

**JUDGES' RETIREMENT SYSTEM OF ILLINOIS  
MEETING NO. 331  
MINUTES OF THE REGULAR MEETING  
OF THE BOARD OF TRUSTEES**

**July 29, 2016**

A meeting of the Board of Trustees of the Judges' Retirement System convened on Friday, July 29, 2016, 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 Debra Walker, Proxy for Chief Justice Rita Garman  
Judge John C. Anderson  
Rodrigo Garcia, Proxy for State Treasurer Michael Frerichs

Others present:

Timothy B. Blair, Administrative Secretary  
Jeff Houch, Assistant to Secretary  
Jayne L. Waldeck, Manager, Judges' Retirement System  
Bill Atwood, Director, Illinois State Board of Investment (ISBI)  
Johara Farhadieh, Deputy Director, ISBI  
Chris Brannan, General Counsel and Chief Compliance Officer, ISBI  
Alex Rivera, Consulting Actuary, Gabriel Roeder Smith and Company  
Ryan Gunderson, Consulting Actuary, Gabriel Roeder Smith and Company

With a quorum present, Chairperson Schostok called the meeting to order at 10:05 a.m.

**PUBLIC COMMENTS**

Chairperson Schostok noted there were no members of the public in attendance.

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

William Atwood, ISBI Director, began his report by introducing Chris Brannan, new ISBI General Counsel and Chief Compliance Officer. Mr. Brannan provided his background and the Trustees welcomed him to his first JRS Board meeting. Director Atwood then distributed copies of the Interim Update as of May 31, 2016 and reviewed the performance of the ISBI portfolio and selected asset classes. Through the first eleven months of FY 2016, he noted the total portfolio lost 0.8%, net of fees, lagging the total portfolio benchmark return of 0.1%. Director Atwood continued his presentation by reporting over the same time period the fixed income portfolio returned 1% and the U.S. Equity portfolio lost 1.4%, both significantly trailing the benchmarks, which returned 4% and 1.9%, respectively.

Director Atwood concluded his portion of the ISBI report by noting Johara Farhadieh, ISBI deputy Director, would review the performance of the alternative asset classes, as well as the emerging and minority manager utilization reports. Ms. Farhadieh reported to the Board the Non-U.S. Equity portfolio lost 5.2% during the eleven months ended May 31, 2016, compared to a benchmark loss of 8%.

She added the Real Estate, Real Assets and Infrastructure portfolios all significantly outperformed their respective benchmarks over the same time period and concluded her report by reviewing the minority and emerging manager utilization report, noting the utilization of these managers continues to meet or exceed ISBI's goals.

Director Atwood concluded the ISBI report by noting that changes made by the Board over the last 18 months, including the shift to more passive management, are projected to save the portfolio \$37 million in fees every year and offered to answer questions. After discussion led by Trustee Garcia regarding economic outlook and the ISBI asset allocation, Chairperson Schostok thanked Director Atwood and Ms. Farhadieh for the report and excused them from the remainder of the meeting. Trustee Walker moved to approve the ISBI report and Trustee Anderson seconded the motion, which passed unanimously. A copy of the May 31, 2016 ISBI Interim Update is maintained in the ISBI office and made part of these minutes as *Exhibit A*.

## **REVIEW OF ACTUARIAL ASSUMPTIONS**

Alex Rivera and Ryan Gunderson, Consulting Actuaries, Gabriel Roeder Smith and Company, distributed to the Board an updated Experience Review for the three fiscal years ended June 30, 2015. Mr. Rivera noted for the Board the report was presented to the board at the April meeting but had been updated to reflect a change in actuarial assumptions would first impact the FY 2018 State contribution, as the FY 2017 contribution had already been certified. He reminded the Board the review included an analysis of the investment return, inflation and salary growth assumptions, as well as the retirement, termination and mortality assumptions.

Mr. Rivera noted the key recommendations of the review included a reduction of the assumed rate of investment return from 7.00% to 6.75%, adopting a mortality table that includes provisions for generational mortality improvements and a decrease in retirement rates. Mr. Rivera then reviewed the recommendations to increase Tier 1 termination rates and create new Tier 2 retirement and termination rates. Adoption of the recommended assumptions would increase the required FY 2018 State contribution to JRS by about \$13.1 million.

Following several questions and a discussion of the recommended assumptions and the methodology used in the analysis, Vice-Chairperson Moore moved to adopt the recommended assumptions. Trustee Anderson seconded the motion and it passed unanimously.

## **MINUTES OF PREVIOUS MEETING**

The minutes of Meeting No. 330 held on April 29, 2016, 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 April 29, 2016, were unanimously approved.

## **READING OF COMMUNIATIONS**

Chairperson Schostok noted for the Board that she had been reappointed to the Board for a term expiring September 17, 2019.

## **REPORT OF CHAIRPERSON**

Chairperson Schostok offered no report.

## REPORT OF ANY TRUSTEE

No trustees offered a report.

## REPORT OF SECRETARY

Financial Statements of June 30, 2016. Secretary Blair reviewed the June 30, 2016, financial statements, noting that JRS had total receipts of \$155.9 million in FY 2016, including a \$10 million withdrawal from the ISBI investment portfolio in November 2015. He added the withdrawal was made necessary by the delay in the November State contribution until April 2016. The \$10 million withdrawal was partially offset by \$6.5 million in transfers to the ISBI investment portfolio, resulting in a net \$3.5 million withdrawal from ISBI in FY 2016. Secretary Blair pointed out the cash balance at June 30, 2016 was slightly more than \$48.7 million, or more than staff would normally keep on hand, noting Comptroller Munger's advice to the SERS Board of Trustees that during FY 2017 there may be additional delays in the State contributions to the State-funded retirement systems due to the ongoing budgetary problems.

Following the review, Trustee Walker moved to approve the financial statements of June 30, 2016. Trustee Anderson seconded the motion, and it passed unanimously. Official copies of these Financial Statements have been placed on file and made a part of these minutes as *Exhibit B*.

FY 2016 Supplemental Operations Budget Request. Secretary Blair referred the Board to a memo requesting an additional \$10,220 in the FY 2016 operations budget in order to pay for the \$25,000 Actuarial Experience Review performed by GRS. He noted the request was completed at the suggestion of the State Actuary in January 2015, after the adoption of the FY 2016 operations budget. Secretary Blair added that surpluses in other approved budget lines would be used to make up the difference between the cost of the experience review and the requested \$10,220 increase. Trustee Anderson moved to approve the requested increase and trustee Walker seconded the motion, which passed with the affirmative vote of all trustees.

Final Review of FY 2017 Operations Budget. Secretary Blair reviewed the final FY 2017 operations budget request. Including the proposed July changes to the preliminary JRS budget approved at the April Board meeting, the requested FY 2017 amounted to \$1,008,010, or a reduction of 1.31% from the FY 2016 operations budget. Discussion was held and Vice-Chairperson Moore moved to approve the FY 2017 operations budget as presented. Trustee Walker seconded the motion and all were in favor.

FY 2016 Funding Update. Secretary Blair told the Board the System had received the entire FY 2016 employer contribution, which is consistent with guidance provided by the Comptroller's Office at the beginning of the fiscal year. He again noted the delay of the November 2015 State contribution until April and advised the Board that Comptroller Munger, Chairperson of the SERS Board of Trustees, advised the SERS Board of the possibility of additional delays in FY 2017 due to the ongoing budget issues.

## REPORT OF THE MANAGER

Annuities and Refunds for Approval. Ms. Waldeck reviewed three retirement annuities processed since the last Board meeting totaling \$33,321.93 per month and six survivor annuities totaling \$33,409.92 per month. A review of the Refunds for Approval reflected two refunds due to the deaths of

members, totaling \$82,026.31 were processed since the last meeting. There being no questions, Trustee Anderson moved for approval of the annuities and refunds. Trustee Walker seconded the motion and it passed unanimously.

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

**OLD BUSINESS**

No old business was reported.

**NEW BUSINESS**

Secretary Blair briefly reviewed the projected FY 2017 cashflow for the Board and noted his expectation that \$5 million would be transferred to the ISBI investment portfolio in the first quarter of FY 2017, even if there are no State contributions in August and September. He then noted that staff hopes the transfers to the ISBI investment portfolio during all of FY 2017 will reach \$22 million based on current estimates of employee and employer contributions, and expenses.

**ADJOURNMENT**

There being no further business to be brought before the Board, Trustee Anderson moved to adjourn at 11:45 a.m. His motion was seconded by Vice-Chairperson Moore and passed unanimously. Chairperson Schostok noted the next Board meeting is scheduled for Friday, October 28, 2016, at 10:00 a.m.

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Timothy B. Blair, Secretary

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

APPROVED:

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Chairperson Mary S. Schostok