

**JUDGES' RETIREMENT SYSTEM OF ILLINOIS
MEETING NO. 315
MINUTES OF THE REGULAR MEETING
OF THE
BOARD OF TRUSTEES**

JULY 27, 2012

A regular meeting of the Board of Trustees of the Judges' Retirement System convened on Friday, July 27, 2012, 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 Themis N. Karnezis, Proxy for Chief Justice Thomas L. Kilbride
Chief Judge Timothy Evans
Bridget Byron, Proxy for State Treasurer Dan Rutherford

Not Present:

Justice John Bowman, Vice-Chairman

Others present:

Timothy B. Blair, Secretary
Jayne L. Waldeck, Manager, Judges' Retirement System
William Atwood, Illinois State Board of Investment
Kevin Wang, Samuel A. Ramirez & Co., Inc.

MINUTES OF PREVIOUS MEETING

The minutes of Meeting No. 314 held on April 6, 2012, were presented by Chairman Hoffman for approval. Copies of these minutes were previously submitted to all trustees for preliminary review. On motion by Trustee Karnezis and seconded by Trustee Evans, the Board unanimously approved the minutes of the April 6, 2012, meeting as submitted.

REPORT OF THE ILLINOIS STATE BOARD OF INVESTMENT (ISBI)

William Atwood, Director of ISBI, distributed copies of the Flash Report dated June 30, 2012, to the Board members. He directed the Trustees' attention to and briefly reviewed the one-year performance of the portfolio and several asset classes. Preliminarily, the portfolio returned 0.2% in FY 12. Director Atwood continued by pointing out that all of the various asset

classes underperformed their respective benchmarks, except for hedge funds, which lost only 4.5% during FY 12, compared to a benchmark return of -10.7%.

Director Atwood told the Trustees he has discussed with various industry professionals the recent London Interbank Offered Rate (LIBOR) scandal. The area of the portfolio with the most exposure to the LIBOR scandal is bank loans. ISBI staff is talking to the affected managers about the impact on the ISBI portfolio. Director Atwood expressed frustration in the fact that most managers are viewing the scandal as a relatively minor issue, even though trillions of dollars are involved. He expects unraveling the issues will be a long term process and further explained that class action suits may take years to resolve.

Trustee Byron asked whether the Treasurer's Office would be involved in any of the legal issues relating to the LIBOR scandal or if the Attorney General would act on behalf of the ISBI. Director Atwood responded it is too early to know the answer to that question as there may be other issues related to the LIBOR scandal that may affect those decisions. Chairman Hoffman thanked Director Atwood for his informative report and excused him from the remainder of the meeting.

A copy of the Flash Report is maintained in the ISBI office and made a part of these minutes as Exhibit A.

READING OF COMMUNICATIONS

There were no communications to report.

REPORT OF THE CHAIRMAN

Chairman Hoffman informed those present that he had nothing to report.

REPORT OF THE SECRETARY

Financial Statements of March 31, 2012 and June 30, 2012. Secretary Blair requested the Board members to refer to the financial statements for the fiscal year ended June 30, 2012. He first informed the Trustees that a total of \$28,500,000 had been withdrawn from the ISBI in FY 2012 in order to pay benefits, with no withdrawals occurring in the 4th quarter of FY 12. He noted the cash balance as of June 30, 2012, was \$10.3 million, which is below the target cash balance of \$18.3, or 2 months of projected benefit payments. The plan is to withdraw \$12 million from the ISBI in August in order to attain the target cash balance and to maintain the target for FY 13 by drawing down a small amount from the ISBI each month for the remainder of the year.

Secretary Blair informed the Trustees that all FY 12 employer contributions (\$63.6 million) had been received, even though some had been received in July of FY 13. He continued

by saying that overall, FY 12 was a much better year in regards to receiving employer contributions than we have had for the last several years. The employer contributions are being paid from the General Revenue Fund (GRF), rather than from bond proceeds. He informed the Trustees the System is splitting the FY 13 monthly vouchers at the request of the Comptroller, thereby allowing partial employer contribution payments to be made in times when the State cannot afford to make a full monthly contribution. This is a continuation of the practice begun in FY 12.

Trustee Evans asked Secretary Blair about the pension reform legislation requiring members and retirees to choose between having access to the state's group insurance program or receiving the current 3% compounded cost of living increases after retirement. Secretary Blair reminded the Board that members of JRS are not affected by the proposed reform legislation but they are affected by SB 1313, which changes the amount of group health insurance premiums that must be paid by the retirees of the five State-funded retirement systems.

Secretary Blair then referred the Trustees' attention to Schedules 2 and 3 of the June 30, 2012 financial statements. Schedule 2 provides a brief overview of the JRS Excess Benefit Fund. Schedule 3 provides the actual amounts withdrawn from the ISBI to pay benefits in FY 12, and the projected fund transfers from ISBI of \$23.2 million during FY 13.

Following a brief discussion, Trustee Karnezis moved for approval of the financial statements as presented. Trustee Evans seconded the motion and all were in favor. Official copies of these financial statements have been placed on file and made part of these minutes as Exhibit B.

Final Review of FY 13 Operations Budget. Secretary Blair presented the final request for the FY 13 Budget. The final request included an additional \$6,600 for Group Insurance due to higher premiums and more expensive health plans selected by employees. In addition, an increase of \$7,200 in the Contractual Services line was added due to higher annual external auditing fees, copying and printing charges. The final increase reflected an additional \$1,125 in the Information Technology line for scanner and imaging software maintenance. The FY 13 JRS budget reflects a 5.7% increase to the FY 12 Budget and an 8.12% increase to the FY 12 projected expenditures.

Questions were entertained by Secretary Blair regarding the auditing costs. He promised to forward cost information and the relevant statutes to the Trustees. There being no further discussion, Trustee Evans moved to approve the budget change contingent upon the General Assembly Retirement System Board of Trustees approving it. Trustee Karnezis seconded the motion and all were in favor.

REPORT OF MANAGER

Annuities and Refunds for Approval. Ms. Waldeck reviewed the listings of nine retirement annuities processed since the last meeting totaling \$101,642.99 per month. Following review of the list, Trustee Karnezis moved for approval with Trustee Byron seconding the motion. All were in favor. She then reported four survivor annuity benefits were processed in the amount of \$15,948.84 per month. Trustee Karnezis moved for approval of the payment of the survivor annuities with Trustee Evans seconding his motion. All were in favor. Also submitted for the review of the Board were five survivor annuity refunds totaling \$136,510.30. There were no Death Before Retirement Refunds or Termination Refunds to be reported. Trustee Karnezis moved to approve the payment of these refunds with Trustee Evans seconding the motion. The motion passed unanimously.

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

NEW BUSINESS

State Actuary. Chairman Hoffman informed the Board there is now a State Actuary that will be involved in the certification process and asked Secretary Blair to explain the new law. Secretary Blair told the Board that the System's actuary will continue to determine the annual required State contributions according to statute and preliminarily certify the contributions to the State actuary, who is under the purview of the Auditor General, by November 1st. The State actuary is then required to respond to the Board with any recommended changes in assumptions by January 1st.

The final JRS certification is due by January 15th and if the State Actuary's recommendations aren't followed, the certification must include the reasons and the impact of not following the recommendations. Secretary Blair pointed out the JRS Board will have to hold the January Board Meeting earlier in January to meet the new certification deadline. Secretary Blair agreed to send information regarding the new State Actuary to Trustees.

OLD BUSINESS

JRS Actuary. Secretary Blair updated the Trustees regarding the Board's retiring consulting actuary, Sandor Goldstein. Secretary Blair informed the Board that SERS prepared a request for proposal (RFP) for actuarial services, as required by that System's internal policies. Gabriel, Roeder, Smith and Company (GRS) was the highest qualified bidder out of five qualifying respondents. In addition, they came in with the lowest bid.

Secretary Blair told the Board that GRS has informed him that they would be interested in being the JRS consulting actuaries in FY 13 for the same fee paid to Sandor Goldstein (\$26,000). Secretary Blair suggested that since the price is the same, JRS should contract with

GRS for a year and review the actuarial results provided by GRS at that time. There were no objections.

ADJOURNMENT

There being no further business to be brought before the Board, Trustee Karnezis moved to adjourn at 11:00 a.m. and his motion was seconded by Trustee Evans. Chairman Hoffman commented that the next meeting of the Board of Trustees is scheduled for Friday, October 26, 2012.

Timothy B. Blair, Secretary

Date: _____

APPROVED:

Chairman

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