

Questions to Ask Unemployment Service Providers

Making the Right Choice for Your Agency

Working with an unemployment service provider to help cut down on operating costs and to protect cash flow is a smart choice. But how do you know which option is right for you? Following are some important questions to ask potential unemployment partners.



Q: Is there an enrollment fee?

UST Answer: No, UST does not have an enrollment fee.

Q: What is the history of the program?

UST Answer: UST was founded in 1983 by a small group of nonprofits in conjunction with the United Way in Southern California. It has grown to a membership of more than 2,000 501(c)(3)s nationwide. Assets exceed \$95 million and cover more than 210,000 employees.

Q: What happens if I leave?

UST Answer: While various states have minimum "opt out" periods of two to five years, there is no minimum term of participation for UST. Upon notification of termination UST will refund 85% of any positive amount in an account; the last 15% being released after the next audit of the Trust.

Q: What is the cost of participation?

UST Answer: Administrative and operating expenses are determined on an annual basis at the time of audit. These costs continue to be highly competitive at approximately 10% of member deposits. Investment income helps offset the cost of participation.

Q: How am I protected?

UST Answer: By participating you are building an account to cover incurred claims and to protect you in the event that claims increase unexpectedly.

Q: What happens if claims exceed deposits?

UST Answer: On a short-term basis, claims will continue to be paid by UST and over the following year your reserve will be rebuilt through your regular deposits. In subsequent years, your rate is reviewed and is driven by your claims experience. However, if the shortfall is significant, you will be required to make supplemental payments to return to a positive balance.

Q: Is stop-loss protection provided?

UST Answer: UST is not an insurance product; we do not pool liability. However, we do offer protection from catastrophic claims through our self-funded stop-loss recovery. UST will pay a portion of your claims if they exceed 10% of taxable payroll or \$25,000 (whichever is greater). Because it is self-funded, this protection is provided at a lower cost when compared to the premium for purchased stop-loss insurance.

Q: How are account balances managed?

UST Answer: While required deposits are continually managed to avoid a shortfall in your account, UST also protects your account from becoming over-funded. Beginning in year 3, a member becomes eligible for Refunds, and funds held in excess of the member's target balance are returned.

Q: How does the program compare to insurance?

UST Answer: With insurance, organizations pay a premium and an insurance company covers all claims owed to the state. It is a pooled arrangement and organizations can insure against excess claims liability. However, insurance premiums are calculated so that premiums exceed claims; the excess is income for the insurance company. UST does not underwrite its members, so excess contributions remain an asset on your books and can be refunded. You are responsible for any deficit should claims exceed your balance. UST helps you rebuild your account if you ever overdraw it.

Q: How are claims managed?

UST Answer: UST's unemployment claims monitor is a dedicated team that audits benefit charges, handles claims protests, and provides hearings support. They found over \$3.6 million in overcharges last year and helped credit this money back to participants. In addition, they helped agencies save a total of \$36.6 million on unwarranted claims that were disqualified. They are also SAS70 A and B compliant.

Q: How is the program governed/administered?

UST Answer: UST is governed by a volunteer Board of Trustees, elected by participants. All trustees are nonprofit executives and govern from the perspective of a participant. Administration and other services are performed by contracted providers selected by, and accountable to, the Trustees. In contrast to some unemployment programs that provide services through affiliated for-profit companies, UST's Trustees are free to select any service provider that meets service and cost expectations. This helps to keep costs low for you.

Q: Who endorses the program?

UST Answer: UST is sponsored by over 65 state and national nonprofit affiliation groups. A complete listing can be found at www.ChooseUST.org.