

THE UNEMPLOYMENT INSURANCE TRUST FUND BALANCE

As of March 31, 2009 the Massachusetts Unemployment Insurance Trust Fund balance was \$620 million. This balance is calculated by adding the private contributory account balance of \$503 million and the governmental contributory account balance of \$117 million.

THE UNEMPLOYMENT INSURANCE TRUST FUND OUTLOOK FOR 2009

The private contributory trust fund projections for 2009 are based on the following: (1) the 2009 distribution of employer experience rates; (2) the February 2009 Moody's Economy.com economic forecasts; and (3) the 2008 unemployment insurance claims and payment activities. The projections remain as published in the February Quarterly Outlook Report and the March Monthly Outlook Report.

Employer contributions are estimated to be \$1.508 billion in 2009. Benefit payments are projected to be \$2.354 billion. Federal interests and special incentive payment distributions of \$162.7 million provided by the American Recovery and Reinvestment Act will generate a 2009 year end private contributory account balance estimated to be \$460 million and an overall Trust Fund balance of \$573 million.

An alternative outlook estimated 2009 employer contributions of \$1.503 billion, benefit payments of \$2.401 billion and a year-end private contributory account balance of \$407 million. This alternative outlook is based on Global Insight's projections, which have a slightly higher expected annual average total unemployment rate for 2009.

2009 ACTIVITY TO DATE

Year-to-date employer contributions of \$123.0 million were 12 percent below contributions collected in the first three months of 2008. This is mostly due to an expected decrease in covered employment, total and taxable payrolls. Employer contributions through

March were \$4.9 million or 4.0 percent less than projected, due to lower than expected taxable payrolls in the fourth quarter of 2008.

Benefit payments of \$736.3 million through the end of March 2009 were 65.6 percent higher than those paid in the first three months of 2008. Through the end of March, initial claims were up 57 percent, continued weeks claimed were 59 percent higher, while weeks compensated were 55 percent more than the January through March totals in 2008. Year-to-date benefit payments were 12.3 percent or \$91 million more than projected due to significantly higher claims and benefit payments in February and March 2009.

The March 31, 2009 private contributory account balance was \$93 million, or 18.6 percent, less than projected due to the higher benefit payments.

The March 31, 2009 private account balance based on Global Insight's forecast was \$80 million less than expected also due to higher benefit payments.

2010 – 2013 PROJECTIONS

The estimates for employer contributions and benefit payments for 2010 through 2013, published in the February Quarterly Outlook Report and the March Monthly Outlook Report remain unchanged.

For 2010, rate schedule F is expected to be triggered for employer contributions, generating contributions of \$1.751 billion. Benefit payments are estimated to be \$2.294 billion. Governmental account reserves would cover benefits through February, but loans from the federal unemployment account will be needed to cover benefit payments from March to late April. Loans will be interest-free as they will be repaid by the end of September 2010 and no further loans are needed for the remainder of the calendar year. The year-end 2010 private contributory account balance is expected to be -\$81 million.

Rate schedule G is projected to be triggered for employer contributions in 2011, generating revenues of \$1.966 billion. Benefit payments are projected to total \$1.778 billion. Interest-free cash flow loans from the federal unemployment account will be required from

January through early May 2011. The year-end balance for 2011 is expected to be \$111 million.

For 2012, rate schedule G is again projected to trigger for employer contributions and generate an estimated revenue of \$1.945 billion. Benefit payments are estimated to be \$1.349 billion. It is projected that interest-free cash flow loans will be needed in March through early May 2012. The year-end account balance is estimated to be \$725 million in 2012.

In 2013, employer contributions on a projected rate schedule F are estimated to be \$1.625 billion. Benefit payments are expected to be \$1.241 billion. By the end of 2013, the private contributory account is expected to be \$1.161, or 0.73 percent of total payrolls.

Revised trust fund projections for 2009 through 2013 will be published in the May Quarterly Outlook Report based on: (1) the 2009 distribution of employer experience rates; (2) the March 2009 Moody's Economy.com economic forecasts; and (3) first quarter 2009 unemployment insurance claims and payment activities.

ALTERNATIVE OUTLOOK

Global Insight's Massachusetts forecast shows slightly higher unemployment rates for 2009 and 2010 and indicates a slower recovery in 2011 through 2013 than Moody's economy.com projections.

Annual average unemployment rates are expected to be 8.1 percent for 2009, 8.7 percent in 2010, 8.1 percent in 2011, 7.4 percent in 2012 and 7.0 percent in 2013. These higher rates of unemployment, coupled with a slower time horizon for the recovery, generate an outlook for the private contributory account that would require federal interest-bearing loans.

Employer contributions would be on Schedule F for 2010 and on Schedule G for 2011 through 2013 payrolls.

In 2010, federal loans would be required from March through early May. By the end of 2010, the private account would be -\$176 million, exhausting the governmental account and requiring the use of federal interest-bearing loans from December 2010 through mid May of 2011.

Benefit payments in 2011 would be \$1.989 billion, \$211 million more than those expected under the Moody's economy.com outlook. Federal loans would be required to fund benefits in January through early May and again in late December 2011. The federal loans in

December will make all of the loans during 2011 interest-bearing. Cash flow loans would be needed from the beginning of 2012 through May. This outlook does not provide an estimate on the interest due on these loans.

In 2013, interest-free cash flow loans are projected to be required in January through May. By the end of 2013, private contributory account reserves would be \$231 million, \$930 million less than the \$1.161 billion in the Moody's based outlook.