

## EXPERIENCE RATING INDEX CALCULATION

The ERI is calculated by first computing "effective benefit charges" by taking the total benefits paid during the reporting period and subtracting from them the ineffective charges, inactive charges, and noncharges. The remainder is then divided by the total benefits.

$$\text{ERI} = ((\text{BEN} - (\text{IEC} + \text{IAC} + \text{NNC})) / \text{BEN}) * 100$$

where:

IEC = Ineffective charges: Calculated from the ETA 204, Section C. -- Those charges for which employer taxes do not fully cover the benefits charged. Employers are aggregated, by experience factor, into approximately 30 groups. Within each group, the excess, if any, of benefits charged over estimated contributions is calculated. IEC is the sum of these excesses over all groups.

IAC = Inactive charges: ETA 204, Section B, item 6(a) (2). -- Charges to employers who have gone out of business and from which taxes cannot be collected.

NNC = Noncharges: ETA 204, Section B, item 6(b) plus item 7(b) -- Payments made to claimants, but not charged to a particular employer.

BEN = Total benefits paid during the computation year: ETA 204, Section B, item 5 minus item 7(a).

Example:

State Data:        IEC =    50,588  
                       IAC =    12,132  
                       NNC =    38,182  
                       BEN = 205,777

$$\begin{aligned} \text{State's ERI} &= ((\text{BEN} - (\text{IEC} + \text{IAC} + \text{NNC})) / \text{BEN}) * 100 \\ &= ((205777 - (50588 + 12132 + 38182)) / 205777) * 100 \\ &= 51 \end{aligned}$$