

## Trust Investment Update

As long-time Trust members are aware, the Trust invests a portion of its assets in a portfolio that contains a prudent mix of stocks, bonds, and risk-hedging investment vehicles. The years from 2003-2007 were good years for this portfolio, which posted returns of nearly 13% per year.

As everyone is aware, recent events in the financial markets have caused traditional diversification strategies to provide less protection than normal. Therefore, when the year ends on December 31, it appears likely that the Trust will have its first loss on investments since 2002. The next few paragraphs will provide answers to the most common questions regarding this investment loss;

### How will my account balance be affected?

Just as with investment gains in years past, the investment loss will be distributed among member accounts in proportion to each member's percentage share of the total assets of the Trust. Therefore, new members (or members with low balances) will see little or no effect. Long-time members, who have benefited from the high investment returns from 2003-2007, will see some of that benefit eroded.

### Will I be required to "make up" for the investment loss by adding more money to my Trust account?

The Trust's formula for its annual deposit calculation does not require a make-up payment for prior-year investment losses. (For more information on the factors that go into this calculation, see the article "Experience Ratings to be Mailed in February.") However, members with fully-reserved account balances, or members expecting abnormally high claims, may see indirect effects and are encouraged to email Jerry Hecker at [jhecker@501c.com](mailto:jhecker@501c.com) for a customized experience rating calculation as noted elsewhere in this newsletter.

### Who was watching out for the portfolio?

The Trust's investment policy is set by the Board of Trustees, and specific investments are monitored by a special committee of Trustees with financial and investment experience. All decisions are made with the assistance of a professional independent investment advisor.

### What will happen in 2009?

The future is impossible to predict. Historically, "bear markets" in the U.S. have usually been followed by "bull markets" that climb more rapidly than the fall which preceded them. (The 13% annual returns mentioned a few paragraphs ago were an example of this trend.) The Board of Trustees believes that adherence to a long-term investment policy, such as the one followed by the Trust, is the most reliable way to ride through the peaks and valleys of short-term investment results.

## Experience Ratings To Be Mailed in February

In February you will be receiving your annual Unemployment Program Deposit Rating Calculation. This form will contain the details of your account activity in 2008 and recommended deposit for 2009.

"The experience rating process used by the Trust has been developed and refined over the years," says Jerry Hecker, Director of Northwest Operations.

These are the factors that are used to determine your rating:

**Claims estimate:** This is a weighted average of the last three years of unemployment claims.

**Budgeted expenses:** The Trust establishes a preliminary budget to estimate each member's share of Trust expenses for the upcoming year.

**Investment Income:** To be conservative, the Trust does not assume any investment income in the upcoming year.

**Individual Reserve Account:** To members who have not yet accumulated 100% of their Reserve Target, the Trust adds an amount equal to 10% of their target.

The total "Experience Rating" amount is divided by 4 and given to members as a quarterly deposit recommendation.

Contact **Jerry Hecker** at [jhecker@501c.com](mailto:jhecker@501c.com) or **(800)-442-4867** if you have questions about your deposit rating calculation or need to discuss your circumstances for 2009.



## New Officers Named for 2009

Three new officers have been named for 2009 and five board members have been elected to new three-year terms.

**Kirk Springsted**, who first joined the Board of Trustees in January of 2001, will be the new Chairman. Kirk is Vice President for Administration for Connecticut Community Providers Association, Inc., a nonprofit association whose member organizations provide services to the developmentally disabled.

Kirk succeeds **Bill Tsoukalas**, Executive Director of the Boys & Girls Club of Snohomish County (WA), who who now becomes the ex-officio chairman of the Board of Trustees.

**Marilyn Ditty**, a Trust Board member since 2005, becomes the new Vice Chair. She is Executive Director of South County Senior Services, Inc., a nonprofit public benefit charitable organization that provides services to the elderly in southern Orange County (CA).

**Debby Graham**, who joined the Board of Trustees in 2000, will be the Secretary/Treasurer. She is the executive director of CenterForce in Lakewood, Washington, an employment and training program for adults with disabilities.

Kirk Springsted and Debby Graham were also elected to new three-year terms on the Board of Trustees as were the following three:

**Virginia Clark**, Human Resource Manager of the Boys & Girls Club of South Puget Sound.

**Kathleen DiChiara**, President/CEO of the Community FoodBank of New Jersey.

**Shawn Mosey**, Finance Director (CFO) of the YMCA of the Inland Northwest.



10080 North Wolfe Road  
Sw3 Suite 250  
Cupertino, CA 95014

(800) 442-4867



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# MEMBER NEWS

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Editor: Doug Adams  
[dadams@501c.com](mailto:dadams@501c.com)  
[www.501ctrust.org](http://www.501ctrust.org)

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Providing Information and Updates to Nonprofit Organizations

WINTER 2008

## President Signs Second Extension Of Unemployment Benefits

On November 20, President Bush signed into law a bill extending unemployment benefits. The legislation provides jobless workers who have exhausted their benefits with seven more weeks of benefits, with additional 13-week extensions to workers in the 20 states (and the District of Columbia) with unemployment rates above 6 percent.

It is the second federal extension of benefits this year. In July President Bush signed into law a measure that provided up to 13 weeks of extended unemployment insurance benefits to persons who are currently unemployed and have exhausted all regular UI benefits.

Benefits in both measures are **100% federally funded; employers, including all Trust members, will not be charged or be liable for any of these extended benefits paid.**

"Although some of our members' former employees might receive extended benefits, our members' reserve accounts will not be affected by either extension," says Paul Fountain, Senior Client Relationship Manager/Director of National Trust Programs at TALX UC eXpress.

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## Employers in Some State UI Systems May Face Rate Hikes

### as high claims deplete UI trust funds

High unemployment is having a severe negative effect on state unemployment funds. According to data released by the Bureau of Labor Statistics (BLS) on December 8, the U.S. unemployment rate reached 6.7% at the end of November, up from 6.5% at the close of October. The number of unemployed persons reached 10.3 million in November, an increase of 800,000 over the previous month and the highest number in 26 years.

"Job losses were large and widespread across the major industry sectors in November," a BLS spokesperson said. Over the year jobless rates were up in 47 states and the District of Columbia, down in one state, and unchanged in two states.

"The sharp rise in joblessness is draining unemployment insurance trust funds in many hard-hit states, setting the stage for a federal bailout to keep the funds solvent," Dennis Cauchon reported recently in *USA Today*.

Higher tax rates may be inevitable in some states as the demands of SUI funds on the national treasury find themselves competing with the multi-billion-dollar commitments incurred by several recent pieces of bailout legislation, the ongoing costs of military deployments and the recessive economy in general.

"Fortunately, any state rate increases will not affect our Trust members since they don't pay into state UI funds," says Trust Chair Bill Tsoukalas. "If Trust members do have unemployment expenses as a result of the economic slowdown, they have individual reserve accounts to defray those costs. We've had an ongoing practice of having members build up their accounts during good economic times so that they can weather downturns like this. And in the unlikely event any members deplete their accounts, they have additional funds available from the Trust's unique stop loss insurance."

*continued on page 2*

## From The Chair



In the late spring you will receive the Trust's Annual Report, which will contain the financial and other data by which we gauge our progress. Even though this has been a challenging year for our Trust, in general, our programs have continued smoothly, we have expanded member outreach, and our members consistently save money by funding their unemployment cost through the Trust.

### Make Use Of Your Trust Tools

These days the headlines are often about layoffs and higher unemployment rates. But I want to assure you that when it comes to your unemployment obligations, you are in the right place by being a member of the Trust. You have access to a whole network of unemployment professionals who will manage your claims, help you as you budget for potentially higher costs, provide you with training and strategies for controlling unemployment expenses, and give you professional advice on personnel matters. You also have a reserve account that is backed up by stop loss insurance. In short, you have access to all the tools you need to cope with challenging economic times.

As a Trust member, you reimburse the state for only those claims you incur. By contrast, most nonprofits that remain in their state systems are paying on average \$1.50 to \$2.20 in taxes for each dollar of unemployment claims paid to their former employees. That's because nonprofits in general have a much lower turnover rate than commercial employers. In reality nonprofits are subsidizing employers in the private sector. In late November the Federal Reserve released projections that the jobless rate will climb to between 7.1 percent and 7.6 percent in 2009, which will put even more financial pressure on state funds, many of which are already overburdened. So even in challenging times these indeed are good times to be a member of the Trust.

### New Chair

December marks my final month as Chair of the Board of Trustees. In one sense the job of Chair is the easiest one on the Board of Trustees. That's because the rest of the members are dedicated professionals who take their Board and committee duties seriously and who work very hard on your behalf. Because they manage nonprofits on a daily basis, their interests are aligned with your interests, and their decisions constantly reflect this. So as I leave this role to become an ex-officio chairman, I want to thank all of the Trustees for their services.

Kirk Springsted, who has been a Trustee for eight years, will become Chair on January 1. Kirk is Vice President for Administration for Connecticut Community Providers Association, Inc., and has more than 30 years of service with organizations that provide services to the developmentally disabled. He has been a valuable Board member and will be an excellent leader.

*Bill Tsoukalas Chair, 501(c) Agencies Trust*

## Employers in Some State UI Systems May Face Rate Hikes

*Continued from page 1*

### as high claims deplete UI trust funds

According to *USA Today*, California, New York, Ohio and Michigan are among populous states projected to deplete their unemployment insurance funds this year or in 2009 to cover the cost of unemployment benefits paid out.

"Ohio hasn't faced anything like this for many years. I doubt other states have either," Ohio Chamber of Commerce President Andrew Doehrel told Cauchon.

CNN reports that California's fund is expected to run out of money by March 2009, and South Carolina, Wisconsin, Indiana, Kentucky and Arkansas all have less than six months' cash reserves. Overall, 32 states have less than the federally recommended cash reserves in their funds.

According to Rick Pluta of NPR, Michigan's fund has already run out of money. In the past it has depended upon loans to meet the shortfall and has always been able to repay those loans, but that may not happen this year, Pluta reports. And if the state can't pay back the principal sometime next year, all of Michigan's employers will have to pay more, bad news in a state that already has one of the highest maximum SUI tax rates in the nation.

The problem is being compounded by various state systems' administrative errors resulting in overpaying benefits by hundreds of millions of dollars. Employers in just five states — California, Michigan, New Jersey, Ohio, and Texas — saw their claims overpaid by more than \$1 billion collectively in 2007. Nationally, the 2007 Benefit Accuracy Measurement Report estimates that a record setting \$2.958 billion in benefit payments were overpaid.

Paul Fountain, Senior Client Relationship Manager/Director of National Trust Programs, says the current situation illustrates the enormous value of the Trust's claims management program in protecting members from paying erroneous claims.

"We try very hard to make sure our members don't pay a single dollar out of their reserve fund for an unjustified claim," he says. "We challenge every contestable claim, and we have the highest success rate in the industry when it comes to challenges. In 2008, 31% of all claims were protested and 88% of decisions were in the Trust member's favor. These successful protests saved our members nearly \$16,000,000."

"There's never a bad time to be a member of the Trust," Chairman Bill Tsoukalas says, "but with state funds struggling, right now is an especially good time to be a member."

## Tools For Troubled Times: The Many Benefits Of Trust Membership

Cost reduction is unquestionably the single biggest benefit of Trust membership. But it is not the only major benefit. Here are five that members repeatedly tell us are valuable to them:

### Lower unemployment costs

Most nonprofits that remain in their state systems pay more than twice as much in taxes as their former employees receive in benefits. So when members opt out of their state systems and start reimbursing the state only for the actual benefits paid, most of them soon find out that their annual unemployment costs drop noticeably. Collectively, our members have saved over a billion dollars since the founding of the Trust — more than \$48 million in estimated savings last year alone.

"Joining the Trust allows members to turn tax dollars into program dollars," says Trust Chair Bill Tsoukalas. "It enables food banks to put more meals on the table, shelters to house more people, and agencies of all kinds to help more people in the communities they serve."

### Claims Management

A dedicated team of unemployment professionals from TALX UC eXpress, the leader in claims management, handles every claim for every Trust member. They protest 100% of contestable claims, and they provide members with experienced representation at hearings.

"They save members time and money," says Member Services Director Doug Adams. "This takes a huge burden of work off the shoulders of the members, and they ensure that members aren't paying a single unjustified claim." In 2008, 31% of claims were protested and 88% of decisions were in the Trust members' favor. As a result of these favorable protests nearly \$16,000,000 in savings has been realized.

### Stop Loss Protection

Stop loss insurance repays members' reserve accounts if their unemployment claims exceed their pre-set deductible. It can keep members from having to make severe budget cuts in the unlikely event that they have a larger than usual dollar amount of claims. It's a benefit that many members are unaware of — until they need it.

"Thanks to the highly effective claims management done by TALX UC eXpress, our members have the lowest stop loss insurance deductibles available," Doug says. "That means they have lower deposit requirements, which increases the funds they have available for programs."

### Training

The Trust has developed a number of ongoing training programs to help members gain the knowledge they need to help reduce their costs.

**Seminars.** Each year the Trust holds approximately 15 onsite half-day seminars at locations around the United States. In these hands-on sessions members learn practical approaches to keeping claims costs low while protecting them from unnecessary exposure. Attendees take back to their work site a valuable Unemployment Tips handout for Supervisors, which they can refer to later and can share with coworkers.

**Webinars.** Members now train right at their PCs, via a live connection to a web training host. Participants access the meeting video on their computers and the audio via a telephone conference call. "It's about as close as possible to being at an actual on-site meeting,"

Doug says. "Participants see on their computer screens the slides and the white board that are used to illustrate the presentation." They can type in questions for the presenter during the session, and at the end ask questions live via the audio feed.

"The schedule and topics for next year's Seminars and Webinars are now being formulated and will be announced early next year." Doug says. "If you have a particular topic regarding the Trust or unemployment that you would like covered in a presentation, let me know in an email to [dadams@501c.com](mailto:dadams@501c.com)."

**TALX Learning Solutions (TLS).** Developed by TALX UC eXpress, the Trust's claims administrator, TLS is a web-based, self-paced training program for supervisors and managers. The content focuses on properly managing and documenting employee performance, effectively responding to claims, and making successful presentations at unemployment hearings.

"It all starts with proper documentation because that has proven to be one of the best ways to win unemployment claims cases," says Paul Fountain, the head of the Trust's dedicated team of Claims Consultants.

Users can study at their computers at work, at home or while on the road. It takes as little as two hours to complete at a single sitting, but users can stop and restart to fit their schedule. To participate, you need a computer with internet access and audio capabilities, and you need a password.

If you are located in California or Hawaii, please contact Nancy King at (877) 860-4922 or by email at [nking@501c.com](mailto:nking@501c.com) to request a password. If you are located in any other state, please contact Doris King at (800) 719-8293 or by email at [dking@501c.com](mailto:dking@501c.com) to request a password.

In addition to these training programs, the Trust publishes newsletters, sends monthly tips, and makes direct contact with each member at least once every year.

### HR Services

For over 16 years, members faced with difficult personnel questions have been calling (800) 358-2163 for answers. That's the number of the Trust's HR Services Program.

The staff of the HR Services Program answers members' questions on a wide spectrum of issues: disciplinary, reduction in workforce, wage & hour, coordination of benefits under FMLA, state family leave, pregnancy leave, medical leave, personal leave and more. It also provides members with sample written guidelines, forms, and policy language.

"We field thousands of calls each year," says Maureen Marfell, who manages the program. "We provide answers to some and we act as a sounding board for others, particularly those who want a second opinion."

The program also publishes HR Update twice every year, a newsletter which discusses current issues and legislation in the HR field.

### Questions?

If you have questions or want more information about any of these benefits, do the following:

- Go to the Trust's web site: [www.501ctrust.org](http://www.501ctrust.org)
- Go to your **2008 Unemployment Program Manual**. You can also access the manual online at the Trust's web site.
- Call Member Services at (800) 442-4867



## Send Claims Notices o Your Claims Consultant — Immediately

Occasionally you may receive a notice from the state — either a written claims notification, such as Notice of Claim Filed or a "Separation Request." Or you may possibly receive a phone call from the state about a claim. What should you do in these instances?

"Immediately — and I stress **IMMEDIATELY** — fax any such notices to your Claims Consultant," says Paul Fountain, Senior Client Relationship Manager/Director of National Trust Programs. "By law we have only a few days to respond to such notices, as little as five days in some states. If we don't, you may be liable for the claim regardless of how unmerited it may be."

In these hectic and stressful times, state unemployment offices are handling more claims with less staff therefore allowing for more mistakes. Unfortunately in 2007, it is estimated that over \$2.9 billion or 9.13% of all benefit payments were made in error.

If you get a phone call from the state, you have two options. Refer the caller to your Claims Consultant at TALX UCeXpress or get the caller's name and phone number, and ask your Claims Consultant to call that person back.

"In either case, do **NOT** delay," Paul says. Below are the names of the Claims Consultants, the states they represent, and their contact numbers and email addresses:

**Maile Salas.** Ph: 1-800-955-4351 ext 5. Fax: 1-866-226-2359. Email: [msalas@talx.com](mailto:msalas@talx.com). States: Alaska, Arizona, Arkansas, California, Delaware, Idaho, Illinois, Iowa, Kansas, Maine, Maryland, Massachusetts, Michigan, Minnesota, Mississippi, Nebraska, Nevada, North Carolina, North Dakota, Oklahoma, Puerto Rico, South Carolina, Tennessee, Utah, Vermont, Virginia, West Virginia, Wisconsin.

**Amy Darboe.** Ph: 1-800-955-4351 ext 3. Fax: 1-866-229-1320 Email: [adarboe@talx.com](mailto:adarboe@talx.com). States: Alabama, Colorado, District Of Columbia, Georgia, Hawaii, Kentucky, Louisiana, Missouri, Montana, New Hampshire, New Mexico, Ohio, Rhode Island, South Dakota, Washington, Wyoming.

**Cynthia Salas.** Ph: 1-800-855-4351 ext. 8. Fax: 1-888-544-4144 Email: [csalas@talx.com](mailto:csalas@talx.com). States: Florida, Indiana, New Jersey, New York, Oregon, Pennsylvania, Texas.

**Amy Heckler.** Ph: 1-800-848-0287 ext. 3080. Fax: 1-866-564-5631. Email: [aheckler@talx.com](mailto:aheckler@talx.com). State: Connecticut.

## President Signs Second Extension Of Unemployment Benefits

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The Trust's Claims Administrator, TALX UC eXpress, will continue to investigate and pursue claims in any instances where the claimants do not meet the requirement for these benefits, and will also continue to audit benefit charges to ensure Trust members are not charged for federal extended benefits.

The most recent extension had passed the House by a 386-28 margin on October 3, but was not considered by the Senate until after it returned from the election recess in late November. By then the nationwide unemployment picture had deteriorated to the point where passage of the extensions bill was a virtual certainty. On the same day the Senate passed the measure and sent it to the White House for the President's signature, the government reported that the number of workers filing new claims for jobless benefits the previous week was at its highest level in 16 years, with more than four million people receiving unemployment benefits.

*Note: Each state has their own extended benefit program that is not connected with these two congressional extensions. Individual state extended benefit programs are triggered by a combination of economic factors within the specific state. If these programs are triggered reimbursing employers, including Trust members, are liable for 50% of the extended benefits. Currently, North Carolina has extended benefits. Alaska was on extended benefits but it ended October 11, 2008.*

## How To Keep Track Of Your Account's Activity



You can keep fully informed about the details of your account's activity through these reports that the Trust provides regularly:

**Annual Activity Report.** This report is sent out after the end of the calendar year. It includes details of your account's activity during the past year, the breakdown of the new experience-rated calculation of your deposit for the upcoming year based on your past activity as well as your anticipated activity for the coming year.

**Monthly Claims Activity.** You can use this report, which is prepared by our claims management company, TALX UC eXpress, to monitor the claims made against your account. Each month you will receive a reminder from [uchelpdesk@ucexpress.com](mailto:uchelpdesk@ucexpress.com) to check online for your account's activity. Enter your password to view your claims and print out your report. If you need to order a password, contact Paul Fountain at [pfountain@talx.com](mailto:pfountain@talx.com).

If you do not order a password, TALX will send you a hard copy of your monthly report via U.S. Mail.