

ATTACHMENT I

MATERIALS FROM THE THIRD TASK FORCE MEETING

Social Security Retirement Pay Task Force Agenda

When:

Monday December 2nd 1:30 PM

Locations:

33 South State Street, 9th floor

Chicago, IL 60603

607 East Adams Street, 9th floor

Springfield, IL 62701

Agenda:

1. Call to Order/Quorum Established
2. Introductions
3. Minutes from Prior Meeting
4. Public Comments
5. Task Force Discussion/Task Force Recommendation
6. Adjournment

Social Security Retirement Pay Task Force
Thursday, June 20, 2013, 1:00 PM
James R. Thompson Center, Room 2-025
100 West Randolph Street, Chicago, Illinois 60601
Minutes

Attendees/Members:

Tim Drea
Representative Kelly Cassidy
Senator Sue Rezin (via telephone)
Ryan Gruenfelder
Jay Rowell
Jay Shattuck
Dave Vite
Kim Maisch (via telephone)

Agenda:

1) Prior Task Force Requests

- **2009-2012 SSR Offset Cost Estimates (Joe Mueller)** – As it did for 2011 and 2012 at the prior meeting, IDES examined individuals who had UI benefits decreased or completely denied as a result of the Social Security offset in 2009 and 2010, to determine what they could have received for the weeks examined absent the offset. Based on that exercise, the offset potentially reduced benefits by just under \$63 million for 2009 and almost \$75 million in 2010. The methodology did not directly address individuals who did not ever apply for UI because of the offset.
- **How Other States Treat Retirement Pay (Joe Mueller)** – IDES provided a table from the U.S. Department of Labor’s *Comparison of State Unemployment Laws*, depicting the extent to which states reduce unemployment benefits due to the receipt of retirement pay in general (there is a separate table, discussed below, regarding reductions due to the receipt of Social Security retirement pay). Federal law requires states to reduce unemployment benefits dollar for dollar by the amount received under a 100-percent employer-financed pension, under certain circumstances. States are permitted to reduce benefits on less than a dollar-for-dollar basis if the claimant has contributed to the pension plan, and most states, including Illinois, do so.
- **Virginia Legislation and Projections (Joe Mueller)** – Virginia previously reduced unemployment benefits by 50 percent of the claimant’s Social Security retirement benefits for the week, but repealed the offset in 2011. An analysis of the repealer conducted prior to its passage estimated the state’s unemployment-benefit outlays would rise by \$5.9 million in 2012, dropping to \$1.8 million by 2015; unemployment taxes would rise starting at \$1.5 million in 2013 and peaking at \$12.6 million in 2016; and there would be a marginal negative impact on state general funds. Virginia officials indicate they did not attempt to reassess the repealer’s impact subsequent to its enactment.
- **State Comparison (Joe Mueller)** – Following the Task Force’s May 7, 2013, meeting, IDES independently researched the unemployment insurance laws of the four states besides Illinois that the U.S. Department of Labor’s *Comparison of State Unemployment Laws* identified as containing a Social Security offset. Only one of those states’ laws still provides for a Social Security offset: Minnesota reduces unemployment benefits by 50 percent of the claimant’s Social Security retirement benefits for the week, unless the claimant was already claiming Social Security retirement benefits during his her entire base period – i.e., the period examined to determine whether the claimant had earned enough wages to potentially qualify for unemployment benefits. IDES did not independently research state unemployment insurance laws that the *Comparison of State Unemployment Laws* indicates do not contain a Social Security offset.

2) Pending Illinois Social Security Related Legislation (Brian Hooper) – Two bills from the current General Assembly - HB 2772 (Representative Moffitt) and HB 3042 (Representative Cassidy), as well as one introduced in the 97th General Assembly – SB 144 (Senator Steans) - all contained identical language eliminating the Social Security offset from Illinois' UI law.

3) Public Comments

- Ms. Nancy Solomon provided oral testimony, maintaining: the Social Security offset has been optional since the 1980s; it works a financial hardship on thousands of individuals in the state and amounts to age discrimination; employers pay state unemployment insurance taxes on workers who will never qualify for unemployment benefits because of the offset; it is questionable to what extent elimination of the offset would increase unemployment taxes.
- Ms. Elizabeth Salley provided oral testimony, agreeing with Ms. Solomon's testimony and maintaining the Social Security offset had resulted in poverty for some claimants and that there was a general need for greater job opportunities for seniors.
- Mr. Gruenfelder offered written testimony from other individuals. The testimony will be available on IDES's web site.

4) Task Force Discussion

The following points were made during the discussion among Task Force members, without consensus being reached:

- The business community is not opposed to or in favor of any particular benefit structure, but the benefit structure has to be consistent with the tax structure established through the agreed bill process.
- Benefit concessions to offset a change regarding the Social Security offset could impact a different set of claimants than those receiving Social Security retirement pay.
- The Social Security offset presents a moral problem that the agreed bill process for unemployment insurance might not be able to address.
- Individuals impacted by the offset do not have a seat at the agreed-bill bargaining table.
- The financial impact of eliminating the offset seems small in the context of a system with annual cash flows in the billions.
- The offset has been the subject of agreed-bill discussions.
- Elimination of the Social Security offset is not the only unemployment insurance matter that has not yet been resolved to its proponents' satisfaction through the agreed bill process.
- Illinois' benefit structure is generally more generous than the structures of many states that have eliminated the offset.
- Elimination of the offset could impact upon employer taxes.

- Small business owners are concerned about taxes in general and would not support a solution to the offset issue that resulted in higher taxes.

The above points are not listed in any order of priority other than the order in which they were recorded. IDES agreed to offer potential options for consideration at the next meeting.



Pat Quinn
Governor

Jay Rowell
Director

Discussion Items

- 1) Repeal the offset with corresponding revenue reductions
- 2) Offset repealed when the trust fund reaches \$1 billion
- 3) Repeal the offset
- 4) Minnesota's Law
 - 50-percent offset applies unless the claimant earned all his/her base period wages while also collecting social security retirement
- 5) Current Law
- 6) Other discussion items from the Task Force