

ATTACHMENT J

MATERIALS FROM THE FOURTH TASK FORCE MEETING



Pat Quinn
Governor

Jay Rowell
Director

Social Security Retirement Pay Task Force Agenda

When: February 11, 2014, 2 P.M.

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. IDES Analysis
5. Task Force Discussion
6. Adjournment

This agenda conforms to the requirements of Section 2.02 of the Illinois Open Meetings Act (5 ILCS 120/02).

Any individual planning to attend who will need an accommodation under the Americans with Disabilities Act should notify Caroline Alamillo at (312) 793-9290 or (888) 340-1007 (TTY/Texnet).

Social Security Retirement Pay Task Force

Monday, December 2, 2013

Minutes

Attendees/Members:

Representative Kelly Cassidy

Tim Drea

Ryan Gruenfelder

Kim Maisch (via telephone)

Senator Sam McCann (via telephone)

Senator Sue Rezin (via telephone)

Jay Rowell

Jay Shattuck

Senator Heather Steans

Dave Vite

Agenda:

1) Quorum Established

2) Introductions

3) Minutes from Prior Meeting (06/20/2013) Approved

4) Public Comments

- Ms. Nancy Solomon provided oral testimony, suggesting that the social security offset saves the State's Unemployment Trust Fund (UTF) account a negligible amount, inflates the Department of Employment Security's administrative costs and conflicts with the unemployment insurance program's purpose as an economic safety net.
- Ms. Patty Avery provided oral testimony, indicating that she has been a registered full time nurse since 1976, she lost her job in September 2013, her unemployment benefits replace only ¼ of her income, she is not currently collecting social security, but it would be a relief to be able to receive social security and her full unemployment benefits.
- Ms. Cheryl Mostouski provided oral testimony, indicating that her husband lost his job of 30+ years in January 2013, began collecting social security benefits when he turned 66, and that his weekly unemployment benefits decreased significantly after he started receiving social security.
- Mr. John Mostouski provided oral testimony, noting that Illinois' social security offset also reduces weekly benefits under the emergency unemployment compensation program, which is 100-percent federally funded and does not cost Illinois' UTF account anything.
- Ms. Elizabeth Salley provided oral testimony, arguing that the social security offset is particularly unfair to the working poor.
- Mr. Gary Hall provided oral testimony, indicating that, upon being separated from his part time job, he was unable to receive unemployment benefits because of the social security offset. He argued that social security is supposed to take care of people in old age, unemployment insurance is supposed to provide relief when someone loses a job due to no fault of his/her own, and older people who lose work through no fault of their own should not be penalized because they are

receiving social security – particularly since employers of social security recipients pay the full unemployment tax on the recipients’ wages.

5) Task Force Discussion/Recommendation

The Task Force reviewed four possible policy options: 1) repeal the offset and enact a corresponding unemployment tax reduction (revisiting the impact on the UTF account in 2017); 2) terminate the offset when the balance in the UTF account reaches \$1 billion (or some other agreed upon threshold); 3) repeal the offset without regard to any particular threshold balance and allow the unemployment insurance system to automatically compensate on the tax side for the increased benefit outlays; 4) maintain the status quo. It was agreed the Department would further explore the first option and report back to the Task Force.

6) Adjournment (approximately 3 p.m.)

Hello-

At the last Social Security Retirement Pay Taskforce meeting, IDES was asked to provide an analysis of the impact on the UI Trust Fund of repealing the social security offset with a corresponding revenue reduction. IDES indicated that prior to doing so we would review the offset's cost estimate based on new tools available to us.

For at least the last 15 years IDES has used the same method for estimating the cost of the offset. The method consisted of determining how many people claimed both UI and social security and then dividing them into two buckets 1) if they were paid (if so it was assumed they claimed benefits for 26 weeks -25 in 2012) or 2) if they were disqualified (if so, it was assumed they would have claimed benefits for 26 weeks – 25 in 2012). That method provided an extreme case estimate of the potential Trust Fund impact, but was considered the most viable method based on the tools available.

IDES recently received federal funding to create a longitudinal database of claimants. This database allows us to follow an individual claimant's history and aggregate that person with similarly situated claimants – in other words seeing each individual tree as part of the forest.

IDES recalculated the cost of the social security offset using this new tool. Although there are a number of differences, the two main ones are:

- 1) The average number of weeks claimed by Social Security and UI claimants is 17 weeks –our prior estimate calculated offsetting benefits for 26 weeks (25 in 2012). This 9 week difference considerably reduces the cost of the offset.
- 2) 40% of Social Security and UI claimants go beyond 26 weeks (25 in 2012) and each UI payment after 26 weeks reduces how much their total benefits are offset.

In addition, after extensive research (thank you George Putnam) and conversations with the Social Security administration, we were able to unearth a study of senior's work behavior from 1982. This was cross referenced with Illinois' population and our longitudinal database to estimate how many additional seniors would apply for benefits if the offset was repealed.

Based on this, IDES has revised the 2012 estimated cost of the offset to \$20,681,423 (see attached breakdown). We believe that a conservative long term estimate is \$25 million annually. Also, attached is a revised UI Trust Fund projection, assuming the social security offset is repealed effective in 2015 with a corresponding revenue reduction.

Finally, IDES would like to inform the task force that Dave Vite has stepped down from the Social Security Retirement Pay Task Force and Director Rowell has appointed Rob Karr, the Illinois Retail Merchants Association President/CEO, as his successor.

Please let me know if you have any questions.

Thanks,

Brian

Social Security Offset- Summary Report

	Claimants	Social Security Offset Retained in UI Account (< = 25 weeks) (4)			Social Security Offset Paid from UI Account (weeks > 25) (5)	Net Offset (6)
		Weeks	Average	Amount	Amount	
Partial Claimants (1)	12,802	226,133	17.7	\$19,804,386	\$7,566,682	\$12,237,704
Ineligible Claimants (2)	2,870	46,366	16.2	\$4,984,786	\$0	\$4,984,786
Ineligible Claimants (3)	1,986	32,173	16.2	\$3,458,933	\$0	\$3,458,933
Total	17,658	304,672	17.3	\$28,248,105	\$7,566,682	\$20,681,423

(1) 52-week window of 2012 for certified claimants.

Certified partial claimants- weekly UI benefit amount is greater than their social security deduction.

There are three distinct subpopulations of certified partial claimants:

- a. Subpopulation 1- claimants that start in 2011 cohort and extend claim to 2012; include only 2012 activity
- b. Subpopulation 2- claimants that start in 2012 cohort and exhaust in 2012; include all activity
- c. Subpopulation 3- claimants that start in 2012 cohort and exhaust in 2013; include only 2012 activity

(data source: WDIA)

(2) Ineligible claimants- weekly UI benefit amount is equal to or less than their social security deduction.

These claimants submitted a claim for unemployment insurance.

The social security deduction weeks and amount are imputed on the basis of the distribution of weeks for partial claimants in Subpopulation 2.

(data source: IDES, ISD)

(3) Ineligible claimants- weekly UI benefit amount is equal to or less than their social security deduction.

These individuals did not submit a claim for unemployment insurance, but it is assumed they would have absent the SS offset provision.

The social security deduction weeks and amount are imputed on the basis of the distribution of weeks for partial claimants in Subpopulation 2.

(data source: external estimate)

(4) Deductions refer only to social security deductions during the first 25 weeks of payment (26 if the benefit year began in 2011).

Excludes deductions such as pensions, earned income, workers' compensation, holiday etc...

These deductions are retained in the claimant account.

(5) To the extent amounts retained in the claimant's account because of the Social Security deduction are ultimately paid beyond the first 25 weeks of the claim (26 where the BY began in 2011), the UTF's savings from the offset are reduced. Excludes amounts that were retained in the claimant's account because of other deductions.

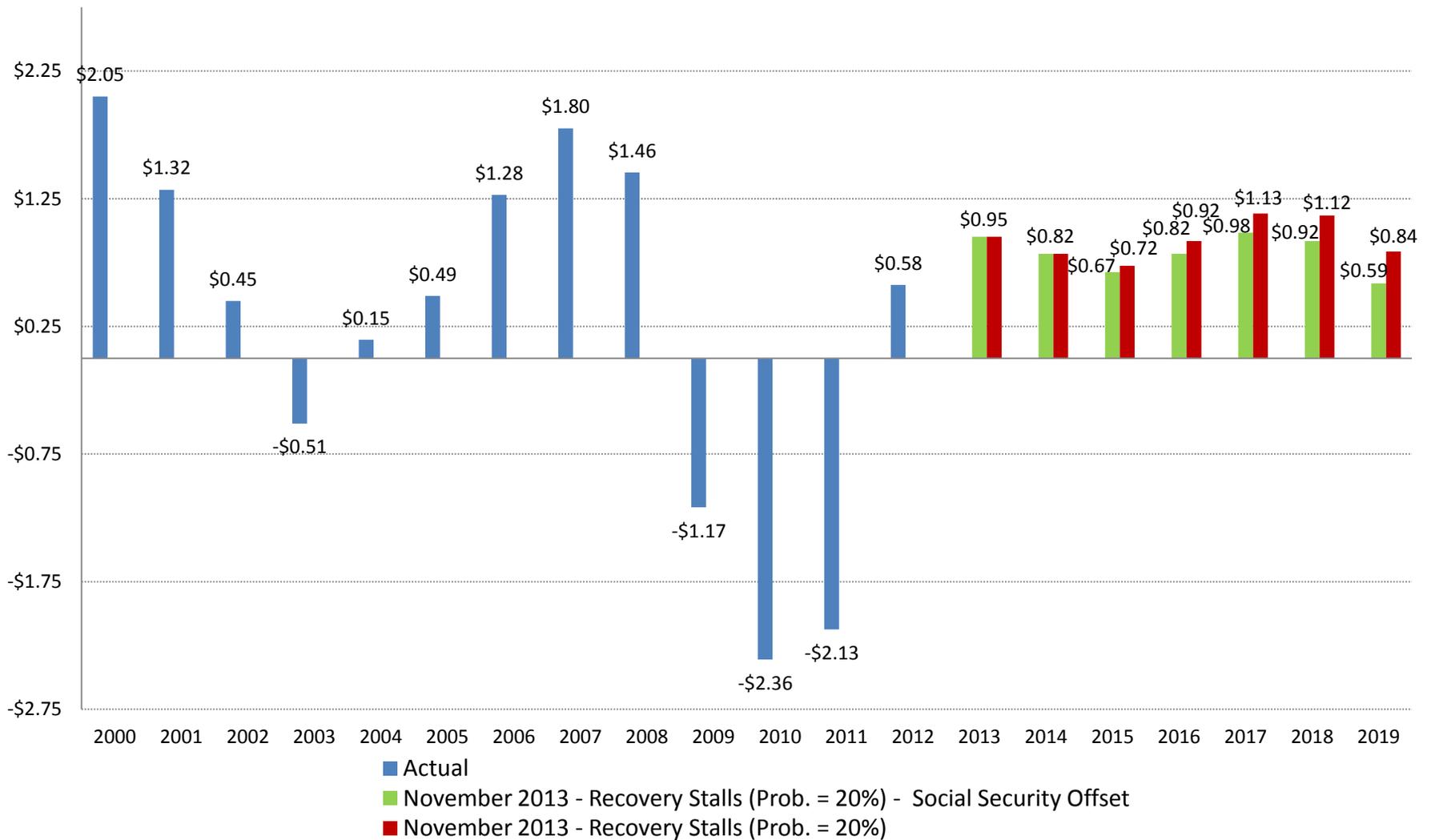
(6) Net Offset equals Item (4) minus Item (5).

Year-End Net UI Trust Fund Balance (Billions)*



*(includes all net bond proceeds and interest earned and excludes federal loan debt and fund building receipts (in periods of public bond indebtedness))

Year-End Net UI Trust Fund Balance (Billions)*



*(includes all net bond proceeds and interest earned and excludes federal loan debt and fund building receipts (in periods of public bond indebtedness))