

**JUDGES' RETIREMENT SYSTEM OF ILLINOIS  
MEETING NO. 325  
MINUTES OF THE REGULAR MEETING  
OF THE BOARD OF TRUSTEES**

**January 9, 2015**

A meeting of the Board of Trustees of the Judges' Retirement System convened on Friday, January 9, 2015, 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 Mary S. Schostok, Chairperson  
Justice James R. Moore, Vice-Chairperson  
Judge John C. Anderson  
Bridget Byron, Proxy for State Treasurer Dan Rutherford  
Judge Debra Walker, Proxy for Chief Justice Rita Garman

Others present:

Timothy B. Blair, Administrative Secretary  
Jayne L. Waldeck, Manager, Judges' Retirement System  
Jeff Houch, Assistant to Secretary  
William Atwood, Illinois State Board of Investment  
Alex Rivera, Gabriel Roeder Smith & Company  
Paul Wood, Gabriel Roeder Smith & Company

With a quorum present, Chairperson Schostok called the meeting to order at 10 a.m. and congratulated Justice Moore for his appointment to the Appellate Court.

**PUBLIC COMMENTS**

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

**REPORT OF THE ILLINOIS STATE BOARD OF INVESTMENT (ISBI)**

William Atwood, ISBI Executive Director, distributed copies of the Flash Report dated November 30, 2014, and focused on performance over the last year. He indicated that the portfolio is doing well, even though a few of the portfolios were underperforming their benchmarks. He emphasized the Board's high level of confidence in Marquette and Associates and noted the total portfolio had provided an 8.7% return, gross of fees, over the 12 month period ending November 30, 2014 compared to a benchmark rate of return of 8.1% over the same period. Mr. Atwood briefly highlighted a few assets classes and offered to entertain questions. There being none, Chairperson Schostok thanked him for his informative report and excused him from the meeting.

Trustee Walker moved to approve the ISBI report and Trustee Moore seconded the motion, which passed unanimously. A copy of the November 30, 2014 ISBI Flash Report is maintained in the ISBI office and made part of these minutes as *Exhibit A*.

## **REPORT OF CONSULTING ACTUARIES**

Alex Rivera and Paul Wood of Gabriel, Roeder, Smith & Company (GRS), Consulting Actuaries, distributed the final version of the June 30, 2014 actuarial valuation. Mr. Rivera introduced himself and informed the Board there would be three items discussed; the State Actuary's report and the GRS/JRS response, stress testing and potential options for adopting a funding policy for financial reporting purposes.

**State Actuary's Report.** Mr. Rivera began by noting the State Actuary's report concluded that the assumptions and methodology used for the FY 2014 valuation were an improvement over those used in the last two valuations. He then voiced his agreement with the State Actuary that the current statutory funding plan does not comply with Actuarial Standards of Practice. Mr. Rivera continued by noting the State Actuary recommended conservative actuarial assumptions. He stated that GRS believes actuarial assumptions should be set based on expectations of future experience and that the current JRS assumptions are reasonable.

Mr. Rivera continued by reviewing the remainder of the State Actuary's recommendations. A letter outlining all of State Actuary's recommendations and the GRS/JRS response to these recommendations is attached and made a part of these minutes as Exhibit B.

**Stress Testing.** Mr. Rivera referred the Board to a handout detailing the result of various stress testing scenarios, as recommended by the State Actuary. Some scenarios used a 4% rate of return (static and variable) to project the future funded ratio of JRS and the resulting effect on State contributions. In addition, the effect of volatility assuming the current long term return of 7% annually was provided.

The impact of applying a 4% rate of return, static or variable, significantly reduces the funded ratio of JRS over the remainder of the funding plan, thus greatly increasing the required State contributions to JRS through FY 2045. The stress testing results are made a part of these minutes as Exhibit C.

**Funding Policy.** Mr. Wood continued the GRS presentation by distributing a handout containing information on possible funding policies for the consideration of the Board. He began by noting the implementation of Governmental Accounting Standards Board (GASB) Statement #67 requires, for financial reporting purposes, an "Actuarially Determined Contribution" or ADC. In order to comply, the Board should consider the adoption of a funding policy.

Mr. Wood provided that a funding policy should include a reasonable cost allocation methodology, adequate actuarial assumptions, an asset smoothing method and a reasonable period and methodology for the amortization of unfunded liabilities. He briefly reviewed several funding policy possibilities and offered to answer any questions of the Board.

After a few brief questions regarding funding policies, Chairperson Schostok asked if there was a motion to approve the FY 2014 actuarial valuation and to certify the required FY 2016 employer contribution of \$132,060,000, or 80.072% of projected payroll. Trustee Byron moved to approve the FY 2014 actuarial valuation and certify the FY 2016 employer contribution. Trustee Walker seconded the motion and all Trustees present voted in the affirmative.

#### **MINUTES OF PREVIOUS MEETING**

The minutes of Meeting No. 324 held on October 31, 2014, were presented by Chairperson Schostok for approval. Copies of these minutes were previously submitted to all trustees for preliminary review. On a motion by Trustee Walker and seconded by Trustee Anderson, the minutes of the meeting held October 31, 2014 were unanimously approved.

#### **READING OF COMMUNICATIONS**

Chairperson Schostok asked Secretary Blair if there were any communications to be presented to the Board. He had no communications to report.

#### **REPORT OF CHAIRPERSON**

Chairperson Schostok had nothing to report.

#### **REPORT OF ANY TRUSTEE**

There were no reports from any trustee.

#### **REPORT OF SECRETARY**

**Review of State Actuary's Report.** Secretary Blair stated he had no further information to report on this subject after the actuaries reported on the matter earlier in the meeting.

**FY 2015 Funding Update.** Secretary Blair informed the Board members that JRS received the state's contributions for 5 ½ months from the Office of the Comptroller with only 6 months into the fiscal year. The State continues to send their contributions to JRS in a timely fashion.

**Fiduciary Liability Insurance.** Secretary Blair had requested the Board's Attorney, Stephen J. Bochenek, of Sorling Northrup review the fiduciary liability insurance proposal from Davis-American, Ltd. Following review of Attorney Bochenek's letter, the Board instructed Secretary Blair to proceed with the purchase of the policy reviewed.

#### **REPORT OF THE MANAGER**

**Annuities and Refunds for Approval.** Ms. Waldeck reviewed nineteen retirement annuities processed since the last Board meeting totaling \$199,706.38 per month and six survivor annuity benefits processed during the reporting period totaling \$29,494.30 per month. A review of the Refunds for Approval reflected five Survivor Annuity Contribution Refunds totaling \$155,241.97. In addition, there was one Error Refund processed since the last meeting totaling \$213.09. There being no questions, Trustee Walker moved for approval of the annuities and refunds. Trustee Anderson seconded the motion which passed unanimously.

Deaths of Members. Ms. Waldeck reported the deaths of four JRS members since the October meeting. This report is made a part of these minutes as *Exhibit D*.

**OLD 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, Trustee Walker moved to adjourn at 12:05 p.m. Her motion was seconded by Trustee Moore and passed unanimously. Chairperson Schostok added the next meeting of the Board is scheduled for Friday, March 27, 2015, and the meeting adjourned.

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Timothy B. Blair, Secretary

Date: \_\_\_\_\_

APPROVED:

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Chairperson Mary S. Schostok