

MINUTES
OF THE MEETING OF
THE EXECUTIVE COMMITTEE
STATE EMPLOYEES' RETIREMENT SYSTEM OF ILLINOIS

August 8, 2019

A meeting of the Executive Committee of the State Employees' Retirement System of Illinois was held on Thursday, August 8, 2019 at 8:45 a.m. in the System's Springfield office at 2101 S. Veterans Parkway.

Committee Members:

Loren Iglarsh, Chairman
David Morris, Vice-Chairperson
Timothy Blair, Executive Secretary

Others Present:

Jeff Houch, Assistant Executive Secretary
Kathy Yemm, Manager, Claims Division
Karen Brown, Disability Supervisor, Claims Division
Cory Mitchelle, Acting Supervisor, Pension and Death Section
Steve Bochenek, System Attorney
Christine Self, Attorney
Jessica Blood, Recording Secretary
Betty Johnson-Nevith, Claimant
Jim Shales, Claimant
Bryan O'Connor, Attorney

Minutes of the Previous Meeting

The minutes of the July 11, 2019 meeting of the Executive Committee were presented by Chairman Iglarsh for approval. Copies of the minutes were previously mailed to Committee members for review. There being no additions or corrections, on motion by Executive Secretary Blair, seconded by Vice-Chairperson Morris and by unanimous vote, the minutes were approved as submitted.

Routine Claims Report

The Routine Claims Report for the month of July 2019 was presented. Following review and discussion, the Routine Claims Report for the period of July 2019, as prepared by staff, was received by the Executive Committee.

Old Business

Laura Cadagin – Re-Appeal Cost of Service Credit Purchase - Recommendation

In 2005, Laura Cadagin appealed the cost to purchase 219 months of service for the Illinois Finance Authority (IFA). Ms. Cadagin was notified the cost of the purchase would be \$58,928.62, representing employee contributions and interest. She made this contribution and was notified on February 28, 2005 that the payment had been received and that 219 months of service credit would be added to her account. On April 27, 2005, Ms. Cadagin was notified that a mistake was made in the calculation of the cost of her IFA service credit (required employer contribution was excluded) and that she owed an additional \$77,033.10.

On August 11, 2005, Ms. Cadagin appealed to the Executive Committee to ask the committee to affirm that all 219 months of service credit had been purchased by February 28, 2005, and that no additional contributions were required. On September 8, 2005 the Executive Committee adopted a recommendation to affirm the additional contributions were required in order to establish the entire 219 months of service credit, or that Ms. Cadagin could instead choose to establish 94 months of service credit and not make the additional contributions.

In June 2018, Ms. Cadagin requested the cost to purchase the additional 125 months of IFA service credit. She was provided with a cost of \$231,727.46, representing employee and employer contributions at the current rate, and interest at 2.5% annually. Ms. Cadagin is appealing the amount of the required contribution. At the January 10, 2019 Executive Committee meeting, Ms. Cadagin appealed the cost to purchase such service. On February 14, 2019, the committee referred her claim to counsel, and counsel recommended to deny because Ms. Cadagin did not satisfy the requirements of the Pension Code related to purchase of service credit for years of service with the IFA.

Ms. Cadagin is re-appealing because she was not provided the initial denial letter in accordance with the System's rules and procedures.

The Committee approved the request for a re-appeal. Since both Laura Cadagin and her counsel, Carl Draper, were present the petitioner immediately proceeded with her re-appeal. Carl Draper presented the members of the Committee with a Memorandum of Law in Support of Rehearing and made some initial comments.

Ms. Cadagin then testified on her own behalf focusing on the topic of the time value of money. Ms. Cadagin testified that the interest that was charged should only be charged on the employer's cost at the time the employee worked. After that point in time interest would be charged for the delay in payment of those monies recognizing the loss of use of those funds by the System for that period. Petitioner is willing to pay this interest charge. However, Petitioner went on to testify that by continuing to charge the employer's cost since the petitioner left work as well as the interest charge

that the System would be in effect double dipping since there was no loss of the use of funds if the System continued to charge the employer's cost every year. In essence, the System could charge one or the other but is not entitled to charge both.

Mr. Draper concluded the re-appeal by making comments regarding reaching a commonsense interpretation of the ordinary language of the statute and not construing it to reach a financially absurd result.

After review and discussion, the Committee referred the matter to SERS' attorney for recommendation.

Attorney Bochenek presented Recommendation No. 2019-12 to deny Ms. Cadagin's request. After review, a motion was made by Executive Secretary Blair to adopt the recommendation. Chairman Iglarsh seconded the request and all were in favor.

Donald Koester – Eligibility to Purchase Partial Refund

At the July 11, 2019 Executive Committee meeting, the committee reviewed the appeal of Cynthia Koester, the surviving spouse of Donald Koester. Mr. Koester had attempted to purchase service credit with SERS to receive a reciprocal pension with the Cook County Pension Fund (CCPF). Mr. Koester passed away before beginning the repayment. The committee deferred this case to determine if establishing creditable service with SERS is necessary to qualify his spouse for unreduced survivor's benefits payable from CCPF. After reviewing the applicable statute (*40 ILCS 5/9-146.1(e)*) and verifying with the appropriate CCPF representatives, establishing SERS service credit is necessary to qualify Ms. Koester for unreduced survivor's benefits.

After review and discussion, a motion was made by Executive Secretary Blair to deny the request to repay refunded service with the state, seconded by Vice-Chairperson Morris. All were in favor.

Christopher Fritsche – Occ-Dis – Gainful Employment Inquiry

Christopher Fritsche worked as a Correctional officer for Menard Correctional Center. Mr. Fritsche last worked on January 24, 2018. He was on extended benefits until January 31, 2019. Mr. Fritsche began a service-connected leave on February 1, 2019.

Mr. Fritsche had requested a written appeal to the July Executive Committee to approve his occupational disability benefit with the understanding he is part owner of a company but does no physical labor.

After some discussion, the Committee referred the case to Attorney Steve Bochenek and Jeff Houch for further review and clarification regarding gainful employment

policy and rules. The case was deferred until such information is reviewed.

Betty Johnson-Nevith – Re-Appeal for Survivor Annuity – Member – James Nevith
Personal Hearing (Springfield)

James Nevith, a state retiree, died on November 1, 2018. When Mr. Nevith retired on October 1, 2015, he completed his retirement application with a marital status of “single” and received a survivor contribution refund in the amount of \$5,864.41.

Betty Johnson and James Nevith were married on July 1, 1986 and she survives him.

Betty Johnson-Nevith is requesting a survivor annuity.

Of note, Ms. Nevith is a state retiree as well. She retired August 1, 2014 and completed her retirement application with a marital status of “married”.

This appeal was denied at the February 2019 Executive Committee meeting.

Ms. Nevith would like to re-appeal this decision. Mr. Nevith had an overpayment with SERS, so the survivor contribution refund payment was applied to the balance and not cashed by him. The request for a re-appeal was granted and Ms. Nevith made a personal appeal at the August 8th Executive Committee meeting.

After review and discussion, the case was referred to SERS’ attorney to make a recommendation.

Jim Shales – Appeal of Temporary Disability Denial – Personal Hearing (Chicago)

Jim Shales worked at the Department of Transportation as a Staff Assistant. He has filed two separate workers’ compensation claims, which are currently still pending.

Mr. Shales states he suffered from an injury in 2011. He also was involved in a traffic accident in a state-owned vehicle on May 23, 2016. Mr. Shales states that his 2016 accident caused recurrence of his 2011 injury. Due to several inconsistencies in his reporting of the incident, his claim was denied by Workers’ Compensation Commission.

Mr. Shales applied for SERS’ Temporary disability benefit in November 2016 and he was denied after his case was reviewed by our Medical Consultant. He has since supplied an IME performed after the Medical Consultant’s review, as well as additional medical treatment records.

Our Medical Consultant reviewed all of the new medical information in file and prepared another report. He concluded that the information does not support his

claim that the original injury was a work-related injury or that the subsequent accident caused recurrence of his problems.

Mr. Shales' workers' comp. claim is still pending.

Mr. Shales is requesting SERS approve his Temporary Disability benefits pending the outcome of his IWCC hearing.

After review and discussion, the committee deferred a decision until more information is received.

Jeffrey W. Dozier – Military Service Credit – Personal Hearing – Springfield

Jeffrey Dozier made three separate military service credit purchases for a total of 19 months of SERS service credit. His last purchase was for three months of military service credit on September 25, 2018. He received an acknowledgement of his payment and establishment of the service credit on September 25, 2018.

On October 11, 2018, staff discovered that Mr. Dozier separated from State employment on May 9, 2018, and therefore was ineligible to purchase military service credit after that date. He was notified on November 21, 2018 that he was ineligible to make the purchase and that he would be sent a refund of his payment. The refund was issued to Mr. Dozier on May 16, 2019.

Mr. Dozier is appealing the retroactive denial of his request to purchase three months of military service credit after his removal from State payroll on May 9, 2018.

Mr. Dozier appeared before the Executive Committee at its July 11th meeting in Springfield, Illinois along with his attorney, Carl Draper. The focus of the appeal was on the statutory language dealing with the purchase of military service credit and whether one needed to be an active employee at the point in time of the purchase of the military service credit. The Committee agreed to defer this matter to allow for further review of the statute.

After review and discussion at the August Executive Committee meeting, the case was referred to SERS' attorney for recommendation.

New Business

Kathleen Tate – SSA Overpayment

Kathleen Tate was approved for a Non-Occupational benefit from SERS effective June 1, 2014.

Ms. Tate was approved for a retroactive Social Security disability benefit effective February 1, 2015. The retroactive benefit created an overpayment to SERS totaling \$70,006.00 from February 1, 2015 through November 30, 2017. The current balance is \$8,572.63.

SERS sent the member a notification letter on June 11, 2018 that explains the calculation of the overpayment and what was due.

As stated in the SERS Board Policy, the Overpayment Section is to deduct ½ the gross of any benefit being paid toward an overpayment owed to SERS. The overpayment due is in accordance with 5/14-125 ILCS of the Pension Code.

Ms. Tate's monthly gross disability payment is \$1,758.98. No federal tax is deducted. State Group Insurance premiums in the amount of \$173.00 are deducted. SRS is deducting \$879.49 and applying to the overpayment. The net pay to the member is \$706.49.

Ms. Tate has requested a reduction in her monthly overpayment repayment from \$879.49 to \$50.00 per month. The current monthly deduction of \$879.49 would repay the debt within 10 months. The requested reduced repayment amount of \$50.00 per month would repay the balance within 15 years.

After some discussion, a motion was made by Executive Secretary Blair to deny Ms. Tate's request for a \$50.00 per month payment plan but offer a payment plan of \$250.00 per month. The motion was seconded by Vice-Chairperson Morris and all were in favor.

Angela Stille – SSA Overpayment

Angela Stille was approved for a Non-Occupational benefit from SERS effective July 7, 2018.

Ms. Stille was approved for a retroactive Social Security disability benefit effective December 1, 2018. The retroactive benefit created an overpayment to SERS totaling \$11,312.00 from December 1, 2018 through June 30, 2019.

SERS sent the member a notification letter on July 16, 2019 that explains the calculation of the overpayment and what was due.

As stated in the SERS Board Policy, the Overpayment Section is to deduct ½ the gross of any benefit being paid toward an overpayment owed to SERS. The overpayment due is in accordance with 5/14-125 ILCS of the Pension Code.

Ms. Stille's monthly gross disability payment is \$348.00 when the offset is applied on the August check for her July benefit. No federal tax or state group insurance premiums will be deducted. State Group insurance premiums in the amount of

\$114.00 per month is direct billed by CMS Premium Collection Unit.

Ms. Stille had requested a monthly payment of \$50-\$348 in her initial appeal. When called about giving us a specific amount, she stated that she wanted no payment until she had returned to work. She had no idea when she would return. If SRS follows Board Policy, a deduction of \$188.53 must be made to repay the debt in 60 month/5 years.

After some review and discussion, a motion was made by Executive Secretary Blair to deny Ms. Stille's request. Chairman Iglarsh seconded the motion and Vice-Chairperson Morris abstained from voting.

Ricky Miller – SSA Overpayment

Ricky Miller was approved for a Non-Occupational benefit from SERS effective May 4, 2018.

Mr. Miller was approved for a retroactive Social Security disability benefit effective October 1, 2018. The retroactive benefit created an overpayment to SERS totaling \$17,616.00 from October 1, 2018 through May 31, 2019.

SERS sent the member a notification letter on July 2, 2019 that explains the calculation of the overpayment and what was due.

As stated in the SERS Board Policy, the Overpayment Section is to deduct ½ the gross of any benefit being paid toward an overpayment owed to SERS. The overpayment due is in accordance with 5/14-125 ILCS of the Pension Code.

Mr. Miller's monthly gross disability payment is \$416.67. No federal tax is deducted and State Group Insurance premiums in the amount of \$312.16 are direct billed to Mr. Miller.

Mr. Miller has requested a monthly repayment plan in the amount of \$200.00 which would repay the debt in 88 months/8 years. The monthly payment required to repay the debt in 60 months/5 years is \$293.60.

After reviewing the case and some discussion, a motion was made by Executive Secretary Blair to deny Mr. Miller's request. The motion was seconded by Chairman Iglarsh and all were in favor.

Sandy Stith – SSA Overpayment

Sandy Stith was approved for a Non-Occupational benefit from SERS effective February 23, 2017.

Mrs. Stith was approved for a retroactive Social Security disability benefit effective July 1, 2017. The retroactive benefit created an overpayment to SERS totaling \$33,852.00 from July 1, 2017 through March 31, 2019. The current balance is \$2,311.20.

SERS sent the member a notification letter on May 2, 2019 that explains the calculation of the overpayment and what was due.

As stated in the SERS Board Policy, the Overpayment Section is to deduct ½ the gross of any benefit being paid toward an overpayment owed to SERS. The overpayment due is in accordance with 5/14-125 ILCS of the Pension Code.

Mrs. Stith's monthly gross disability payment is \$1,709.40. Federal tax in the amount of \$72.64 and health, dental premiums in the amount of \$97.00 are deducted. SRS is currently deducting \$770.40 that is applied to the overpayment which results in a monthly net payment of \$769.36.

Mrs. Stith has applied for retirement benefits effective August 1, 2019. Her pension benefit will be over \$2,000 per month. She has over 20 years of service which will allow her premium free health insurance and she will pay a monthly \$11.00 dental premium.

Mrs. Stith has requested a reduction in her monthly overpayment repayment from \$770.40 to \$250-\$300 per month. The reduced repayment amount of \$250.00 per month would repay the balance within 10 months. A reduced repayment amount of \$300.00 per month would repay the balance within 8 months. If SRS deducts an estimated \$1,000 (1/2) from her pension check, the debt would be repaid within 3 months or less.

Following some discussion, a motion was made by Vice-Chairperson Morris to approve Mrs. Stith's request. The motion was seconded by Chairman Iglarsh and all were in favor.

Tracy Tyler – SSA Overpayment

Tracy Tyler was approved for a Non-Occupational benefit from SERS effective December 30, 2016.

Ms. Tyler was approved for a retroactive Social Security disability benefit effective May 1, 2017. The retroactive benefit created an overpayment to SERS totaling \$19,425.00 from May 1, 2017 through July 31, 2018. The current balance is \$17,436.85

SERS sent the member a notification letter on August 16, 2018 that explains the calculation of the overpayment and what was due.

As stated in the SERS Board Policy, the Overpayment Section is to deduct ½ the gross

of any benefit being paid toward an overpayment owed to SERS. The overpayment due is in accordance with 5/14-125 ILCS of the Pension Code.

Ms. Tyler returned to work April 1, 2019.

Ms. Tyler is requesting a payment plan not to exceed \$150.00 per pay period. Based on the current balance owed, it would not be repaid for 117 months (10 years). To repay the current balance within 60 months/5 years, SRS would need a monthly payment of \$290.62/\$145.31 per pay.

Following a review of the facts of the case, a motion was made by Executive Secretary Blair to approve Ms. Tyler's request for a payment plan of \$150 per pay period. The motion was seconded by Chairman Iglarsh and all were in favor.

Amanda Hull – SSA Overpayment

Amanda Hull was approved for a Non-Occupational benefit from SERS effective May 9, 2014 to October 7, 2014 (returned to work October 8, 2014) and reinstated October 21, 2014 to present.

Ms. Hull was approved for a retroactive Social Security disability benefit effective October 1, 2014. The retroactive benefit created an overpayment to SERS totaling \$49,884.06 from October 1, 2014 through October 7, 2014 and October 21, 2014 through September 30, 2017. The current balance is \$20,334.08.

SERS sent the member a notification letter on October 16, 2017 that explains the calculation of the overpayment and what was due.

As stated in the SERS Board Policy, the Overpayment Section is to deduct ½ the gross of any benefit being paid toward an overpayment owed to SERS. The overpayment due is in accordance with 5/14-125 ILCS of the Pension Code.

Ms. Hull's monthly gross disability payment is \$548.08. SRS is currently deducting \$548.08 that is applied to the overpayment. At the time the overpayment was set up, she owed the \$49,884.06 so the gross amount of the check was used due to the time frame to repay the debt per policy (60 months) even though it would not have been paid in that time frame.

Ms. Hull is requesting SRS forgive the balance of the debt. To repay the current debt balance, a reduction in the payment to \$338.90 would repay the debt owed in 60 months (5 years) or continue with the \$548.08 which would repay the debt in 38 months (3 years and 2 months).

Following some discussion, a motion was made by Executive Secretary Blair to deny Ms. Hull's request to forgive the balance of her debt. The motion was seconded by Vice-Chairperson Morris and all were in favor.

Ricky Daugherty – Appeal to Receive Survivor Contribution Refund

Ricky Daugherty retired May 1, 2019. On his retirement application he listed himself as single with four dependents. He marked that none of the children were disabled, but one child is under 22. He did not mark the box indicating if he wanted a refund of the survivor contributions.

Mr. Daugherty is asking for the survivor contribution refund. His daughter, Hope Daugherty, is 20 years old and has submitted a statement that she is not a full-time student.

After review and some discussion, Chairman Iglarsh moved to approve Mr. Daugherty's request of the survivor contribution refund, seconded by Executive Secretary Blair. All were in favor.

Andrew Corcoran – Appeal to Receive Retroactive Pension

Andrew Corcoran applied for a retroactive pension to begin August 1, 2015. In June 2019, Mr. Corcoran purchased a six-month qualifying period.

Mr. Corcoran was not aware that this service purchase would make him ineligible for a retroactive pension benefit. He is requesting the service purchase be refunded to him so he can receive a pension effective August 1, 2015.

After review and discussion, a motion was made by Vice-Chairperson Morris to approve Mr. Corcoran's request that the service purchase be refunded to him, seconded by Chairman Iglarsh. All were in favor.

Michael Horve – Request to Re-Appeal – Occupational Disability Overpayment

At the January 10, 2019 Executive Committee, Michael Horve appealed to the committee requesting that the overpayment related to the occupational disability benefits he received be waived.

At the Executive Committee meeting conducted on February 14, 2019, the committee adopted counsel's recommendation effectively denying Mr. Horve's appeal. The reason being that Mr. Horve received a settlement from the Worker's Compensation Commission, and the System is required to offset Occupational Disability benefits by the amount payable from the Worker's Compensation Commission.

Mr. Horve is seeking a re-appeal contending that such settlement payable from Worker's Compensation Commission did not include any temporary total disability benefits for the period of October 21 through January 30, 2017.

After reviewing the case, a motion was made by Chairman Iglarsh to deny Mr. Horve's

request to waive his overpayment. The motion was seconded by Vice-Chairperson Morris. All were in favor.

Deshun Mims – Appeal Overpayment Amount – Temporary Disability

Deshun Mims was approved for a temporary disability benefit for SERS effective November 11, 2016.

Ms. Mims reached an agreed settlement with the Illinois Workers' Compensation Commission on September 19, 2018 and SERS received a copy of the agreement.

Ms. Mims was paid \$42,520.83 in SERS Temporary Benefits from November 11, 2016 through August 31, 2018. She was due \$12,756.25 in Occupational Benefits. After subtracting what was owed from what SERS paid, there is an overpayment of benefits in the amount of \$29,764.58. SERS owed an Occupational Disability benefit for the period of October 12, 2016 through November 10, 2016 in the amount of \$1,164.84. After subtracting the amount owed from the total overpayment, the remaining amount due to SERS is \$28,599.74. The current balance that Ms. Mims owes to SERS is \$24,213.62.

SERS sent Ms. Mims a notification letter on October 9, 2018 that explains the calculation of the overpayment and what was due.

Per SERS Board policy, the Overpayment Section is to deduct half the gross of any benefit being paid toward an overpayment owed to SERS. The overpayment due is in accordance with 5/14-125 ILCS of the Pension Code.

Ms. Mims' monthly gross disability payment is \$2,468.12. No federal tax is deducted. State Group Insurance premiums of \$279.20 are deducted and SERS is deducting \$1,234.06 to apply to the overpayment. Ms. Mims receives a monthly net amount of \$954.86.

Ms. Mims is appealing the payment amount. The current deduction amount of \$1,234.06 will repay the debt in 20 months. Ms. Mims is requesting a payment plan over 5 years in the amount of \$404.00 per month, to be raised to \$500.00 per month once she starts receiving benefits in 2020.

After reviewing the facts of the case, a motion was made by Executive Secretary Blair to deny Ms. Mims' request to reduce her monthly payment amount to \$404.00 per month. The motion was seconded by Vice-Chairperson Morris and all were in favor.

There being no further business to be brought before the Committee, the meeting was adjourned at 12:27 p.m.

The next meeting of the Executive Committee is scheduled for September 12, 2019, in the Springfield office, with video conferencing in Chicago.

Loren Iglarsh, Chairman

David Morris, Vice-Chairperson

Timothy Blair, Executive Secretary