

**JUDGES' RETIREMENT SYSTEM OF ILLINOIS
MEETING NO. 339
MINUTES OF THE REGULAR MEETING
OF THE BOARD OF TRUSTEES**

April 20, 2018

A meeting of the Board of Trustees of the Judges' Retirement System convened on Friday, April 20, 2018, at 10 a.m. in Room N-703 of the Michael Bilandic Building, 160 North LaSalle Street, Chicago, Illinois.

Roll Call was taken with the following trustees in attendance:

Justice Mary S. Schostok, Chairperson
Judge Debra Walker, Proxy for Chief Justice Lloyd Karmeier
Rodrigo Garcia, Proxy for State Treasurer Michael Frerichs

Absent was:

Justice James R. Moore, Vice-Chairman
Judge John C. Anderson

Others present:

Timothy B. Blair, Secretary
Angie Ackerson, JRS Division Manager
Jeff Houch, Assistant to Secretary
Alex Rivera, Consulting Actuary, Gabriel, Roeder, Smith & Co.
Neil Nguyen, Consulting Actuary, Gabriel, Roeder, Smith & Co.

With a quorum present, Chairperson Schostok called the meeting to order at 10 a.m.

PUBLIC COMMENTS

Chairperson Schostok asked if any members of the public wished to address the Board. There were no members of the public in attendance.

REPORT OF CONSULTING ACTUARIES

Alex Rivera and Neil Nguyen of Gabriel, Roeder, Smith & Company (GRS), Consulting Actuaries, distributed the annual Economic Assumption Review.

Annual Review of Economic Assumptions. Mr. Rivera began his presentation by noting GRS had reviewed the three major economic actuarial assumptions used to prepare the annual actuarial valuations: investment return, price inflation, and wage inflation/salary increases. Based on the asset allocation of the investment portfolio and the expected long-term rate of return of the various assets classes as provided by three investment consultants, Mr. Rivera indicated there is a 55.12% likelihood of achieving the 6.75% annual return over a 20-year period. This compares to a 57.22% likelihood when using the ISBI return expectations as provided by Meketa, the ISBI investment consultant. Consequently, Mr. Rivera recommended no changes to the current investment return assumption of 6.75%.

Mr. Rivera recommended a 25 basis point decrease in the inflation assumption based on a inflation forecast by the Federal Reserve Bank and inflation projections from seven independent investment consulting firms. Mr. Rivera recommended decreasing the inflation assumption to 2.50% from the current 2.75%. In addition, he recommended the total wage inflation assumption be decreased from the current 3.0% to 2.75%. Judge Walker moved to approve the recommended assumption changes and Trustee Garcia seconded the motion. All were in favor.

MINUTES OF PREVIOUS MEETING

The minutes of Meeting No. 338 held on January 12, 2018, were presented by Chairperson Schostok for approval. Copies of these minutes were previously submitted to all trustees for preliminary review. On a motion offered by Judge Walker and seconded by Trustee Garcia, the minutes of the meeting held January 12, 2018 were unanimously approved.

READING OF COMMUNICATIONS

Justice Schostok asked Secretary Blair if there were any communications to report or review. He distributed copies of the FY 17 financial audit, which contained no findings. He noted the FY 17 compliance audit would be released in the next few weeks and that he would forward an electronic copy when it's officially released.

REPORT OF CHAIRPERSON

Chairperson Schostok offered no report.

REPORT OF ANY TRUSTEE

No reports were offered.

REPORT OF SECRETARY

Preliminary Review of FY 19 Operations Budget. Secretary Blair presented the FY 19 Preliminary Operations Budget Request noting the request is a decrease of \$35,525, or 3.68%, from the FY 18 budget. He reviewed the items having a cost impact on the FY 19 budget, including an increase of \$7,425 for employer contributions to the State Employees' Retirement System (SERS) due to the employer contribution rate increasing from 47.342% in FY 18 to 51.614% in FY 19. In addition, the request includes a decrease of \$15,450 in the personal services line due to a \$20,600 decrease in shared JRS/GARS payroll from FY 18 to FY 19, and a \$20,000 decrease in the Contractual line. Secretary Blair concluded by mentioning the JRS Assistant Manager is retiring in October and will be replaced by a lead worker.

The FY 19 JRS budget request totaled \$930,550, a decrease of \$35,525 from the FY 18 budget. Following review of the information presented to the Board, Judge Walker moved to approve the preliminary FY 2019 budget. Trustee Garcia seconded the motion and all were in favor.

December 31, 2017 and March 31, 2018 Financial Statements. Secretary Blair briefly reviewed the financial statements and noted for the Board that JRS had not withdrawn any funds from the ISBI investment portfolio between July 1, 2017 and March 31, 2018. He added that he expects to transfer \$5 million to the ISBI investment portfolio during FY 18 provided JRS continues to receive State contributions in a timely manner.

Secretary Blair reported a \$39.3 million cash balance at March 31, and noted that approximately \$12.1 million a month is paid in benefits, while approximately the same amount is contributed by the state and JRS participants. Judge Walker moved to approve the financial statements. The motion was seconded by Trustee Garcia, and all were in favor. Official copies of these Financial Statements have been made a part of these minutes as *Exhibit A*.

FY 18 Funding Update. Secretary Blair told the Board that the Comptroller's Office is current in making the state contributions and there have been no delayed payments in FY 18. He added that JRS has received an estimated \$114 million in FY 18.

Legislative Review. Jeff Houch, Assistant to the Secretary, referred the Board to his report and noted that appropriation bills in each chamber provided the full FY 18 certified amount of \$140,469,000. Mr. Houch then discussed HB 4413, which requires all retirement systems under the Illinois Pension Code to livestream all meetings that are subject to the Open Meetings Act. If passed, arrangements will need to be made to comply with this new law. Mr. Houch then reviewed HB 4414, which would require Senate confirmation for future state retirement system Executive Directors and Chief Investment Officers. Finally, Mr. Houch confirmed that the "Tier 3" trailer bill, SB 779, does not include JRS and he did not expect Tier 3 legislation that impacts JRS to pass in Spring 2018.

REPORT OF THE MANAGER

Annuities and Refunds for Approval. Angie Ackerson, Division Manager, reported thirteen retirement annuities processed since the last Board meeting totaling \$141,113.11 per month and six survivor annuities totaling \$32,504.46 per month. A review of the refunds for approval reflected four error refunds totaling \$1,867.90. There being no questions, Judge Walker moved for approval of the annuities and refunds as presented and Trustee Garcia seconded the motion. The motion passed unanimously.

Deaths of Members. Ms. Ackerson reported the deaths of eight JRS members since the January meeting. This report is made a part of these minutes as *Exhibit B*.

UNFINISHED BUSINESS

No old business was reported.

NEW BUSINESS

No new business was reported.

ADJOURNMENT

There being no further business to be brought before the Board, Judge Walker moved to adjourn at 11:15 a.m. Her motion was seconded by Trustee Garcia and passed unanimously.

Timothy B. Blair, Secretary

Date: _____

APPROVED:

Chairperson Mary S. Schostok