



JB Pritzker
Governor

Kristin A. Richards
Acting Director

Illinois Employment Security Advisory Board
Video/Teleconference Meeting
September 17, 2020
Minutes

Board Attendees:

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

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 June 18, 2020. The motion was seconded, and the minutes were approved.
2. Chairman Argionis, per ESAB operating resolution number five, made motion that John Easton be selected as Chair Pro-Tempore for the 2021 fiscal year. The motion was seconded, and John Easton was approved as Chair Pro-Tempore.

3. Director's Comments (Kristin Richards)

Thank you for the opportunity to introduce myself to the Employment Security Advisory Board as the Acting Director of the Illinois Department of Employment Security. I marked my one-month anniversary with the agency last Thursday, September 10th. It is clear to me that the agency is working overtime to stand-up new programs and find new ways to reach those that rely on the agency's services at this critical time. I look forward to working with all of you and hope that the information shared today provides you with an update on the agency's activities over the last three months.

4. Service Delivery Update (Trina Taylor)

During the last advisory board meeting, I informed the attendees that the U.S. Department of Labor waived the requirement of conducting quarterly UI Performance audits for the 1st and 2nd quarter of 2020 with a possibility that the waiver will be extended to include the 3rd and 4th quarter of this calendar year.



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Due to the overwhelming response and workload created as a result of the pandemic, it has been understood by the states as well as the U.S Department of Labor that the UI Performance: Core Measure and Secretary Standards would fall below the Acceptable Level of Performance (APL) starting 1st quarter of 2020 and until states begin to recover and reduce the workloads to a manageable level.

Although states were not required to, Illinois was one of two states (Indiana was the second) that moved forward and performed and conducted the quarter audit for quarter ending June 30, 2020 for several reasons. First, to see if our team has been able to maintain the accomplishments we have achieved since 1st quarter 2017, and second, to check what sort of impact the present circumstances have had on our performance.

Please look at the PDF document titled "IDES Core Measurements," which shows Department performance over the four quarters ending June 30th of this year. This report reveals that during the pandemic, the Department was still able to maintain the acceptable level of quality performance in nonmonetary determinations of both separation and nonseparation issues. We fell below the USDOL standard in other categories including: first payment promptness, nonmonetary determination timeliness, detection of overpayments and UI overpayment recovery.

While there have been reductions in payment and determination efficiency, we must keep Illinois' performance in context nationally, as all State Workforce Agencies have been severely strained by the economic effects of the pandemic. I would like to bring to your attention to the PDF document titled "Service Delivery National Rankings." The first page is a ranking of all 50 states in four Department of Labor Core Measurements of benefit payment timeliness, with the leftmost column showing the relative size of workforces in each state. The second page compares Illinois' UI performance to the top ten largest workforces, with Illinois having the 5th largest. Illinois ranked higher than Texas, California, New York, Michigan, Florida, Ohio, Georgia, Pennsylvania, and North Carolina in issuing initial payments within 14 days and within 35 days of filing a claim, the latter of which would involve claims that require resolution of a monetary or nonmonetary issue. Illinois also ranked higher than those states in issuing payments on continued claims or after the claimant has certified for benefits. In Illinois, 93.7% of our customers continued to receive timely payments as they completed bi-weekly certification. Illinois ranked second highest, following Texas, in issuing non-monetary determinations within 21 days.

Finally, I would like to briefly speak on our UI overpayment recovery and detection of overpayment performance measures which improved slightly for period ending June 30,2020 yet continued to fall below the passing percentage established by the U.S. Dept. of Labor. During previous discussions, I have shared strategies the department planned to implement in our efforts to improve these two measures, specifically our collaboration with the NASWA UI Integrity Center and the Integrity Data Hub in addition to increased targeted messaging during both the claim filing and certification process. These plans were disrupted at the beginning of the pandemic but will resume once our operations begin to recover.

The unit responsible for leading our integrity performance is the Benefit Payment Control unit. At the start of the pandemic, all our Benefit Payment Control staff were reassigned to assist with



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incoming calls and claims processing. As we entered the 2nd month of the pandemic until present, the unit's entire focus has been investigating and addressing fraudulent claim activity.

The department's response to the increased fraudulent activity includes:

- Ongoing collaboration with state and federal law enforcement agencies including the U.S. DOL-Office of Inspector General; Illinois Attorney General; the Federal Bureau of Investigation and the U.S. Secret Service.
- Working with DoIT and our internal technical team who are data mining to search for fraudulent patterns associated with claims to prevent payment from being released.
- Partnering with the Illinois Department of Financial and Professional Regulations- Banking Division to conduct outreach to banks and credit unions on UI benefit fraud.
- Working with our vendor banks (Key Bank and JP Morgan Chase) to run analytics and identify fraudulent payments.

Finally, the department updated our website, providing essential information to those who are victims of fraud, which includes a live presentation about unemployment insurance fraud, identity theft and steps to protect personal information.

5. Legal and Legislative Update (Kevin Lovellette)

As the economic dislocation from the COVID-19 pandemic continues to develop, the legislative and regulatory landscape does as well. While only one new program has emerged since we last met in June, several Federal and State laws continue to impact this Department and the claimants and businesses it serves.

The Federal Pandemic Unemployment Compensation (FPUC) program, which provided an additional \$600 in benefits for all claimants, ended on July 25th. Congress has yet to agree on a replacement for this program although negotiations are ongoing. An Executive Memorandum was issued by the President on August 8th which created the Lost Wages Assistance (LWA) program, similarly providing a supplement to existing benefit programs, but offering \$300 per week payable through a fund administered by the Federal Emergency Management Agency (FEMA). Further, to be eligible claimants must be receiving at least \$100 in benefits per week, and their unemployment must be related to the disruption caused by the pandemic. As this fund was only authorized to pay up to \$44 billion in benefits, as opposed to the \$250 billion paid through the FPUC program, it has already been exhausted after six weeks, according to FEMA. The program will pay the supplement to claimants who were eligible for it from July 26th to September 5th. Illinois received the original grant from FEMA on September 2nd, and on September 6th began paying the supplement to eligible claimants.

Federal emergency benefits such as the Pandemic Unemployment Assistance program (PUA) for self-employed workers, and the Pandemic Emergency Unemployment Compensation (PEUC) which provides an additional 13 weeks of regular benefits, will continue to be active through



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December 26th of this year. Other Federal programs that will expire on the same date include the 100% federal funding of state Extended Benefits, the flexibility of U.S. Department of Labor training and merit requirements for IDES staff, and federal reimbursement for 50% of amounts payable by not-for-profit and governmental employers.

At the state level, all benefit charges which are directly or indirectly related to COVID-19 will continue to be cancelled through January 2, 2021. Through the same period, non-instructional educational employees will remain eligible for unemployment benefits between academic terms. Finally, as of December 27th, due to the scheduled decrease in federal funding of Extended Benefits from 100% to 50%, 20 weeks of EB will no longer be available in Illinois, and EB, if still triggered on, will revert to 13 weeks.

*Board member John Easton asked whether the distribution of funds from the Lost Wages Assistance Program had begun, and if it was going smoothly. Kevin Lovellette replied affirmatively.

6. Revenue Integrity Update and Trust Fund Report (Isaac Burrows)

Revenue Integrity

On the Revenue side, at the June meeting I shared that I was very pleased with our Revenue Division and specifically our audit component of that team, which was led by our now retired Audit Manager, who was extremely instrumental in helping the agency meet and exceed the USDOL audit standards requirements for 2019.

We have hired a new Revenue Division Manager, Mr. Sydney Parks. Mr. Parks is working diligently to address the staffing issues due to retirements and attrition, and is focusing on getting the audit team re-engaged, as our audit activities were temporarily suspended due to the COVID-19 dislocation. As a result of the crisis, audit functions are still not operating as usual, and we will unlikely achieve the same success in 2020 as we did in 2019.

For reference, as a result of the COVID-19 pandemic, we suspended our audit functions on March 17, 2020, as most businesses were shut down across the state. There has been some return of business operations, although many are operating remotely or with limited staff. However, as of June 1st we returned our audit team and began working on alternative approaches and strategies to conduct audits. We have resumed sending appointment letters and contacting employers to send their records electronically to complete the audits that were started before the COVID-19 dislocation in March. However, what we have found is that many employers are uncomfortable sending their records electronically and while we have put a hold on those cases, we are investigating the use of a secure drop box for employers to place their records in, until we are approved to resume travel.



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Also, please take a moment to look at the Employer Audit chart. You will note that we have completed less than .05% of the number of audits that we would have at this same time last year as a result of the crisis. However, it's important to note that while most states suspended all audit activities, Illinois was the only state in Region 5 that continued to audit through August 1st. We are optimistic that our numbers will be pretty significant in comparison to other states in Region 5 on the quarterly ETA reports for the last three quarters of the year and that our audit activity will increase monthly through the end of the year.

IDES Trust Fund

As I reported at the last quarterly meeting in June, the Trust Fund was rapidly approaching a deficit balance, and on June 23, 2020, the agency incurred its first loan advance. The deficit position we find the Trust Fund in is a direct result of the COVID-19 dislocation that began in March 2020. As of September 15, 2020, the agency has incurred over \$1.8 billion in Title XII Loan Advances and we are currently projecting to continue incurring loan advances through the end of December 2020. George will expand on the current deficit and projections when he provides his economic outlook.

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 will update you at our next meeting on the first quarter projections for 2021.

7. 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 -\$4.01B and to remain negative through 2023 – the extent of the forecast horizon – and close with a balance of -\$7.65B. The account is expected to run annual deficits in each year through the end of the horizon. Per recent legislation, these projections include the projected benefits paid to non-academic professional staff and the revenue impact of non-charging employers.

*Board Member Mark Denzler asked George Putnam to provide the annual interest on four billion dollars borrowed from the Federal government. George deferred to CFO Isaac Burrows who indicated he would follow up after the meeting. In an email to Board members, Isaac wrote that if Illinois does not issue bonds to cover the expected \$4 Billion deficit that remains at the end of this year, and Congress does not extend any Federal waiver of interest on loans in 2021, we would be charged an interest rate of 2.4087009% and pay approximately \$96.4M over 12 months in interest.

*Board Member Mark Denzler later asked George what the projected growth in the State Experience Factor would mean for employer tax rates. He indicated he would follow up after the



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meeting. In an email to Board members, George wrote that the hypothetical example of a single employer with a Benefit Ratio of 3.7867%, a contribution rate of 3.425%, if we hold constant the benefit ratio, penalty rate, fund building rate, and taxable wage base, vary the state experience factor and ask the question, what is the impact on the employer's UI tax per employee (assuming that the employer is neither at the minimum rate nor the maximum rate). In this example, an increase in the state experience factor from 79% to 127% leads to an increase in UI tax per employee from \$436.35 to \$665.67.

8. Open Discussion

Caroline Harvey, a member of the public attending the meeting, suggested that the packet materials that were referenced during the presentations be shared on screen so that individuals that did not have them could view the documents. Chairman Argionis replied that it was a good idea, and the Department would try and do that for future meetings.

Dorothy Tucker, a reporter from CBS Chicago news, said that she had heard technical glitches were causing dropped calls to the IDES call center. She asked whether the agency was aware and if any action was being taken. Chairman Argionis indicated that she should reach out to Rebecca Cisco, Public Information Officer at the Department who would provide an answer. Rebecca replied by email and explained that the callback system is not one collective queue, it is broken into several categorical queues depending on the nature of the claimant's call. If a claimant is in the wrong queue their issue will be transferred to the correct queue and they will be called back without losing their place in line. If a call is dropped for any reason the claimant's information is retained and claims representatives are instructed to call the claimant back.

Jessalyn Fuentes, an Illinois Senate Republican staffer, requested that an update to the status of Department staffing be provided to the General Assembly for review.

9. Adjournment

This agenda conforms to the requirements of Section 2.02 of the Illinois Open Meetings Act (5 ILCS 120/02).

Any individual planning to attend who will need an accommodation under the Americans with Disabilities Act should notify the ADA coordinator at (312) 793-9290 or (888) 340-1007 (TTY/Texnet).