

Unemployment Services Trust

Key Facts and Questions

History

The Unemployment Services Trust (UST) has been working with nonprofits for over 25 years to help them reduce unemployment costs. UST offers a safe, cost-effective alternative to paying the state unemployment tax, as well as claims monitoring services to keep members from paying for unfair claims. Our members save an average of 30%-50% on UI costs.

Who is Eligible?

Federal Law allows any 501(c)(3) to opt out of the state UI system to become a Direct Reimbursing employer (pay as you go). UST is available to nonprofits with 10 or more FTEs (full time equivalent employees). We do not recommend agencies with fewer than 10 employees to leave the state system since their annual contributions are low, and money they have already accrued to the state over the years would be necessary to cover the cost of one unemployment claim.

Whether already a Direct Reimbursing employer or not, UST can help qualified nonprofits save on unemployment costs when they join.

How do you determine if an agency will benefit from joining UST?

UST asks each agency interested in the program to complete a Request for Quote form. This form asks the agency to tell us their number of employees, gross and taxable wages, current UI rate and their history of unemployment claims for the past

three years. With this information we can determine if the agency will benefit from enrollment.

If the agency is currently a Direct Reimbursing employer we ask them for the information noted above with the exception of their current UI rate since they won't have one.

When can an agency enroll?

Generally, if the agency is currently in the state unemployment system they can leave the state once a year effective January 1st as long as they give notice to the state by November 30th of the current year. For example, many states must receive notice of change for a January 2011 effective date by November 30, 2010. The decision to opt out of the state system is a two year commitment.

Most states follow this opt out period, although some have earlier or later dates, and California allows for a quarterly opt out. Once an agency decides to join UST, we will send them the enrollment materials and notify the state on their behalf. UST generally needs to receive completed enrollment materials at least two weeks before the state deadline, to allow time to file the paperwork with the state.

If an agency is already a Direct Reimbursing employer, they can enroll with us on the first day of any calendar quarter. We will provide enrollment materials.

What are the advantages of leaving the state tax system for UST?

When a nonprofit makes quarterly UI contributions to the state, it is a tax. Unless there are unemployment claims charged against the agency's account, the agency has no claim on the money paid into their account.

With UST, any contributions paid into the agency's UST account are an asset held in a reserve on their behalf. Any unemployment claims charged to the agency will be reimbursed to the state on the agency's behalf. All contributions into the reserve are invested, and the return on the investment is allocated back to the agency. We charge the agency only a small administrative fee to manage their account. In fact, UST has the lowest administrative fee in the industry.

In addition, because UST offers agencies a set annual contribution rate, they can plan their budget accordingly.

If UST determines that the agency's account is sufficiently funded, we will either reduce their annual rate or return a portion of their account balance as a credit. If an agency decides to leave the program, all funds in their account (after any outstanding claims liability are settled) will be returned.

Unlike paying into the state system, UST turns a tax into a working asset.

What are the advantages for a Direct Reimbursing to join UST?

First, pre-set annual rates allow for simplified budgeting. In their current situation, direct reimbursers are responsible for paying the state 100% of claims billed each quarter -- which leads to an unpredictable cost each quarter. A huge spike in claims could be catastrophic. With

UST, Stop-Loss coverage is available to prevent such large losses, and in general UST will pay an agency's UI costs even if their account is not funded to the full amount of the claims owed. We can do this knowing that future payments will recover any outlays by UST.

In addition, UST provides claims monitoring (described below), which on average helps nonprofits save an additional 15% each year on unemployment costs and relieves administrative burden for HR.

What other services are included?

UST provides claims monitoring services for each member agency. UST contracts with TALX, who reviews every unemployment claim filed and works with the HR staff to determine the validity of the claims, prepare paperwork and prepare for hearings. They also provide an extensive online course for supervisors and managers to learn the proper way to document employee issues, work with the state once a claim is filed and prepare for a UI hearing.

Through TALX, UST members save \$35 million annually on claims. TALX monitors all UI charges to make certain the state is paying correctly, and sends reports to agencies detailing quarterly claims activity.

TALX services are a key savings component that would be much more costly were an agency to contract with them directly. But as members of UST, nonprofits are ensured to have access to the resources they need to save money, and build assets.

Request a Quote

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