

**JUDGES' RETIREMENT SYSTEM OF ILLINOIS
MEETING NO. 334
MINUTES OF THE REGULAR MEETING
OF THE BOARD OF TRUSTEES**

March 31, 2017

A meeting of the Board of Trustees of the Judges' Retirement System convened on Friday, March 31, 2017, 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
Judge Debra Walker, Proxy for Chief Justice Lloyd Karmeier
Rodrigo Garcia, Proxy for State Treasurer Michael Frerichs

Others present:

Timothy B. Blair, Secretary
Jayne L. Waldeck, JRS Division Manager
Jeff Houch, Assistant to Secretary
Scott Richards, Senior Investment Officer, Illinois State Board of Investment
Craig Goesel, Mesirow Alliant

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)

Scott Richards, ISBI Chief Investment Officer, distributed copies of the Quarterly Review dated December 31, 2016, and reviewed the performance of the ISBI portfolio and selected asset classes. He began his report by noting that as of December 31, 2016, the total portfolio returned 4.0% in the first six months of FY 17, net of fees, and added the portfolio slightly outperformed the custom benchmark, which returned 3.9%. Mr. Richards continued the U.S Equity portfolio and most asset classes outperformed their respective benchmarks in the first six months of FY 17.

Mr. Richards concluded his report and offered to answer questions. After questions and discussion regarding ongoing changes in asset allocation, Chairperson Schostok thanked Mr. Richards and excused him from the remainder of the meeting. Trustee Walker moved to approve the ISBI report. Trustee Anderson seconded the motion and it passed unanimously. A copy of the December 31, 2016 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. 333 held on January 13, 2017, were presented by Chairperson Schostok for approval. Copies of these minutes were previously submitted to all trustees for preliminary

review. On a motion offered by Trustee Walker and seconded by Trustee Anderson, the minutes of the meeting held January 15, 2016 were unanimously approved.

FIDUCIARY INSURANCE RENEWAL

Chairperson Schostok announced that the fiduciary insurance renewal discussion would be moved up the agenda, as Craig Goesel of Alliant Mesirow was in attendance to discuss a proposal regarding the FY 18 fiduciary insurance renewal. Mr. Goesel thanked the Board for the opportunity and began his report by noting Alliant Mesirow is the fiduciary insurance broker for four of the City of Chicago pension funds and that significant savings were realized by using a “combined marketing” approach, meaning the four funds were presented to potential insurers simultaneously.

Mr. Goesel reviewed Alliant Mesirow’s proposed coverages and fees, in comparison to the FY 17 policy provided by Paradigm Insurance, and answered questions posed by the Board. Chairperson Schostok thanked Mr. Goesel for his time and excused him from the remainder of the meeting. Secretary Blair then provided the history of the use of fiduciary insurance by JRS. The Board agreed to meet on May 24th at noon in the Springfield Office to consider the FY 18 insurance proposal of Alliant Mesirow and Paradigm Insurance, the current JRS broker.

WRITTEN APPEAL OF JUDGE STUART P. KATZ

Jayne Waldeck, JRS Division Manager, presented the appeal of Judge Stuart P. Katz to the Board. She informed the Board that Judge Katz elected to limit contributions to JRS on November 1, 2016, upon attainment of age 60. The option to limit was made possible as Judge Katz was at the maximum benefit of 85% of salary when including more than 23 years of service credit in the County Employees’ Annuity and Benefit Fund of Cook County (CEABF). Ms. Waldeck noted that after the election, Judge Katz realized that it would have been better for him financially to retire independently from CEABF and not limit JRS contributions. She denied his request to revoke the election to limit JRS contributions, citing the election to limit contributions is statutorily irrevocable.

Following a brief discussion of the irrevocability of the relevant statute, Vice-Chairman Moore moved for denial of the appeal but noted the Board is sympathetic to Judge Katz’s situation. Trustee Walker seconded the motion and it passed unanimously.

READING OF COMMUNICATIONS

There were no communications to report or review. Secretary Blair distributed copies of the FY 16 Comprehensive Annual Financial Report (CAFR) to the Board.

REPORT OF CHAIRPERSON

Chairperson Schostok offered no report.

REPORT OF ANY TRUSTEE

No reports were offered.

REPORT OF SECRETARY

Preliminary Review of FY 18 Operations Budget. Secretary Blair presented the FY 18 Preliminary Operations Budget Request, noting the request is an increase of \$4,289, or 0.43% over the approved FY

17 budget. Secretary Blair reviewed the items having a cost impact on the FY 18 budget, including an increase of \$28,400 for employer contributions to the State Employees' Retirement System (SERS). In addition, the request includes a decrease of \$14,900 in the personal services line and a \$6,200 decrease in the allocations for an outside attorney and daily postage.

The total FY 18 JRS budget request totaled \$1,012,300, an increase of \$4,289 from the FY 17 budget. Following review of the information presented to the Board, Trustee Walker moved to approve the preliminary FY 2018 budget. Vice Chairman Moore seconded the motion and all were in favor.

Financial Statements ending December 31, 2016. Secretary Blair reviewed the financial statements and noted for the Board that JRS had not withdrawn any funds from the ISBI investment portfolio between July 1, 2016 and December 31, 2016. He added that JRS staff projects fund transfers to the ISBI investment portfolio during FY 17 will be at least \$17 million, provided the System continues to receive State contributions in a timely manner. Following the review, Trustee Walker moved to approve the financial statements. Trustee Anderson seconded the motion and it passed unanimously. Official copies of these Financial Statements have been made a part of these minutes as *Exhibit B*.

Mandatory Distribution Policy. Secretary Blair referred the Board to a proposed policy regarding the distributions required by Section 401(a)(9) of the Internal Revenue Code (IRC). The policy would allow JRS staff to process a refund without an application from the member, if the member doesn't respond within 60 days of notification of the IRC requirement to take a JRS distribution upon attainment of age 70 ½. Following a brief discussion of the IRC requirement, Vice-Chairman Moore moved to approve the policy as presented, Trustee Walker seconded and it passed unanimously.

FY 17 Funding Update. Secretary Blair informed the Board that the Comptroller's Office had notified JRS staff that the ½ month "catch-up" payment would be forwarded in mid-May, representing the delayed ½ of the February State contribution. He noted the Comptroller's Office recently advised JRS staff that the May and June State contributions should be made in full and on schedule.

Judge Janice Bierman Update. Secretary Blair informed the Board there had been no change in the Bierman litigation since the January Board meeting.

Legislative Review. Jeff Houch, Assistant to the Secretary, referred the Board to his report and noted the JRS administrative package was contained in HB 2497. He told the Board that he expected the House to hold the legislation due to concerns about the salary definition clarification provision. Mr. Houch then briefly reviewed the various "Tier 3" proposals and some proposed changes to the funding plan, noting that he didn't expect any of these proposals to become law during the Spring 2017 legislative session.

REPORT OF THE MANAGER

Annuities and Refunds for Approval. Jayne Waldeck, Division Manager, reported fifteen retirement annuities processed since the last Board meeting totaling \$170,033.61 per month and five survivor annuities totaling \$43,705.05 per month. A review of the refunds for approval reflected four termination refunds, twelve error refunds and two survivor annuity contribution refunds totaling \$310,177.12. There being no questions, Trustee Walker moved for approval of the annuities and refunds as presented and Vice Chairman Moore seconded the motion. The motion passed unanimously.

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

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 11:50 a.m. Her motion was seconded by Trustee Anderson and passed unanimously.

Timothy B. Blair, Secretary

Date: _____

APPROVED:

Chairperson Mary S. Schostok