

Partnership Agencies Trust

501(c)
AGENCIES TRUST

Maximizing Savings. Minimizing Risk.

The logo features the text "501(c)" in a light blue, sans-serif font. A green curved line is positioned beneath the "0" and "1". Below this, the words "AGENCIES TRUST" are written in a smaller, light blue, sans-serif font. At the bottom, the tagline "Maximizing Savings. Minimizing Risk." is displayed in an even smaller, light blue, sans-serif font.

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The past year was challenging for both the nonprofit and the private sectors. Not surprisingly, there was an above normal amount of downsizing and subsequent claims activity among our members, an occurrence that demonstrated the wisdom of recommending the Trust's policy to members to build a prudent cushion of reserves during more favorable economic years.

Elsewhere in this report you can read audited financial reports of the Trust's performance. I would like to mention just a few of those results here.

Reimbursement to States. We reimbursed states \$27,246,378 in unemployment benefits on behalf of our members, a 16% increase over 2007.

Savings on Claims. The partnership between our agencies and our professional claims management team allowed us to protest nearly one-third of all claims, and we prevailed in 88% of those protests. This reduced the liability of our member agencies by over \$16 million.

SUI Tax Savings. Our members saved an estimated \$20.6 million by being in the Trust rather than paying into their states' unemployment fund.

Investments. While our investment portfolio fared better than the broader market indices, it nevertheless fell 20%. This depreciation, however, has to be measured against the portfolio's performance for the 10 years from 1998 to 2007 when it appreciated an average of 6.2% per year.

Stop Loss. 53 members with abnormally high claims recovered a total of \$835,606 from the Trust's unique stop loss insurance in 2008.

Membership. In spite of a difficult economy which forced many nonprofits across the country to downsize, the Trust brought in 92 new members with a combined gross annual payroll of \$187 million. In addition the Trust established two new National/Regional partnerships that endorse the Trust and encourage their more than 460 affiliates to consider Trust membership.

Member Outreach. During 2008 Member Services continued to reach out via telephone contact to more than 1,500 members.

Training. The Trust's multi-pronged approach to training included 12 workshops in six states, 17 webinars for 421 attendees from 195 agencies, TALX eLearning Solutions enrollment for 322 members, and monthly cost-saving email tips to all members.

HR Services. HR Services published three HR Update newsletters and fielded 2,020 phone calls from members. In addition HR Services provided hotline services to Boys & Girls Clubs of America, which resulted in 1,913 calls from 550 non-Trust member clubs in 46 states. This service also attracted 24 clubs to become new members of the Trust.

This is my last report to you as Chairman. On January 1, Kirk Springsted, who has been a hardworking and insightful member of the Board of Trustees since 2001, will become the new Chairman. Kirk is Vice President for Administration for Connecticut Community Providers Association, a nonprofit association whose member organizations provide services to the developmentally disabled.



Bill Tsoukalas

As this is being written, the national unemployment rate is 9.4% and expected to increase. Because of this, a number of states have increased their SUI taxes, something which will not affect our members, although it very likely will make Trust membership more attractive to non-members. In addition, the State and Federal governments have both increased and extended unemployment benefits. This will assist many recently separated employees, but fortunately have little economic impact on Trust members because these costs will mostly be borne by the Federal government.

In spite of the sluggish economy, the Trust remains strong and anticipates providing even more support to our members in 2009.

Membership. We expect to recruit 100 new members with a combined gross annual payroll of \$250 million. Traditionally many of our new members join because of our ongoing marketing campaign, but many more do so because of member referrals. I encourage you to tell your friends in other nonprofits about the benefits you have received by being part of the Trust. When you bring a new member in, you not only strengthen the Trust, you help another agency cut its unemployment costs.

Claims. We are budgeting \$41 million for unemployment claims to be paid in 2009. That's a 40% increase over last year, but given conditions we feel it is a prudent projection.

Member Education. Over the years we have continued to expand our training opportunities for members, and this year we will be even more aggressive. The more members understand about the unemployment claims and hearings processes, the more they will be able to control their costs.

Member Services. We receive frequent inquiries from our more than 1,500 member agencies. 501(c) Services will repond and contact all of our agencies. We want to ensure that members are taking full advantage of the many benefits the Trust has to offer.

If you have any questions, please contact our Trust Administrator, 501(c) Services, via phone at (800) 442-4867 or via email in care of info@501c.com.



Kirk Springsted

501(c) Agencies Trust 2008 Financial Results

Statement of Net Assets	2008	2007	2006
Cash & Investments	51,890,255	63,325,301	59,927,326
Receivables	2,685,259	2,115,938	1,698,844
Prepaid Expenses	46,882	48,632	3,766,318
Total Assets	54,622,396	65,489,871	65,392,488
Benefit Claims Payable	8,346,958	5,608,467	5,454,721
Accrued Operating Expenses	470,705	156,634	350,327
Total Liabilities	8,817,663	5,765,101	5,805,048
Members' Assets, Net of Accruals	43,793,908	56,996,597	57,040,458
L&I Retro Program Net Assets	1,046,988	1,759,490	1,645,869
Designated Net Assets	963,837	968,683	901,113
Total Net Assets	45,804,733	59,724,770	59,587,440
Total Liabilities & Net Assets	54,622,396	65,489,871	65,392,488

Statement of Changes in Members' Net Assets	2008	2007	2006
Deposits	39,971,851	30,593,999	37,618,259
L&I Retro Refund	(732,233)	60,123	(532,798)
Investment Income	(12,359,858)	3,477,783	4,858,376
Total Revenues	26,879,759	34,131,905	41,943,837
Claims Expense	(29,984,869)	(23,528,578)	(22,792,899)
Stop Loss Recovery	835,607	696,733	729,647
Insurance	(4,498,269)	(4,110,649)	(3,828,004)
Member Services	(6,040,438)	(5,484,085)	(4,902,194)
Total Operating Expenses	(39,687,969)	(32,426,579)	(30,793,450)
Member Withdrawal & Transfers	(1,113,272)	(1,537,072)	(873,765)
Member Distributions, L&I Retro Program	-	-	477
Other Adjustments	1,445	(30,925)	26,381
Total Other Changes in Net Assets	(1,111,827)	(1,567,997)	(846,907)
Total Change in Net Assets	(13,920,037)	137,329	10,303,480



he global and U.S. financial markets were shaken by a crisis of confidence last year that rendered ineffective most ordinary strategies for protecting investments. As a consequence, the Trust's holdings declined by 20% in 2008.

However, as difficult as this loss was, it should be considered in the context of long-term performance. Prior to 2008, the Trust's holdings had maintained a 10-year compound annual return of 6.2%, and a 5-year return of 9.1% per year. In fact, even after the 2008 loss, the Trust's historical return is still positive, at 3.5% per year (on both a 10-year and a 5-year horizon). This longer time frame is specified within the Trust's investment policy as the benchmark for both planning and evaluating the Trust's investment performance.

The Board of Trustees takes its responsibility with regard to investments very seriously. The Board and its advisors are regularly reviewing the Trust's investment strategy, and doing what they can to position the Trust's investments prudently and carefully for potential future growth.

Investment Return History

1998 - 2008

Year	Return
1998	4.7%
1999	10.6%
2000	3.8%
2001	2.6%
2002	-4.3%
2003	16.0%
2004	8.3%
2005	6.4%
2006	9.0%
2007	5.9%
2008	-20.0%

NOTE: Prior to 2008, the Trust's holdings had maintained a 10-year compound annual return of 6.2%, and a 5-year return of 9.1% per year.

501(c) Agencies Trust Board of Trustees

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L & I Manager **Integrated Claims Management**

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Investment Management Consultant **Wurts & Associates**

Insurance Carrier **Ohio Indemnity Company**

Independent Auditor **Vavrinek, Trine, Day & Company**

Legal Counsel **Birmingham, Thorson & Barnett**

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