



JB Pritzker  
Governor

Kristin A. Richards  
Acting Director

Illinois Employment Security Advisory Board  
Video/Teleconference Meeting  
December 10, 2020  
10:00 A.M.

**Board Attendees:**

**Phone:** Jim Argionis  
Rob Karr  
Joanna Webb-Gauvin  
Pat Devaney  
Mark Denzler  
John Easton  
Mark Grant  
Rick Terven  
David Prosnitz  
John Gedney

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

**Agenda:**

1. A motion was made to approve the minutes from September 17, 2020. The motion was seconded, and the minutes were approved.
2. Director's Comments (Kristin Richards)

Thank you, Chairman Argionis, and ESAB members for providing IDES with the opportunity to meet with you today. The agency's focus remains on processing a historic number of unemployment claims – IDES has seen 9 times the amount of initial claims across all programs over this time last year – and processing benefits for eligible claimants.

Top of mind for the agency is the extent to which federal programs are set to expire week ending December 26, 2020. The federal response to the pandemic drove individuals – nationwide – to states' unemployment insurance agencies, and all states have worked hard to respond. IDES estimates that 447,500 claimants may lose access to unemployment insurance benefits with the expiration of PUA, PEUC, and part of Illinois' Extended Benefits program. To-date, IDES has paid out nearly \$19 billion in unemployment benefits under the regular UI program and the new federal programs. IDES had the opportunity to brief the Illinois Delegation staff on the need for program continuity prior to 12/26. And, we have started the difficult process of providing information to claimants on what it means if benefits do expire. Continuity in current federal unemployment programs is essential to claimants relying on these programs for assistance.

The agency is also committed to making process improvements to the services we provide claimants. Since we last met, IDES rolled out a series of new communications and enhanced our web access for those reaching out for help. IDES staff are also working with their WIOA partners on programs to assist displaced workers and developing new resources for our local workforce stakeholders. IDES continues to serve as a resource for stakeholders seeking data on the status of Illinois' economy and job market. I am deeply appreciative of my IDES colleagues across the state, and all our partners here today, for their work in the face of unprecedented circumstances. Thank you again, Chairman Argionis, for the opportunity to be here today – the IDES team looks forward to continuing our work with all of you.

### 3. Legal and Legislative Update (Kevin Lovellette)

As the year winds down, we enter an uncertain and rapidly changing legislative and regulatory environment. The initial CARES Act programs have or are nearing their expiration dates and the prospects at the federal level for their possible extension or replacement are unknown. Please look at the PDF in your packet materials titled "Significant Dates" which shows the significant program dates as well as interest accrual and repayment dates for federal advances. I would like to highlight some of these dates.

As you know, at the close of July, the FPUC program ended, which provided a \$600 supplement to both regular unemployment and PUA claims. This was replaced with the Lost Wages Assistance Program that provided an additional \$300 for six weeks when the funding allotted for that supplement was exhausted on September 5th.

December 26, 2020 is a highly significant date for unemployment programs this year. That is the last day for the PUA and PEUC programs; Illinois will lose 50% of federal funding for Extended Benefits which will also shorten to 13 weeks of coverage instead of 20 weeks; federal funding for 50% of reimbursable employer amounts due will expire; federal coverage of the first week of benefits known as the "waiting week" will expire; and federal funding for the first week of Extended Benefits will end for as long as the waiting week is waived.

One week later, January 2nd, marks the end of the cancellation of COVID-19 related benefit charges for Illinois employers, and the unemployment insurance eligibility for non-instructional educational employees that are between academic terms will end.

At the end of this year, interest free borrowing from the federal government ends, and on January 1, Illinois will begin to accrue interest on the total amount of outstanding federal advances to the Trust Fund. On September 30, 2021, the total outstanding interest on federal advances is due, potentially triggering partial loss of federal tax credit currently available to Illinois employers under FUTA.

January 1, 2022, marks the second calendar year that the Trust Fund would begin with outstanding federal advances. Illinois would need to pay all outstanding interest on federal advances by September 30, 2022, and all outstanding principle by November 10, 2022, to preserve full credit against the 2022 FUTA tax for Illinois employers.

Each consecutive calendar year thereafter that the Trust Fund begins with outstanding federal advances potentially triggers further loss of credit currently available to Illinois employers against the FUTA tax.

#### 4. Service Delivery Update (Trina Taylor)

The amount of fraudulent UI and PUA claims filed throughout the United States has reached historic levels. By far the largest source of fraudulent claims is through identity theft, where a criminal uses previously obtained personal identifying information to file in someone else's name. This type of attack on UI systems is not uncommon which is why the Department has dedicated staff assigned to detect and prevent fraudulent activity, along with the various crossmatch efforts during the claims filing process to reduce the number of occurrences. What is uncommon is the volume and frequency by which fraudulent claims have been filed since the implementation of the CARES Act programs. I will describe the steps IDES has taken to confront this massive wave of identity theft, but first I would like to briefly discuss the distinction between overpayments established due to fraudulent activity and overpayment activity associated with legitimate claims.

Overpayments connected to a valid claim for benefits occur for several reasons such as a claimant returning to work and continuing to collect payment without reporting earnings or when a separation issue is resolved after payment has been issued. These overpayments can be identified and recovered and the U.S Department of Labor has established two core standards specific to these overpayments. The first standard is the detection of overpayments which is defined as the percentage of detectable and recoverable overpayments established; and the second is UI overpayment recovery which is defined as the percentage of overpayments established that are recovered.

Fraudulent payment due to identity theft is not considered recoverable as it cannot be collected from the real owner of the social security number and therefore is not included in the two core standards mentioned above. Nevertheless, IDES has committed tremendous resources to stopping them. Through data analytics and our crossmatch efforts the Department has been able to detect and prevent (XXXX) of fraudulent claims from being established since (Month) of this year.

It is also through reports from both the claimant and employer community that the Department is made aware of fraudulent claims.

As an employer, if you receive a Notice of Claim informing you that an employee has filed a claim for benefits, please confirm if that employee is still working for you. If so, please ask whether the individual filed a claim. The best way to report fraudulent claims to IDES is by filing a timely protest to the Notice of Claim, providing the department with as much useful information as you can.

For an individual who has not applied for unemployment benefits but has had their personal information used to file a claim, please contact the Department to report what you received so the necessary steps can be taken to stop the claim. We also encourage individuals visit the IDES website and read the guidance for victims of identity theft in addition to reviewing the information

located on the Federal Trade Commission website on how to protect yourself from further acts of fraud

I would like to also mention that IDES continues to make improvements to the process of reporting identity theft and fraudulent activity. We hope to unveil further automation for individuals and employers reaching out to us to report identity theft.

Please look at the PDF document titled "Identity Theft Trends." This chart displays the number of Regular UI and PUA fraudulent claims that have been detected and stopped. Please note that the PUA system was not launched until May 11th, which is why there were no fraud claims detected in the PUA program prior to this.

In our effort to address this unprecedented level of fraud and aid victims of identity theft while continuing to process a record number of unemployment claims and pay benefits as accurately and timely as possible, the Department has been required to re-evaluate and modify all our existing processes, improve our technology, and expand our staffing. Some of these changes include:

- Adding over 100 additional staff to assist the Benefit Payment Control Unit in responding to fraud (this includes 94 vendor staff, retirees, and existing staff from other areas)
- Dedicating our entire Quincy Local Office staff full-time to address fraudulent activity detected from our crossmatch efforts as well as retraining all field office staff on how to detect and prevent fraudulent claims
- Modifying our automatic generated correspondence to prevent overpayment notices from being issued to victims of identity theft after their claim has been closed
- Developing a process which allows the real owner of the Social Security number to file a claim online and not be required to contact our call center
- Enhancing our crossmatch efforts and
- Modifying and improving our fraud and identity theft webpages

We continue to partner with and support law enforcements efforts to identify those responsible for this fraudulent activity and adopt new measures to safeguard the integrity of the UI Trust Fund and protect claimants and businesses from fraud.

## 5. Revenue Update and Trust Fund Report (Isaac Burrows)

### **Revenue Audit Integrity Update**

During our September meeting, our employer audit chart showed that we had completed less than .05% of the number of audits that we had during the same time frame the year prior. This was of course related to the COVID-19 pandemic forcing a suspension of audit functions beginning in March as most businesses were closed across the state. Our audit division returned to work in June and proceeded to adopt a number of creative strategies to continue integrity efforts as much as possible, using electronic outreach and other means of non-contact review.

Under our new Revenue manager Mr. Sydney Parks, the audit division expanded these efforts, and I am happy to report that they are nearing normal operational capacity. Please review the Employer Audits PDF in your packet. You will notice that beginning in September we have posted audit numbers comparable to Fiscal Year 2020 and we have now completed 58% of the audits during the same period. I am very proud of Sydney and his team for the efforts they have made and believe their remarkable work will stand out among our peers in Region 5 at the close of Fiscal Year 2021.

### **IDES Trust Fund Update**

As I reported at the last quarterly meeting in September, the Trust Fund entered into a deficit position on June 23, 2020 as a direct result of the COVID-19 dislocation that began in March 2020. As of December 8, 2020, the agency has incurred slightly over \$3 billion in Title XII Loan Advances. While we are performing ongoing analyses and monitoring the Trust Fund on a regular basis, current conditions suggest that it is reasonable to think that we will continue to be in a borrowing position in 2021 as well. We are currently projecting that we will secure an additional \$1.5 to \$2.0 billion in federal loan advances from December 2020 through March 2021.

I also would like to take this opportunity to share with you our projections on the associated interest cost on the federal loan advances. As Kevin explained, interest was waived on all federal borrowing through December 31, 2020. Based on our actual and forecasted Trust Fund loan advances needs, we are projecting that we will incur approximately \$97.5 million in interest through September 30, 2021 or \$145 million through December 2021. Please keep in mind that the decision on how to address the repayment of principal and interest is a discussion to be had among agreed bill stakeholders, and will involve the legislative process.

Unless there are any questions, I will turn it over to George to expand on the current deficit and trust fund projections in his economic outlook comments.

#### 6. Quarterly Financials Presentation (George Putnam)

The state's UTF account ended the 2019 calendar year with a positive balance of \$1.95B. Under the baseline projection, the 2020 year-end balance is projected to be negative -\$3.55B and to remain negative through 2023 – the extent of the forecast horizon – and close with a balance of -\$6.54B. The account is expected to run annual deficits from 2020 to 2022 and a slight surplus in 2023 (\$0.51B). Per recent legislation, these projections include the projected benefits paid to non-academic professional staff and the revenue impact of non-charging experience-rated and reimbursable employers through 1/2/2021.

#### 7. Open Discussion

#### 8. Adjournment