

MINUTES OF THE UNEMPLOYMENT INSURANCE BOARD  
MEETING APRIL 17, 2013  
INDIANA GOVERNMENT CENTER SOUTH  
10 N SENATE AVE  
INDIANAPOLIS, IN 46204

Members present were Paula Presnoples, President; Kevin Tully, Vice President; Pete Bitar; Dave Collins; Joe Evans; Stephen Gootee; Randy Maxwell; Otto Prow; and Kent Tolliver. Also in attendance from the Indiana Department of Workforce Development were Scott Sanders, Commissioner; Randy Gillespie, Chief Financial Officer; Jeff Gill, General Counsel; Joshua Richardson, Deputy Commissioner; and Michelle Marshel, Deputy Commissioner.

Ms. Presnoples welcomed guests; Brad Nemeth and Troy Kehoe.

Ms. Presnoples called the meeting to order at 10:00 a.m. and recognized a quorum was present.

#### COMMISSIONER'S REPORT

Commissioner Sanders asked everyone to join him in a moment of silence for the victims in Boston.

Commissioner Sanders noted he was not able to attend the January meeting. At this time everyone received handouts regarding the legislative update which Commissioner Sanders reviewed which included Senate Bill 465, Senate Bill 506, House Bill 1001, House Bill 1002, House Bill 1170, and House Bill 1457.

Commissioner Sanders reported on the fraud partnership the agency now has with the Marion County Prosecutor. This partnership Jeff Gill initiated gives the department the ability to fight UI fraud in every county and it is creating momentum across the state. The impact of the federal sequestration on Indiana is a 10.7% reduction in EUC weekly benefit amounts. Indiana was one of the first states to put this into effect.

Commissioner Sanders reported the new Voice Over Internet Phone (VOIP) system was implemented for adjudication, appeals, call center and tax. It gives the department the ability to record calls for appeals and enhances the operations of our system. Aspect, the old phone system, was no longer being supported and the change brings conformity with other agencies to enhance overall service.

Commissioner Sanders reported on the WorkOne Achievement Awards which took place yesterday at the State House along with the Governor's participation. Also, on Friday, April 19, Commissioner Sanders will be judging the outstanding senior award for the Jobs for America's Graduates (JAG) Career Development Conference.

Commissioner Sanders reported the first assignments given by the Governor to every agency were to read the book "*Good to Great*" and then put together a strategic plan. Commissioner Sanders handed out a chart showing Workforce Development having three functional areas: education and training, research and analysis and unemployment insurance. He explained the need for the department to reorganize and get the correct pieces under the correct area and stated that Josh Richardson would be elaborating on how the department will get UI under one umbrella and is taking a step forward to do so.

Commissioner Sanders reviewed the national map showing the region's unemployment rates by state for February, 2013, showing Indiana moved to 8.7%. The new rate data comes out Friday.

Ms. Presnoples opened the floor for questions. Stephen Gootee reported that in his industry there is still a skills gap. Commissioner Sanders explained people have been used to doing one thing for so many years, but they can come in and have a skills assessment done and they can find out what areas they can work in.

## OLD BUSINESS

Ms. Presnoples asked members to review the minutes from the January meeting. Mr. Gootee noted he had been present and Mr. Gillespie noted this would be corrected. With that Mr. Prow motioned for approval and Mr. Tully seconded the motion, motion approved.

## OPERATIONAL UPDATE

Mr. Richardson began the update by noting there are four Deputy Commissioner's with at least a portion of the UI operations of the agency - two of those units will be moving under the UI umbrella immediately, Mr. Gill's legal shop had benefit payment control, and Mr. Gillespie has had UI tax. Because of the complexity of the UI system the department needs to create a better organizational structure. Streamlining UI operations gives the department the ability to decide how to best utilize its resources. There are future plans to move customer service over from Ms. Marshel as well. He stated that he would provide an update on this at a later time.

Mr. Richardson discussed the "initial unemployment claims by week" chart and how they continue to come in lower than 2007. The next chart he discussed showed "claims paid" and offered the analysis that people receiving benefits on a weekly basis is near the lowest point on the chart. On the "current tiers of unemployment benefits available" graph, it was explained that extensions #1, #2 and #3 have been impacted by sequestration.

When speaking to the "claims past timeliness" chart, Mr. Richardson indicated that 87% first payment timeliness is the federal recommendation and pointed out that there are other relevant indicators to determine overall processing success. He stated that by working more broadly on all aspects of claims processing, the agency can provide more stability to processing time and how he would like to get to the point where 87% was the low watermark, some discussion ensued.

Mr. Gillespie reported to the members that Casey submitted her resignation on Monday and Cindy George was temporarily filling in as administrative support to the Board. He stated that he would get more information to the board in regards to who would permanently be providing support for the board. Mr. Gillespie reviewed the "tax enforcement audits" chart and "tax operations" citing operational changes that focus more on targeted audits rather than random as they allow the department to audit smarter and focus enforcement efforts where there will be a greater return. Indiana's UI Tax audit metrics are consistently twice the federal standard with 2% of wages audited and 2% of employers audited each year. Mr. Gillespie asked for questions about tax operations and there were none. Mr. Gillespie moved on to the trust fund update. He reported that as of the first of April there was nationwide indebtedness of \$39B related to UI trust fund loans which goes back to 2008. He referred to the slide with the national map and referred to Indiana's balance of \$1.78B as of that morning. The next slide he discussed showed

that in 2012 Indiana's unemployment system brought in more revenue than was paid out in benefits. Mr. Gillespie commented that this has not happened since 2000 and is further indications that the solvency solution implemented in HB1450-2011 is on track and working as intended. Mr. Bitar asked if we are on track in terms of indebtedness and Mr. Gillespie referred to the next slide. He showed how premiums came in 1% less than initially projected in 2011, while benefits were 16% lower than projected. He also discussed the FUTA penalty that came in 12% lower than projected and how the interest surcharge revenue was not required to be as high as projected because the rate on the loan decreased, leading to the outstanding balance being lower than projections. The federal interest rate on the loan is 2.58% for 2013, down from 2.94% in 2012 and 4.08% in 2011. The agency lowered the employer surcharge of 13% in 2011, to 8% in 2012 and 7% in 2013. Mr. Gillespie explained that first quarter tax payments are due April 30<sup>th</sup> and the department expects to receive 50-60% of annual revenue in the next few weeks. Mr. Gillespie opened the floor for questions and there were none.

Mr. Gillespie closed by reviewing the "penalty and interest fund" slide. He discussed how revenues totaled \$2.2M for the first quarter with \$1.14M in expense, including overflow payment to the trust fund and how the department has sent about \$8.5M to trust fund since 2011. Currently there is \$8.5M balance in the P&I fund. There were no questions.

## NEW BUSINESS

Ms. Presnoples asked whether the board members have had a chance to review the UI Annual Report. Mr. Bitar made a recommendation to change wording of last sentence of report where it states "encourages the Governor to support measures that strengthen the integrity of the UI system..." to a stronger word than strengthen. Ms. Presnoples referred to Mr. Gillespie and he said one thing we try to do is improve the system and the board can encourage changes to the law that improve the overall integrity of the system. HB1457-2013 is an example of that and the board can discuss ideas as to how the system can be improved and use this forum to communicate and encourage changes. Mr. Gillespie said we will send out new language to the board for consideration and then board members can suggest changes via email that we will discuss at the next meeting where the recommendation will be finalized. Ms. Presnoples told the members if there is anything else that comes up during review to let us know and we will decide on it at the next meeting.

Ms. Presnoples moved on to election of new officers. After very brief discussion Mr. Evans made a motion to nominate Ms. Presnoples to stay on as President and Mr. Tully to stay on as Vice President. Mr. Tolliver seconded said motion and all were in favor, motion carried.

Mr. Collins addressed the board regarding only having quarterly meetings and requested that be changed to bi-monthly since there was a full membership of the board at this time. There was further discussion. Mr. Gillespie asked for clarification of the financial information they would want if the meetings were bi-monthly and Mr. Evans said if the financial information is done by the month it could be reported to them by the month. Mr. Bitar said he would be in favor of bi-monthly and that more frequency would make for a more active member. Ms. Presnoples asked if there were any other comments. Commissioner Sanders pointed out that the April meeting is the annual meeting so as long as they meet on the even months of the year, bi-monthly meetings work for the annual meeting. Mrs. Presnoples indicated that the next meeting would be held in June. Mr. Gillespie reported he will bring in the grantees to this meeting. Mr. Collins made a motion to change the board meetings to every other month in the even months of the year. Ms. Presnoples asked before we vote is there anything else. Ms. Presnoples asked if all were in favor

and motion carried.

#### PRIVILEGE OF THE FLOOR

Ms. Presnoples thanked Cindy George for serving as clerk for the board at this meeting. Mrs. Presnoples asked if there were any other comments at this time and there were none.

The next board meeting will be held on June 19, 2013. Ms. Presnoples instructed the board they would discuss the annual report at that time and will have grantees there as well.

#### ADJOURNMENT

Meeting adjourned at 11:30 am.