

Update: March 2009

Tax Intelligence

Unemployment Trust Fund Solvency Update

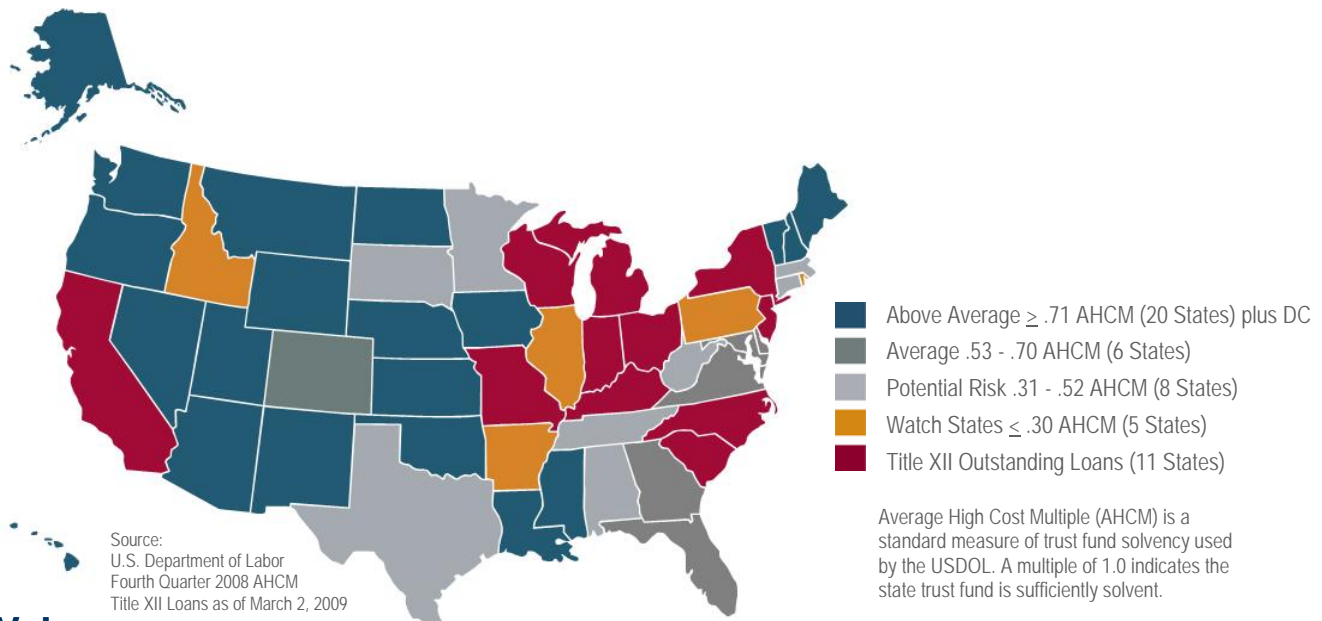
Situation

The current state of the national economy has adversely impacted states' unemployment insurance (UI) trust fund solvency. Recent information provided by the Bureau of Labor Statistics indicates job losses fell from January's 655,000 to 651,000 in February while the national unemployment rate rose from 7.6% in January to 8.1% in February.

A key metric analyzed by the U. S. Department of Labor (USDOL) is the Average High Cost Multiple (AHCM). AHCM is an actuarial measure of trust fund solvency in the UI system. A state UI trust fund having an AHCM of 1.0 or more is considered to be "adequately reserved" by the USDOL. A multiple of 1.0 indicates the state trust fund can support twelve months of unemployment benefit payouts at the historically highest payout rate.

Solution

TALX continues to take a proactive approach in monitoring state unemployment trust fund solvency. Due to the nature of the unemployment tax system, current trust fund solvency issues will impact *future* unemployment tax rates. TALX has segmented the various states' AHCM into five distinct groups. These groups will allow employers to isolate their high employment states and identify potential state trust fund solvency challenges.



Value

Through analysis and understanding of state trust fund solvency issues, employers can be proactive in *unemployment budget planning, impact studies and rate projections*. In the event of an impending merger, acquisition, reorganization, or divestiture additional employment tax planning and compliance issues should be examined.

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