

JUDGES' RETIREMENT SYSTEM OF ILLINOIS
MEETING NO. 318
MINUTES OF THE REGULAR MEETING
OF THE
BOARD OF TRUSTEES
March 29, 2013

A regular meeting of the Board of Trustees of the Judges' Retirement System convened on Friday, March 29, 2013, 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 Thomas E. Hoffman, Chairman
Justice Mary S. Schostok
Judge James R. Moore
Chief Judge Timothy Evans, Proxy for Chief Justice Thomas L. Kilbride

Absent:

Bridget Byron, Proxy for State Treasurer Dan Rutherford

Others present:

Timothy B. Blair, Secretary
Jayne L. Waldeck, Manager, Judges' Retirement System
Scott Richards, Illinois State Board of Investment
Paul Wood, Gabriel, Roeder, Smith & Company
Alex Rivera, Gabriel, Roeder, Smith & Company

With a quorum present, Chairman Hoffman called the meeting to order.

REPORT OF THE ILLINOIS STATE BOARD OF INVESTMENT (ISBI)

Scott Richards of the ISBI distributed copies of the Executive Summary dated February 28, 2013. He briefly reviewed the performance of the various asset classes, specifically focusing on the fiscal year to date (FYTD) performance. The Total Fund Composite reflected a 10.6% FYTD return with the Fixed Income Composite showing a 3.6% gain over that time period. The U.S. Equity Composite was up 15% FYTD mainly due to the performance of active managers and the fact that the small- and mid-cap managers have performed well. The Hedge Fund of Funds Composite was up 9.0% FYTD and the Non-U.S. Equity Composite was up 19.4% over the same time period.

Mr. Richards continued his report by noting the Real Estate Composite is up 1.9% (the only asset class to lag its benchmark) and the Real Assets Composite is up 7.8% FYTD. Mr. Richards informed those present that the markets are generally up so the investments within the various asset classes are doing

well. Questions were entertained and further discussion ensued. Chairman Hoffman thanked Mr. Richards for his informative report and excused him from the remainder of the meeting. A copy of the ISBI Executive Summary is maintained in the ISBI office and made a part of these minutes as Exhibit A.

EXPERIENCE ANALYSIS

Paul Wood and Alex Rivera of Gabriel, Roeder, Smith & Company (GRS) appeared before the Board to present their findings after reviewing the assumptions and methods used by the prior actuary. Regarding economic assumptions, GRS recommended maintaining the current inflation assumption of 3% annually and the current investment assumption of 7% annually. The recommendation was to lower the annual salary increase assumption from 4% to 3.75%.

Mr. Wood then reviewed the various demographic assumptions. He recommended that the mortality assumption should be updated to reflect longer life expectancies and suggested that a sex distinct assumption be used, as well as using a separate rate for pre-retirement and post-retirement JRS members. The final recommendation was to eliminate the disability assumption, as there are very few JRS disability claims. During the presentation, questions were entertained. Following brief discussion, Trustee Evans moved to adopt the recommended assumptions as presented. Trustee Schostok seconded the motion and all were in favor.

MINUTES OF PREVIOUS MEETING

The minutes of Meeting No. 317 held on January 25, 2013, were presented by Chairman Hoffman for approval. Copies of these minutes were previously submitted to all trustees for preliminary review. On motion by Trustee Schostok, seconded by Trustee Evans, the minutes of the meeting held January 25, 2013 were unanimously approved.

READING OF COMMUNICATIONS

Secretary Blair informed the Board the JRS Annual Reports have been mailed to the entire membership.

REPORT OF CHAIRMAN

Chairman Hoffman had nothing to report. He did express concerns regarding the System's ability to educate constituents of JRS' underfunding issue. Discussion was held and Trustee Schostok, as a member of the Illinois Judges' Association, accepted the task of attempting to relay pertinent facts to the judiciary with the help of JRS staff.

REPORT OF SECRETARY

FY 2013 Budget – Supplemental Request. Secretary Blair reviewed a March 19, 2013 memo to the JRS Board of Trustees outlining a projected FY 2013 budget shortfall of \$13,319. He explained that the biggest reason for the shortfall was an increase in attorney fees and audit fees. Following some

discussion, Trustee Evans moved to approve the JRS supplemental request for \$13,319. Trustee Schostok seconded the motion and all were in favor.

Preliminary Review of FY 2014 JRS Budget. Secretary Blair reviewed the proposed JRS Budget for FY 2014, which contained a requested increase of \$86,675 from the FY 2013 budget. He then reviewed the specific line items, noting the request provides for a 2% salary increase for merit compensation employees who have not had salary increases in several years. Other items impacting the FY 2014 budget include increases in retirement contributions and a substantial increase in the group insurance line. The contractual line item shows a substantial increase due to the increase in professional services (actuarial services and audit fees).

A brief discussion was held and Trustee Schostok moved to approve the Preliminary FY 2014 JRS budget contingent upon the GARS Board of Trustees approval. Trustee Evans seconded the motion and all were in favor.

FY 2013 Funding Update. Secretary Blair informed the Board members present that the State Comptroller's Office has been timely in sending the employer contributions to JRS. They are currently about 1 ½ months behind.

Legislative Update. Secretary Blair informed those members present that JRS is not part of pension reform legislation being considered by the General Assembly. But, there has been legislation that would require JRS' actuaries to perform the experience analysis every 3 years, rather than every 5 years and would require the use of the Entry Age Normal cost methodology rather than Projected Unit Credit.

REPORT OF THE MANAGER

Annuities and Refunds for Approval. Ms. Waldeck reviewed 5 retirement annuities processed since the last Board meeting totaling \$47,028.28 per month. In addition, there were two survivor annuity benefits processed during this reporting period totaling \$13,572.06 per month. There being no questions, Trustee Evans moved and Trustee Schostok seconded the motion for approval of the annuities. The motion passed unanimously.

Ms. Waldeck brought the attention of the Board to a request from Justice Judy L. Cates, who had not filed her "Election Not to Participate" in the Judges' Retirement System within the 30 day time limit. Following a review of Justice Cates' appeal to the Board, Trustee Moore moved to allow Justice Cates' election to decline JRS participation. Trustee Evans seconded the motion and all were in favor.

A review of the Refunds for Approval reflected two termination refunds and four survivor annuity refunds totaling \$256,789.66 as being paid during this reporting period. In addition, eleven error refunds were processed totaling \$9,253.66. On a motion by Trustee Evans, seconded by Trustee Schostok, and by unanimous vote, the refund payments were approved.

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

OLD BUSINESS

Secretary Blair reported no old business.

NEW BUSINESS

Secretary Blair reported no new business.

ADJOURNMENT

There being no further business to be brought before the Board, Trustee Moore moved to adjourn at 12:10 p.m. His motion was seconded by Trustee Evans and all voted in the affirmative. Chairman Hoffman noted the next meeting of the JRS Board is Friday, July 26, 2013 at 10 a.m.

Timothy B. Blair, Secretary

Date: _____

APPROVED:

Chairman