

Employment Security Advisory Board Meeting
Thursday, September 15, 2016
Minutes

Attendees:

Springfield: Tim Drea
Rob Karr
Kim Maisch
William Potts
Rick Terven

Chicago: Jim Argionis
John Easton
David Prosnitz

Telephone: Tony Garcia

Absent: Greg Baise
Michael Simmons
Sharon Thomas-Parrott

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

Agenda:

- Minutes of the meeting held June 16, 2016, were approved.
- **Director's Comments; Jeff Mays:**
High-Priority Initiative with USDOL – During the federal fiscal year beginning 10/1, IDES will work with the US Department of Labor (USDOL) to improve Illinois' performance against a number of federal measures that the state has not met regarding unemployment benefits (e.g., promptness of initial benefit payments and eligibility determinations). The performance issues predate the current administration. USDOL staff appear to agree that many of the program initiatives IDES has already begun since 1/2015 will help address the issues.

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 scheduled to go into production mid-September 2017.

Overpayment and Tracking System (OATS) – Two legacy IT systems used to track unemployment-benefit payments will be integrated into IDES's benefit payment system, with the goals of enhancing recovery of benefit overpayments and reducing IT costs. Phase 1 of the project deals with pre-audit functionality (e.g., cross-matches with different data bases, correspondence to claimants). Phase 2 covers audit functionality (e.g., investigations). The Department has completed development of Phase 1 and is currently conducting system testing. Design of Phase 2 is to be completed by the end of 2016. Go-live is scheduled for the end of 2017.

Shifting Focus from Unemployment to Employment – In late July, IDES began more directly enforcing the existing legal requirement that unemployment-benefit claimants register for work with the Illinois Employment Service. 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.

Enterprise Resource Planning (ERP) – IDES is a pilot agency in a statewide initiative that will replace a variety of the agency's legacy IT systems for back-office functions, including accounting, payroll, inventory and administration. ERP is scheduled to go into production 10/1/2016.

Service Delivery Improvement – IDES is generally identifying methods to enhance the claims process to make it more user friendly, including but not limited to revisiting the wording of applications and correspondence, enhancing call-center responsiveness and improving internal processes. Among other things, IDES will begin developing guidelines for document content, procedures for creating and revising documents and an inventory of existing documents.

2018 Rest Stops – As we prepare to enter the last quarter of calendar year 2016, it's worth keeping in mind the Unemployment Insurance Act's so-called "rest stops" – tax increases and benefit cuts that were placed into the law in 2011, as an incentive for all interested parties to revisit the Act in 2017.

- **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, e) IDES's wage records, and f) 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 11/2011 through 8/31/2016, IDES estimates it has prevented \$661M in potential benefit overpayments, identified \$93M in overpayments and recovered \$172M 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, the Department conducted 3,900 audits, identifying \$162M 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%). Federal performance standards require that at least 10 percent of audits examine randomly selected employers, as opposed to employers selected because of a particular issue – e.g., benefit assignment audits, which occur when someone files for benefits, but we have no record of wages being reported for that individual. The agency is exploring the reasons for the greater reliance on random audits in SFY16.

- **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 \$1.5B and is projected to end calendar year 2016 with a positive balance of \$1.5B. 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 \$2.1B. The higher 2019 balance relative to last quarter's forecast reflects the fact that all unemployment insurance bonds still outstanding must be redeemed by 6/2018. Following that redemption, revenues from the fund building portion of the unemployment tax will again be deposited into the UTF 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.

- **Discussion; 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.