



Bruce Rauner
Governor

Jeff Mays
Director

Employment Security Advisory Board Meeting
Tuesday, March 31, 2015
Minutes

Attendees:

Springfield: **Tim Drea**
 Rob Karr
 Mark Denzler (Proxy for Greg Baise)

Chicago: **Jim Argionis**
 Tony Garcia

Telephone: **Hannah Jubeh**
 Kim Maisch
 Wendy Pollack (Proxy for John Bouman)
 William Potts
 Michael Simmons

Absent: **Kathleen Dudley**
 Diane Morgan

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

Agenda:

- Minutes of the meeting held December 12, 2014, were approved.
- Jeff Mays; Director's Comments:
Introductory Comments – The Senate confirmed Director Mays on 3/19. The Director discussed near term priorities for the agency, including: 1) continued emphasis on quality customer service to job seekers, claimants and employers through technology and personal interaction; 2) improving automated tax processes; 3) working with fellow agencies to foster a unified strategic process for workforce programs; 4) solidifying IDES's position as the source for labor market information; and 5) building upon the agency's automated effort to fight waste, fraud and abuse in the unemployment insurance system. The Director noted that state-level discussions were in process regarding implementation of the federal Workforce Innovation and Opportunity Act.

Work Sharing – Late in December 2014, the Department applied for \$4M in federal grants to implement and promote work sharing legislation enacted in November of that year. The legislation allows partial UI benefits where an employer reduces workers' hours as an alternative to layoffs. The grant funds are conditioned on the state's implementing the legislation by the end of January 2016. Given the extensive IT changes that would be required for even a "manual" work sharing program, the Department has concluded it cannot responsibly commit to the federal implementation deadline. A meeting is scheduled with the U.S. Department of Labor's national office for later in the week, to see if/how IDES's concerns can be addressed.

Technical Work Groups – The Director is hoping to reinstate work groups with business and labor, to address legal/technical issues of concern to them (e.g., the wording of correspondence) and to generally examine opportunities for improvement in the agency's business processes.

Petrovic v IDES – Following up on an item from the December meeting, the Illinois Supreme Court has now granted a claimant's request to consider whether IDES has standing to appeal an adverse circuit court decision involving an unemployment-benefit claim. Three different appellate districts in the state have reaffirmed IDES's standing in those cases. The Department feels the ability to appeal adverse circuit court decisions is critical to maintaining a uniform statewide unemployment-insurance system.

- Joe Mueller/George Putnam; Quarterly Financials Presentation:

Unemployment Trust Fund Projections – A recently discovered software issue with the Department's UTF model has been affecting the calculation of the average tax rate – a major driver of revenue projections. Specifically, the issue has prevented the tax calculation from fully accounting for downward pressure on tax rates, resulting from projected declines in benefit payments. Agency research staff are reasonably comfortable they have corrected the problem, but fixing the problem revealed that the model has been overstating revenue projections, particularly in the out years. The Department is in the process of looking at the model from top to bottom with the ultimate goal of building a new model (the current model is in Quattro Pro checked against a model administered by the USDOL, which is run in DOS).

Factoring in more than \$1.5B in proceeds from the 2012 issuance of unemployment insurance bonds, the state's UTF account ended calendar year 2014 with a positive balance of \$1.31B and is projected to end calendar year 2015 with a positive balance of \$1.67B. 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 \$1.37B (as compared to the \$2.67B balance projected last December).

If the currently outstanding unemployment insurance bonds were paid off by the end of June 2017, as currently expected, then receipts attributable to the fund building rate for the second quarter of that year and each subsequent quarter would be deposited into the UTF account, rather than the Master Bond Fund. In that event, the UTF account would be projected to end calendar year 2019 with a positive balance of \$2.14 billion.

- Linda DeMore; Special Administrative Account Report

Statutorily required update on the Special Administrative Account (SAA). The SAA contains penalty and interest collected from delinquent employers. Money in the SAA is dedicated to the administration of the UI Act. The account's revenues and expenditures for SFY 2014 totaled \$32.8M and \$27M, respectively. The account ended SFY14 with a balance of \$7.5M. Revenues increased by \$14.8M from 2013 to 2014, primarily due to penalties that were assessed for failure to timely file monthly wage reports and for failure to file wage reports electronically. The SFY 2014 revenue figure, however, does not reflect emergency rules the Department ultimately adopted, to relieve employers of \$14 million worth of those penalties. Virtually identical permanent rulemaking on the matter is pending.

- Linda DeMore; Master Bond Fund Report

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. Payments of \$46M and \$69M on the series A and B bonds, respectively, were made on 12/15/2014, along with a \$26M interest payment. Bonds under the only other series - Series C – have all been redeemed. Total outstanding bond indebtedness stands at \$936M. Our current plan is to redeem all of the bonds over the next year and a half (by June, 2017).

- Discussion (2014 Ethics Training)

Board members must complete the 2015 annual ethics training for appointees under the Office of the Governor, as administered by the Office of the Executive Inspector General, by 12/31/2015. Additionally, members should already have received statement-of-economic-interests forms from the Secretary of State, as well as supplemental statements of interests from the Executive Ethics Commission. Members are required to complete and return the former to the Secretary of State by 5/1/2014 and the latter to the Ethics Commission by the same date. The forms to be sent to the SOS must first be submitted to the Board's ethics officer, Joe Mueller, for review.

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