



Bruce Rauner  
Governor

Jeffrey D. Mays  
Director

**Employment Security Advisory Board Meeting**  
**Thursday, March 16, 2017**  
**Minutes**

**Attendees:**

**Springfield:** **Tim Drea**  
**Tony Garcia**  
**Mark Grant**  
**Rob Karr**  
**Jim Nelson (Proxy for Greg Baise)**  
**William Potts**  
**Rick Terven**

**Chicago:** **Jim Argionis**  
**John Easton**  
**Sharon Thomas-Parrott**  
**David Prosnitz**

**Absent:** **Vacant Position**

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

**Agenda:**

- Minutes of the meeting held December 8, 2016, were approved.
- **Director's Comments; Jeff Mays:**  
**SB 1941** – In December 2016, the Governor signed a bill allowing for an additional 26 weeks' worth of unemployment benefits to certain steel workers. To qualify, a steel worker would among other things, have to have initiated a claim for regular unemployment benefits between 4/1/2015 and 12/19/2016 and been certified since 1/1/2015 as being impacted by foreign trade. The amount available under the program would be reduced by the amount of any federal extended benefits the individual received because of being certified as trade-impacted. In conjunction with the affected workers' local union, IDES held informational sessions during the period from 2/21 to 2/23/2017 to assist the workers with completing claim applications and answer questions. IDES estimates that, so far, approximately 500 individuals have presented claims for benefits under the legislation. The new program has been a heavy lift administratively. Much of the work to implement the program is manual. In addition to reviewing all applications and related documentation, the staff devoted to administering this program also receive approximately 50 calls each day regarding the program. IDES currently expects payments under the new program to begin the week of March 20 or March 27.

**USDOL** – As previously noted, Illinois was designated by USDOL as a high priority state because of long-standing performance issues regarding various unemployment insurance program measures, including timeliness and quality of decisions. The agency has had a long history going back to the mid 90s of not meeting some standards. As stated before, one of the Director's goals is to build a good relationship with USDOL. The Department underwent a complete review by USDOL in January, about the same time the steel worker additional benefits program rolled out. The bulk of the USDOL review involved IDES's Service Delivery Division. The meetings were constructive – USDOL brought in folks from all over the country to work with IDES staff to go over how we measure performance compared to other states. While the Department has not yet received a final report from USDOL as a result of the discussions, we have been given some very good guidance and already have improvements to show.

GenTax – – IDES continues to work with the Department of Revenue to incorporate an unemployment tax component into that agency’s GenTax system, to establish a fully integrated one-stop tax filing system for employers. The new unemployment tax component is on schedule for a mid-September launch. The initiative will integrate unemployment tax payment and wage report filing into the MyTax Illinois portal. MyTax Illinois will allow employers to pay their UI Tax online from their checking or savings accounts via an ACH debit; MyTax Illinois does not offer a credit card payment option. IDES is currently notifying employers of the upcoming changes.

After 6/30/2017, IDES will no longer mail employers wage report forms that are preprinted with the names and SSNs of their employees. The change is intended to reduce the risk of documents with personal identifying information falling into the wrong hands. Employers who are not required to file wage reports electronically and wish to continue filing paper reports will be able to print a blank report form from the Department’s web site.

SIDES –The Department is encouraging employers to use SIDES – the online state information data exchange system – to protest unemployment-benefit claims and respond to benefit-fraud investigations. The advantages of using SIDES include:

- Saving time and money.
- Reducing paperwork.
- Providing data in a standard, electronic format.
- Data validation.

SIDES is best suited for employers and third party administrators (TPA’s) who typically handle a large volume of UI information requests or claims.

Enterprise Resource Planning (ERP) – The statewide ERP project will replace a variety of the agency’s legacy IT systems for back-office functions, including accounting, payroll, inventory and administration. ERP went into production in October for pilot agencies, including IDES. As would be expected with a new system of this size, there have been some issues, and we are working with DoIT to address them as they arise.

- **Integrity Update; Joe Mueller** – 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, and e) 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, to recover amounts due to the system. Beginning November 2011 through 2/28/2017, IDES estimates it has prevented \$742M in potential benefit overpayments, identified just over \$94M in overpayments and recovered more than \$177M in overpayments. Late last year, the Department referred another \$51M in benefit overpayments to TOP, and expects to begin cross-matching claims against monthly wage reports around the beginning of May 2017. 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, the Department conducted approximately 3,800 audits, identifying \$160M in net unreported wages and \$3M in unreported taxes. Part of the reason for the drop in return on audits is because a larger share of the FY16 audits were random audits (75%), as opposed to audits triggered by a specific issue – e.g., a benefit assignment audit, which occurs when someone files for benefits, but the agency has no record of wages being reported for that individual. The Department is taking steps to reduce the share of random audits and increase the share of “audits for cause”; to date approximately two-thirds of audits for SFY17 have been random.
- **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 each of calendar years 2015 and 2016 with a positive balance of \$1.5B and is projected to end calendar year 2017 with a positive balance of just under \$1.4B. Year-end balances are projected to remain positive through 2020 – the extent of the forecast horizon – which is expected to close with a balance of \$900M. For the first time, the projections assume that all unemployment insurance bonds still outstanding will be redeemed by 6/2017. Following that redemption, revenues from the fund-building portion of the unemployment tax will again be deposited into the UTF account. The latest projections forecast not quite \$800M less in revenues for the state’s Unemployment Trust Fund account through 2019, compared to the projections presented at the 12/8/2016 ESAB meeting. The primary reason for the changes is the correction of problems with the forecasting model’s average-tax-rate projections, which are a major driver of revenue projections. The Department noted suspected problems at the 12/8 meeting, and, as a hedge, assumed a constant average

tax rate of three percent for each of 2017 through 2019, instead of the higher average rates projected by the model at the time. Since 3/2015, the Department has been following a multi-step process to reexamine the forecasting model, which, until recently, was based on old Quattro Pro software and had not undergone significant scrutiny for some time. The agency has now converted the model to Excel, which should permit staff to more thoroughly examine it. As noted at the 12/8 meeting, the agency had always contemplated that a reexamination of how the model calculated average tax rates would be the next step following the conversion.

- **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. The outstanding balance of bonds stands at \$159M. The Department plans to redeem all outstanding bonds on 6/15/2017.

The packet also includes the annual report on the Special Administrative Account. 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 2016 totaled \$12.6M and \$18.2M, respectively. The account ended SFY16 with a balance of \$2.4M.

- **Legal Update–Stone Street Partners v City of Chicago; Joe Mueller** – The IL Supreme Court issued a long-awaited decision in Stone Street Partners v City of Chicago. While IDES was not a party to the case, the agency was following it because the First District Appellate Court's decision in the case had called into question whether nonattorneys could represent employers and unemployment-benefit claimants in administrative proceedings before IDES. The Supreme Court's decision preserves the status quo - i.e., a law license is not necessarily required to represent a party in an IDES proceeding. The state's UI Act expressly allows claimants and employers to be represented by nonattorneys in IDES proceedings, and nonattorney representation is common.
- **Discussion; Joe Mueller** – Reminder that Board members must:
  - complete the 2017 annual ethics training for appointees under the Office of the Governor, as administered by the Office of the Executive Inspector General, by 1/2/2018.
  - complete, by May 1, the 2017 Statement of Economic Interests/SEI as administered by the Secretary of State. A Board member's SEI must be reviewed by IDES's Ethics Officer before it is sent to the SOS.
  - must complete, by May 1, the 2017 Supplemental Statement of Economic Interests/SSEI as administered by the Executive Ethics Commission.

The packet also includes a copy of the annual Unemployment Trust Fund report that the Department sent to all Board members on 3/1.

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