



# Department of Workforce Services

DWS Employment Advisory Committee

January 7, 2010 Meeting

## Unemployment Compensation Social Security Offset

### Utah's History with Social Security Offset

- When a person receives Social Security retirement benefits these benefits are counted against (offset) that person's unemployment insurance (UI) benefit amount. This is referred to as the Social Security Offset.
- HB 8, enacted in the 2004 General Session, provided that only 50 percent of a person's Social Security retirement benefit would be used to offset the UI benefit amount. HB 8 had a 3-year sunset provision
- The 3-year sunset provision was extended another four years by HB 18 of the 2006 General Session. HB 18 also codified that all benefit costs attributable to this provision will be charged to federal Reed Act Funds.
- In May 2006 DWS was notified by the U.S. Department of Labor that all benefit costs must be charged back to the employer, not to federal Reed Act Funds. Senate Bill 11 of the 2007 General Session made this correction.
- HB 8 will sunset in 2010 if no legislation is enacted in the 2010 General Session; UI claims effective after June 27, 2010 will be offset or reduced by 100 percent of the claimants Social Security Retirement benefits.
- **Net Impact on Claimants, Employers, & Benefit Costs with current 50% Offset:**
  - FY 2006: 539 Claimants, 553 Employers, \$291,337
  - FY 2007: 511 Claimants, 606 Employers, \$340,395
  - FY 2008: 652 Claimants, 789 Employers, \$531,404
  - FY 2009: 1,124 Claimants, 1,178 Employers, \$1,623,167
  - 4-Year Avg.: 707 Claimants, 782 Employers, \$696,576
- **Net Impact on Claimants, Employers, & Benefit Costs with a 0% Offset:**
  - FY 2006: 539 Claimants, 553 Employers, \$609,248
  - FY 2007: 511 Claimants, 606 Employers, \$733,948
  - FY 2008: 652 Claimants, 789 Employers, \$1,134,362
  - FY 2009: 1,124 Claimants, 1,178 Employers, \$4,223,121
  - 4-Year Avg.: 707 Claimants, 782 Employers, \$1,675,170

### Social Security Offset Nationally

- Puerto Rico and the Virgin Islands have a 100 percent offset
- Seven states have a 50 percent social security offset. However, two of these states have no reduction provided their UI Trust Fund balance is adequate. One state has no reduction if base period wages were earned while the claimant was already qualified to receive social security retirement benefits.
- 43 states currently have no social security offset provision



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- **The Workforce Services Employment Advisory Council met October 15, 2009 and unanimously endorsed a proposal to:**
  - Effective July 4, 2010 eliminate the Social Security Offset (0 percent offset) on any new unemployment claim.
  - Effective July 4, 2010 reduce the weekly UI benefit amount and the maximum weekly benefit amount by \$3 per week.
  - The Department estimates that the increased benefit costs associated with eliminating the Social Security Offset will be offset by the reduced calculated weekly benefit amount payable to UI claimants; provided they are implemented at the same time, thus the proposal is revenue neutral.
  
- **The Workforce Services Community & Economic Development Interim Committee met October 21, 2009 and unanimously endorsed the proposal of the Employment Advisory Council (above)**
  - The Committee agreed to move forward with the proposal as a committee bill in the 2010 Legislative General Session
  - Representative Steven Mascaro opened a bill file (HB 43) as the chief sponsor of the legislation on December 11, 2009.
  
- **Congress passes legislation on December 19, 2009 to extend the \$25 per week Federal Additional Compensation (FAC) program for an additional two months.**
  - Section 2002 of the of the American Recovery & Reinvestment Act (ARRA) of 2009 was amended to change the expiration date of the FAC program (the end of the “phase out” period) from June 30, 2010 to August 31, 2010.
  - Utah entered into an agreement with US Department of Labor in February 2009 to administer the federally funded FAC program.
  - Section 2002 of ARRA provides for a “**Non-reduction Rule**”, which provides that the state will not reduce the calculation of the “Average Weekly Benefit Amount” payable during the period the FAC program is in effect, from which would otherwise have been payable, under state law, as was in effect on December 31, 2008.
  - HB 43, as drafted at the direction of the October Interim Committee, provides that implementation of the “zero offset” and \$3.00 per week reduction in the calculated Utah weekly benefit amount become effective to an individual whose benefit year begins after July 3, 2010. The effective date must be changed to after September 4, 2010; otherwise the bill would jeopardize receipt of approximately \$1.5 million per week in federally subsidized FAC payments to 57,000 unemployed Utahans for violating the “Non-Reduction Rule”.
  - Another issue that needs to be addressed is what the social security offset should be for all new claims filed between July 4<sup>th</sup>, 2010 and September 4<sup>th</sup> 2010? Under current statute the 50 percent offset will sunset and a 100 percent offset will become effective for two months. The cost would be approximately \$270,000 for continuing the 50 percent offset for two additional months.