

ATTACHMENT G

MATERIALS FROM THE FIRST TASK FORCE MEETING

May 7th SSR Task Force Agenda

When:

May 7th 1:00 PM

Locations:

AFL-CIO

534 South Second, Suite 200

Springfield, IL 62701

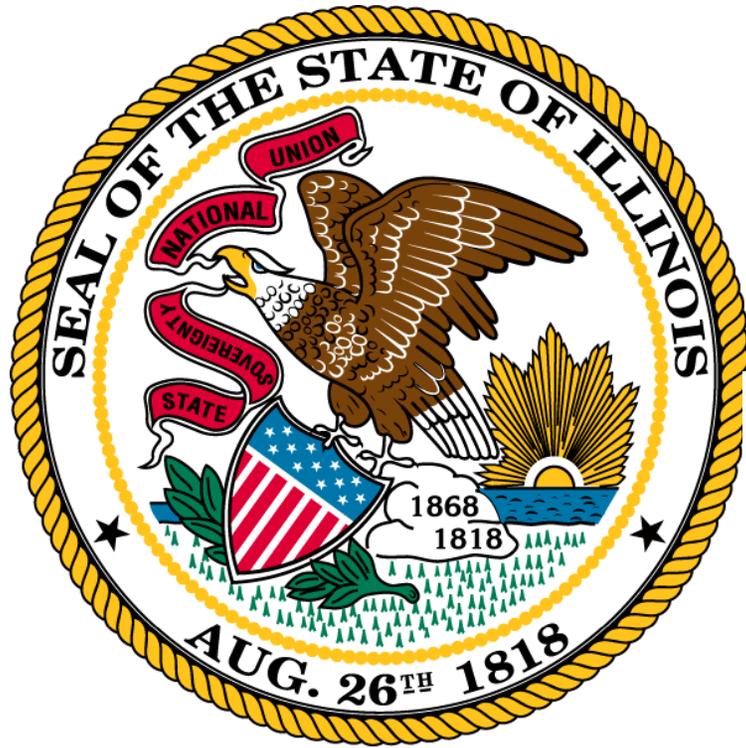
IDES

33 S State St, 9th Floor Conference Room

Chicago, IL 60603

Agenda :

- 1) Agreed bill process background and overview
- 2) Brief UI 101
- 3) Overview of the trust fund/bond status
- 4) Information on what different states do on this topic
- 5) Provide an initial cost estimate required by the act
- 6) Task Force Discussion
- 7) Public Comments



UNEMPLOYMENT INSURANCE OVERVIEW
Social Security Retirement Pay Task Force

May 7, 2013

Federal Unemployment Trust Fund

Taxable Employers

Dedicated State UI Taxes

Federal UI Taxes

Illinois UI Trust Fund Account
•UI Benefits to Illinois' Claimants

Employment Security Administration Account
•State & Federal Administrative Funding

Extended Unemployment Compensation Account
•Additional Benefits during High Unemployment

Federal Unemployment Account
•Loans to States with Depleted Trust Fund Accounts

Two Generally Applicable Benefit Programs Current in Effect

- Regular Benefits
 - State Funded
 - Up to 26 weeks' worth of benefits
- Emergency Unemployment Compensation (EUC)
 - Federally Funded
 - Up to 47 weeks' worth of benefits
 - Rules for Regular benefits generally apply to EUC

Components of UI Benefits: Calculation

- Weekly Benefit Amount(WBA) = Prior Average Weekly Wage (PAWW) X 47% (statutorily set).
- Dependency Allowance
 - A claimant with a nonworking spouse receives the greater of additional 9.0% or \$15.
 - A claimant with a dependent child receives the greater of 1) an additional 17% or 2) the lesser of an additional \$50 or 50% of their WBA.

Benefit Calculation

- $WBA - \text{Disqualifying Income} + \text{Dependency allowance} = \text{Benefits paid.}$
- Examples of Disqualifying Income:
 - Wages (for partially unemployed claimants)
 - Holiday Pay
 - Vacation Pay
 - Certain Retirement Pay (including 50% of Social Security Retirement Income)

Benefit Calculation

- Maximum WBA
 - \$413 (individual)
 - \$492 (with nonworking spouse)
 - \$562 (with dependent children)
- Minimum WBA = \$51
- Maximum Benefit Amount = Lesser of:
 - 26 X WBA + Dependents Allowances
 - “Base Period” Wages

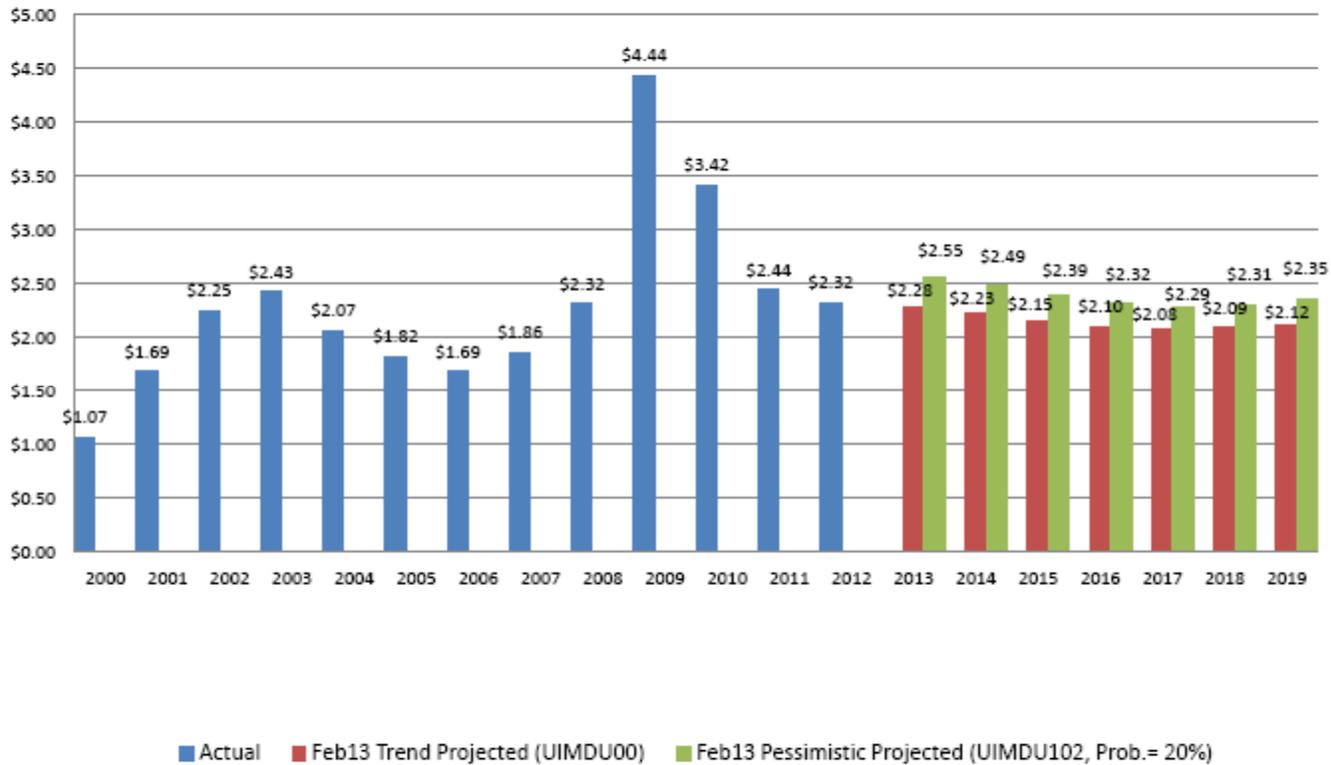
Components of UI Taxes: Calculation

- State UI Tax = Tax Rate X Taxable Wages
- Tax Rate = (Benefit Ratio X ASEF) + FBR
- Benefit Ratio = Benefit Charges × BCF ÷ Taxable Wages
- Adjusted State Experience Factor (ASEF) is a statewide multiplier tied to the UI Trust Fund balance.
- Fund Building Rate (FBR) is a surtax added to all employers' tax rates and is 0.550% for 2013, will remain at that level as long as bonds are outstanding and then will range between 0.400% and 0.550% thereafter based on the trust fund balance.

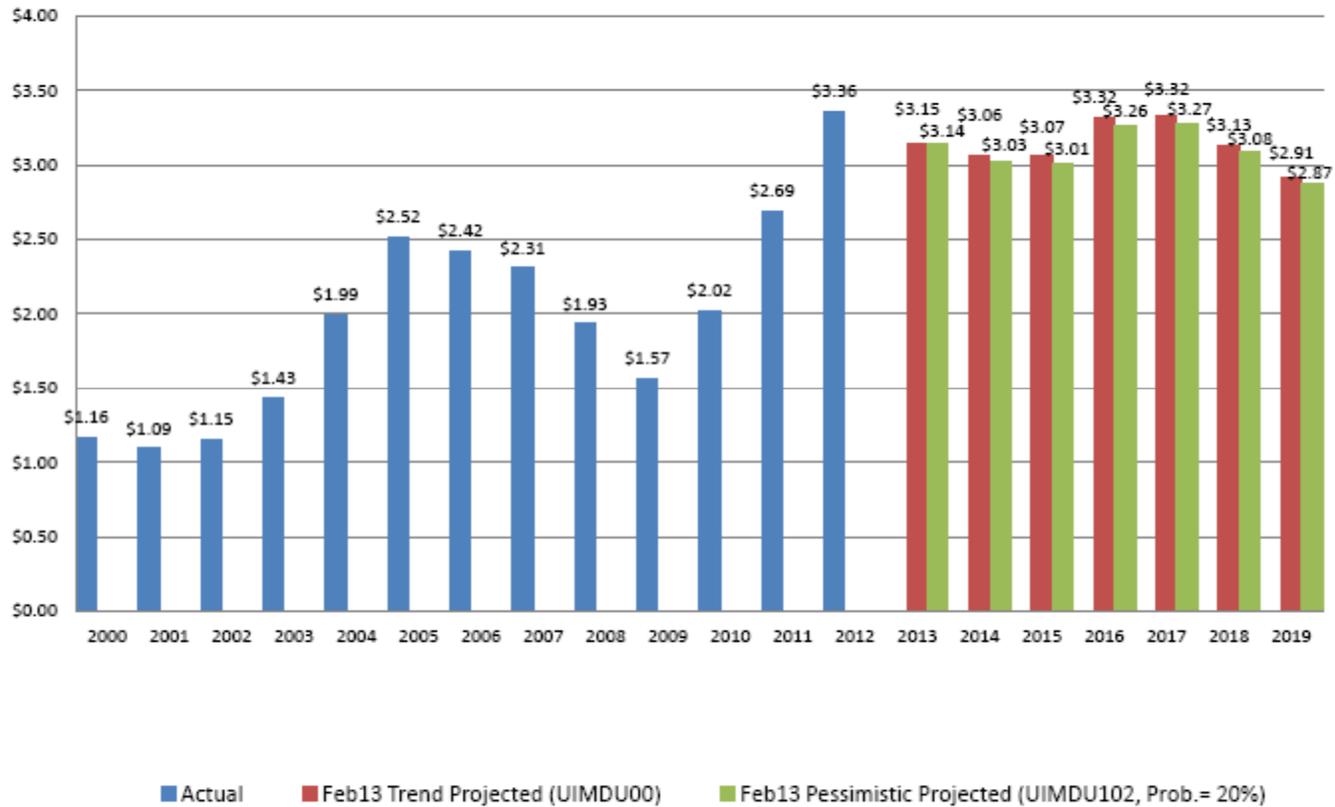
Components of UI Taxes: Constraints

- Employers with 3 or more years of liability (excluding “rest stops”)
 - Minimum rate: 0.550% (0.0% + fund building of 0.550%) for 2013.
 - Maximum rate: 8.950% for 2013.
- Employers with less than 3 years of liability (excluding “rest stops”)
 - New Standard Rate: 4.150% for 2013.
 - Different new rate if in higher-rated industry (e.g. 2013 Construction new rate is 5.950%).
- Small Employer Cap:
 - An employer with less than \$50,000 in total quarterly wages pays at a rate no higher than 5.400%.

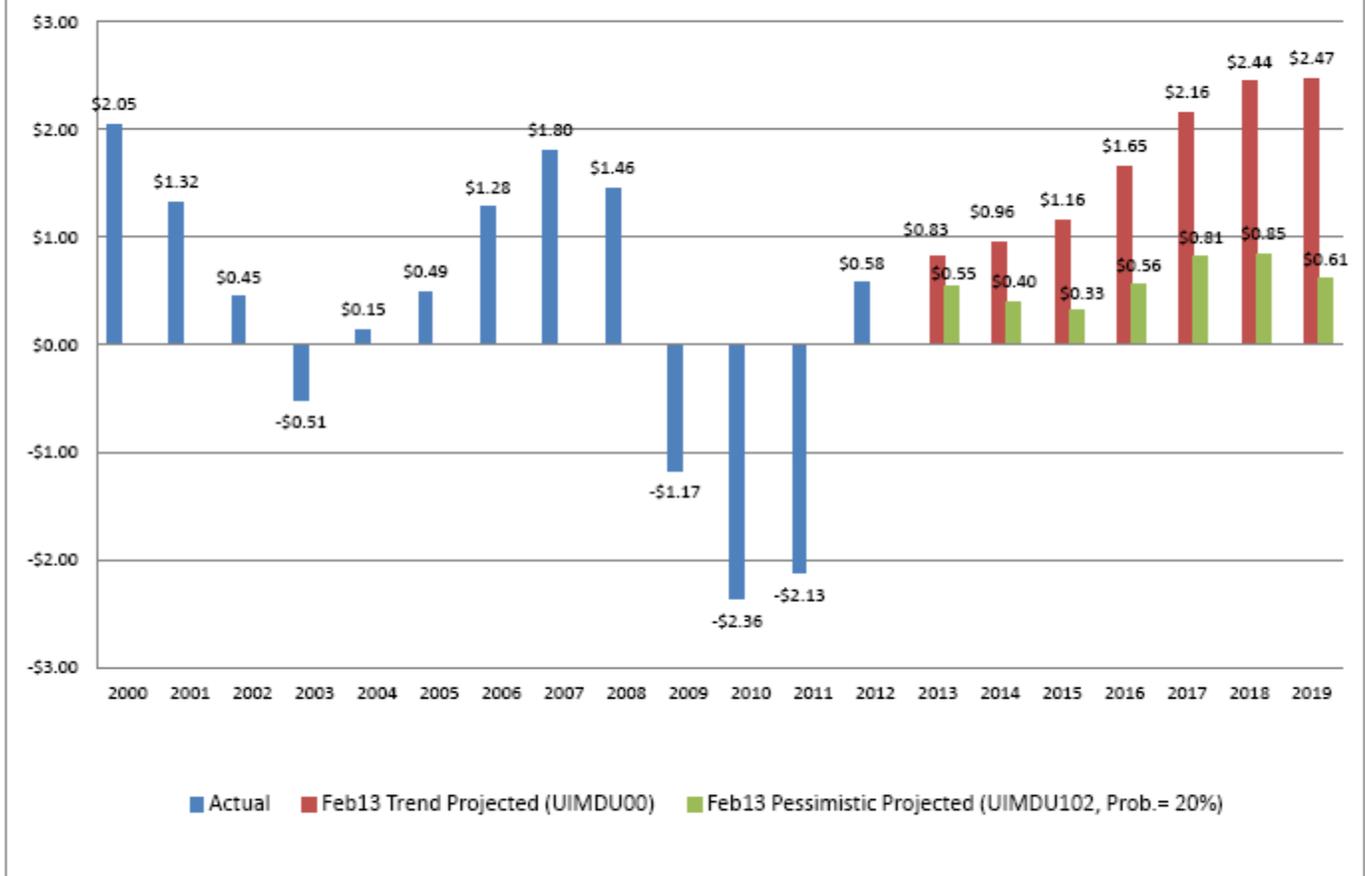
Total State UI Benefits Paid Regular UI & State Share of EB, Billions



UI Tax Revenue Billions, includes Fund Building Receipts



Year-End Net UI Trust Fund Balance Billions, includes all bond proceeds



Implications of Trust Fund Insolvency

- Borrowing becomes necessary to meet benefit obligations
- Federal UI taxes increase
 - Illinois employers may be assessed federal penalty taxes.
- State budget is potentially affected
 - Debt interest payments cannot come from the UI Trust Fund.

QUARTERLY REPORT:

MASTER BOND FUND

PREPARED PURSUANT TO THE ILLINOIS UNEMPLOYMENT INSURANCE TRUST FUND FINANCING ACT (30 ILCS 440/3K)

February 2013

The Master Bond Fund (MBF) will contain revenues from employers that are attributable to the fund building rate under Illinois law (see 820 ILCS 405/1506.3A). A portion of the MBF is irrevocably pledged to the timely payment of bond obligations and bond administrative expenses. The proceeds of any bonds issued pursuant to the Illinois Unemployment Insurance Trust Fund Financing Act are to be held in trust in the MBF for purposes including, but not limited to, the payment of principal and interest on outstanding federal advances and deposit into the State's account in the Unemployment Trust Fund (UTF).

Receipts: On July 31, 2012, \$1,621,150,788 in bond proceeds, net of premium and underwriters' discount, were deposited in the MBF upon closing of the Series 2012 Bonds. As of January 31, 2013, \$9,655 in interest earnings has been credited to the account. As of February 28, 2013, no Fund Building Receipts have been transferred to the MBF. During calendar year 2013, Fund Building Receipts are projected to be \$306.1 million.

Expenditures & Transfers: On July 31, 2012, the majority of available funds in the MBF were transferred out to repay all outstanding federal advances and deposited in the State's account in the UTF in the amount of \$1,183,101,679. The remainder of the transfer in the amount of \$361,901,000 was credited to the State's account in the UTF to fund a surplus. From the bond proceeds, \$981,025 was paid for cost of issuing the bonds. Trustee fees to date are \$1,000. The annual payment of interest on federal advances was made in late September 2012 in the amount of \$48,391,282. The first interest payment on the bonds was paid on December 15, 2012, in the amount of \$24,678,169 from capitalized interest retained in the MBF from the bond proceeds. The first specific bond maturity is June 15, 2013 in the amount of \$93,055,000 in Series A.



Social Security Cost Estimate

Estimate of removal of the Social Security offset from the UI Act

2011	
Claimants with Totally Ineligibility	3776
Total Number of Claimants Partial Deductions	15770
Total Claimants in 2011	19546
Total AMOUNT in DEDUCTIONS in 2011	\$ 59,940,152.22
Totally ineligible with WBA<TOTAL DEDUCTIONS in 2011	\$ 10,554,284.00
NET TOTAL in 2011	\$ 70,494,436.22

Trust Fund Impact:

Estimated \$70 Million cost to UI Trust Fund in 2011 had disqualification been removed. No reliable estimate as to how many individuals subject to offset do not even file.

2012	
Claimants with Totally Ineligibility	2870
Total Number of Claimants Partial Deductions	12052
Total Claimants in 2012	14922
Total AMOUNT DEDUCTIONS in 2012	\$ 45,304,802.75
Totally ineligible with WBA<TOTAL DEDUCTIONS in 2012	\$ 7,713,825.00
NET TOTAL in 2012	\$ 53,018,627.75

Trust Fund Impact:

Estimated \$53 Million cost to UI Trust Fund in 2012 had disqualification been removed. No reliable estimate as to how many individuals subject to offset do not even file.

Effect of Social Security Payments—Social Security payments are sometimes treated differently from retirement payments in general. The following table indicates the extent, if any, by which the weekly benefit amount is reduced due to receipt of Social Security payments.

NONMONETARY ELIGIBILITY

Table 5-22: EFFECT OF SOCIAL SECURITY PAYMENTS							
AL	Not Reduced	AK	Not Reduced	AZ	Not Reduced	AR	Not Reduced
CA	Not Reduced	CO	Not Reduced	CT	Not Reduced	DE	Not Reduced
DC	Not Reduced	FL	Not Reduced	GA	Not Reduced	HI	Not Reduced
ID	Not Reduced	IL	Reduced by 50%	IN	Not Reduced	IA	Not Reduced
KS	Not Reduced	KY	Not Reduced	LA	Reduced by 50%	ME	Not Reduced
MD	Not Reduced	MA	Not Reduced	MI	Not Reduced	MN	Reduced by 50%(1)
MS	Not Reduced	MO	Not Reduced	MT	Not Reduced	NE	Not Reduced
NV	Not Reduced	NH	Not Reduced	NJ	Not Reduced	NM	Not Reduced
NY	Not Reduced	NC	Not Reduced	ND	Not Reduced	OH	Not Reduced
OK	Not Reduced	OR	Not Reduced	PA	Not Reduced	PR	Not Reduced
RI	Not Reduced	SC	Not Reduced	SD	Reduced by 50% (2)	TN	Not Reduced
TX	Not Reduced	UT	Not Reduced	VT	Not Reduced	VA	Not Reduced
VI	Reduced by 100%	WA	Not Reduced	WV	Not Reduced	WI	Not Reduced
WY	Not Reduced						
<p>1 Unless base period wages were earned while individual was already qualified to receive Social Security benefits.</p> <p>2 Reduction will cease once UTF CQ ending balance reaches \$30,000,000.</p>							

Source: Comparison of State Unemployment Laws. (2012) U.S. Department of Labor Employment and Training Administration. www.doleta.gov Retrieved from <http://www.oui.doleta.gov/unemploy/pdf/uilawcompar/2012/nonmonetary.pdf>