



JB Pritzker
Governor

Thomas D. Chan
Interim Director

Illinois Employment Security Advisory Board

December 13, 2018

Minutes

Attendees:

Springfield: William Potts

Chicago: James Argionis (Chairman)
John Easton
Tim Drea
David Prosnitz

Telephone: Tony Garcia
Sharon Thomas Parrott
Rob Karr
Mark Denzler

Absent: Mark Grant

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

Agenda:

1. Minutes of the meeting held September 20, 2018, were approved.
2. Director's Comments

The Director offered a brief presentation concerning the improvements the Department has made in the past four years and introduced the speakers that followed.

3. Integrity & Legal Update (Tom Chan)

IDES continues to use a variety of measures to identify, prevent and recover improper unemployment benefit payments, including 1) cross matches against a) wage reports, b) state driver's license records, c) Social Security records, d) a national database of incarcerated individuals, e) national and state new hire directories, 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, to recover amounts due to the system. Through December 1, 2018, IDES estimates it has prevented \$999M in potential benefit overpayments, identified \$104M in overpayments and recovered \$229M in overpayments. On the employer side, for SFY17 IDES conducted approximately 3,600 audits, identifying approximately \$200M in net unreported wages and \$3.8M in unreported taxes. For SFY18, the Department conducted about a third fewer audits, about 2,400, but still managed to identify approximately \$200M in net unreported wages and \$3.7M in unreported taxes. We've discussed at length in previous meetings the reasons for the dip in the number of audits and the actions IDES is currently taking to get back on the right track. For SFY19 to date, the Department has conducted approximately 1,100 audits, and has already identified \$120M in net unreported wages and \$4.1M in unreported taxes. Note, these are fiscal

year figures and we're not yet half way through the fiscal year. As mentioned at the last meeting, IDES expects to fall short of one of USDOL's federal performance standards for calendar year 2018. Specifically, IDES does not expect to have audited the USDOL's minimum of 1% of all contributory employers for 2018. For 2018, the minimum number of audits IDES would need to complete is 3,207. We don't expect to complete more than 2,200. As a result, it is likely that USDOL will place IDES on a corrective action plan. Under such a plan, IDES would have to provide three improvement implementations that show that it will meet the performance standards in 2019. The minimum audit figure for calendar year 2019 should be approximately 3,300 audits. IDES is confident we will meet this requirement for 2019 thanks to the new staff we have brought on board and the training programs we have put together to bring these new hires up to speed.

Legal Update (Tom Chan)

The legal services bureau is comprised of the appeals division, the Board of Review (BOR), and the office of legal counsel. The appeals division has come a long way since 2015. In 2015, the appeals division was operating under a federal corrective action plan for not meeting time lapse standards, mainly due to the lack of staff caused by the 2012 and 2013 layoffs. IDES leadership came together to improve the timeliness of cases and IDES was quickly removed from the corrective action plan. Since coming off that plan, the appeals division has consistently exceeded federal time lapse standards. In fact, for the last two years in a row, IDES won the "Performance Excellence in Appeals" Award from National Association of State Workforce Agencies (NASWA). Despite our successes, keeping staffing levels up continues to be a challenge. Just like Audit, we're seeing lots of retirements. But we are closely monitoring our workloads against staff levels and moving quickly to post positions as they become available. If the economy takes a turn, we want to make sure we have the employees we need to handle any increases above current caseloads. The Board of Review is another success story. The BOR started 2015 strong and they're ending 2018 strong. Absent some unforeseen circumstance, I expect the BOR to continue to exceed federal time lapse in the foreseeable future. Finally, the office of legal counsel. In early 2015, the IDES office of legal counsel had 8 attorneys with over 170 years of combined unemployment insurance experience. Thanks to multiple retirements, today, OLC has 3 attorneys. Despite the loss of institutional knowledge, we are hopeful that the legal department will be able to continue to serve the agency's business units, our public clients, and the business and labor communities. We will be focusing our attention on the upcoming 2019 Agreed Bill.

4. Service Delivery USDOL Performance Improvements (Trina Taylor)

The US Department of Labor has set the expectation that each state meets or exceeds the established acceptable levels of performance when administering the Unemployment Insurance program to ensure that benefits are paid properly and in a timely manner. Although the challenges of meeting these measures are often viewed as a compliance issue, our Service Delivery Team has used this as an opportunity to not only meet and exceed the measures but also modify, improve and in some instances eliminate processes which has in turn allowed us to set the foundation for better productivity, better quality and improved service to our internal and external customers. Illinois is currently meeting and maintaining a passing percentage for the UI Performance. The quarter ending March 2005 was the last time DES met the performance measures. Data Validation for the Benefit populations have been submitted and are passing. We have revised and improved our online claim application; reduced the number of erroneous issues being posted and investigated; decreased the number of claims that require staff intervention from 49.78% last year this time to 24.50%.

5. DoIT Major Plan Initiatives (Tom Revane)

With the creation of the Department of innovation and Technology by Governor Rauner DES was able to take advantage of some infrastructure improvements: Staff were moved to the Illinois.gov environment from Novell. The majority of our work locations utilize VOiP and in our call centers the enhanced call agent application New video equipment. Director Mays lobbied hard to get DES into the pilot phase of ERP which went live on October 2016. We've struggled as a pilot but now feel confident our financial reports as of the last quarter are sound. This eliminated 3 legacy systems. Working with

IDOR we implemented UI Tax into MyTax Illinois. Technology wise we funded the upgrade of production servers to ensure no impact on performance. We are striving to make that an Enterprise solution by bringing in the remaining legacy application to this JAVA based application. We are finally staying current in implementing new releases in Illinois Job Link as they are provided by our vendor. Going forward we have been selected as a pilot agency for Phase 2 of ERP which is Human Capital Management. If anything, we need to retire our almost 40-year-old payroll system to ensure that we accurately and timely pay our staff. We are excited about this opportunity and hope it kicks off at the start of 2019.

6. Tax Initiative (Bob Acamovic)

Tax Modernization Effort: Implementation of the new tax system in September 2017; IDES realized immediate savings of \$800,000 annually through the elimination of paper-based processes and reduced IT support costs; reduced the number of quarterly paper wage report filers by 75% from over 100,000 to now under 20,000. Annualized, this is a reduction of 320,000 paper reports; reduced the number of paper checks received and processed by 80% from over 500,000 to about 100,000 annually; collected over \$1,000,000 in new revenues in less than six months with the implementation of the Treasury Offset Program.

7. Business and Veterans Services (Dolores Simon)

The Statewide Business Service Division of IDES comprises the following: (1) Business Outreach Division (We established strong regional industry partnerships between businesses and public agencies, working alongside our core partners to provide employers and job seekers a more extensive palate of opportunities. No longer being isolated in our approach to business solutions). (2) Jobs for Veterans State(wide) Grant (JVSG). (3) Intra-agency Division. (4) Illinois Job link.

8. Quarterly Financials Presentation (George Putnam)

Unemployment Trust Fund Report - Factoring in more than \$1.5B in proceeds from the 2012 issuance of unemployment insurance bonds, the state's UTF account ended each of calendar years 2015 and 2016 with a positive balance of \$1.5B. The account saw an increase in 2017, ending the calendar year with a positive balance of \$1.6B. Year-end balances are projected to remain positive through 2021 – the extent of the forecast horizon – which is expected to close with a balance of \$1.01B However, starting in 2019, the account is expected to run annual deficits through the end of the horizon.

9. Workforce Outcomes (George Putnam)

Working with the Illinois Board of Higher Education, IDES has launched an online tool for tracking employment and earnings outcomes for graduates of Illinois colleges and universities and is working with the State Board of Education to track outcomes for graduates of Illinois high schools, including post-secondary education. Partnering with New York University and the Universities of Chicago and Maryland, the Department has tracked employment outcomes for the formerly incarcerated, as well as recipients of child care assistance, and plans to develop an Illinois Administrative Data Research Facility capable of generally reporting employment outcomes for clients of Illinois agencies.

10. Master Bond Fund Report (Briant Coombs)

Statutorily required report regarding state fund dedicated to paying off bonds issued to cover shortfalls in the state's UTF account. 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. As of 6/15/2017, the bonds were redeemed in full. On 9/25/2017, the MBF's remaining balance of \$156M was transferred to the UTF account. Interest earned for the month of September 2017 in the amount of \$92,730 was posted October 1st to the MBF and transferred to the UTF October 3, 2017. As

of November 30, 2017, the balance in the MBF is zero and the account is closed. This meeting is the last time we will report on the bonds.

-There has been an annual decline in IDES' funding for UI from 2015 to 2019. The cumulative decline is 12.2% over 4 years. Funding for other than UI (i.e., Wagner=Peyser, VETS, and BLS) was fairly level.

-Total employee benefits as a % of base salary has increased from 75.98% for FY2015 to 87.84% for FY2019. This is primarily due to increase in pensions.

-Special Administrative Account (SAA) - This includes penalty and interest (P&I) collected from employers for late filing and late payments of their quarterly UI Tax Contributions. Average annual P&I collected from FY2015 to FY2019 is approximately \$20M. Lower administrative costs due to historically lower employment levels at IDES over the past 4 years has enabled a substantial accumulation of SAA reserve funds compared to prior years. The SAA reserve at IDES supplements insufficient federal funding, pays for IT modernization not federally funded, and covers unexpected costs, such as an estimated \$11.5M due to back pay for unpaid annual step increases since the last 2015 Union contract.

11. UI Data Analytics: Findings and Policy Implications (Mischa Fisher)

Discussed finding new ways to improve bargaining on both sides of the table and to keep costs down. Discussed rate caps and benefit structure. The UI Trust fund and governance board are a case study on all sides of the bargaining table where we work together.

12. 2019 Meeting Dates / ESAB Appointments (Jeff Mays)

The dates for the 2019 ESAB meetings were finalized and will continue as outlined in the Operating Resolution.

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