

**JUDGES' RETIREMENT SYSTEM OF ILLINOIS
MEETING NO. 344
MINUTES OF THE REGULAR MEETING
OF THE BOARD OF TRUSTEES**

July 26, 2019

A meeting of the Board of Trustees of the Judges' Retirement System convened on Friday, July 26, 2019, 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 Debra Walker, Proxy for Chief Justice Lloyd Karmeier

Others present:

Timothy B. Blair, Administrative Secretary
Angie Ackerson, JRS Division Manager
Johara Farhadieh, Executive Director, Illinois State Board of Investment
Scott Richards, Senior Investment Officer, Illinois State Board of Investment
Alex Rivera, Consulting Actuary, Gabriel Roeder Smith & Company
Heidi Barry, Consulting Actuary, Gabriel Roeder Smith & Company

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

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)

Johara Farhadieh, ISBI Executive Director, indicated five new trustees have been added to the Illinois State Board of Investments. A Deferred Compensation Committee has been formed to address issues related to deferred compensation in response to passage of House Bill 3082 which provides that all individuals who first become members of SERS, GARS and JRS will automatically enroll in the State's deferred compensation plan and contribute 3% of gross compensation upon the 30th day of employment unless the member declines enrollment. Members who choose to not participate in the deferred compensation plan and receive a refund of the compensation deferred.

Ms. Farhadieh also added that ISBI had issued an RFP for strategic partners in private equity to create healthy competition and diversification with Hamilton Lane, the existing private equity strategic partner.

Scott Richards, ISBI Senior Investment Officer, distributed copies of the Quarterly Review dated March 31, 2019, and reviewed the performance of the ISBI portfolio and selected asset classes. He began his report by noting that as of March 31, 2019, the total portfolio had returned 7.4% in the first quarter of 2019, net of fees, slightly outperforming the benchmark, which returned 6.9%. However, in the last year, the total portfolio returned 4.2%, equal to the custom benchmark. He added that three

private market classes are currently underweight by 9.7%: private equity allocation is underweight by 3.4%, opportunistic debt by 5.5%, and real estate by 0.8%. 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 lagged its benchmark at 4.0% (benchmark return of 4.8%) and the High Yield Fixed Income Composite was trailing its benchmark at 2.7% (benchmark return of 4.9%). He added that the Opportunistic Debt Composite slightly outperformed the benchmark at 2.9% (benchmark 2.6%). Mr. Richards noted the U.S. Equity Composite outperformed its benchmark at 5.8% (benchmark at 4.7%), while the Non-U.S. Equity Composite had weak performance at -1.4% but outperformed the benchmark at -2.4%. Despite negative returns, the Non-U.S. Equity Composite remains in the 28th percentile. The Emerging Markets Equity Composite trailed its benchmark at -0.6% (benchmark return of 0.6%) and Infrastructure Composite was ahead of its benchmark at 5.2% (benchmark return of 3.5%). Mr. Richards concluded his review by telling the Board the Private Equity Composite is trailing its benchmark at 5.2% (benchmark return at 10.1%) and the Real Estate Composite is underperforming at 2.5% (benchmark return of 5.3%).

Mr. Richards concluded his report by noting the Fund ranks in the 40th percentile of public pension funds and offered to answer questions. After a few questions and some discussion, Trustee Walker motioned to approve the ISBI report and Vice-Chairman Moore seconded the motion. It passed unanimously. Chairperson Schostok thanked Ms. Farhadieh and Mr. Richards and excused them from the remainder of the meeting. A copy of the March 31, 2019 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. 343 held on April 26, 2019, 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 Vice-Chairman Moore, the minutes of the meeting held April 26, 2019 were unanimously approved.

READING OF COMMUNICATIONS

Secretary Blair reported that Chairperson Schostok had been reappointed to the Board of Trustees by the Illinois Supreme Court for another three years with her term expiring September 17, 2022. He also reported that the JRS comprehensive financial report (CAFR) for the fiscal year ending June 30, 2018 received a Certificate of Achievement and Award of Financial Reporting by the Government Finance Officers Association.

REPORT OF CONSULTING ACTUARIES

Alex Rivera and Heidi Barry of Gabriel, Roeder, Smith & Company, distributed copies of the experience review for the three-year period from July 1, 2015 through June 30, 2018. The experience review compared actual experience over a three-year experience period to validate current actuarial assumptions and recommend changes as needed. The recommended changes in assumptions are effective for the actuarial valuation as of June 30, 2019.

Mr. Rivera addressed the economic assumption, recommending all current economic assumptions be reduced by 0.25% to reflect the same reduction in price inflation; 2.50% for wage growth, 2.50% for salary increases and 6.50% annual investment return.

Ms. Barry addressed the demographic assumptions included in the experience study. She recommended the Pub-2010 Above-Median General Mortality table for post-retirement and an increase to projected mortality factors to partially recognize observed aggregate experience. She also recommended increasing retirement rates and decreasing turnover rates to reflect actual experience. Ms. Barry continued by recommending a load of 10 percent to account for an increase in benefits that occur when a member transitions from inactive to retired status when retiring from a reciprocal system. Finally, Ms. Barry recommended increasing the assumption that a member is married to 80 percent.

Mr. Rivera noted that if the new assumptions are implemented, there would be a slight increase to the funded ratio based on Market Value of Assets (MVA) from 37.2% to 37.4%. Following a review of the cost impact based on these recommended changes, Trustee Walker moved to adopt the recommended changes in actuarial assumptions. Vice-Chairman Moore seconded the motion, which passed unanimously. Chairperson Schostok thanked Mr. Rivera and Ms. Barry and excused them from the remainder of the meeting. A copy of the June 30, 2018 Experience Review is made part of these minutes in Exhibit B.

REPORT OF CHAIRPERSON

Justice Schostok offered no report.

REPORT OF ANY TRUSTEE

No reports were offered.

REPORT OF SECRETARY

June 30, 2019 Financial Statements. Secretary Blair reviewed the financial statements, noting for the Board that JRS had a net transfer of \$2.35 million from the ISBI investment portfolio in FY 2019 to maintain a cash balance of two months of benefit payments. He also indicated that he would present the final budget request at the October board meeting. Trustee Walker 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 C*.

Legislative Review. Secretary Blair referred the Board to page 11 and noted that the appropriations bill was passed by both chambers and signed into law on June 5, 2019 which provides the full certified contribution to JRS of \$144,160,000 for FY 2020. Mr. Blair briefly mentioned HB 3082 (automatic enrollment in Deferred Compensation) and SB 1264 which pertains to the Revised Uniform Unclaimed Property Act. This bill ensures that benefit funds held in a fiduciary capacity by or on behalf of public retirement systems remain in their respective trusts.

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 19. The August payment was received on July 25, 2019.

REPORT OF THE MANAGER

Annuities and Refunds for Approval. Angie Ackerson, Division Manager, reported eight retirement annuities have been processed since the last Board meeting totaling \$63,573.74 per month and six survivor annuities totaling \$41,270.08 per month. A review of the refunds for approval reflected one death before retirement refund (active judge), one death after retirement refund, three termination refunds and two survivor annuity contribution refunds totaling \$378,874.63. In addition, twelve error

refunds were processed totaling \$8,423.13. There being no questions, Trustee Walker moved to approve the annuities and refunds as presented. Vice-Chairman Moore seconded the motion and it passed unanimously.

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

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 Walker moved to adjourn at 11:30 a.m. His motion was seconded by Vice-Chairman Moore and passed unanimously.

Timothy B. Blair, Secretary

Date: _____

APPROVED:

Chairperson Mary S. Schostok