

**JUDGES' RETIREMENT SYSTEM OF ILLINOIS
MEETING NO. 346
MINUTES OF A REGULAR MEETING
OF THE BOARD OF TRUSTEES**

January 10, 2020

A meeting of the Board of Trustees of the Judges' Retirement System convened on Friday, January 10, 2020, 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 Anne Burke

Absent was:

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
Scott Richards, Senior Investment Officer, Illinois State Board of Investment
Alli Wallace Stone, Principal, Meketa Investment Group
Alex Rivera, Consulting Actuary, Gabriel, Roeder, Smith & Co.
Jeff Tebeau, 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)

Scott Richards, ISBI Senior Investment Officer, distributed copies of the Quarterly Review dated September 30, 2019, and noted the value of the portfolio on that date was approximately \$19.2 billion. He noted the markets had done very well in the 2nd quarter, with the portfolio valued at \$20.189 billion on January 9, 2020, an increase of \$931 million from September 30, 2019. Mr. Richards introduced Alli Wallace Stone, Principal, Meketa Investment Group, who began by stating that for the quarter ended September 30, 2019, the portfolio returned 0.8% (net of fees), underperforming the custom benchmark return of 1.1% over that period. She then noted the portfolio's year-to-date performance was 12.4%, achieving a ranking in the top 1% of its peer group.

Ms. Wallace Stone provided a performance review of several asset classes and noted that the Fixed Income portfolio was up 2.2% in the 1st quarter and was strong relative to its peers (benchmark returned 2.1%), the Domestic Equity portfolio was up 1.3% and outperformed the broad U.S. equity market by

0.1%, earning a rank in the top third of its peer group. The Private Equity portfolio declined 0.7%, Infrastructure returned 0.9% and the Real Estate portfolio returned 0.2%. Ms. Wallace Stone concluded her review of asset class performance and indicated the fund was structured well to sustain a downturn in the economy.

Justice Schostok asked if there were any questions. After brief discussion, Justice Moore moved to approve the ISBI report and Judge Walker 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 and Jeff Tebeau of Gabriel, Roeder, Smith & Company (GRS) distributed the final version of the FY 2019 Actuarial Valuation and a letter certifying the FY 2021 State contribution of \$148,618,000. They also distributed a letter which provided an analysis of the impact of allowing Tier 2 judges to be Tier 1 judges if they have reciprocal service earned before January 1, 2011, based on the actuarial valuation dated June 30, 2019.

FY 2019 Actuarial Valuation and FY 2021 Certification. Mr. Rivera referred to the FY 2019 Actuarial Valuation and noted that the actuarial assumptions used for the valuation were based on an experience review for the three-year period from July 1, 2015 through June 30, 2018. As a result of the 2018 experience review, changes were made to the assumptions used in the 2019 valuation, decreasing the actuarial accrued liability as of June 30, 2019 by \$37.7 million. Mr. Rivera indicated the State Actuary's report requested that more scenarios and details be added to the next valuation to provide a more robust risk assessment.

Justice Schostok asked if there were any questions. Seeing none, she asked for a motion to approve the FY 2019 Actuarial Valuation and certify the FY 2021 State contribution. Judge Walker moved to approve the FY 2019 Actuarial Valuation and the final certification of the FY 2021 State contribution of \$148,618,000. Justice Moore seconded the motion and all present voted in the affirmative.

Tier 2 Cost Impact of Proposed Changes. Mr. Tebeau reviewed the impact to JRS if Tier 2 judges with Tier 1 reciprocal service are grandfathered into Tier 1. The total employee contributions on earnings above the Tier 2 limitation for the 211 eligible judges is estimated to be \$4.9 million, and the present value of additional State contributions would be \$191.37 million compared to the baseline.

Secretary Blair noted that actuarial study had been shared with the Illinois Judges Association. Justice Schostok asked if there were any questions. After some discussion, Justice Moore offered a motion to direct Secretary Blair to forward the actuarial study to the leadership of the General Assembly, the Governor and Comptroller Susanna Mendoza. The motion was seconded by Judge Walker and all were in favor. Justice Schostok requested Secretary Blair draft a cover letter for their review to be sent with the study.

REPORT OF SECRETARY

FY 2020 Funding Update. Secretary Blair informed the Board that JRS had received all State contributions, including the January 2020 contribution.

State Actuary's Report. Secretary Blair reported the State Actuary concluded that the assumptions and methodology used for the FY 2019 Actuarial Valuation are reasonable and that the certified contributions were calculated in accordance with State law. 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*.

Board Policy Minimum Payment Amount. Secretary Blair provided an overview of existing board policy regarding the use of an installment plan when purchasing optional service credit. Currently, a member can purchase optional service credit on a post-tax basis or a pre-tax basis through payroll deduct with a minimum payment of \$250 and for a period of no more than five years unless specifically requested by the member.

Secretary Blair reported that modernization efforts at JRS are underway and existing board policy complicates these efforts. To streamline the work, Secretary Blair recommended eliminating the minimum \$250 payment and limiting the repayment period to five years. Participants would receive five different installment options in yearly increments and would not be allowed to extend repayment beyond five years. After a brief discussion, Judge Walker moved to eliminate the \$250 minimum payment and establish a maximum five-year repayment period for members using payroll deduct to purchase optional service credit. The motion was seconded by Justice Moore and all were in favor.

MINUTES OF PREVIOUS MEETING

The minutes of Meeting No. 345 held on October 25, 2019, 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 Justice Moore, the minutes of Meeting No. 345 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. Justice Schostok reported she had received a letter from Supreme Court Chief Justice Anne Burke nominating Judge Debra Walker to serve as her proxy on the JRS Board.

REPORT OF CHAIRPERSON

Justice Schostok offered no report.

REPORT OF ANY TRUSTEE

Justice Schostok asked if there were any trustee reports. Judge Anderson requested a history of the JRS funded ratio. Secretary Blair offered to provide this information to all trustees. There were no other reports offered by any other trustees.

REPORT OF THE MANAGER

Annuities and Refunds for Approval. Angie Ackerson, JRS Manager, reported ten retirement annuities and eight survivor annuities processed since the October meeting, totaling \$109,383.47 and \$61,526.91, respectively per month. She then reviewed one survivor annuity contribution refund

totaling \$24,688.59 and two error refunds totaling \$2,703.44. Judge Walker moved to approve the annuities and refunds as presented. Justice Moore seconded the motion and it passed unanimously.

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

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, Judge Walker moved to adjourn at 11:35 a.m. The motion was seconded by Justice Moore and passed unanimously.

Timothy B. Blair, Secretary

Date: _____

APPROVED:

Chairperson Mary S. Schostok