Commonwealth of Massachusetts
Deval L. Patrick, Governor
Timothy P. Murray, Lt. Governor

Executive Office of Labor and Workforce Development
Joanne F. Goldstein, Secretary

Massachusetts Department of Workforce Development
Division of Unemployment Assistance

Unemployment Insurance Trust Fund Report

Quarterly Outlook Report February 2011

HIGHLIGHTS

This Quarterly Report provides the status of the Unemployment Insurance Trust Fund and updated projections for the Unemployment Insurance Trust Fund for the 2011 through 2015 outlook period.

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

New economic assumptions show lower annual average total unemployment rates for 2011, 2012 and 2014. For 2011, the annual average unemployment rate showed a significant revision of one-and-two-tenths of a percentage point from 9.4 percent down to 8.2 percent. This is followed by eight-tenths of a percentage point decrease in 2012 from 8.2 percent annual rate to 7.4 percent. These are the latest outlooks available for Massachusetts.

The outlook presented which is for the regular UI program is based on employer 2010 experience rates.

The governmental account reserves were sufficient to cover benefits through the beginning of January. Beginning in early January and through late April, cash flow loans from the federal unemployment account will be required to finance benefits. Loans will be repaid in early May when employer contributions for first quarter payrolls are due. Under the current economic outlook no further borrowing is expected for the rest of 2011, making the cash flow loans interest free.

Chapter 2 of the Acts of 2011, enacted in February, sets employer unemployment insurance contribtuions for 2011 payrolls on rate Schedule E. Individual employer rates will be based on the employer's experience through the end of September 2010.

Updated 2011 year-end projections indicate employer contributions, based on rate Schedule E and a $14,000 taxable wage base, will be $1.700 billion or $402 million less than the $2.217 billion estimate on rate Schedule G. Estimated benefit payments of $1.776 billion are $147 million less than the prior estimate first released in the October Quarterly Outlook Report. The private contributory account year-end balance is estimated to be -$164 million, $373 million less than the previous estimate of $209 million if employer contributions were on rate Schedule G, released in the January 2011 Monthly Outlook Report. The difference was primarily due to the lower tax schedule on employer payrolls.

Benefit payments of $1.776 billion in 2011 when measured as a percent of total payrolls are at 1.26 percent, lower than the 2009 benefit cost rate of 1.98 percent.

In 2012, interest free cash flow loans from the federal unemployment account would be required from January through April. Loans will be repaid in early May and no further borrowing would be required. Under the current economic assumptions and statutory provisions, trust fund reserves would begin rebuilding for the rest of 2012 and be sufficient to maintain solvency throughout the remainder of the year.

Under the current economic assumptions, trust fund solvency will continue to rebuild in 2013 through 2015 and generate a year-end 2015 private account balance of $2.807 billion. This reserve yields an Average High Cost Multiple of 0.87.

A new federal regulation published in the fall of 2010 requires States to meet specified funding goals to have federal interest on loans taken and repaid from January through September remain interest free. These regulations will be in effect for 2014 based on funding goals and measures for 2013.

This report is submitted to the Legislature in accordance with the provisions of Chapter 151A, section 14F of the General Laws.
For more information please call: (617) 626-6600

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 January 2011 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 2010 Quarterly Outlook Trust Fund Reports are provided in Table 1.

The January 2011 Moody's Economy.com Annual Wage and Salary Growth Rate forecast for 2011 to 2014 were, all, revised upwards. The 2011 wage and salary growth rate was revised upwards, from 3.4 percent to 4.6 percent. The 2012 rate from 6.8 percent to 7.5 percent, the 2013 rate slightly higher, 8.3 percent to 8.4 percent, and the 2014 rate from 6.2 percent to 7.1 percent.

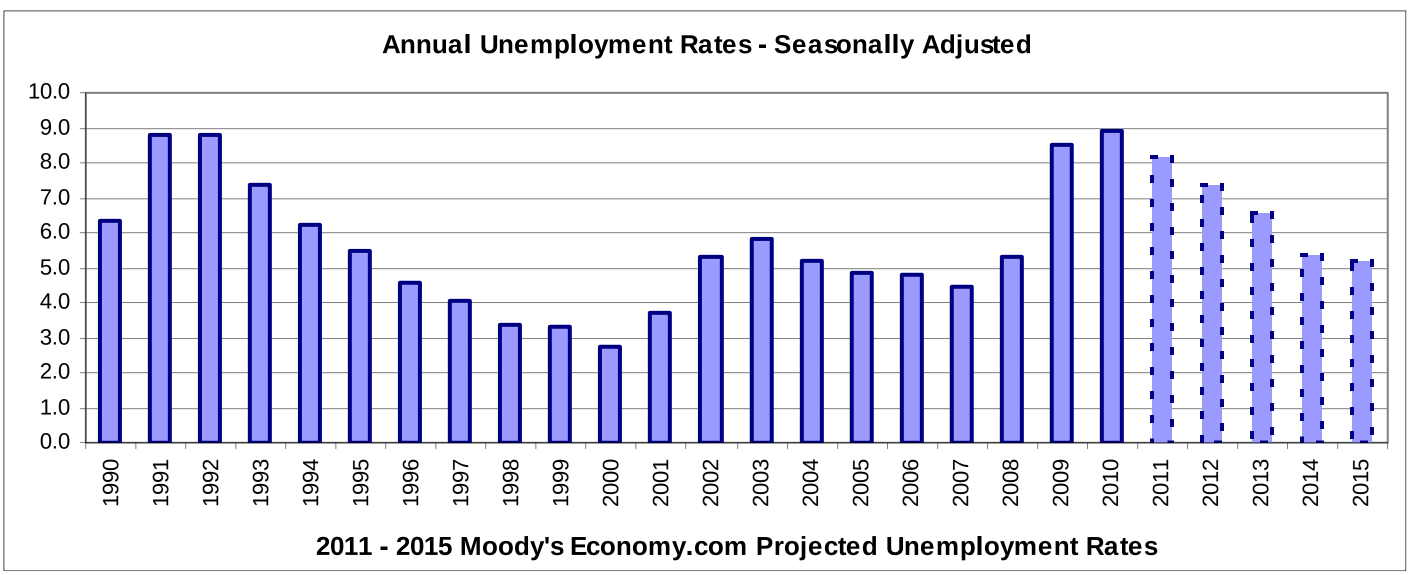
The projected annual average total unemployment rate for 2011 showed a significant downward revision of one-and-two-tenths of a percentage point, from 9.4 percent down to 8.2 percent. Downward revisions were made for the 2012 to 2014 annual unemployment rates; for 2012 from 8.2 percent to 7.4 percent; and for 2014 from 5.6 percent to 5.4 percent. In 2013 the annual unemployment was up slightly from 6.5 percent to 6.6 percent.

The annual labor force projection for 2011 to 2014, all, showed decreases from three-tenths to four-tenths of a percentage point and an average decrease of 12,069 from the labor force projections used in the October Quarterly Outlook Report. The labor force is expected to be 3,464,497 in 2015.

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

	Wage & Salary Growth (%)			Total Unemployment Rate (%)			Labor Force		
	10-Jul	10-Sep	11-Jan	10-Jul	10-Sep	11-Jan	10-Jul	10-Sep	11-Jan
2011	4.4	3.4	4.6	9.3	9.4	8.2	3,499,592	3,498,145	3,483,758
2012	6.8	6.8	7.5	8.0	8.2	7.4	3,490,982	3,489,759	3,479,102
2013	7.4	8.3	8.4	6.4	6.5	6.6	3,484,467	3,483,124	3,471,107
2014	5.6	6.2	7.1	5.6	5.6	5.4	3,480,324	3,479,100	3,467,887
2015	N/A	N/A	5.4	N/A	N/A	5.2	N/A	N/A	3,464,497

Source: Moody's Economy.com



UNEMPLOYMENT INSURANCE TRUST FUND BALANCE

As of January 31, 2011, the Massachusetts Unemployment Insurance Trust Fund ending balance was -$20.9 million. The private contributory account balance was at -$120.7 million and the governmental contributory account balance was $99.8 million. The private contributory account balance was $135 million higher than projected due to the significantly higher employer contributions collected in January.

The private UI Trust Fund is projected to have a deficit of $164 million at the end of 2011, a balance of $717 million in 2012 and a projected reserve of $1.850 billion by the end 2013.

The 2011 year-end private contributory account balance is estimated to be -$164 million or $373 million less than the previous estimate of $209 million published in the January Monthly Outlook Report. The difference in the year-end balance is primarily the result of a lower tax schedule (Schedule E) rather than the tax schedule (Schedule G) triggered by the ratio of the balance of the private contributory account at the end of the third quarter and the previous year total payrolls. Beginning in early January and through late April, interest free cash flow loans from the federal unemployment account will be required to finance benefits. Loans will be repaid in early May and no further borrowing is expected for the rest of 2011.

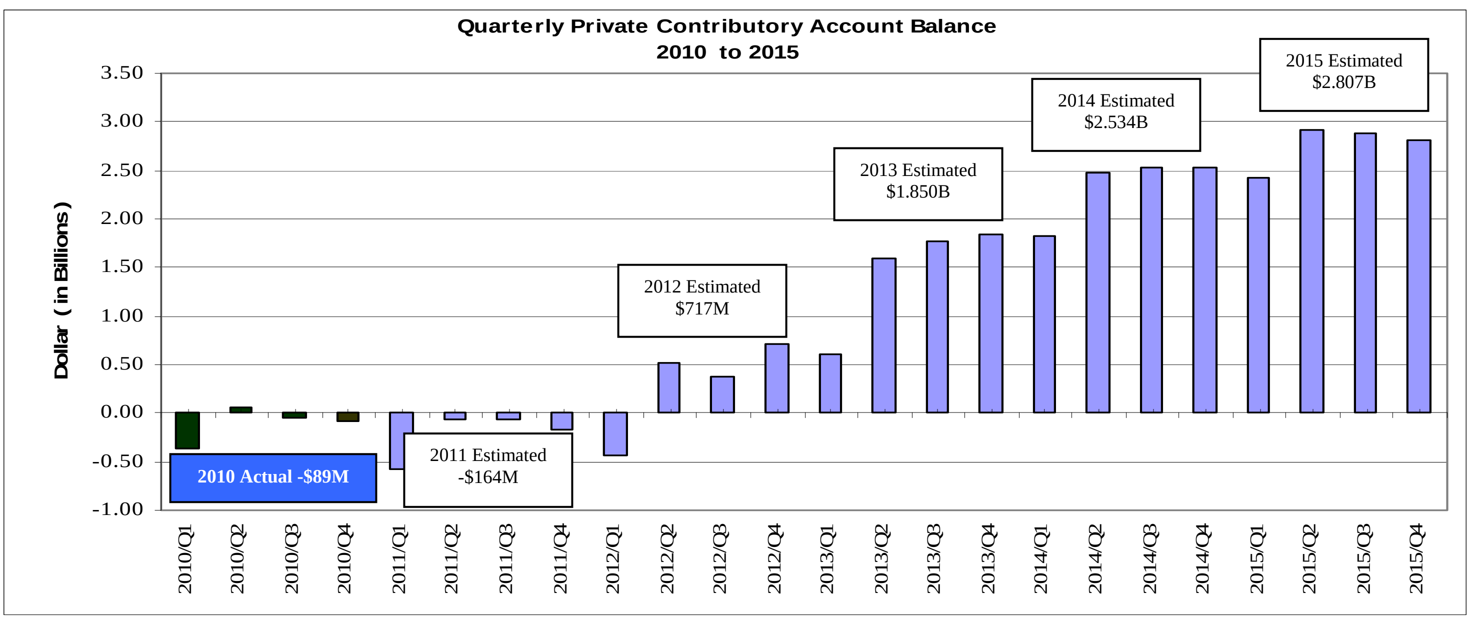
The year-end 2012 private contributory account balance is expected to be at $717 million, a difference of $237 million from the previous estimate of $954 million released in the January Monthly Outlook Report. The year-end balance difference is a carryover from the less than projected 2010 ending trust fund balance. Interest free cash flow loans from the federal unemployment account would be required from January through April. Loans will be repaid in early May and no further borrowing would be required for the rest of 2012.

The year-end 2013 account balance is expected to be $1.850 billion, a $39 million decrease from the previous estimate of $1.889 billion due primarily to the higher ending projected balances in 2011 and 2012

Under the current economic assumptions, trust fund solvency will continue to rebuild in 2014. The December 31, 2014 account balance is now estimated at $2.534 billion, $151 million higher than the previous estimate of $2.383 billion.

By the end of 2015, the private contributory account balance is expected to be $2.807 billion or 1.49 percent of total payrolls.

The chart below shows the 2010 actual and projected quarterly private UI Fund balance through 2015.



BENEFIT OUTLAYS

The updated simulation for the outlook period results in lower levels of benefit payments for 2011, 2012 and 2014.

Benefit payments through the end of January totaled $159.2 million, a 13 percent decrease from the January 2010 payments of $183.5 million. Benefit payments in January were $20 million or 12.7 percent lower than the projection. Through the end of January, initial claims and continued weeks claimed were 6.4 percent and 15.4 percent lower than January of last year, while weeks compensated were 12.8 percent less.

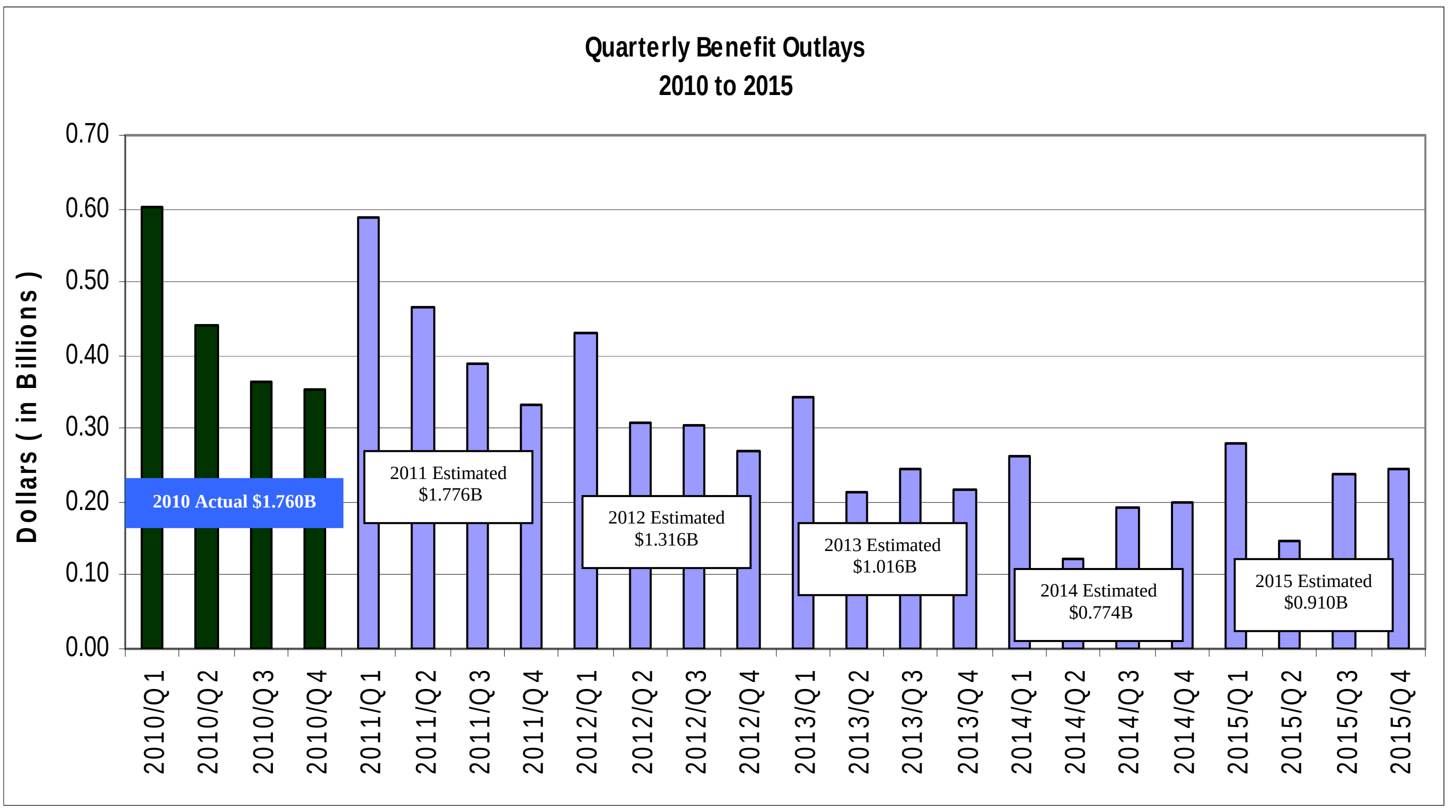
Benefit payments for 2011 are now estimated to be $1.776 billion or $147 million less than the previous estimate of $1.923 billion published in the October Quarterly Outlook Report and the November and December 2010 Monthly Outlook Reports and the January 2011 Monthly Outlook Report. The difference is due to the decrease in the annual unemployment rate generating less insured unemployment and total weeks compensated.

For 2012, benefit payments are estimated to be $1.316 billion, a decrease of $104 million from the previous estimate of $1.420 billion. As in 2011, the difference was due to a decrease in the projected annual unemployment rate resulting in fewer insured unemployment and weeks compensated.

For 2013, benefit payments are projected to be $1.016 billion or $23 million more than the previous estimate of $993 million, due to a slight increase in the projected annual unemployment rate causing slightly higher insured unemployment and weeks compensated.

In 2014, benefit payments are expected to be $774 million, a decrease of $209 million from the previous estimate of $983 million. The difference is due to a decrease in the projected total weeks compensated and insured unemployment generated by two-tenths of percentage point decrease in the projected annual unemployment rate in 2014.

For 2015, benefit payments are projected to be $910 million.



EMPLOYER CONTRIBUTIONS

Employer contributions through the end of January 2011 totaled $127 million, an increase of $114 million from January 2010 contributions of $12.6 million. The January 2010 contributions were lower primarily due to an extension in the due date caused by the end of the month falling on Sunday. Similarly, the January employer contributions were $115 million lower than expected. The difference in contributions is a result of the new automated collection system.

Rate Schedule E was set by legislation for employer contributions on 2011 payrolls. Employer contributions are estimated at $1.700 billion. The outlook for employer contributions of $1.700 billion is $517 million less than the previous estimate of $2.217 billion on rate schedule G published in the October Quarterly Outlook Report and the November and December 2010 Monthly Outlook Reports and the January 2011 Monthly Outlook Report. The reduction in employer contributions is due to the lower tax schedule.

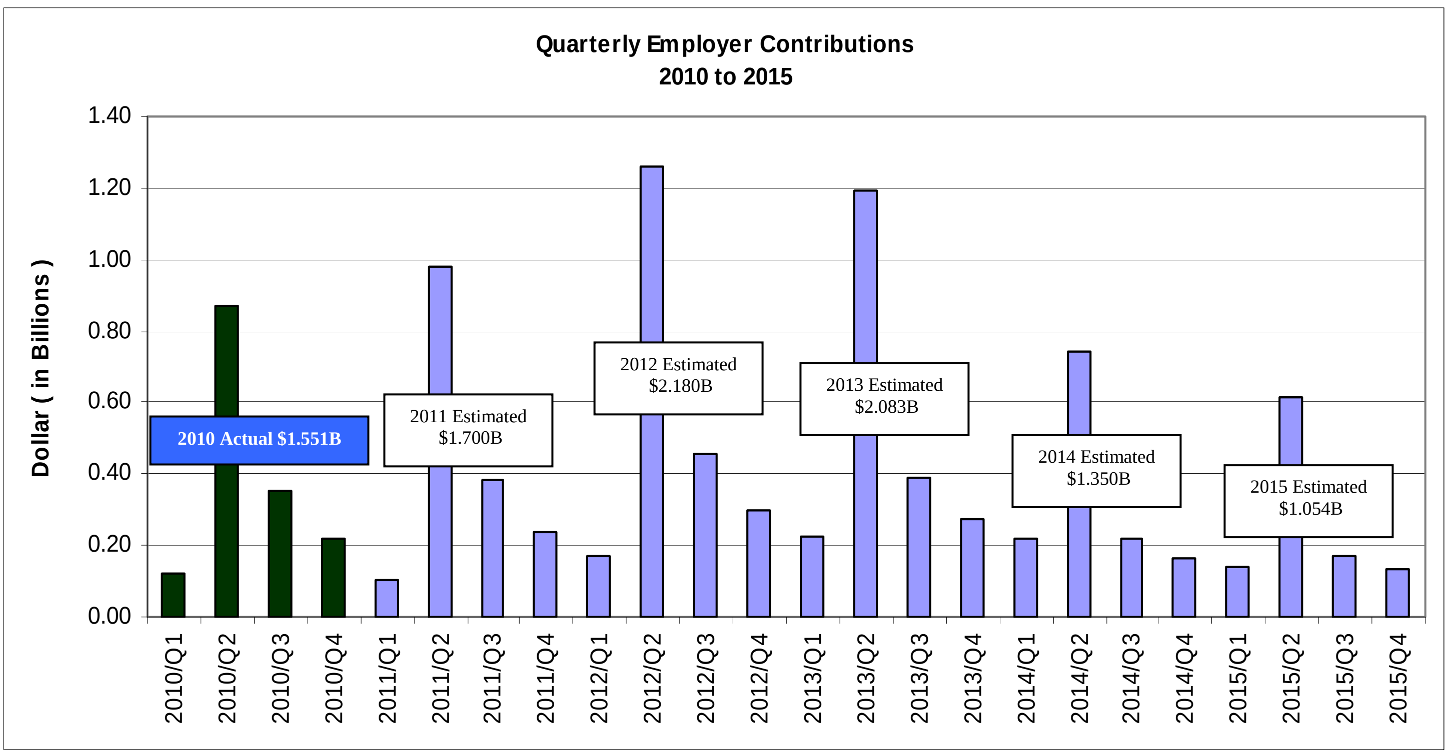
Rate schedule G is projected to be triggered for employer contributions on 2012 payrolls. Estimated employer contributions of $2.180 billion are in-line with the previous estimate of $2.145 billion.

Rate schedule G is again projected to trigger for employer contributions in 2013 generating revenues of $2.083 billion, $223 million higher than the previous estimate of $1.859 billion on rate schedule F.

In 2014 payrolls, rate schedule D is projected to trigger for employer contributions. Employer contributions are estimated to be $1.350 billion in-line with the previous estimate of $1.372 billion.

For 2015, rate schedule C is projected to trigger for employer contributions, estimated to be $1.054 billion.

Table 2, on page 7, contains the experience rate table.



TRUST FUND SOLVENCY

Beginning in calendar year 2014, Federal regulations now require State's 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. One of the key measures 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 advances to 1.0 for advances in 2019.

The Average High Cost Multiple (AHCM) is computed based 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. 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.

All advances taken would be subject to federal interest if the State does not meet the AHCM standard. Advances taken in the first four months of the year are generally large due to the high volume of claims activities in the winter months. Interest on Federal UI advances is paid through an additional surcharge on employers.

The chart below arrays the actual and projected year-end private contributory account AHCMs.

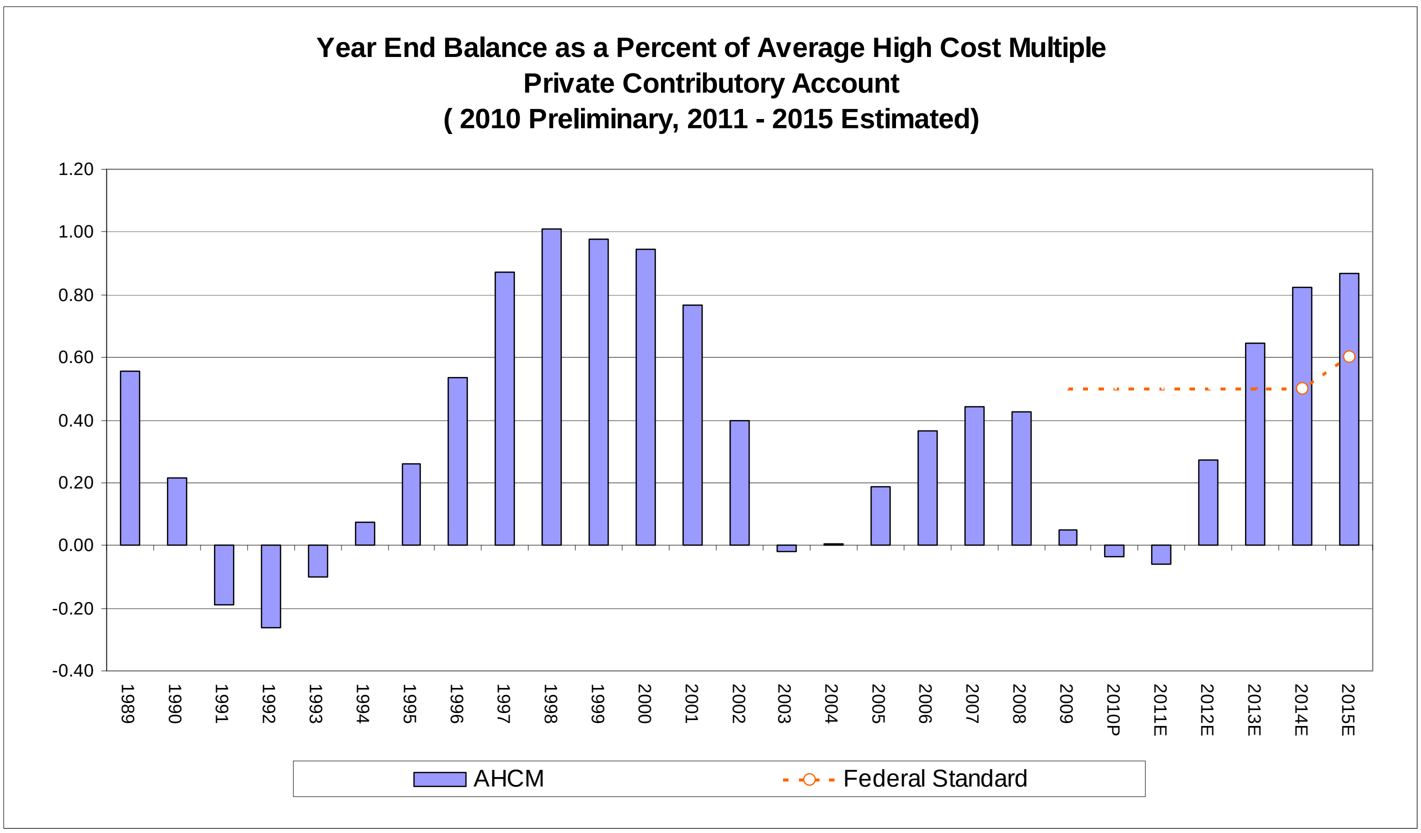


Table 2: Experience Rate Table

Employer Account Reserve Percentages	Unemployment Compensation Fund Reserve Percentage						
	A	**B**	**C**	**D**	**E**	**F**	**G**
	1.75% and over	1.6% or more less than 1.75%	1.4% or more less than 1.6%	1.1% or more less than 1.4%	0.8% or more less than 1.1%	0.5% or more less than 0.8%	less than 0.5%
Negative Percentage	Employer Contribution Rate*						
15 or more	7.80	8.74	9.78	10.96	12.27	13.75	15.40
13.0 but less than 15.0	7.40	8.29	9.28	10.40	11.64	13.04	14.61
11.0 but less than 13.0	7.00	7.84	8.78	9.83	11.01	12.34	13.82
9.0 but less than 11.0	6.60	7.39	8.28	9.27	10.39	11.63	13.03
7.0 but less than 9.0	6.20	6.94	7.78	8.71	9.76	10.93	12.24
5.0 but less than 7.0	5.80	6.50	7.28	8.15	9.13	10.22	11.45
3.0 but less than 5.0	5.40	6.05	6.77	7.59	8.50	9.52	10.66
1.0 but less than 3.0	5.00	5.60	6.27	7.02	7.87	8.81	9.87
0.0 but less than 1.0	4.60	5.15	5.77	6.46	7.24	8.11	9.08
Positive Percentage							
0.0 but less than 0.5	3.90	4.37	4.89	5.48	6.14	6.87	7.70
0.5 but less than 1.0	3.80	4.26	4.77	5.34	5.98	6.70	7.50
1.0 but less than 1.5	3.70	4.14	4.64	5.20	5.82	6.52	7.30
1.5 but less than 2.0	3.60	4.03	4.52	5.06	5.66	6.34	7.11
2.0 but less than 2.5	3.50	3.92	4.39	4.92	5.51	6.17	6.91
2.5 but less than 3.0	3.40	3.81	4.26	4.78	5.35	5.99	6.71
3.0 but less than 3.5	3.30	3.70	4.14	4.64	5.19	5.82	6.51
3.5 but less than 4.0	3.20	3.58	4.01	4.50	5.04	5.64	6.32
4.0 but less than 4.5	3.10	3.47	3.89	4.36	4.88	5.46	6.12
4.5 but less than 5.0	3.00	3.36	3.76	4.21	4.72	5.29	5.92
5.0 but less than 5.5	2.90	3.25	3.64	4.07	4.56	5.11	5.72
5.5 but less than 6.0	2.80	3.14	3.51	3.93	4.41	4.93	5.53
6.0 but less than 6.5	2.70	3.02	3.39	3.79	4.25	4.76	5.33
6.5 but less than 7.0	2.60	2.91	3.26	3.65	4.09	4.58	5.13
7.0 but less than 7.5	2.50	2.80	3.14	3.51	3.93	4.41	4.93
7.5 but less than 8.0	2.40	2.69	3.01	3.37	3.78	4.23	4.74
8.0 but less than 8.5	2.30	2.58	2.89	3.23	3.62	4.05	4.54
8.5 but less than 9.0	2.20	2.46	2.76	3.09	3.46	3.88	4.34
9.0 but less than 9.5	2.10	2.35	2.63	2.95	3.30	3.70	4.15
9.5 but less than 10.0	2.00	2.24	2.51	2.81	3.15	3.52	3.95
10.0 but less than 10.5	1.90	2.13	2.38	2.67	2.99	3.35	3.75
10.5 but less than 11.0	1.80	2.02	2.26	2.53	2.83	3.17	3.55
11.0 but less than 11.5	1.70	1.90	2.13	2.39	2.67	3.00	3.36
11.5 but less than 12.0	1.60	1.79	2.01	2.25	2.52	2.82	3.16
12.0 but less than 12.5	1.50	1.68	1.88	2.11	2.36	2.64	2.96
12.5 but less than 13.0	1.40	1.57	1.76	1.97	2.20	2.47	2.76
13.0 but less than 13.5	1.30	1.46	1.63	1.83	2.05	2.29	2.57
13.5 but less than 14.0	1.20	1.34	1.51	1.69	1.89	2.11	2.37
14.0 but less than 15.0	1.00	1.12	1.25	1.40	1.57	1.76	1.97
15.0 but less than 16.0	0.90	1.01	1.13	1.26	1.42	1.59	1.78
16 or more	0.80	0.90	1.00	1.12	1.26	1.41	1.58

** Employer Contribution Rate is applied to the first $14,000 of wages per employee.*

The simulation estimates for 2011 through 2015 are displayed in Tables 3 and 4, below.

Table 3: Unemployment Trust Fund Projections for the Private Contributory Account, 2011 - 2015

(All $ in Millions except Average Cost/Employee)

	2010	2011	2012	2013	2014	2015
Balance, January 1	$119	($89)	($164)	$717	$1,850	$2,534
Income	$1,551	$1,700	$2,180	$2,083	$1,350	$1,054
Trust Fund Interest	$1	$0	$16	$66	$109	$128
Incentive Distributions						
Benefit Outlays	$1,760	$1,776	$1,316	$1,016	$774	$910
Federal Loan Interests						
Balance, December 31	($89)	($164)	$717	$1,850	$2,534	$2,807
Schedule*	"E"	"E"	"G"	“G”	"D"	“C”
Average Cost/Employee	$644	$705	$897	$854	$552	$432

* 2010 & 2011 rate schedules set by Legislation; 2012 to 2015 rate schedules projected based on statutory triggers.
Source: Massachusetts Department of Workforce Development benefit financing simulation

Figures may not add up due to rounding.

Table 4: Benefit Financing Simulation Output

	2010	2011	2012	2013	2014	2015
Total Covered Payroll ($Billions)	$133.1	$141.4	$153.3	$166.8	$179.3	$188.4
Contributory Payroll ($Billions)	$33.7	$36.4	$37.7	$38.6	$39.4	$39.5
Contributory Wage Proportion	25.3%	25.7%	24.6%	23.1%	22.0%	21.0%
Nominal Contribution Rate	4.7%	4.8%	5.9%	5.4%	3.2%	2.6%
Contributions as % of Total Payroll	1.17%	1.20%	1.42%	1.25%	0.75%	0.56%
Benefits as a % of Total Payroll	1.32%	1.26%	0.86%	0.61%	0.43%	0.48%
Trust Fund Balance as % of Total Payroll	-0.07%	-0.12%	0.47%	1.11%	1.41%	1.49%
Solvency Assessment	1.49%	1.72%	0.97%	0.62%	0.30%	0.28%
AHCM (proposed Fed Std 1.0)	-0.03	-0.06	0.27	0.64	0.82	0.87
Covered Employment (Thousands)	3,082	3,087	3,111	3,121	3,132	3,122
Total Unemployment Rate	8.9%	8.2%	7.4%	6.6%	5.4%	5.2%
Insured Unemployment Rate	4.7%	3.3%	2.5%	2.0%	1.5%	1.8%

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.

INTEREST FREE CASH FLOW LOANS:
During any calendar year that loans are drawn from the federal unemployment account from January to September are interest free if the loans are repaid by September 30 and no further loans are taken during the remainder of the calendar year.

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 $14,000 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.