

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

August 13, 2020

A meeting of the Executive Committee of the State Employees' Retirement System of Illinois was held on Thursday, August 13, 2020 at 8:45 a.m. in the System's Springfield office at 2101 S. Veterans Parkway and by videoconference as allowed under Section 7(e) of the Open Meetings Act (5 ILCS 120/7(e)) and Executive Order 2020-7, as amended and reissued by Executive Orders 2020-33, 2020-44, and 2020-48.

Committee Members:

Loren Iglarsh, Chairman
Tad Hawk, SERS Trustee
Timothy Blair, Executive Secretary

Others Present:

Jeff Houch, Assistant to the Executive Secretary
James Stivers, General Counsel
Eric Glaub, Manager, Claims Division
Steve Bochenek, System Attorney
Aaron Evans, Attorney, Sorling Northrup
Jessica Blood, Recording Secretary
Marissa Lange, Claimant
Johanna Miller, Claimant's Associate

Minutes of the Previous Meeting

The minutes of the July 9, 2020, meeting of the Executive Committee were presented by Chairman Iglarsh for approval. Copies of the minutes were previously emailed to Committee members for review. There being no additions or corrections, on motion by Executive Secretary Blair, seconded by Chairman Iglarsh and by unanimous vote, the minutes were approved as submitted.

Routine Claims Report

The Routine Claims Report for the month of July 2020 was presented. Following review and discussion, the Routine Claims Report for the period of July 2020, as prepared by staff, was received by the Executive Committee.

Old Business

Judith Lesser – Request to Waive Overpayment - Recommendation

Michael Lesser, a SERS annuitant, died on January 1, 2020. His surviving spouse is Judith Lesser. When Mr. Lesser retired, he did not elect the Social Security offset removal option. Consequently, when SERS staff applied the Social Security offset to Mrs. Lesser's survivor's annuity benefit, they relied on forms that had been completed by the Mt. Prospect Social Security Administrative office. These forms were not completed in the typical way, so staff sent the forms for review to the local Social Security contact person who has more experience completing the forms.

Because SERS wanted to ensure that Mrs. Lesser began receiving a payment and insurance benefits, the System processed a survivor annuity for Mrs. Lesser with the information on hand at the time, and Mrs. Lesser began receiving a monthly SERS survivor's annuity.

Once the revised forms were received from the local Social Security office, it was determined that the total amount Mrs. Lesser was eligible to receive from the Social Security Administration as a survivor was more than the original form had indicated. Under Section 14-121 of the Illinois Pension Code, the Social Security offset that is applied to the SERS survivor's annuity is determined by taking the amount the survivor can receive as a widow from Social Security, subtracting what the payee can receive on his or her own record, and then dividing that amount in half and subtracting the resulting quotient from the survivor's benefit. However, the offset cannot exceed 25% of the deceased member's retirement annuity.

Mrs. Lesser's first payment represented 3 months of survivor's benefits at the level that was based on incorrect information initially provided by the Social Security Administration, which created an overpayment of survivor benefits. Mrs. Lesser requested a personal hearing with the Executive Committee seeking either to waive the overpayment due to her contention that this was SERS's mistake or to enter into an affordable repayment plan.

After discussing the facts of the case at its July 2020 meeting, the Committee decided to refer the matter to outside counsel for a recommendation.

Attorney Evans presented recommendation No. 2020-6 to deny Mrs. Lesser's request. After some discussion, a motion was made by Chairman Iglarsh to adopt the recommendation. The motion was seconded by Trustee Hawk, and all were in favor.

New Business

Dashia Ricks-Carter – Appeal of Student Survivor Overpayment Repayment Terms – Deceased Mbr: Jesse Carter

Jesse Carter, a state retiree, died on February 18, 2015. Mr. Carter's surviving child, Dashia Ricks-Carter, had been receiving a monthly SERS survivor's annuity. A student certification was questioned by SERS for the Spring 2020 semester. The school confirmed the payee had not been in full-time student status since December 16, 2018, despite SERS having received certifications from Ms. Ricks-Carter, which indicated that she was a full-time student. As a result, SERS overpaid survivor's benefits to Ms. Ricks-Carter for the period of January 1, 2019 through February 29, 2020.

A payment of \$400.00 per month (not to exceed five years) would repay the balance due in 19 months. Ms. Ricks-Carter is requesting a reduced repayment plan of \$100.00 per month, which would repay the balance in 73 months.

After reviewing the facts of the case, a motion was made by Chairman Iglarsh to approve the request. The motion was seconded by Trustee Hawk, and all were in favor.

Claudia McAllister – Request for Reappeal of Overpayment Repayment Terms

Claudia McAllister requested a written appeal that was considered at the March 12, 2020, meeting of the Executive Committee. Ms. McAllister appealed to reduce the repayment terms of her nonoccupational disability benefit overpayment. The overpayment is due because she received retroactive Social Security Administration disability benefits.

Ms. McAllister's appeal was denied, but the Executive Committee agreed to reduce the repayment amount to \$297.88 per month. This monthly amount ensures full recovery of the overpayment within five years. The decision became final at the May 26, 2020 meeting of the SERS Board of Trustees.

On July 21, 2020, SERS received a letter from Ms. McAllister requesting a reappeal of the Board-approved repayment terms due to her current financial situation.

After concluding that no new information pertaining to the appeal had been submitted, a motion was made by Executive Secretary Blair to deny Ms. McAllister's request. The motion was seconded by Trustee Hawk, and all were in favor.

Bennie Horton Jr. – Appeal of Overpayment Repayment Terms

Bennie Horton, Jr., received a SERS temporary disability benefit from November 15, 2017 through July 15, 2019.

Mr. Horton's appeal for benefits under the Workers' Compensation Act was approved by the Illinois Workers' Compensation Commission and was received by SERS in October 2019. Due to the conversion from a SERS temporary benefit to a SERS occupational benefit, an overpayment was created for the period of November 15, 2017, through July 15, 2019.

SERS sent Mr. Horton a letter on October 23, 2019, explaining the calculation of the overpayment and what is due.

If the Overpayment Section deducted half of the gross of Mr. Horton's benefit and applied it to the overpayment owed to SERS, the balance would be repaid in 17 months. Mr. Horton is requesting a reduced payment amount of \$500.00 per month, which will repay the balance in 76 months (6 years, 4 months).

After review and some discussion, the Committee decided to defer action pending further research into the case.

Georgia Herchenrader – Appeal for Occupational Disability Benefit after Retirement

Georgia Herchenrader worked for the Illinois Department of Transportation and retired in December 2018. Notes in her file show Ms. Herchenrader had a prior period of occupational disability for which she could have applied for benefits. Applying for these benefits would give her additional service credit toward her retirement.

It was explained to Ms. Herchenrader that to receive a disability benefit after retirement, she would need approval from the Executive Committee.

Ms. Herchenrader applied for occupational disability benefits, which were processed and paid. Upon review by the Pension and Death Section regarding the increase in service credit, it was determined her case had not been heard by the Executive Committee.

SERS is requesting approval to have paid Ms. Herchenrader this occupational disability benefit after her retirement date and apply the corresponding service credits to her pension calculation.

Following a review of the case, a motion was made by Chairman Iglarsh to approve the request. The motion was seconded by Trustee Hawk, and all were in favor.

Kevin Ramp – Appeal for Survivor Contribution Refund

Kevin Ramp has applied to retire effective October 1, 2020. He completed his retirement application with "single" as his marital status and with a dependent child.

Mr. Ramp is appealing to receive the survivor contribution refund.

After discussing the facts of the case, a motion was made by Chairman Iglarsh to approve the request on condition that Mr. Ramp and his dependent child sign a waiver of SERS survivor benefits. The motion was seconded by Executive Secretary Blair, and all were in favor.

Lisa MacDonald – Appeal for Reversionary Annuity

Michael MacDonald retired June 1, 2012. He died on June 8, 2020, leaving a surviving spouse, Lisa MacDonald. Ms. MacDonald was expecting her husband's benefits to be set up as a reversionary annuity, but there is no record of this election in Mr. MacDonald's file.

Ms. MacDonald is appealing to receive a reversionary annuity.

After reviewing the evidence presented and some discussion, a motion was made by Chairman Iglarsh to deny the request because SERS has no records indicating that Mr. MacDonald had selected a reversionary annuity. The motion was seconded by Executive Secretary Blair, and all were in favor.

Maria Tan – Appeal of Disability Benefit SSA Offset

Maria Tan is employed as a Registered Nurse II for the Department of Human Services. She last worked on March 7, 2020 and began a medical leave of absence on March 8, 2020. A nonoccupational disability benefit was approved for Ms. Tan effective April 9, 2020 and remains active.

SERS was informed that Ms. Tan elected to receive a Social Security Administration (SSA) retirement benefit beginning April 2020. As noted and initialed on the SERS disability benefit application, nonoccupational disability benefits are offset by any disability benefit or retirement annuity received from SSA.

The SSA offset was first applied to the June 2020 disability benefit paid in July, therefore an overpayment exists for the April and May 2020 disability benefits previously paid.

Ms. Tan is appealing the SSA offset and related overpayment due.

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

Marissa Lange – Appeal Termination of Survivor Benefits – Deceased Mbr: Peter Ortiz – Personal Hearing via Videoconference – 9:00am

Marissa Lange, a surviving daughter of Peter Ortiz, had been receiving survivor's benefits as a disabled adult dependent since January 1, 2017. Through the annual benefit verification process, SERS staff discovered that Mrs. Lange was married on December 5, 2019, thereby rendering her ineligible for benefits as a survivor annuity beneficiary under Section 14-120 of the Illinois Pension Code. Additionally, an overpayment of benefits was created due to Mrs. Lange receiving benefits during the period of ineligibility.

Mrs. Lange claims that a SERS representative told her that marriage would not

impact her eligibility for survivor's benefits. Furthermore, she pointed out that such information is not available in the System's survivor's benefits handbook. Mrs. Lange has requested a personal hearing to appeal the termination of her survivor's benefits.

After hearing Mrs. Lange present her case and some discussion regarding the facts presented, the Committee agreed to refer the case to Attorney Bochenek for a recommendation.

Discussion – Staff Direction for SERS Member Indaleasa Hopkins

On October 13, 2004, Ms. Indaleasa Hopkins terminated service with the State of Illinois to avail herself of the ARCP program, which was established under Public Act 93-839 (eff. 7-3-04) and is now codified in Section 14-108.5 of the Illinois Pension Code (40 ILCS 5/14-108.5). In November 2004, Ms. Hopkins received two partial Alternative Retirement Cancellation Payments totaling \$107,985.38. One partial payment of \$1,135.82 was made directly to Ms. Hopkins, and another partial payment of \$106,849.56 was rolled over into a qualified plan.

On February 1, 2006, Ms. Hopkins returned to permanent State service. Under subsection (f) of Section 14-108.5 of the Illinois Pension Code, any person who receives an ARCP and who reenters State service is required to repay to the System—within 60 days—the amount by which the ARCP exceeded the amount of his or her refundable employee contributions. *See* 40 ILCS 5/14-108.5(f) (West 2020). Consequently, when Ms. Hopkins reentered State service, she was required to repay to the System \$79,452.66, which represented the difference between (i) the amount of the ARCP that she received (i.e., \$107,985.38) and (ii) her refundable employee contributions (i.e., \$28,532.72). This amount was statutorily required to be paid roughly contemporaneously with her return to service (i.e., by no later than April 3, 2006). However, as of August 4, 2020, the System was still owed \$43,272.55 (i.e., approximately 54%) of the \$79,452.66 that first became due in 2006.

Although Ms. Hopkins has not repaid the ARCP portion of her ARCP payment, the System inadvertently allowed her to execute an “Irrevocable Payroll Authorization of Permissive Service Credits or Redeposit of Contributions” agreement in August 2014, under which she agreed to pay \$74,363.83 (i.e., 119 payments of \$619.70 and one payment of \$619.53) for the period from September 1, 2014, through August 31, 2019, for the purchase of 310.50 months of service credit.

In August 2019, Ms. Hopkins was scheduled to finish making the payments required under the agreement with the System, and in early August of 2019, the System sent her a letter stating that the last payroll deduction for the service purchase would occur during the second pay period in August 2019. The System followed that letter up with the letter dated October 28, 2019, which expressly stated:

We have received your payment(s) of \$74,363.83 and have credited your SERS account with the appropriate contributions and 310.50 months of service credit. This should appear on your 2020 Annual Benefit Statement. Please keep this

letter for your record.

This letter was, however, inconsistent not only with the direction previously provided by the Executive Committee and the SERS Board of Trustees in 2019, but also with many of the System's previous actions and communications demanding repayment of the ARCP return-to-work assessment.

Currently, Ms. Hopkins is receiving a SERS non-occupational disability benefit, and the System is deducting one-half of that benefit each month and applying it toward the amount of the yet unpaid portion of the ARCP return-to-work assessment. As of the time of the meeting, the System has received a retirement application from Ms. Hopkins that it has not yet acted upon because of this question about service credit. Ms. Hopkins believes that her retirement annuity should be calculated based, in part, on the 310.50 months of service credit that the System indicated that it had granted her in the letter dated October 28, 2019. In addition, Ms. Hopkins is asserting that she should not be required to pay for State health insurance coverage because she is an annuitant and, with the 310.50 months of "purchased" service credit, has enough service credit to qualify for free healthcare coverage under the State Employees' Group Insurance Act. SERS staff is requesting direction from the Executive Committee regarding how to move forward with processing Ms. Hopkins' retirement application.

After discussing the facts presented and available options, the Committee directed SERS staff to process Ms. Hopkins' retirement application based on the service credit purchased and take half of the gross of any benefit provided to Ms. Hopkins going forward until the ARCP overpayment is repaid.

There being no further business to be brought before the Committee, the meeting was adjourned at 10:56 a.m.

The next meeting of the Executive Committee is scheduled for September 10th, 2020, in the Springfield office.

Loren Iglarsh, Chairman

David Morris, Vice-Chairperson

Timothy Blair, Executive Secretary