

## THE UNEMPLOYMENT INSURANCE TRUST FUND

As of January 31, 2007, the Massachusetts Unemployment Insurance Trust Fund ending balance was \$895.8 million. The private contributory account balance was \$786.2 million and the governmental contributory account balance was \$109.6 million.

## CURRENT CONDITION OF THE FUND

Benefit payments in January 2007 were \$141.4 million, a 5.2 percent increase from the January 2006 payments of \$134.4 million. January payments reflect a decrease in the number of continued weeks claimed that was offset by the impact of the new higher maximum weekly benefit amount.

Employer contributions collected in January 2007 totaled \$63.9 million.

## ECONOMIC ASSUMPTIONS

DUA utilizes independent economic forecasts as the basis for its estimates of income and expenditure for the Massachusetts Unemployment Insurance program. The January 2007 Economy.com forecasts were used in the benefit financing simulations for this report. Provided are current assumptions, along with assumptions used to produce the simulation estimates published in the August and October 2006 Trust Fund reports.

### *Economy.com Forecasts*

	Wage & Salary Growth (%)			Total Unemployment Rate (%)		
	07/06	09/06	01/07	07/06	09/06	01/07
2007	4.2	4.2	3.8	5.0	5.1	5.1
2008	3.7	3.8	3.8	5.0	5.1	5.1
2009	3.9	3.8	3.7	4.8	4.9	4.9
2010	3.7	3.7	3.6	4.7	4.8	4.8
2011	N/A	N/A	3.5	N/A	N/A	4.8

	Labor Force		
	07/06	09/06	01/07
2007	3,410,112	3,394,872	3,425,062
2008	3,421,944	3,407,702	3,438,875
2009	3,434,689	3,420,265	3,451,790
2010	3,458,327	3,443,817	3,475,738
2011	N/A	N/A	3,501,587

The January 2007 Economy.com Wage and Salary Growth forecasts for the outlook period were mostly in line or slightly lower than the projections released in September with the exception of 2007. The 2007 growth rate was revised down by four-tenths of a percentage point to 3.8 percent.

The projected annual average Total Unemployment Rates for the outlook period remain as released in the September Economy.com forecasts. Projected annual average unemployment rates for the outlook period range between 4.8 percent and 5.1 percent.

The annual Labor Force projections for 2007 to 2010 were increased by nine-tenths of a percentage point from the previously published estimates. The labor force is expected to reach 3,501,587 by 2011.

## 2007 OUTLOOK

The revised private contributory account projections are based on the new 2007 distribution of employer experience rates, the Economy.com forecasts released in January 2007 and year-end unemployment insurance claims and payment activities for 2006.

Benefit payments are estimated to be \$1.247 billion or \$34 million less than the previous estimate of \$1.281 billion published in the October through December 2006 Trust Fund Reports. The reduction is due to a decrease in the projected number of weeks compensated.

The 2007 outlook for employer contributions, on rate schedule D and a \$14,000 taxable wage base are unchanged at \$1.521 billion. The expected average cost

per employee remains virtually unchanged at \$619 from the previous estimate of \$620.

Employer contributions plus federal interest of \$37 million will generate total revenues that are now expected to exceed benefit payments by \$311 million during 2007. The year-end private contributory account balance is now estimated to be \$1.175 billion, \$29 million higher than the previous estimate of \$1.146 billion released in the October through December 2006 Trust Fund Reports.

The overall UI Trust Fund balance at the end of 2007 is projected to be \$1.288 billion.

In 2011, benefit payments are expected to be \$1.173 billion. Employer contributions on rate schedule C are estimated to be \$1.119 billion. By the end of 2011, the private contributory account balance is expected to be \$2.030 billion or 1.31% percent of total payrolls.

The simulation estimates for 2007 through 2011 are displayed in Tables 1 and 2.

<b>2008 - 2011 PROJECTIONS</b>
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Projections for the private contributory account for the years 2008 to 2010 have been revised and a new outlook for 2011 has been added.

Estimated benefit payments in 2008 decreased by \$52 million to \$1.219 billion due to a decrease in the projected total weeks compensated. As in previous reports, rate schedule E is expected to be triggered for contributions on 2008 payroll. Employer contribution estimates increased by \$17 million to \$1.609 billion caused by an increase in taxable payroll. The year-end 2008 private contributory account balance is expected to be \$1.620 billion, an increase of \$96 million from the previous estimate of \$1.524 billion.

Benefit payments for 2009 are projected to be \$1.176 billion, a \$59 million decrease from the previous forecast. As reported in the October through December 2006 Trust Fund Reports, rate schedule D is expected to be triggered for contributions on 2009 payrolls. Estimated employer contributions of \$1.364 billion in 2008 are \$21 million higher than the previous estimate of \$1.343 billion. As in previous years, projections for total weeks compensated were revised downwards while taxable payroll estimates were increased.

For 2010, benefit payments are projected to be \$1.163 billion, \$50 million less than the previous estimate of \$1.213 billion. Rate schedule C is now projected to trigger for employer contributions generating revenues of \$1.156 billion, a decrease of \$117 million from the previous estimate of \$1.273 on rate schedule D. However, it should be noted that changes to the economic assumptions and the outlook are only modest and a higher rate schedule could possibly trigger.

Table 1

**PROJECTION 2007-2011**  
Massachusetts Benefit Financing Simulation

**Private Contributory Account (All \$ in Millions except Average Cost/Employee)**

	2006	2007	2008	2009	2010	2011
Balance, January 1	\$421	\$864	\$1,175	\$1,620	\$1,888	\$1,978
Income	\$1,579	\$1,521	\$1,609	\$1,364	\$1,156	\$1,119
Trust Fund Interest	\$38	\$37	\$55	\$79	\$97	\$106
Benefit Outlays	\$1,175	\$1,247	\$1,219	\$1,176	\$1,163	\$1,173
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Balance, December 31	\$864	\$1,175	\$1,620	\$1,888	\$1,978	\$2,030
Schedule	"D"	"D"	"E"	"D"	"C"	"C"
Average Cost/Employee	\$646	\$619	\$652	\$550	\$463	\$445

*Figures may not add up due to rounding.*

Table 2

**Economic Assumptions Based on Economy.com Forecast and Massachusetts Simulation**  
**Benefit Financing Simulation Output**

	2006	2007	2008	2009	2010	2011
Total Covered Payroll (\$Billions)	\$126.8	\$130.9	\$136.6	\$142.3	\$148.6	\$155.1
Contributory Payroll (\$Billions)	\$35.4	\$36.3	\$36.7	\$37.1	\$37.4	\$37.9
Covered Employment (Thousands)	3,129	3,144	3,160	3,175	3,198	3,222
Nominal Contribution Rate	4.5%	4.2%	4.4%	3.6%	3.0%	3.0%
Contributory Wage Proportion	27.9%	27.7%	26.9%	26.1%	25.2%	24.4%
Solvency Assessment	1.19%	0.93%	0.79%	0.68%	0.61%	0.58%
Trust Fund Balance as % of Total Payroll	0.68%	0.90%	1.19%	1.33%	1.33%	1.31%
Contributions as % of Total Payroll	1.25%	1.16%	1.18%	0.96%	0.78%	0.75%
Total Unemployment Rate	4.9%	5.1%	5.1%	4.9%	4.8%	4.8%
Insured Unemployment Rate	2.6%	2.8%	2.6%	2.5%	2.5%	2.5%

*Figures may not add up due to rounding.*