

**JUDGES' RETIREMENT SYSTEM OF ILLINOIS
MEETING NO. 342
MINUTES OF A REGULAR MEETING
OF THE BOARD OF TRUSTEES**

January 11, 2019

A meeting of the Board of Trustees of the Judges' Retirement System convened on Friday, January 11, 2019, at 10:00 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
Judge Debra Walker, Proxy for Chief Justice Lloyd Karmeier
Rodrigo Garcia, Proxy for State Treasurer Michael Frerichs

Others present:

Timothy B. Blair, Administrative Secretary
Jeff Houch, Assistant to Secretary
Angie Ackerson, JRS Division Manager
Joharah Farhadieh, Executive Director, Illinois State Board of Investment
Alex Watkins Eldemir, BlackRock Director
Alex Rivera, Consulting Actuary, Gabriel, Roeder, Smith & Co.
Jenna March, Consulting Actuary, Gabriel, Roeder, Smith & Co.

With a quorum present, Justice Schostok called the meeting to order at 10:00 a.m.

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)

Joharah Farhadieh, ISBI Executive Director, distributed copies of the Quarterly Review dated September 30, 2018, and noted the value of the portfolio on that date was approximately \$18.6 billion. She began her review of performance by stating that for the quarter ended September 30, 2018, the portfolio returned 1.9% (net of fees), underperforming the custom benchmark return of 2.4% over that period. Director Farhadieh reported that during the period the Fixed Income portfolio was down 0.2% (benchmark returned 0.3%), the Private Equity portfolio was down 0.3%, Infrastructure was up 2.3% and the Real Estate portfolio returned 0.4%.

Director Farhadieh noted two areas of the portfolio that are underweight, Private Equity and Opportunistic Debt, with a plan to deploy capital in stages. She also discussed the current portfolio is two-thirds passively managed and one-third actively managed. Passive management provides lower fees and allows ISBI to focus on hiring and retaining only active managers that can outperform the market. She also discussed the Hedge fund assets from the Legacy portfolio have been reduced to approximately \$53 million as the transition continues to move out of that asset class.

Director Farhadieh concluded her review of asset class performance and introduced her guest, Alex Eldemir, BlackRock Director. Ms. Eldemir provided an educational presentation on factor investing and how it can better identify risks and enhance performance across various asset classes.

Director Farhadieh also discussed the Diversity Policy and distributed a Diversity Policy Review handout for Emerging and Minority Investment Managers as of September 30, 2018. Approximately 24.9% of the passively managed portfolio is attributed to MWDBE managers with 26.9% of the actively managed portfolio attributed to MWDBE managers. ISBI is reaching out to universities regarding an upcoming internship focused on finding minority candidates.

Justice Schostok asked if there were any questions. After a brief discussion, Judge Walker moved to approve Director Farhadieh's report and Justice Schostok seconded the motion, which passed unanimously. A copy of the ISBI Quarterly Review is maintained in the ISBI office and made a part of these minutes as *Exhibit A*.

REPORT OF CONSULTING ACTUARIES

Alex Rivera introduced Jenna March of Gabriel, Roeder, Smith & Company (GRS), Consulting Actuaries, who replaced Ryan Gunderson and will be attending future JRS board meetings. Mr. Rivera distributed a letter the final version of the FY 2018 Actuarial Valuation, as well as the final FY 2020 certified State contribution.

FY 2018 Actuarial Valuation and FY 2020 Certification. Mr. Rivera distributed the final draft of the FY 2018 Actuarial Valuation and noted that the market value of assets increased by approximately \$163,000 from the preliminary valuation, which decreased the proposed FY 20 certified contribution by \$3,000. Mr. Rivera noted that after the completion of the FY 2018 valuation, an in-depth experience analysis of all actuarial assumptions would be conducted in accordance with statute, which requires an experience analysis every 3 years.

Justice Schostok asked if there were any questions. Seeing none, she asked for a motion to approve the FY 2018 Actuarial Valuation and the FY 2020 State contribution. Justice Moore moved to approve the FY 2018 Actuarial Valuation and the final certification of the FY 2020 State contribution of \$144,160,000. Judge Anderson seconded the motion and all present voted in the affirmative.

REPORT OF SECRETARY

FY 2019 Funding Update. Secretary Blair informed the Board that JRS had received all State contributions, including the January 2019 contribution.

State Actuary's Report. Secretary Blair reported the State Actuary concluded that the assumptions and methodology used for the FY 2018 Actuarial Valuation are reasonable and that the certified contributions were calculated in accordance with State law. Secretary Blair briefly reviewed the remainder of the State Actuary's recommendations and the GRS/JRS response to those recommendations. The letter outlining the State Actuary's recommendations and the GRS/JRS response to these recommendations is attached and made a part of these minutes as *Exhibit B*.

MINUTES OF PREVIOUS MEETING

The minutes of Meeting No. 341 held on October 26, 2018, were presented by Justice Schostok for approval. Copies of these minutes were previously submitted to all trustees for preliminary review. On a motion by Judge Walker, seconded by Judge Anderson, the minutes of Meeting No. 341 were unanimously approved.

READING OF COMMUNICATIONS

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

REPORT OF CHAIRPERSON

Justice Schostok provided a brief discussion of the ISBI board transition that will be coming with five seats being appointed by the new Governor.

REPORT OF ANY TRUSTEE

Justice Schostok asked if there were any trustee reports. There were none.

REPORT OF THE MANAGER

Annuities and Refunds for Approval. Angie Ackerson, JRS Manager, reported twenty-five retirement annuities and two survivor annuities processed since the October meeting, totaling \$329,475.39 and \$17,711.19 respectively per month. She then reviewed three survivor annuity contribution refunds totaling \$42,362.01. Judge Walker moved to approve the annuities and refunds as presented. Trustee Garcia seconded the motion and it passed unanimously.

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

OLD BUSINESS

Jeff Houch reported HB 4413, the bill requiring boards to broadcast meetings did not pass the General Assembly before the conclusion of the 100th General Assembly.

NEW BUSINESS

Justice Schostok brought up a question she had received from a retired judge interested in an open position with the Illinois Supreme Court Commission on Professionalism. Tim Blair indicated the statute is vague in that it references 'state employment' is prohibited but does not define what qualifies as state employment. Jeff Houch indicated the Supreme Court Commission on Professionalism receives no state funding and employees do not receive state pensions. Judge Walker reported the commission is funded through lawyer fees and previously hired a retired judge. The Board voted that employment with a Supreme Court Commission or Committee that receives no State appropriations does not constitute employment for the State. A motion to approve the policy was made by Judge Walker and Judge Anderson seconded the motion, which passed unanimously.

ADJOURNMENT

There being no further business to be brought before the Board, Justice Moore moved to adjourn at 11:35 a.m. The motion was seconded by Judge Anderson and passed unanimously.

Timothy B. Blair, Secretary

Date: _____

APPROVED:

Chairperson Mary S. Schostok