

Employment Security Advisory Board Meeting
Thursday, June 16, 2016
Minutes

Attendees:

Springfield: William Potts

Chicago: John Easton
Tony Garcia
Rob Karr
Sharon Thomas Parrott
David Prosnitz

Telephone: Tim Drea
Jim Nelson (Proxy for Greg Baise)
Rick Terven

Absent: Jim Argionis
Kim Maisch
Michael Simmons

With a quorum of the members present, the meeting was called to order by Chairman Jim Argionis.

Agenda:

- Minutes of the meeting held March 17, 2016, were approved.

- **Director's Comments; Jeff Mays:**

GenTax: As mentioned at previous meetings, the Department continues to work with the Department of Revenue to incorporate an unemployment tax component into IDOR's GenTax IT system, to establish a fully integrated one-stop filing system for employers. The project currently is scheduled for completion in the summer quarter of calendar year 2017.

UI Claimant Registration Requirement: To increase their reemployment prospects, effective as of 7/17/2016, IDES would begin more directly enforcing the existing legal requirement that unemployment-benefit claimants register for work with the Illinois Employment Service. Registration entails completing an online resume on the Employment Service's web site – www.illinoisjoblink.com – and will allow the claimant's skills and work experience to be matched with employer job orders posted on the system.

Unless IDES rules expressly exempt them from the registration requirement, individuals who file new claims on or after 7/17 will not receive unemployment benefits until they have completed a registration. Examples of claimants who are not subject to the registration requirement include members of unions with certified hiring halls, claimants on temporary layoff for ten weeks or less and individuals enrolled and participating in training. Currently, approximately 60 percent of claimants do not register with the employment service.

IDES's benefit system will automatically begin an Employment Service registration for individuals who apply for benefits and are subject to the registration requirement. They will be prompted to complete the registration when applying for benefits. Those who do not complete the registration at that point will receive a formal notice prior to their first scheduled payment date, reminding them that registration is a condition of receiving unemployment benefits.

- Integrity Update; Monica Carranza:**
 IDES has employed a variety of measures to identify, prevent and recover improper unemployment benefit payments, including 1) cross matches against a) state driver's license records, b) Social Security records, c) a national data base of incarcerated individuals, d) national and state new hire directories, e) IDES's quarterly wage records, f) IDES's monthly wage records (scheduled for implementation in 2016) and g) IDES's online job board (to check work search efforts); and 2) use of the Comptroller's offset at the state level and the federal Treasury Offset Program (TOP), to recover amounts due to the system. Beginning November 2011 through 6/1/2016, IDES estimates it has prevented \$622M in potential benefit overpayments, identified \$93M in overpayments and recovered \$169M in overpayments. On the employer side IDES conducted 3,200 employer audits in SFY15, identifying \$296M in net unreported wages and \$6.5M in unreported UI taxes; for SFY16, through May, the Department has conducted 3,400 audits, identifying \$141M in net unreported wages and \$2.7M in unreported taxes. Once the unemployment tax component is incorporated into IDOR's GenTax system, the state will also be able to recover unpaid unemployment taxes through TOP.
- Quarterly Financials Presentation; George Putnam:**
Unemployment Trust Fund Projections – Factoring in more than \$1.5B in proceeds from the 2012 issuance of unemployment insurance bonds, the state's UTF account ended calendar year 2015 with a positive balance of \$1.6B and is projected to end calendar year 2016 with a positive balance of \$1.8B. Year-end balances are projected to remain positive through 2019 – the extent of the forecast horizon – which is expected to close with a balance of \$1.48B. IDES's projections assume that fund building receipts are going toward paying off the bonds until 2020. However, if IDES is able to fully redeem the bonds by June 2017, the fund building rate will again fluctuate between 0.4 and 0.55 percent, and the fund building receipts will again be deposited into the Unemployment Trust Fund account.
- Master Bond Fund Report; Linda DeMore:**
 On 7/31/2012, \$1.6B in bond proceeds, net of premium and underwriters' discount, were deposited into the MBF upon closing of the Series 2012 Bonds. A little over \$1.5B was used to repay outstanding federal advances to the UTF account and establish a surplus in that account. \$188M in bonds was redeemed on 6/15/2016. Total outstanding bond indebtedness currently stands at \$380M. All mandatory payments in addition to optional payments will continue to be made with the expectation of full redemption by June of 2017.
- Legal Issues; Joe Mueller:**
Petrovic v. IDES – The IL Supreme Court denied IDES's motion for rehearing in Petrovic v IDES. The Court had previously agreed that the agency has standing to appeal adverse circuit court decisions in administrative review actions involving unemployment-benefit claims. However, it also concluded that, for a claimant to be disqualified under the UI Act's general definition of "misconduct," his/her conduct must, among other things, have violated a reasonable expressly stated employer rule, been illegal or constituted a prima facie intentional tort. The Department's rehearing motion noted prior appellate decisions that, in some situations, held the existence of a reasonable employer rule could be inferred even if the conduct was not illegal and did not constitute an intentional tort.

Welch v IDES – On 6/3, the Cook County Circuit court entered an agreed order, modifying a consent order dating back to the 1980s in the case of Welch v IDES. Among other things, the original order required that IDES publish a reporter containing all decisions issued by the Employment Security Board of Review – the final administrative level for most disputed unemployment-benefit claims. The 6/3 modification eliminated that requirement. The costs of continuing to produce the reporter outweighed whatever benefits there might be. The public rarely used the reporter, and there are other, better resources than there were when the original decree issued, including a substantial body of appellate and Supreme Court opinions, an abridged reporter that summarizes significant unemployment-benefit cases and a substantial body of rulemaking.
- Discussion – 2016 Ethics Training; Statements of Economic Interests; Supplemental Statements of Economic Interests; Joe Mueller** – Board members must complete the 2016 annual ethics training for appointees under the Office of the Governor, as administered by the Office of the Executive Inspector General, by 12/31/2016.

Motion to adjourn was made and seconded. The meeting adjourned.