

Illinois Employment Security Advisory Board
March 21, 2019
Minutes

Board Attendees:

Springfield: Tim Drea
Mark Grant
Bill Potts

Chicago: James Argionis
John Easton
David Prosnitz
Rick Terven

Phone: Tony Garcia
Rob Karr
Sharon Thomas Parrott

Absent: Mark Denzler

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

Agenda:

1. Minutes of the meeting held on December 13, 2018, were approved.
2. Director's Comments (Thomas Chan)

Interim Director, Thomas Chan, introduced Legislative Liaison, Jim Preckwinkle, and gave a brief review on ethics training deadlines, the status of Board appointments, budget issues and the effect of the federal shutdown on the Agency.

3. Integrity Update (Thomas Chan & Trina Taylor)

IDES continues to use a variety of measures to identify, prevent and recover improper unemployment benefit payments. Through March 1, 2019, IDES has prevented a little over \$1B in potential benefit overpayments, identified \$103M in overpayments and recovered \$239M. The Department will expand the membership of its integrity task force which will not only foster team-building, shared successes, and improved customer service, but will also help to overcome performance deficiencies. IDES will continue to seek technical assistance through the ETA (Employment and Training Administration of the US Department of Labor) Region V office and participate in training opportunities offered by the Department of Labor, the National Association of State Workforce Agencies and the UI Integrity Center. The US Department of Labor recently re-emphasized the importance of reducing improper payments in the

Unemployment Insurance program. The improper payment rate is expected to be below 10% for the first quarter of 2019. The standard was introduced in 2013, and Illinois' improper payment rate for the quarter ending June 30, 2013 was 12.2%. For the 2018 fiscal year, which includes the most recent available data, Illinois' improper payment rate was 10.2%. The quarter ending September 30, 2018 marks the single lowest quarter the rate has been since the standard was introduced. The first component of the standard for which the State fell short requires audit of 1% of all contributory employers. Illinois hasn't achieved this ratio since the second quarter of 2017, which is due, for the most part, to Illinois' transition into GenTax and staff attrition. For 2018, the minimum number of audits IDES needed to complete was 3,207, and the Department fell short by about 600 audits. The second standard Illinois did not meet in 2018 was the requirement to audit at least 1% of total wages. Illinois achieved this target in the first two quarters of 2018 but fell short in the last two quarters. Illinois ended 2018 having audited 0.79% of total wages. Because IDES did not pass these performance measures, the State has been put on a corrective action plan for calendar year 2019. Under this plan, IDES needs to provide improvement implementations to show that it will meet the performance standards in 2019. The minimum audit figure for calendar year 2019 is approximately 3,300 audits. IDES is confident it will meet this requirement with new staff and new training programs. The Department's audit division completed 428 audits in January and February, which is slightly behind the 275 per month mark needed to hit the target, but we appear to be making up for it in March, thanks in part to some new hires.

4. Special Administrative Account (Briant Coombs)

The Special Administrative Account (SAA) contains penalty and interest monies collected from delinquent or fraudulent employers. Money is accumulated in the SAA for the purpose authorized in Section 2101 of the Unemployment Insurance Act, primarily for the proper administration of the Act in the event of insufficient federal funds. Expenditures include quarterly transfers to Fund 0052 (Title III).

- 2018 State Fiscal Year Revenue = \$22.3M
- 2018 State Fiscal Year Expenditures (including lapse period) = \$21.3M
- 2018 End of State Fiscal Year Cash Balance = \$6.8M

5. Quarterly Financials Presentation (George Putnam)

Unemployment Trust Fund Report: The state's UTF account ended the 2017 calendar year with a positive balance of \$1.60B and 2018 with a balance of \$1.92B. Year-end balances are projected to remain positive through 2022 – the extent of the forecast horizon – which is expected to close with a balance of \$750M. However, starting in 2019, the account is expected to run annual deficits through the end of the horizon. In addition, the annual evaluation of the Trust Fund Solvency model confirmed the accuracy of the current forecast methodology. IDES has begun testing the USDOL/ETA Trust Fund Solvency model (released on March 15) to use for comparison to the Agency's model.

**An additional e-mail was sent to the ESAB members with the UI Trust Fund Projections based on February 2019 Global Insight Forecasts and the Annual Report: UI Trust Fund Account Prepared Pursuant to The Illinois Unemployment Insurance Act (820 ILC 405/2100)*

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