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QUARTERLY TRUST FUND REPORT

DET RESEARCH

OCTOBER 1997

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THE UNEMPLOYMENT INSURANCE TRUST FUND

CURRENT CONDITION OF THE FUND

At the end of September 1997, the Massachusetts Unemployment Insurance Trust Fund balance was \$1.343 billion, with the private contributory account having a balance of \$1.288 billion, and the governmental contributory account holding a \$55 million balance.

1997 TO DATE

Preliminary data for 1997 shows the private contributory account balance, revenues from employer contributions and benefit payments are in line with the simulations. Year to date claims activity, measured by continued weeks claimed, are the lowest since the pre-recession period.

E Division of
Employment
and Training

This report is prepared by the Economic Research Office of the Massachusetts Division of Employment and Training. Any questions can be directed to DET at (617) 626-6556

ASSUMPTIONS USED IN THIS FORECAST

For this benefit financing simulation, DET has utilized the forecast produced by Data Resources Incorporated (DRI) in September 1997.

The assumptions from the DRI forecast are arrayed below and compared to the April 1997 and August 1997 trust fund reports.

	WAGE & SALARY GROWTH (%)			TOTAL UNEMPLOYMENT RATE (%)		
	4/97	8/97	10/97	4/97	8/97	10/97
	1997	6.8	7.2	7.7	3.9	4.0
1998	4.4	4.7	5.1	3.9	4.1	3.8
1999	4.1	4.7	4.9	4.0	4.1	3.8
2000	4.2	4.6	4.8	3.9	4.1	3.8
2001	4.1	4.3	4.7	4.1	4.2	3.8

	LABOR FORCE		
	4/97	8/97	10/97
1997	3,219,500	3,240,200	3,235,100
1998	3,243,500	3,278,000	3,277,400
1999	3,267,400	3,308,300	3,316,700
2000	3,288,500	3,335,300	3,346,600
2001	3,309,700	3,363,700	3,377,300

The current economic scenario differs from the August 1997 scenario in several ways. The labor force is expected to grow at a slightly faster rate throughout the projected period. The October forecast shows the labor force at 3,235,100 for 1997 and projects an increase of 142,200 between 1997 and 2001. The August forecast showed a 1997 labor force of 3,240,200, about 5,000 more than the current forecast, but projected a smaller increase of 123,500 over the four subsequent years.

Total wages and salaries are also expected to grow faster throughout the forecast period. The 1997 growth is projected at 7.7 percent compared to 7.2 percent in the August forecast. The current scenario shows an annual growth of 5.1 percent for 1998 and a slightly lower growth rate each subsequent year, dropping to 4.7 percent by 2001. The August forecast showed annual growth from 0.2 to 0.4 percentage points lower for the years 1998-2001.

The total unemployment rate is expected to drop from 3.9 percent in 1997 to 3.8 percent in 1998 and then remain steady at 3.8 percent through 2001. The August forecast showed the unemployment rate at 4.0 percent in 1997, then rising very slowly to 4.2 percent in 2001.

Table 1 contains data for the annual activity for the private contributory account for the forecast period. Table 2 arrays the economic assumptions used in this benefit financing simulation.

1997 OUTLOOK

This simulation shows 1997 employer contributions should be \$1.129 billion, slightly higher than the estimate in the August report and 1.37% of total wages. Benefit payments are expected to be \$711 million, \$9 million less than the previous estimate. The year end trust fund account balance will be \$1.322 billion, an increase of \$483 million over 1996. DET considers this balance to be adequate and proper for 1998.

1998 - 2001 PROJECTIONS

The enactment of Chapter 100 of the Acts of 1997 in September established Schedule "C" for employer contributions for 1998. Schedule "C" will generate \$923 million in contributions during 1998, \$206 million less than the estimated revenue for 1997 and reduce the average cost per employee to \$402. A slight increase in weeks claimed and a higher average weekly benefit amount is projected to increase benefit payments to \$753 million, resulting in a balance of \$1.573 billion on December 31, 1998.

The simulation estimates that Schedule "C" will trigger for 1999, 2000 and 2001. Employer contributions would exceed benefit payments for the duration of the forecast period. The average cost per employee would continue to decline, dropping to \$372 in 2001. Interest rates, expected to remain low during the period, generate additional revenues and allow the private contributory account balance to reach \$2 billion by the end of calendar year 2001.

Table 1

Massachusetts Benefit Financing Simulation
Private Contributory Trust Fund Account (All \$ in Millions)

	1996	1997	1998	1999	2000	2001
BALANCE JAN 1	\$469	\$839	\$1,322	\$1,573	\$1,750	\$1,893
INCOME	\$1,047	\$1,129	\$923	\$887	\$877	\$874
TRUST FUND INTEREST	\$40	\$65	\$81	\$91	\$97	\$104
OUTLAYS	\$717	\$711	\$753	\$801	\$831	\$871
BALANCE, DEC 31	\$839	\$1,322	\$1,573	\$1,750	\$1,893	\$2,000
SCHEDULE	D	E	C	C	C	C
AVERAGE COST/EMPLOYEE	\$455	\$497	\$402	\$382	\$376	\$372

Figures may not add because of rounding.

Table 2

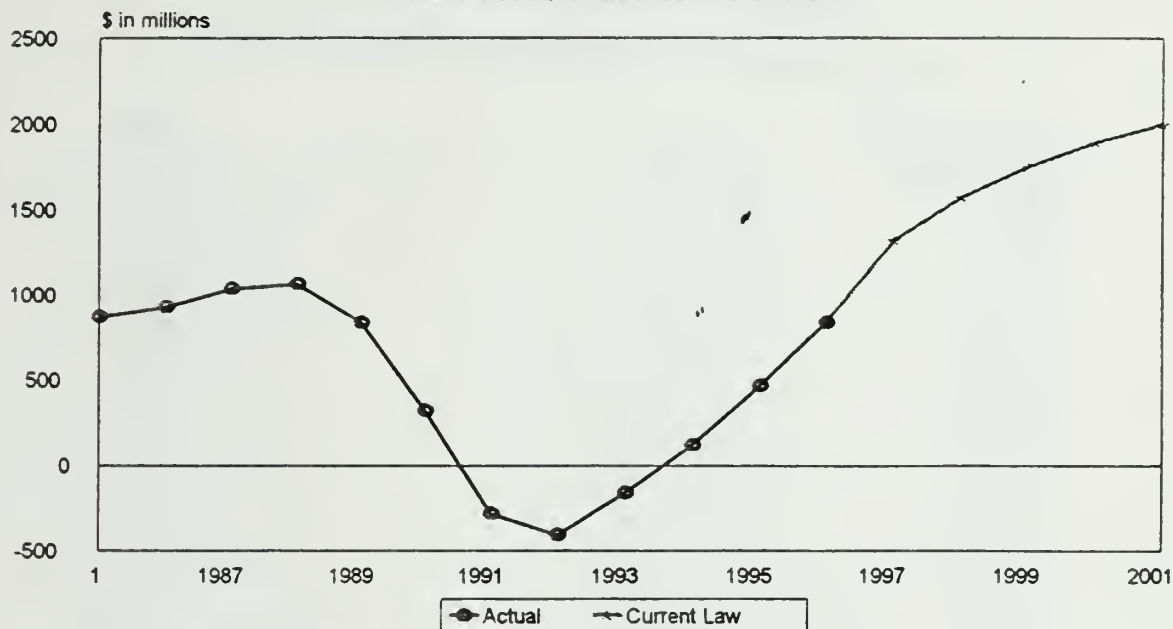
Economic Assumptions Based on DRJ Forecasts and Massachusetts Simulation
Benefit Financing Simulation Output:

Year	Total Covered Payroll (billions)	Contributory Payroll (billions)	Covered Employment (thousands)	Effective Contribution Rate	Contributory Wage Proportion	Solvency Assessment	Employer Contributions a % of Total Payroll	Total Unemployment Rate	Insured Unemployment Rate
1996	\$77.7	\$25.5	2,921	4.1%	32.8%	0.88%	1.35%	4.3%	2.6%
1997	\$82.6	\$26.8	2,934	4.3%	32.4%	0.79%	1.37%	3.9%	2.3%
1998	\$87.8	\$27.5	2,964	3.3%	31.3%	0.68%	1.05%	3.8%	2.4%
1999	\$93.0	\$28.2	2,999	3.2%	30.3%	0.66%	0.95%	3.8%	2.4%
2000	\$98.1	\$28.8	3,026	3.1%	29.4%	0.64%	0.89%	3.8%	2.4%
2001	\$103.4	\$29.4	3,054	3.0%	28.4%	0.65%	0.85%	3.8%	2.4%

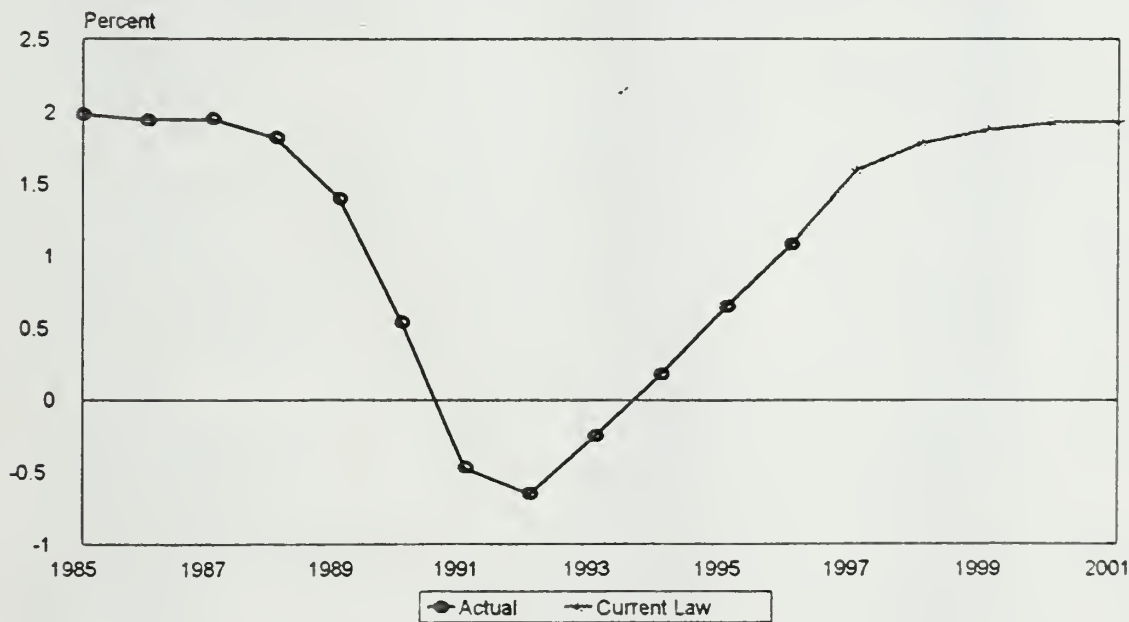
Figures may not add because of rounding.

UNEMPLOYMENT INSURANCE TRUST FUND BALANCE

Private Account Balance in Dollars



Private Account Balance as a Percent of Massachusetts Total Wages



SOLVENCY OF STATE TRUST FUNDS
DECEMBER 31, 1996 TRUST FUND BALANCES

State	Balance	As Percent of Total Wages
VIRGIN ISLANDS	\$ 42,069	4.24%
PUERTO RICO	\$ 595,709	3.92%
VERMONT	\$ 218,259	3.40%
WYOMING	\$ 147,087	3.17%
LOUISIANA	\$ 1,131,152	2.71%
NEW MEXICO	\$ 385,531	2.61%
ALASKA	\$ 194,188	2.53%
MISSISSIPPI	\$ 553,222	2.47%
OREGON	\$ 941,419	2.44%
UTAH	\$ 523,880	2.42%
WISCONSIN	\$ 1,556,922	2.41%
IDAHO	\$ 266,228	2.41%
DELAWARE	\$ 258,468	2.33%
IOWA	\$ 718,845	2.31%
KANSAS	\$ 651,074	2.28%
WASHINGTON	\$ 1,332,508	2.00%
OKLAHOMA	\$ 563,895	1.94%
NEVADA	\$ 348,278	1.90%
NEW HAMPSHIRE	\$ 268,011	1.83%
MONTANA	\$ 125,900	1.82%
INDIANA	\$ 1,273,086	1.79%
GEORGIA	\$ 1,634,073	1.77%
NEW JERSEY	\$ 2,028,818	1.63%
HAWAII	\$ 211,267	1.56%
SOUTH CAROLINA	\$ 603,410	1.56%
NORTH CAROLINA	\$ 1,335,565	1.53%
PENNSYLVANIA	\$ 2,031,947	1.40%
MICHIGAN	\$ 1,830,928	1.38%
TENNESSEE	\$ 826,526	1.34%
KENTUCKY	\$ 501,304	1.31%
ARIZONA	\$ 627,059	1.30%
FLORIDA	\$ 1,947,557	1.27%
OHIO	\$ 1,750,968	1.24%
MARYLAND	\$ 690,786	1.15%
ALABAMA	\$ 483,472	1.13%
VIRGINIA	\$ 897,198	1.13%
* MASSACHUSETTS	\$ 839,352	1.08%
NEBRASKA	\$ 195,210	1.06%
WEST VIRGINIA	\$ 157,345	1.04%
RHODE ISLAND	\$ 116,240	1.02%
COLORADO	\$ 510,956	1.00%
ILLINOIS	\$ 1,638,560	0.96%
MAINE	\$ 112,122	0.92%
ARKANSAS	\$ 202,784	0.89%
NORTH DAKOTA	\$ 50,072	0.85%
MINNESOTA	\$ 513,033	0.77%
SOUTH DAKOTA	\$ 49,542	0.76%
CALIFORNIA	\$ 2,877,452	0.71%
DISTRICT OF COLUMBIA	\$ 99,368	0.60%
** CONNECTICUT	\$ 277,861	0.49%
MISSOURI	\$ 307,507	0.48%
TEXAS	\$ 642,233	0.29%
NEW YORK	\$ 470,400	0.17%

* Massachusetts trust fund balance and total wages reflect the private contributory account only.

** Connecticut trust fund balance excludes a bonded debt, with a balance of \$746 million, which was used to pay UI benefits.

SOURCE: U.S. Department of Labor, Employment and Training Admin., Division of Actuarial Services