



Unemployment Services Trust Key Facts and Questions

For nearly 35 years, the Unemployment Services Trust has helped nonprofits evaluate their state unemployment insurance (UI) liability and determine if they are overspending on unemployment costs. By offering a secure and smart alternative to the state UI tax system, UST has helped more than 2,200 nonprofits save about \$35 million annually.

History

The Unemployment Services Trust (UST) has been working with nonprofits since 1983 to help reduce the cost of unemployment. Starting with a group of United Ways in California that decided to exercise their right to reimburse for their own unemployment claims instead of paying taxes, a grantor trust was established so they could set aside money for unemployment costs. Today UST represents more than 2,200 nonprofit organizations across all sectors and 49 states.

UST remains owned by its participating nonprofit members, not a for-profit company. And members receive expert HR support and claim administration in addition to the benefits of protecting their assets in the trust.

Who is eligible?

Federal law allows 501(c)(3)s to opt out of paying state unemployment taxes, and instead reimburse the state only when they have an unemployment claim, dollar-for-dollar.

UST helps nonprofits with 10 or more employees to assess whether reimbursing is the right option for them, and to file paperwork with the state if it is determined a good fit. We do not recommend that agencies with fewer than 10 employees leave the tax system since the cost of just one unemployment claim could exceed taxes paid in.

UST also helps currently reimbursing employers to reduce their overall costs through proper claim management and to

build a cash reserve for future claims, helping even out cash flow volatility. HR support for unemployment questions and advice also cuts down on time spent on claims paperwork.

How do you determine savings?

UST asks each organization interested in the program to complete a Savings Evaluation form. By evaluating your unemployment claim history, number of employees, as well as tax rate information (if not yet reimbursing), UST can determine a 2-year savings projection and quarterly deposit amount that will help you set aside enough money in your UST account to cover your own claims.

Why leave the state tax system for UST?

When a nonprofit makes quarterly UI contributions to the state, it is a tax. The organization has no claim on the money paid. Their tax dollars are pooled into a state fund, which is used to cover other employers' claims and employers that go out of business.

With UST, any deposits to an organization's UST account are an asset held in reserve. All contributions into the account are invested, and the return on the investment is allocated back to the organization. We charge the organization only a small expense to manage their account. In fact, UST has the lowest administrative cost in the industry.

In addition, because UST provides a set annual contribution, employers can plan their budget accordingly. If an organization's claims are lower than anticipated, UST will

reduce their annual contribution and may refund a portion of their account balance. If an organization decides to leave the program, all funds in their account (after any outstanding claims liability are settled) will be returned.

What are the advantages for a reimbursing employer to join UST?

If an organization has already opted out of their state unemployment tax system to become a reimbursing employer, UST is an invaluable tool.

First, pre-set annual rates allow for simplified budgeting. In their current situation, reimbursers are responsible for paying the state 100% of claims billed each quarter - which leads to an unpredictable cost. A large spike in claims could be catastrophic. With UST, Stop-Loss protection is available for this type of situation, and UST will pay claims even if their account cannot immediately cover the cost of claims (not all trusts will do so). We can do this knowing that an organization will replenish their reserve through future contributions over the next year.

In addition, UST provides claims administration, which on average helps nonprofits save an additional 15% each year on unemployment costs by protesting improper claims, and helps relieve HR administrative burden.

UST participants also receive unlimited access to CareerArc's outplacement and career transition services—helping former employees find work up to 73% faster.

What support is provided for HR?

UST contracts with Equifax Workforce Solutions (WS) to provide dedicated claims representatives for UST members. Your representative reviews every unemployment claim filed and works with HR staff to determine whether to protest claims, to organize paperwork, and to attend UI hearings.

Members also have access to an extensive online course library for supervisors to learn about proper

documentation and tricky unemployment claim situations. An online claim dashboard called CaseBuilder makes it simple to view and file claim detail, as well as pull reports on demand. WS audits all unemployment charges to ensure the state is paying correctly. Last year, they were able to credit \$1.6 million in state errors back to members.

Currently the average cost of a claim in the U.S. is \$5,191 but UST participants working with our expert claims administrators see a significant drop in their claim costs to an average of only \$2,287.

UST members also get access to ThinkHR as part of their membership, which includes a toll-free HR hotline, a vast library of HR templates and documents, and online courses for managers and employees.

When can an organization enroll?

Generally, if the organization is currently paying state unemployment taxes, they can leave the state system effective January 1 of the following year as long as they give notice to the state by November 30 of the current year (some states vary so check with a UST representative). The decision to opt out and reimburse for unemployment claims is a two year commitment in most states.

Once an organization decides to join UST, we will send them the enrollment materials and notify the state. 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 organization is already reimbursing, they can enroll with UST on the first day of any calendar quarter.

Request a free savings evaluation

Request your 2-year savings projection

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