

**JUDGES' RETIREMENT SYSTEM OF ILLINOIS  
MEETING NO. 348  
MINUTES OF THE REGULAR MEETING  
OF THE BOARD OF TRUSTEES**

**July 31, 2020**

A meeting of the Board of Trustees of the Judges' Retirement System of Illinois convened on Friday, July 31, 2020, at 10 a.m. at the System's Springfield Office, located at 2101 S. Veterans Parkway, Springfield, Illinois. Trustees were authorized to participate via videoconference under Section 7 (e) of the Open Meetings Act (5 ILCS 120/7(e)) and Executive Order 2020-7, as amended and reissued by Executive Orders 2020-33, 2020-44, and 2020-48.

Roll Call was taken with the following trustees in attendance by videoconference:

Justice Mary S. Schostok, Chairperson  
Justice James R. Moore, Vice-Chairperson  
Judge Debra Walker, Proxy for Chief Justice Anne Burke  
Judge John C. Anderson

Absent was:

Rodrigo Garcia, Proxy for State Treasurer Michael Frerichs

Others present:

Timothy B. Blair, Administrative Secretary  
Jeff Houch, Assistant to Secretary  
Jim Stivers, SRS General Counsel  
Angie Ackerson, JRS Division Manager  
Johara Farhadieh, Executive Director, Illinois State Board of Investment  
Scott Richards, Senior Investment Officer, Illinois State Board of Investment (by phone)  
Alex Rivera, Consulting Actuary, Gabriel, Roeder, Smith & Company  
Jeff Tebeau, Consulting Actuary, Gabriel, Roeder, Smith & Company (by phone)  
Heidi Barry, Consulting Actuary, Gabriel, Roeder, Smith & Company (by phone)

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, and no public comments had been submitted.

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

Johara Farhadieh, ISBI Executive Director, started her presentation by announcing that ISBI was recognized by the American Investment Council as the top-performing private equity portfolio of any public pension fund in the country. Of the 176 plans surveyed, she stated ISBI had the highest annualized rate of return of 16.7% over a 10-year period, while the median return of all funds was 13.7%. Director Farhadieh noted the private equity portfolio is overseen by Scott Richards, ISBI Senior Investment Officer. Chairperson Schostok recommended sharing this information with the Illinois Judges Association (IJA), and all agreed.

Director Farhadieh directed the Board's attention to the ISBI March 31, 2020, Performance Report and noted the portfolio lost 10.4% in the quarter ended March 31, 2020, placing it in the 7<sup>th</sup> percentile in the public fund peer group. She added the portfolio lost 5.3% for the fiscal year-to-date, ranking in the 8<sup>th</sup> percentile in the public fund peer group for that period. Director Farhadieh added the Rate Sensitive Composite is overweighted, with 27.6% of the portfolio allocation compared to an average peer allocation of 19%, providing downside protection. She also attributed the fund's relatively strong performance during the market downturn to the elimination of hedge fund exposure and the recent restructuring and diversification efforts that reduced expenses. She stated preliminary information indicates the fund will have a positive return for the quarter ending June 30, 2020, and noted the final FY 20 performance will be available for the October board meeting.

Director Farhadieh then reviewed several asset classes, noting the Multi-Sector Credit Composite ended the quarter down 15.3%, underperforming its benchmark return, which was down 13.3%, while the Fixed Income Composite was up 1%, trailing its benchmark return, which was up 1.3%. She added the Rate Sensitive Composite held the number one rank due to the overweight allocation of long-term treasuries, and the Global Equity Composite also ranked in the top decile for the fiscal year-to-date. Director Farhadieh stated the Private Equity Composite was one of the top performing asset classes, returning 19.8% for the year, and the Real Estate Composite returned 1.5% for the quarter ending March 31, 2020.

Chairperson Schostok told the Board that two ISBI staff members recently left ISBI to take positions with another Illinois fund. Director Farhadieh stated the two positions recently vacated were the Director of Operations and Accounting and a Public Markets Investment Officer. She added that the Director of Operations and Accounting had been filled and that they are recruiting an investment officer.

Chairperson Schostok asked if any trustees had questions. Hearing none, she asked for a motion to approve the ISBI presentation. Secretary Blair stated that Section 7(e)(6) of the Open Meetings Act requires all votes to be conducted by roll call, so each member's vote on each issue can be identified and recorded. Trustee Walker made a motion to approve the ISBI report, and the motion was seconded by Vice-Chairman Moore. Ms. Ackerson took roll call to record the votes, and all trustees voted in the affirmative. A copy of the March 31, 2020, Performance 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. 347 held on March 27, 2020, were presented by Chairperson Schostok for approval. Copies of these minutes were previously submitted to all trustees for preliminary review. Trustee Walker motioned to approve the minutes, and the motion was seconded by Vice-Chairperson Moore. Ms. Ackerson took roll call to record the votes and all voted in the affirmative.

#### **READING OF COMMUNICATIONS**

Justice Schostok asked Secretary Blair if there were any communications to be presented to the Board. There were no communications to report.

#### **REPORT OF CONSULTING ACTUARIES**

Alex Rivera, Jeff Tebeau, and Heidi Barry of Gabriel, Roeder, Smith & Company presented copies of the annual economic assumption review. Mr. Rivera explained the purpose of the review is to

determine the continued appropriateness of the economic actuarial assumptions and indicated the conclusion is to recommend no assumption changes. He then asked Mr. Tebeau to continue the review.

Mr. Tebeau provided an overview of the economic assumptions, stating that the inflation assumption was evaluated using data from several independent investment consulting firms, the Social Security Administration's 2019 Trustee Report, and several federal reserve banks, including the Federal Reserve Bank of Cleveland. He indicated that inflation statistics have been relatively flat over the last four to five years and that there is no reason to change the existing inflation assumption of 2.25%.

Mr. Tebeau addressed the wage inflation and salary increase assumptions, indicating that during the plan year ending June 30, 2019, average salary increases were less than the assumption for those continuing employment since the prior valuation. He added that in the most recent experience study from July 1, 2018, through June 30, 2019, the wage inflation and salary increase assumption was decreased by 25 basis points and that the recent valuation cycle showed similar experience regarding salary increases. Mr. Tebeau recommended maintaining the current assumption of 2.50% for wage growth and salary increases.

Mr. Tebeau reviewed the investment return assumption, noting that the current target asset allocation and average return figures from Meketa's asset allocation review were used in their analysis. The analysis showed that over a 20-year period the probability of exceeding the 6.5% return assumption is 66%. Mr. Tebeau noted that Meketa's capital market assumptions are more optimistic than the other investment consultants in the group surveyed. He reviewed the survey of 14 different investment consultants and referred to the 10-year horizon chart, which indicates that the probability of exceeding the 6.5% return assumption is just over 50%. In the longer-term horizon of 20-30 years, the probability of exceeding 6.5% is just over 61%. He concluded by telling the Board that no change was recommended to the 6.5% investment return assumption.

After discussion, Secretary Blair indicated a vote was not required since there were no recommended changes to the economic assumptions. Chairperson Schostok thanked Mr. Rivera, Mr. Tebeau, and Ms. Barry and excused them from the remainder of the meeting. A copy of the Economic Assumption Review for the June 30, 2020 Actuarial Valuation is made part of these minutes as *Exhibit B*.

#### **REPORT OF CHAIRPERSON**

Justice Schostok offered no report.

#### **REPORT OF ANY TRUSTEE**

No reports were offered.

#### **REPORT OF SECRETARY**

March 31, 2020 and June 30, 2020 Financial Statements. Secretary Blair reviewed the financial statements, noting that JRS had a net transfer of \$11 million from the ISBI investment portfolio in FY 2020. He indicated total receipts for the year were \$174 million and disbursements were \$163 million in benefits paid, adding that benefit payments in the fourth quarter approached \$14 million per month with 932 retirees and 318 survivors.

Secretary Blair indicated that the cash balance held at the Treasurer's Office was approximately \$34 million on June 30, 2020, which is slightly more than two months of benefit payments. He added

that 98 payments are being paid monthly out of the Excess Benefit Fund, which is funded when a portion of the monthly employer contribution is periodically directed to this fund. Secretary Blair noted that the FY 20 lapse period had been extended and that he would present the final FY 21 JRS budget at the October meeting.

Trustee Walker moved to approve the March 31, 2020, and June 30, 2020, financial statements. The motion was seconded by Vice-Chairman Moore. Ms. Ackerson took roll call to record the votes, and the motion passed unanimously. Official copies of these Financial Statements have been made a part of these minutes as *Exhibit C*.

FY 2021 Funding Update. Secretary Blair informed the Board that the Comptroller's Office is current in making the State contributions and that there have been no delayed payments in FY 21. He noted the August payment was received in the week before the Board meeting.

#### **REPORT OF THE MANAGER**

Annuities and Refunds for Approval. Angie Ackerson, Division Manager, reported nine retirement annuities had been processed since the last Board meeting totaling \$114,278.43 per month and five survivor annuities totaling \$48,166.63 per month. A review of refunds for approval reflected one survivor annuity contribution refund totaling \$13,963.52 and five error refunds totaling \$21,666.84. There being no questions, Trustee Walker moved to approve the annuities and refunds as presented; the motion was seconded by Trustee Anderson. Ms. Ackerson took roll call to record the votes. All voted in the affirmative.

Deaths of Members. Ms. Ackerson reported the deaths of twelve retired 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 10:50 a.m. Her motion was seconded by Judge Anderson. Roll call was taken with all voting to adjourn.

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Timothy B. Blair, Secretary

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

APPROVED:

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Chairperson Mary S. Schostok