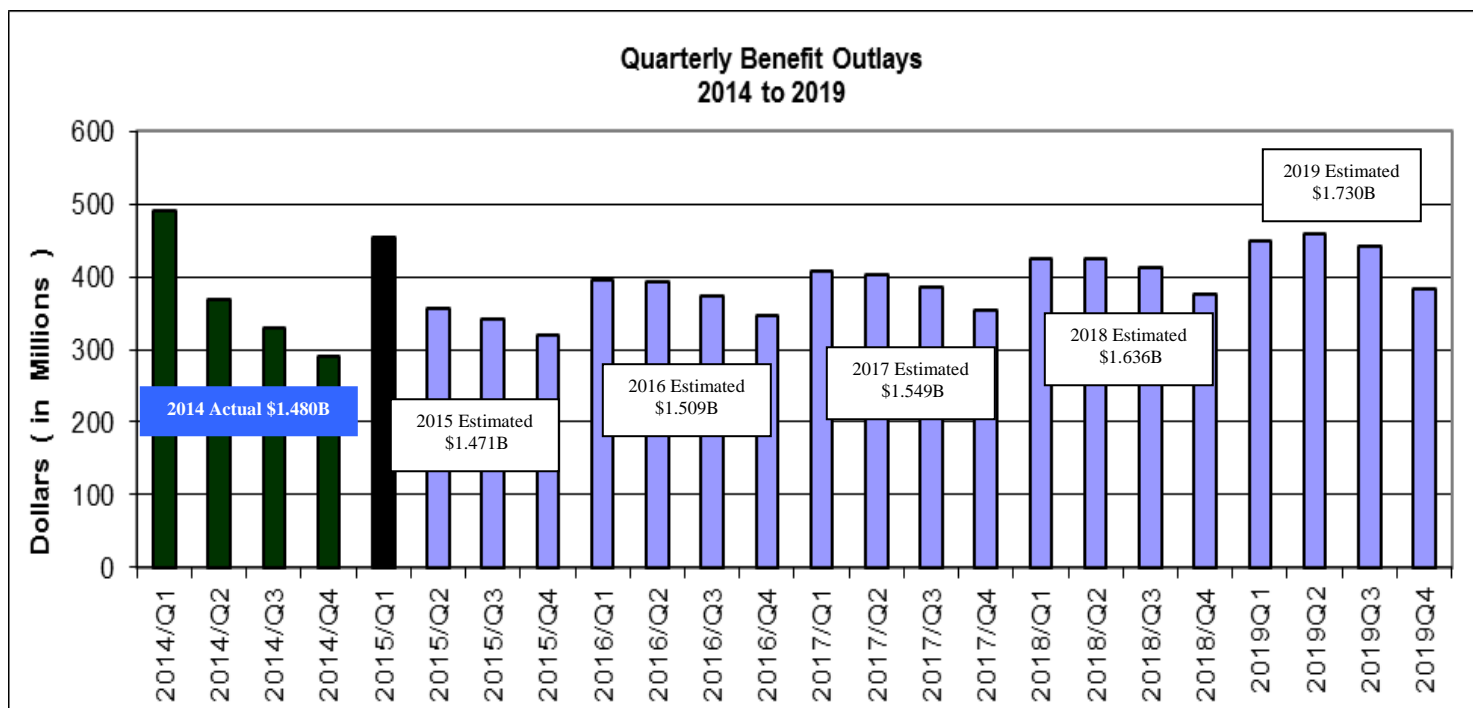
Benefit payments for 2015 are now estimated to be \$1.471 billion, \$40 million less than the previous estimate of \$1.511 billion first released in the February 2015 Outlook Report. A projected improvement in the average annual unemployment rate, from 5.3 percent to 4.8 percent, resulted in decreases in insured unemployment and weeks compensated.

In 2016, benefit payments are projected to be \$1.509 billion, an increase of \$24 million from the previous estimate of \$1.485 billion. The revision was caused by an increase in the estimated average weekly benefit amount coupled with a projected increase in insured unemployment generated by a three-tenths of a percentage point increase in the annual average unemployment rate.

For 2017, benefit payments are projected to be \$1.549 billion or \$85 million higher than the previous estimate of \$1.464 billion. As in the previous year, the large revision was caused by projected increases in total weeks compensated and insured unemployment due to a six-tenths of a percentage point increase in the annual average unemployment rate.

For 2018, benefit payments are now projected to be \$1.636 billion, an increase of \$33 million from the previous estimate of \$1.603 billion. As in the previous years, a projected increase the annual average unemployment rate generated increases in weeks compensated and insured unemployment. The unemployment rate is projected to rise from 4.1 percent to 4.8 percent. In addition, the average weekly benefit amount is estimated to be higher than the last estimate.

In 2019, benefit payments are expected to be \$1.730 billion, a \$36 million increase as the annual average unemployment rate is projected to be higher.



EMPLOYER CONTRIBUTIONS

Legislation enacted in June 2014 introduced a new experience rate table and a \$15,000 taxable wage base starting in 2015. Further, rate schedule C was set for employer contributions for 2015 to 2017 payrolls.

Preliminary employer contributions through the end of April 2015 totaled \$746.4 million, a decrease of \$470.9 million from the same time span in 2014 contributions of \$275.5 million. The large difference was caused by last year's deferral of employer contributions for first quarter 2014 wages from April to May. The preliminary employer contributions through April were \$80.5 million lower than the projection.

Updated projections for employer contributions for 2015 to 2019 show small differences from the previous projections first released in the February 2015 Outlook Report

For 2015 employer contributions on rate schedule C and a \$15,000 taxable wage base are estimated at \$1.503 billion, a \$7 million increase from the previous estimate of \$1.496 billion. The increase was due to a projected increase in taxable payrolls in 2015 from the previously published estimate.

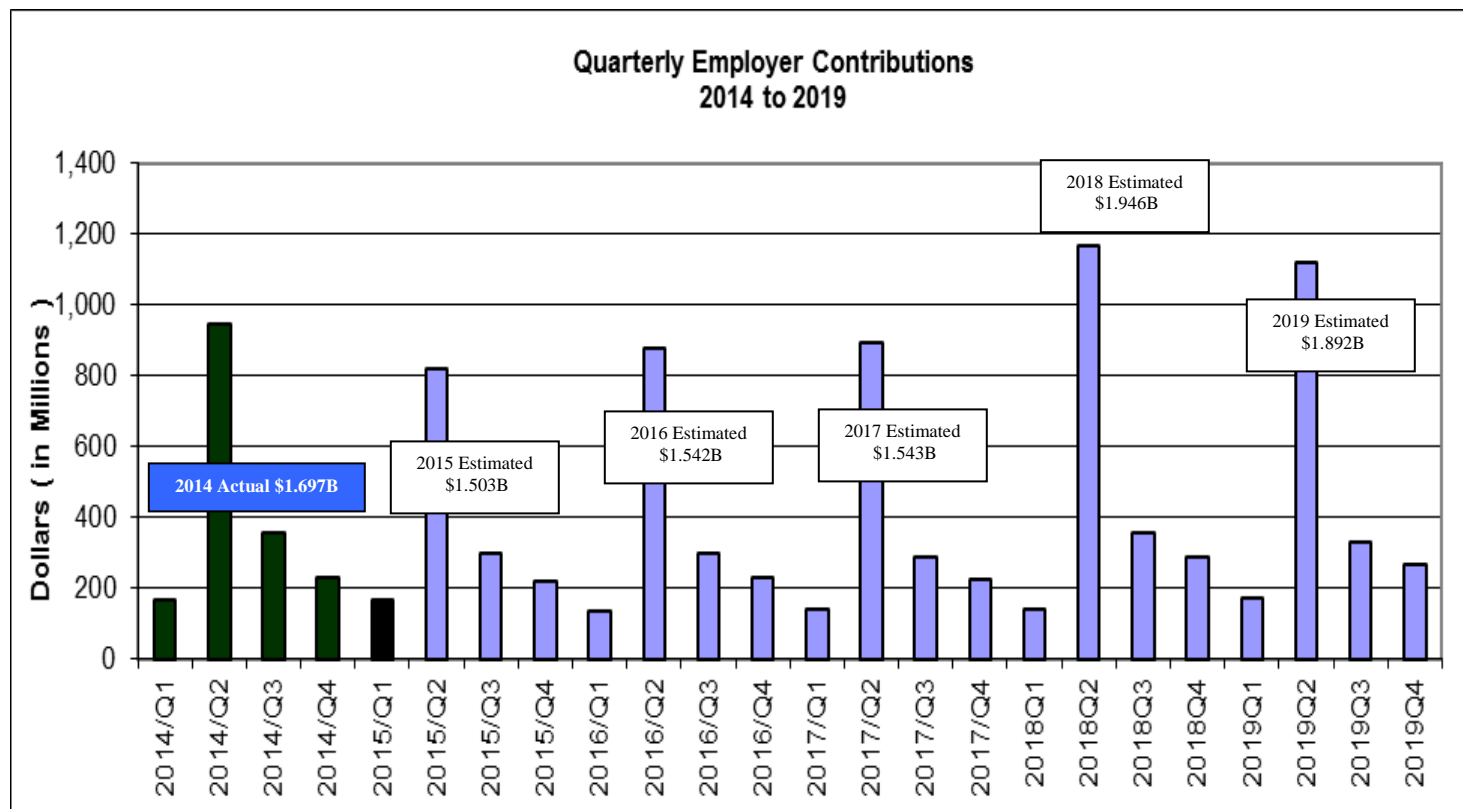
Employer contributions in 2016 on schedule C are estimated at \$1.542 billion, \$12 million higher than the previous estimate of \$1.530 billion due to a projected increase in taxable payrolls.

For 2017 payrolls, employer contributions are projected at \$1.543 billion, \$11 million higher than the previous estimate of \$1.532 billion. As in the previous two years, taxable payrolls are projected to be higher.

For 2018, rate schedule E is projected to trigger for employer contributions generating an estimated \$1.946 billion in contributions, an increase of \$29 million from the previous estimate of \$1.917 billion.

Rate schedule E is projected to trigger for 2019 payrolls with an estimated employer contributions of \$1.892 billion, \$40 million than the previous estimate. As in previous years, the increase in contributions was due to a projected increase in taxable payrolls.

Table 2, on page 7, contains the new experience rate table effective in 2015.



TRUST FUND SOLVENCY

Federal regulations now require States to meet several new standards for interest free federal advances taken during the first five months of a calendar year and repaid in the fall. The first measure requires that in at least one of the five years prior to the calendar year the advances are taken, the trust fund reserves must be equal to an average high cost multiple solvency measure. The measure is phased in over five years from a multiple of .50 for 2014, .60 in 2015 up to 1.0 for advances in 2019. For 2015 the AHCM must be met based on 2014 performance.

The Average High Cost Multiple (AHCM) is computed based on the average benefit cost rate for the three highest years in the last twenty or the last three recessions whichever is higher.

Benefit costs are measured as a percent of the total UI wages, the total liability of the UI system, is the second measure. Using this measure indexes the benefit costs to total wages. The measure is designed to encourage

States to build sufficient reserves to finance an economic downturn similar to ones in the past. For Massachusetts the measures are done for the overall trust fund and include both private and governmental contributory accounts. The ratio of the average tax rate and the benefit costs rate over the previous five years must be at least 75 percent.

The chart below arrays the new federal regulations, the actual and projected year-end all contributory account AHCMs, the ratios of average tax rate and total wages (federal standard at 80 percent of previous year) and the average tax rate and the benefit cost rate over the preceding five years (federal standard at 75 percent).

If federal advances are necessary in 2015 through 2019, Massachusetts will not meet the federal standard for AHCM and therefore be subject to federal interest for all loans.

**Funding Standard for Interest-Free Loans Starting 2014
All Contributory Accounts (Estimated 2015 to 2019)**



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 2015 through 2019 are displayed in Tables 3 and 4, below.

Table 3: Unemployment Trust Fund Projections for the Private Contributory Account, 2015 - 2019

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

	2014	2015	2016	2017	2018	2019
Balance, January 1	\$603	\$836	\$890	\$947	\$965	\$1,304
Income	\$1,697	\$1,503	\$1,542	\$1,543	\$1,946	\$1,892
Trust Fund Interest	\$16	\$22	\$23	\$24	\$29	\$36
Benefit Outlays	\$1,480	\$1,471	\$1,509	\$1,549	\$1,636	\$1,730
Federal Loan Interests						
Balance, December 31	\$836	\$890	\$947	\$965	\$1,304	\$1,502
Schedule*	Old"E"	"C"	"C"	"C"	"E"	"E"
Average Cost/Employee	\$677	\$581	\$591	\$586	\$736	\$712

* 2014 to 2017 rate schedules set by Legislation, 2014 on \$14,000 taxable wage base; 2015 to 2019 on \$15,000 taxable wage base and 2018 and 2019 rate schedule projected based on current statutory triggers.

Source: Massachusetts Department of Unemployment Assistance benefit financing simulation

Figures may not add up due to rounding.

Table 4: Benefit Financing Simulation Output

	2014	2015	2016	2017	2018	2019
Total Covered Payroll (\$Billions)	\$160.9	\$173.5	\$184.8	\$197.6	\$210.0	\$221.0
Contributory Payroll (\$Billions)	\$37.3	\$39.5	\$40.5	\$41.2	\$41.6	\$42.0
Contributory Wage Proportion	23.2%	22.8%	21.9%	20.9%	19.8%	19.0%
Nominal Contribution Rate	4.6%	3.7%	3.8%	3.7%	4.8%	4.5%
Contributions as % of Total Payroll	1.05%	0.87%	0.83%	0.78%	0.93%	0.86%
Benefits as a % of Total Payroll	0.92%	0.85%	0.82%	0.78%	0.78%	0.78%
Trust Fund Balance as % of Total Payroll	0.52%	0.51%	0.51%	0.49%	0.62%	0.68%
Solvency Assessment	1.08%	1.00%	1.05%	1.06%	1.09%	1.13%
AHCM	0.30	0.30	0.30	0.28	0.36	0.40
Covered Employment (Thousands)	3,296	3,309	3,343	3,369	3,386	3,402
Total Unemployment Rate	5.9%	4.8%	4.8%	4.7%	4.8%	4.8%
Insured Unemployment Rate	2.6%	2.5%	2.6%	2.6%	2.6%	2.8%

Source: Economic assumptions are based on Moody's Economy.com forecasts and Massachusetts benefit financing 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.