

**JUDGES' RETIREMENT SYSTEM OF ILLINOIS  
MEETING NO. 323  
MINUTES OF THE REGULAR MEETING  
OF THE BOARD OF TRUSTEES**

**July 25, 2014**

A meeting of the Board of Trustees of the Judges' Retirement System convened on Friday, July 25, 2014, 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  
Judge James R. Moore, Vice-Chairperson  
Judge George J. Bakalis  
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  
Scott Richards, Illinois State Board of Investment

With a quorum present, Chairperson Schostok called the meeting to order at 10 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, from the ISBI, distributed copies of the Flash Report dated June 30, 2014 and reviewed the performance of the ISBI portfolio and various selected asset classes. As of June 30, 2014, Mr. Richards noted the total portfolio provided a 17.4% fiscal year 2014 return, gross of fees, compared to a total portfolio benchmark return of 15.8%. Mr. Richards continued his presentation by briefly reviewing the fiscal year to date performance of several of the asset classes within the portfolio, noting that most continued to outperform their benchmarks. He then informed the Board that mid cap growth manager William Blair had been terminated due to poor performance.

Chairperson Schostok thanked Mr. Richards for his informative report and excused him from the remainder of the meeting. Trustee Walker moved to approve the ISBI report with Trustee Bakalis seconding the motion, which passed unanimously. A copy of the June 30, 2014 ISBI Flash Report is maintained in the ISBI office and made part of these minutes as *Exhibit A*.

## **MINUTES OF PREVIOUS MEETING**

The minutes of Meeting No. 322 held on March 28, 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 Bakalis, the minutes of the meeting held March 28, 2014 were unanimously approved.

## **READING OF COMMUNICATIONS**

Chairperson Schostok asked Secretary Blair if there were any communications to be presented to the Board. Secretary Blair provided a copy of a letter from the JRS external auditors (BKD) to the JRS Board of Trustees explaining the external audit process. Discussion was held regarding the cost of the auditors as well as other issues pertaining to the external audit. A copy of this letter will be forwarded to all Board members.

## **REPORT OF CHAIRPERSON**

Chairperson Schostok reported to those present that she attended the June ISBI Meeting in Rockford. Based on information provided at the meeting, she informed those present that the fiscal year was good, primarily due to the fact that JRS continues to receive the State's contributions in a timely manner from the Comptroller's Office. Questions were entertained as to whether the investments have caused the funding issue to improve. Secretary Blair explained that the positive returns have improved the funded ratio of JRS and reminded the Board the current statutory goal is to be 90% funded by 2045.

## **REPORT OF ANY TRUSTEE**

Trustee Walker reported that she had made an inquiry of the JRS staff on behalf of Chief Justice Garman and that both were satisfied with the response.

## **REPORT OF SECRETARY**

Financial Statements of March 31, 2014 and June 30, 2014. Secretary Blair briefly reviewed the financial statements for both periods but focused primarily on the June 30, 2014 reports. He noted for the Board that JRS has total receipts of \$144.5 million and that JRS transferred \$16 million to the ISBI between July 1, 2013 and June 30, 2014, substantially more than the \$13 million projected. The Cash Balance as of June 30, 2014 was \$31,702,655.16, more than enough to process two months of benefits. Secretary Blair continued by explaining the Schedule showing the Excess Benefit Fund details. Following the review, Trustee Walker moved to approve the financial statements. Trustee Moore seconded the motion, which passed unanimously. Official copies of these Financial Statements have been placed on file and made a part of these minutes as *Exhibit B*.

Final Review of FY 2015 Operations Budget. Secretary Blair reviewed the Judges' Retirement System July Changes outlined in a report presented to the Board. He indicated that the FY 2014 Budget of \$967,150 exceeded the Projected Spending for FY 2014. Secretary Blair reviewed the items having a cost impact on the FY 2015 Budget, indicating that additional funds for Group Insurance, Employer Pickup and Contractual Services were necessary. The July changes to that budget included a reduction in Contractual Services and Travel resulting in a total budget for FY 2015 of \$999,100 for JRS.

Discussion was held and Chairperson Schostok requested that Ms. Waldeck notify the Director of the Illinois Judges Association of future workshops held in the Chicago area and collar counties. Following review of the information presented to the Board, brief discussion was held. Trustee Walker moved to approve the FY 2015 Final Budget as presented. Trustee Moore seconded the motion and all were in favor.

FY 2014 Funding Update. Secretary Blair informed the Board that there are several variables that will require observation during the next few months and through the election.

## **REPORT OF THE MANAGER**

Annuities and Refunds for Approval. Ms. Waldeck reviewed fifteen retirement annuities processed since the last Board meeting totaling \$144,176.44 per month and eight survivor annuity benefits processed during the reporting period totaling \$45,897.56 per month. A review of the Refunds for Approval reflected one Death Before Retirement, one Termination Refund and two Survivor Annuity Contribution Refunds totaling \$128,190.04. In addition, there were six Error Refunds processed since the last meeting totaling \$4,639.83. Chairman Schostok requested Ms. Waldeck give a detailed explanation of each type of refund paid for the benefit of the trustees. There being no questions, Trustee Bakalis moved for approval of the annuities and refunds. Trustee Walker seconded the motion which passed unanimously.

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

## **OLD BUSINESS**

No old business was reported.

## **NEW BUSINESS**

Secretary Blair briefly reported on the status of the Kanerva Lawsuit regarding the constitutionality of insurance premium subsidies deducted from annuitant's benefits. On July 3, 2014, the Supreme Court remanded the case back to the Circuit Court for reconsideration and determined that the Circuit Court should not have dismissed the case on the grounds that insurance premium subsidies for retiree health insurance are not a benefit of membership in a retirement system. As this case has not yet been decided, JRS will continue to deduct retiree health insurance premiums until the courts advise otherwise.

In other new business, Secretary Blair gave a brief explanation of the legislation passed by the General Assembly effective July 1, 2014, removing the requirement of the Office of the Comptroller to furnish an earnings statement to annuitants each time their net benefit changes. A new website has been developed with access given to JRS annuitants allowing them to view their membership data, including their earnings statements. Those annuitants who do not want to participate in the new website can elect to have their earnings statements e-mailed to them each month. If neither of these options is elected by annuitants, a hard copy of the earnings statement can be mailed to the annuitant upon request. Staff determined that a hard copy of the earnings statement will continue to be mailed to annuitants after the January and July benefit payments; or when a major change occurs that affects the net benefit of the majority of JRS annuitants.

**ADJOURNMENT**

There being no further business to be brought before the Board, Trustee Walker moved to adjourn at 11:30 a.m. Her motion was seconded by Trustee Byron and passed unanimously. Chairperson Schostok added the next meeting of the Board is scheduled for Friday, October 31, 2014, and the meeting adjourned.

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Timothy B. Blair, Secretary

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

APPROVED:

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Chairperson Mary S. Schostok