

QUARTERLY TRUST FUND REPORT

DET RESEARCH

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THE UNEMPLOYMENT INSURANCE TRUST FUND

The December 31, 1999 Massachusetts Unemployment Insurance Trust Fund balance was \$1.879 billion. The private contributory account balance was \$1.811 billion at the end of December and the governmental contributory account balance was \$68 million.

CURRENT CONDITION OF THE FUND

Massachusetts ended the year with record highs for the number of residents employed and the number of jobs, two measures of the continuing strength of the state's economy. The total unemployment rate, averaged 3.2% for the 1999, placing the year in a tie with 1987 for the lowest annual average in thirty years.

During 1999 Trust Fund reserves grew to \$1.811 billion, \$117 million more than the previous year, and a new all-time high record high. Employer contributions, on special Schedule B, generated income of \$778 million, offsetting benefit outlays of \$777 million during the year.

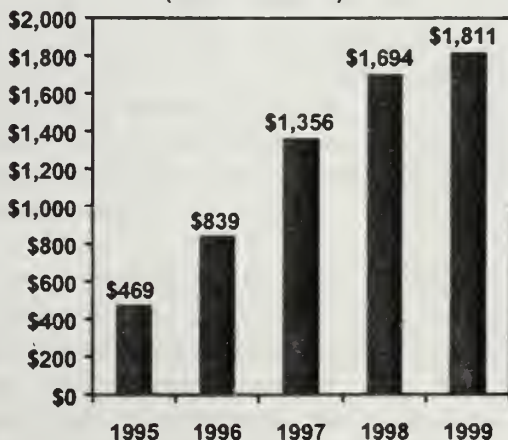
Stronger growth in contributory payrolls, the likely result of the tight labor market and job turnover, provided more employer contributions than previously estimated. Income from contributions was over \$30 million higher than the projections published in DET's August report and \$12 million higher than the estimate in our October report. Based on this higher level of contributions and the moderate job growth, the 1999 average annual cost per employee is now estimated at \$320 for private contributory employers. We currently expect the average cost per employee in the year 2000 to be \$310.

Benefit outlays were also stronger than originally expected as wage growth continued to push up the average weekly benefit amount to \$278.86 for 1999, an increase of 6.8% over the 1998 figure.

Interest earnings on the reserves in Massachusetts' Unemployment Insurance Trust Fund were \$117 million last year.

Massachusetts Unemployment Trust Fund Reserves

(Millions of dollars)



E Division of
Employment
and Training

This report is prepared by the Economic Research Office of the Massachusetts Division Of Employment and Training. Questions can be directed to DET at (617)626-6600

ASSUMPTIONS USED IN THIS FORECAST

DET utilizes an independent economic outlook as the forecast for Massachusetts. The benefit financing simulations in this report are based on the forecasts produced by Regional Financial Associates (RFA) and issued in December 1999.

The assumptions used in this report are arrayed below and compared to the assumptions used to produce the prior two simulations published in August 1999 and October 1999.

	Wage & Salary Growth (%)			Total Unemployment Rate (%)		
	08/99	10/99	01/00	08/99	10/99	01/00
2000	6.2	5.5	6.3	3.0	3.0	3.0
2001	6.2	5.1	5.3	3.0	3.1	3.2
2002	6.3	5.2	5.3	3.1	3.2	3.3
2003	6.1	4.9	5.0	3.2	3.4	3.5
2004	N/A	N/A	4.8	N/A	N/A	3.6

	Labor Force		
	08/99	10/99	01/00
2000	3,309,100	3,294,800	3,293,200
2001	3,330,300	3,305,100	3,302,200
2002	3,363,400	3,328,000	3,325,700
2003	3,399,400	3,351,700	3,350,100
2004	N/A	N/A	3,376,000

The pace of wage growth projected for 2000 has been increased in this report to 6.3%, 0.8% higher than the 5.5% growth in projections used in the October report, but almost the same as the 6.2% wage growth projection contained in the August report. The projected annual wage and salary growth rates for the 2001 to 2003 outlook period are slightly higher than the previous estimates published in October 1999, but still in the 5.0% to 5.3% annual range. The wage and salary growth rate for 2004 is 4.8%. The outlook for lower wage and salary growth during the 2001 through 2004 period reflects the expectation that the most recent rate of wage growth will not be sustainable over the longer term.

The projections for the total unemployment rates for the 2001 to 2003 period are 0.1% higher than those used in the October report. The projected rate for total unemployment for 2004 is 3.6%. The projected unemployment rates range from 3.0% to 3.6% over the five years ending in 2004.

The Massachusetts labor force is projected to have more modest growth over the years 2000 through 2003 than was projected in DET's August and October outlooks. The labor force is expected to average 3,293,200 in 2000, which is almost unchanged from the estimated level used in the October report. The outlook for the entire five-year period is for a tight labor market.

2000 OUTLOOK

Based on the current economic assumptions of continued strong wage and salary growth, a low total unemployment rate and very moderate labor force growth, the simulation indicates that Trust Fund reserves will reach \$1.873 billion by the end of 2000, adding \$62 million to the Fund's current reserves. Due to recently enacted legislation signed into law by the Governor, employer contributions will remain "frozen" on special Schedule B and are expected to generate income of \$751 million at an estimated average annual cost of \$310 per employee. Absent this legislation, rates could have "triggered" up to Schedule "C" this year, a 15% increase above Schedule "B". Benefit outlays are estimated at \$811 million, reflecting the slightly lower rate of insured unemployment and higher average weekly benefit amounts. Interest earnings are estimated at \$122 million.

2001 - 2004 PROJECTIONS

The simulation estimates for the 2001 to 2004 period under current law are arrayed in Table 1.

The outlook for the 2001 to 2004 period shows employer contributions returning to Schedule "C" for the four-year period, since the statutory "triggers" remain unchanged. If these automatic triggers were allowed to take effect, Trust Fund reserves would grow to \$2.203 billion by the end of 2004.

Table 1

PROJECTION 2000-2004

Massachusetts Benefit Financing Simulation

Private Contributory Trust Fund Account (All \$ in Millions)

	1999	2000	2001	2002	2003	2004
Balance, January 1	\$1,694	\$1,811	\$1,873	\$2,014	\$2,127	\$2,193
Income	\$778	\$751	\$855	\$852	\$841	\$840
Trust Fund Interest	\$117	\$122	\$129	\$138	\$145	\$148
Outlays	\$777	\$811	\$843	\$877	\$919	\$978
Balance, December 31	\$1,811	\$1,873	\$2,014	\$2,127	\$2,193	\$2,203
Schedule	B*	B*	C	C	C	C
Average Cost/Employee	\$320	\$310	\$352	\$349	\$342	\$339

* Chapter 175 of the Acts of 1998 established a special Schedule "B" which self-repeals January 1, 2003.
 Figures may not add because of rounding.

Table 2

Economic Assumptions Based on RFA Forecasts and Massachusetts Simulation

Benefit Financing Simulation Output

	1999	2000	2001	2002	2003	2004
Total Covered Payroll (\$Billions)	\$98.7	\$103.9	\$109.6	\$116.1	\$122.7	\$129.4
Contributory Payroll (\$Billions)	\$28.1	\$28.7	\$29.0	\$29.5	\$30.1	\$30.6
Covered Employment (Thousands)	3,088	3,089	3,098	3,119	3,142	3,165
Nominal Contribution Rate (\$10,800)	2.7%	2.6%	3.0%	2.9%	2.8%	2.7%
Contributory Wage Proportion	28.5%	27.6%	26.5%	25.4%	24.5%	23.6%
Solvency Assessment	0.37%	0.50%	0.50%	0.50%	0.51%	0.55%
Contributions as % of Total Payroll	.79%	0.72%	0.78%	0.73%	0.69%	0.65%
Total Unemployment Rate	3.0%	3.0%	3.2%	3.3%	3.5%	3.6%
Insured Unemployment Rate	2.1%	2.1%	2.1%	2.1%	2.1%	2.2%

Figures may not add because of rounding.