



Unemployment Insurance Trust Fund Report

Monthly Outlook Report November 2011

THE UNEMPLOYMENT INSURANCE TRUST FUND BALANCE

As of October 31, 2011, the Massachusetts Unemployment Insurance Trust Fund ending balance was \$403.8 million. This balance is the sum of the private contributory account balance of \$304.4 million and the governmental contributory account balance of \$99.4 million.

THE UNEMPLOYMENT INSURANCE TRUST FUND OUTLOOK FOR 2011

The private contributory account projections for 2011 are based on the following: (1) the 2011 distribution of employer experience rates; (2) the September 2011 Moody's Economy.com economic forecasts; and (3) first through third quarter 2011 unemployment insurance claims and payment activities. The projections remain as published in the October 2011 Quarterly Outlook Report.

Employer contributions based on rate schedule E and a \$14,000 taxable wage base are estimated to be \$1.741 billion in 2011. Benefit payments are projected to be \$1.558 billion. Interest free cash flow loans from the federal unemployment account were required to finance benefit payments from early January through early May. Loans were repaid on May 3, 2011 and under the current economic outlook no further borrowing is expected for the rest of 2011. Currently, during any calendar year, loans that are drawn from the federal unemployment account from January through 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. These are referred to as interest free cash flow loans. However, federal regulations 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.

The 2011 private contributory account year-end balance is estimated to be \$98 million.

2011 ACTIVITY TO DATE

Through October 2011, total employer contributions of \$1.694 billion were \$236.9 million or 16.3 percent higher than the contributions collected in the first ten months of 2010 and \$59.5 million or 3.5 percent higher than the projection published in the October Quarterly Outlook Report.

Benefit payments of \$1.304 billion through October of 2011 were \$204.1 million or 13.5 percent lower than those for the same time period in 2010. Through the end of October, initial claims were down 4.1 percent, continued weeks claimed and weeks compensated were 15.2 and 12.7 percent lower than in the same ten months last year. In addition to fewer claims, the average weekly benefit amount through October of 2011 was \$2.17 less than the average weekly benefit amount for the same ten months in 2010. Through the end of October, benefit payments at \$1.8 million or 0.1 percent less were in-line with the projections.

Employer contributions less benefit payments generated an October 31, 2011 private contributory account balance of \$304.4 million, \$61.3 million higher than projected. The difference was primarily due to the larger than expected employer contributions in the month of October.

2012 - 2015 PROJECTIONS

Projections for the private contributory account for the years 2012 to 2015, published in the October 2011 Quarterly Outlook Report remain unchanged.

For 2012, rate schedule G is expected to trigger for employer contributions generating contributions estimated to be \$2.270 billion. Benefit payments are estimated to be \$1.646 billion. Interest free cash flow loans from the federal unemployment account would be required in March and April. Loans will be repaid by early May and no further borrowing would be required for the rest of 2012. The year-end 2012 private contributory account balance is expected to be at \$739 million.

Rate schedule F is projected to be triggered for employer contributions on 2013 payrolls. Employer contributions are estimated to be \$1.944 billion. Benefit payments are projected to be \$1.412 billion. Under the current economic assumptions, trust fund solvency will continue to rebuild in 2013 with a private contributory account year-end balance expected to be \$1.321 billion.

For 2014, rate schedule E is projected to trigger for employer contributions generating revenues of \$1.689 billion. Benefit payments are projected to be \$1.002 billion. The December 31, 2014 account balance is now estimated at \$2.092 billion.

In 2015, employer contributions, based on rate schedule D, are estimated to be \$1.415 billion and benefit payments are expected to be \$901 million. By the end of 2015, the private contributory account balance is expected to be \$2.722 billion or 1.40 percent of total payrolls.