

**JUDGES' RETIREMENT SYSTEM OF ILLINOIS
MEETING NO. 309
MINUTES OF THE REGULAR MEETING
OF THE
BOARD OF TRUSTEES

JANUARY 28, 2011**

The regular meeting of the Board of Trustees of the Judges' Retirement System convened on Friday, January 28, 2011, at 10 a.m. in Room N-1810 of the Michael Bilandic Building, 160 North LaSalle Street, Chicago, Illinois.

Roll call was taken with the following trustees in attendance:

Justice Thomas E. Hoffman, Chairman
Justice John J. Bowman, Vice-Chairman
Justice Themis N. Karnezis, Proxy for Chief Justice Thomas L. Kilbride
Chief Judge Timothy Evans
Edmund P. Michalowski, Proxy for State Treasurer Dan Rutherford

Other present:

Timothy B. Blair, Secretary
Jayne L. Waldeck, Manager, Judges' Retirement System
Scott Richards, Illinois State Board of Investment
Brad Rightnowar, State Treasurer's Office

REPORT OF THE ILLINOIS STATE BOARD OF INVESTMENT (ISBI)

Scott Richards, ISBI, distributed copies of the Flash Report dated December 31, 2010, to the Board members present. He indicated that the equity markets are strong and the total ISBI portfolio is up 14.4% fiscal year to date. Mr. Richards reviewed the allocation chart which indicated that the U.S. Equity is a bit overweighted in the portfolio, as are Fixed Income and International Equity. The Real Estate and Infrastructure asset classes continue to be underweighted due to the relatively poor performance of these asset classes.

Chief Judge Evans questioned the effect the recently enacted income tax increase would have on JRS and what the bonding bill means to JRS. Secretary Blair informed the Board members that the State had recently contributed slightly more than \$15 million to JRS, representing the July and August 2010 employer contributions. The remainder of the required FY 2011 employer contributions will be remitted to JRS after the sale of the newly authorized bonds. Secretary Blair also informed the Board that the income tax will most likely help JRS

receive employer contributions in a more timely manner. Prior to the \$15 million in employer contributions, JRS was drawing down almost \$7 million per month to pay JRS beneficiaries.

Justice Bowman questioned the estimated income investment management fees found on page 14 of The Flash Report. Chairman Hoffman responded to Trustee Bowman's concerns regarding the investment management fees. Further discussion and questions followed and Scott Richards was excused from the meeting. A copy of the Flash Report is maintained in the office of the Illinois State Board of Investment.

MINUTES OF PREVIOUS MEETING

The minutes of Meeting No. 308 held on October 22, 2010, were presented by Chairman Hoffman for approval. Copies of these minutes were previously submitted to all trustees for preliminary review. On motion by Trustee Bowman and seconded by Trustee Karnezis, the Board unanimously approved the minutes of the October 22, 2010 meeting as submitted.

READING OF COMMUNICATIONS

Secretary Blair informed the Board that the IRS sent a letter with follow-up questions on the qualified plan application filed in January 2009. Discussion was held with no action taken.

REPORT OF THE CHAIRMAN

The Chairman had no report.

REPORT OF THE SECRETARY

A. FY 2011 State Contributions and Bonding Law. Secretary Blair informed those present that within the last two weeks the Judges' Retirement System received \$15 million for FY 2011 representing the July and August employer contributions. The Bonding Bill also passed the legislature which will allow the State to make the remainder of the required FY 2011 employer contribution to JRS. Secretary Blair told the Trustees the timing of the bond sale and remittance of proceeds to JRS is uncertain at this time.

B. Recertification of FY2011 State Contributions. Secretary Blair indicated that the Board needs to recertify the state contribution requirement for FY 2011 (current year) to assume the new Tier 2 legislation would have been in effect when the FY-2011 state contributions were originally certified. Discussion was held and Chairman Hoffman reviewed the funding projection table through FY 2045. Following some discussion, Trustee Karnezis moved to approve the recertification of FY 2011 State Contributions in the amount of \$62,377,000. Trustee Michalowski seconded the motion and all were in favor.

C. Financial Statements and Report of Administrative Expenses. Secretary Blair directed the trustees' attention to the financial statements for the period July 1, 2010 through December 31, 2010. He reviewed the Statement of Cash Receipts, Disbursements and Balances for the quarter, showing \$39,500,000 was drawn down from the sale of investments during the period. Participants contributed almost \$8 million. The cash balance at December 31, 2010 totaled \$15,487,965.61, reflecting the staff's goal of maintaining a cash balance of approximately two months of benefit payments. Secretary Blair further informed the trustees that because of recent payments of employer contributions and the bonding legislation, the total projected transfer from ISBI for FY 2011 will be approximately \$24 million (Schedule 3). Following some discussion, Trustee Karnezis moved to approve the Financial Statements and Report of Administrative Expenses for the period ending December 31, 2010. Trustee Bowman seconded the motion and all were in favor. Official copies of these financial statements have been placed on file and made part of the minutes of this meeting as Exhibit A.

REPORT OF MANAGER

Annuities and Refunds for Approval. Ms. Waldeck reviewed the listings of 44 retirement annuities processed since the last meeting totaling \$475,391.17 per month. Following review of the list, Trustee Karnezis moved for approval with Trustee Bowman seconding the motion. All were in favor. She also reported four survivor annuity benefits were processed in the total amount of \$29,479.54 per month. Trustee Evans moved for approval of the payment of the survivor annuities with Trustee Michalowski seconding his motion. All were in favor. Also submitted for the review of the Board was one survivor annuity refund and one termination refund totaling \$111,502.40. Trustee Evans moved to approve the payment of these refunds with Trustee Karnezis seconding the motion. The motion passed unanimously.

Deaths of Members. Ms. Waldeck reviewed the list of five members whose deaths were reported during this period. This report is made part of these minutes as Exhibit B.

NEW BUSINESS

Legislation. Secretary Blair informed the JRS Board that the State Employees' Retirement System (SERS) wants legislation drafted that would require the State to fund the retirement systems in compliance with the recommendations of the Governmental Accounting standards Board (GASB). GASB recommends an amortization period of not more than 30 years with a targeted funded ratio of 100%. The current funding plan covers 35 years with an ultimate funded ratio target of 90%. Secretary Blair promised to keep the Board informed of the status of the proposal.

Secretary Blair informed those present that Comptroller Judy Baar Topinka, who also serves as Chairwoman of the SERS Board of Trustees, is proposing legislation that would allow her to make partial payments on vouchers. Ultimately, this authority would allow the

Comptroller to pay partial employer contributions to JRS, which is preferable in most cases to waiting a longer period for the whole monthly employer contribution.

Tier 2 Pension Reform Bill. Secretary Blair explained the administrative bill to fix the various administrative issues with the Tier 2 legislation had been passed by the General Assembly and signed by the Governor. All of the affected retirement systems had been working on this legislation with partisan legislative staff over the last several months.

Ethics Training. Chairman Hoffman explained the Ethics Training for Board members requires eight hours per year as determined by the Supreme Court. Chairman Hoffman sent the new Chief Justice this information and is awaiting a response.

ADJOURNMENT

There being no further business to be brought before the Board, Trustee Karnezis moved to adjourn at 11:35 a.m., seconded by Trustee Bowman. Chairman Hoffman announced the next scheduled meeting will be Friday, April 1, 2011.

Timothy B. Blair, Secretary

Date: _____

APPROVED:

Chairman