

**JUDGES' RETIREMENT SYSTEM OF ILLINOIS
MEETING NO. 340
MINUTES OF THE REGULAR MEETING
OF THE BOARD OF TRUSTEES**

July 27, 2018

A meeting of the Board of Trustees of the Judges' Retirement System convened on Friday, July 27, 2018, 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
Justice James R. Moore, Vice-Chairman
Judge John C. Anderson
Rodrigo Garcia, Proxy for State Treasurer Michael Frerichs
Judge Debra Walker, Proxy for Chief Justice Lloyd Karmeier (by phone)

Others present:

Timothy B. Blair, Administrative Secretary
Angie Ackerson, JRS Division Manager
Jeff Houch, Assistant to Secretary
Scott Richards, Senior Investment Officer, Illinois State Board of Investment

With a quorum present, Chairperson Schostok called the meeting to order at 10 a.m. Chairman Schostok moved to allow Judge Walker to participate by phone and Vice-Chairman Moore seconded the motion, which passed unanimously.

PUBLIC COMMENTS

Chairperson 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 March 31, 2018, and reviewed the performance of the ISBI portfolio and selected asset classes. He began his report by noting that as of March 31, 2018, the total portfolio has returned 6.5% in the first nine months of FY 2018, net of fees, and added the portfolio slightly underperformed the custom benchmark, which returned 6.9%. However, in the last year period, the total portfolio returned 10.6%, beating the benchmark by 0.5%. He added that three private market classes are currently underweight by 13.7%: private equity allocation is at 3.7%, opportunistic debt is at 6.9%, and real estate is at 3.1%. Allocations are expected to be met within three to five years through dollar cost averaging.

Mr. Richards continued his review by noting the Fixed Income Composite was ahead of its benchmark at 0.8% and the High Yield Fixed Income Composite was ahead of its benchmark at 2.0% (benchmark return of 1.6%). He added that the U.S. Equity Composite was slightly behind its benchmark at 10.2%, while the Non-U.S. Equity Composite was ahead of its benchmark at 12.3% (benchmark return of 10.6%). The Emerging Markets Equity Composite was ahead of its benchmark at 18% (benchmark return of 17.6%) and Infrastructure Composite was well ahead of its benchmark at 11.1% (benchmark

return of 4.5%). He Mr. Richards concluded his review by telling the Board the Private Equity Composite is trailing its benchmark at 5.6% (benchmark return at 13.0%) and the Hedge Fund of Funds Composite is underperforming at -0.7% (benchmark return of 5.1%).

Overall, the Fund ranks in the 29th percentile of the public pension fund space. After a few questions and some discussion, Chairperson Schostok thanked Mr. Richards and excused him from the remainder of the meeting. Trustee Garcia motioned to approve the ISBI report and Vice-Chairman Moore seconded the motion. It passed unanimously. A copy of the March 31, 2018 Quarterly Review is maintained in the ISBI office and made part of these minutes as *Exhibit A*.

MINUTES OF PREVIOUS MEETING

The minutes of Meeting No. 339 held on April 20, 2018, 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 Anderson and seconded by Trustee Garcia, the minutes of the meeting held April 20, 2018 were unanimously approved.

READING OF COMMUNICATIONS

There were no communications to report.

REPORT OF CHAIRPERSON

Justice Schostok provided a brief review of ISBI activities and informed the Board that Bill Atwood's last day as ISBI Executive Director was June 30, 2018. Johara Farhadih has assumed the duties of Executive Director and Chief Investment Officer. She was unable to be present at the meeting due to a prior commitment.

REPORT OF ANY TRUSTEE

No reports were offered.

REPORT OF SECRETARY

June 30, 2018 Financial Statements. Secretary Blair reviewed the financial statements, noting for the Board that JRS had a net transfer of \$9.1 million to the ISBI investment portfolio in FY 2018. Following the review, Trustee Anderson moved to approve the financial statements, Vice-Chairman Moore seconded the motion and it passed unanimously. Official copies of these Financial Statements have been made a part of these minutes as *Exhibit D*.

Final Review of FY 2019 Operations Budget. Secretary Blair presented the FY 2019 Final Operations Budget Request, noting the request is a decrease of \$19,900, or 2.06% from the FY 2018 budget. Secretary Blair reviewed the items having a significant cost impact on the FY 2019 budget, including a decrease of \$7,350 for personal services due to a \$9,800 decrease in shared JRS/GARS payroll from FY18 to FY19 and a decrease of \$19,950 in the contractual line. The Retirement line was increased by \$11,625 due to the SERS employer contribution rate increasing from 47.432% in FY 18 to 51.614% in FY 19. The Travel line was also increased by \$1,500 due to the expansion of the counseling program. Following review, Trustee Walker moved to approve the FY 2019 budget request. Trustee Anderson seconded the motion and all were in favor.

FY 2018 Funding Update. Secretary Blair informed the Board that the Comptroller's Office is current in making the state contributions and there have been no delayed payments in FY 18.

Legislative Review. Jeff Houch, Assistant to the Secretary, referred the Board to his report and noted that the appropriations bill was passed by both chambers and signed into law on June 4, 2018 (PA 100-586). Mr. Houch provided an update to HB 4313 which requires all retirement systems under the Illinois Pension Code to livestream all meetings that are subject to the Open Meetings Act. Senate Amendment #1 exempts downstate police and firefighters' pension funds from such provisions. The bill passed the House on April 18, 2018 and has been assigned to the Senate Assignments committee. He provided a brief summary of additional bills that may impact the System if they become law and answered a few related questions.

BOARD POLICIES

Jeff Houch, Assistant to the Secretary, provided a description of two proposed changes to Board policy relating to child survivor annuity benefit payments to trusts for minor children and a clarification regarding the calculation for Tier 2 survivors' benefit payments.

Child Survivor Annuity Benefit Payments to Trusts. Jeff Houch provided an overview of the existing board policy as it relates to payments to minor children made under the Uniform Transfers to Minors Act (UTMA). A JRS member has requested to use a trust rather than an UTMA account in the event potential child survivor annuity benefits may be paid to his minor children. The provisions of Section 1-120 allow such payments to be made to a trust, and the System received an opinion from outside counsel, Stephen Bochenek, that supports the expansion of this policy. Staff recommended updating the JRS Policy related to benefit payments to minor children to allow payments to a trust that has been established for the sole benefit of the minor child(ren). Staff will require a copy of each minor child's birth certificate to confirm eligibility and benefits will be paid to the trust if the child is a minor at the time of the member's death. Trustee Walker moved to adopt the proposal to allow benefits payable to a minor child to be paid to a trust. The motion was seconded by Trustee Anderson and all were in favor.

Clarification of Tier 2 Survivor Benefit Calculation. Jeff Houch provided an overview of how existing survivor benefit language is worded in the statute regarding Tier 1 and Tier 2. Staff recommends Tier 2 survivor annuity benefits be calculated based on the service credit of the deceased judge at the time of death without reduction due to the deceased judge's age which is identical to how existing Tier 1 survivor benefit payments are calculated. Trustee Anderson moved to adopt the proposal. Trustee Walker seconded the proposal and all were in favor.

REPORT OF THE MANAGER

Annuities and Refunds for Approval. Angie Ackerson, Division Manager, reported nine retirement annuities have been processed since the last Board meeting totaling \$99,676.70 per month and eight survivor annuities totaling \$61,333.18 per month. A review of the refunds for approval reflected one termination refund and five survivor annuity contribution refunds totaling \$199,506.16. There being no questions, Trustee Anderson moved to approve the annuities and refunds as presented. Trustee Walker seconded the motion and it passed unanimously.

Deaths of Members. Ms. Ackerson reported the deaths of eight JRS members during the period. This report is made a part of these minutes as *Exhibit E*.

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, Trustee Anderson moved to adjourn at 11:15 a.m. His motion was seconded by Vice-Chairman Moore and passed unanimously.

Timothy B. Blair, Secretary

Date: _____

APPROVED:

Chairperson Mary S. Schostok