

**JUDGES' RETIREMENT SYSTEM OF ILLINOIS  
MEETING NO. 347  
MINUTES OF THE REGULAR MEETING  
OF THE BOARD OF TRUSTEES**

**March 27, 2020**

A meeting of the Board of Trustees of the Judges' Retirement System convened on Friday, March 27, 2020, at 10 a.m. in the Board room of the State Retirement Systems, 2101 S. Veterans Parkway, Springfield, Illinois. Per Executive Order 2020-07, trustees were permitted to participate via teleconference.

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

Justice Mary S. Schostok, Chairperson  
Justice James R. Moore, Vice-Chairman  
Judge Debra Walker, Proxy for Chief Justice Anne Burke  
Judge John C. Anderson  
Rodrigo Garcia, Proxy for State Treasurer Michael Frerichs

Others present:

Timothy B. Blair, 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, (by telephone)  
Scott Richards, Senior Investment Officer, Illinois State Board of Investment (by telephone)

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. Secretary Blair announced that Jim Stivers began as SRS General Counsel on December 1<sup>st</sup> and was in attendance. He was welcomed by Chairperson Schostok and the trustees.

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

Johara Farhadieh, ISBI Executive Director, summarized the fund's Quarterly Review dated December 31, 2019, which was electronically distributed to Trustees, and noted the portfolio on that date was up 4.9% and valued at nearly \$20.2 billion. She noted the portfolio's one-year performance returned 17.9% and ranked in the 72<sup>nd</sup> percentile compared to its peers. She attributed the percentile rank due to its more conservative positioning in a market that has continued to reward riskier investments. The portfolio's Rate Sensitive Composite holds 24% of the portfolio while public fund peer funds hold approximately 19%.

Director Farhadieh stated that due to the current market volatility, the Fund is down approximately 10.75% since December 31, 2019. She reported the investment team remains focused on long term strategies, while being aware of short-term implications. She added the portfolio structure and diversification fares better in down markets when compared to the peer group. Director Farhadieh added that despite the Fund being ranked 72<sup>nd</sup> overall, the U.S. equity composite returned 31.9% in the last year, outperforming the benchmark by 90 basis points and ranking in the 7<sup>th</sup> percentile of its domestic equity peers.

After discussion on market volatility, Justice Schostok asked if there were any questions. There were none. A copy of the ISBI Quarterly Review is maintained in the ISBI office and made a part of these minutes as *Exhibit A*.

## **MINUTES OF PREVIOUS MEETING**

The minutes of Meeting No. 346 held on January 10, 2020, were presented by Justice Schostok for approval. Copies of the minutes were previously submitted to all trustees for review. On a motion by Judge Walker, seconded by Judge Anderson, the minutes of the meeting held January 10, 2020 were unanimously approved.

## **READING OF COMMUNICATIONS**

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

## **REPORT OF CHAIRPERSON**

Justice Schostok reported that ISBI staff started working from home a week prior to Governor Pritzker's Executive Order to shelter in place. She also reported that she receives regular updates from ISBI Director Johara Farhadieh and will apprise the trustees if anything substantial happens.

## **REPORT OF ANY TRUSTEE**

Justice Schostok asked if there were any trustee reports. No reports were offered.

## **REPORT OF SECRETARY**

FY 20 Supplemental Request. Secretary Blair requested a net increase of \$37,800 to meet all expected FY 20 obligations. He noted his prior budget request did not include a one-time lump sum payout for back step increases owed to a former employee who retired in September 2019. Secretary Blair also noted a \$2,000 increase in Contractual Services for actuarial work regarding a proposal to grandfather Tier 2 judges with Tier 1 reciprocal service into the Tier 1 JRS plan. He added the budget request was offset by a decrease in the Group Insurance and Travel lines and the final numbers increased the FY 20 budget by approximately 3.6%.

After discussion, Justice Schostok asked for a motion to approve a \$37,800 increase in the FY 20 budget. Judge Walker moved to approve the request. Judge Anderson seconded the motion, and all were in favor.

Preliminary Review of FY 2021 Operations Budget. Secretary Blair presented the FY 21 Preliminary Operations Budget Request noting a decrease of \$11,495, or 1.10%, from the FY 20 budget. The FY 21 JRS budget request totaled \$1,031,080. He reviewed the items having a cost impact on request, including an increase of \$5,000 in the Group Insurance line, a decrease of \$12,185 in Personal Services line, and a \$6,025 decrease in the Retirement line. Secretary Blair added the employer contribution rate for State Employees' Retirement System (SERS) increased from 51.614% in FY 20 to 54.290% in FY 21.

Secretary Blair reported the shared administrative expenses for JRS increased from 75% to 80% beginning with the FY 21 budget. He provided a historical comparison between JRS and the General Assembly Retirement System (GARS) since 1980 showing the benefit payments attributable to JRS have grown from 62% to 74% and the active/inactive membership has grown from 69.4% to 83.4%. Secretary Blair pointed out that the number of active participants in the GARS declined from 238 to 126 in the 40-year span while the number of active participants in the JRS grew from 700 to almost 1000.

Secretary Blair added the JRS percentage has been above 75% since FY 14 and will probably reach 80% in the next few years, based on the large number of legislators who elect to not participate in GARS. He added that despite increasing the JRS administrative expense percentage to 80%, the overall shared operations budget is decreasing by approximately \$80,000 due to the reductions in Group Insurance and Personal Services lines due to

the back wages paid in FY 20. Following discussion of the FY 21 preliminary budget request of \$1,031,080, Judge Anderson motioned for approval. The motion was seconded by Judge Walker and all were in favor.

December 31, 2019 Financial Statements. Secretary Blair reviewed the financial statements and noted that \$4 million was transferred from invested assets to maintain the targeted cash balance. He also noted an increase in retirees during the second quarter and that monthly retirement and survivor benefits continue to be approximately \$13 million per month, approximately the same amount contributed to JRS by the State and active judges. With automatic annual increases occurring in January, he added the monthly retiree payroll will increase. Judge Walker moved to approve the financial statements. The motion was seconded by Judge Anderson, and all were in favor. Official copies of these financial statements have been made a part of these minutes as *Exhibit B*.

FY 2020 Funding Update. Secretary Blair told the Board that the Comptroller's Office is current in making the state contributions and there have been no delayed payments in FY 2020. He added that he is in contact regularly with the Comptroller's Office and noted that the State extension for income tax filing to July 15<sup>th</sup> could impact state contributions to JRS. Secretary Blair indicated he expects the April contribution to arrive by March 31<sup>st</sup>.

Return to Work Restrictions – Policy Clarification. Jeff Houch, Assistant to the Secretary, presented a policy clarification to the Board regarding employment after retirement for judges. He summarized the relevant statutes and current Board policies that clarify post-retirement employment. Mr. Houch added that if a judge becomes a member of SERS as a state employee, JRS benefits are suspended because it is considered regular employment for compensation by the State. He noted that similar language in SERS' statute permits a SERS retiree to be a temporary employee without affecting SERS retirement benefits, which has been interpreted to apply to judges as well.

Mr. Houch explained that JRS staff had been asked by a member if working as an independent contractor for the State following retirement is permissible without suspension of JRS benefits since compensation would not be on a regular payroll. Mr. Houch requested clarification on whether employment as an independent contractor with the State should be excluded from the "Return to Work" restrictions if the judge isn't on a regular payroll. After discussion, a motion was made by Judge Walker to confirm the staff interpretation that employment by the State as an independent contractor is not 'regularly employed for compensation by the State' and therefore does not result in the suspension of JRS benefits. The motion was seconded by Chairperson Schostok and all were in favor.

Legislative Review. Mr. Houch referred the Board to his report outlining legislation affecting JRS and offered his opinion that nothing in his report would be considered by the General Assembly due to the COVID-19 health crisis. He noted the General Assembly had postponed its return to Springfield due to Governor Pritzker's Executive Order 2020-10 and has not established a schedule to return. Mr. Houch stated that when the General Assembly returns, they will focus on time-sensitive, critical issues related to State appropriations and the budget. He noted that the health crisis will impact State revenues, which could impact pension funding, and reminded the Board that a JRS Board policy passed in April 2016 stating the Board will officially oppose any legislation that delays or reduces JRS funding, but a drastic decrease in State revenue may necessitate extending the funding plan.

After a brief discussion, a motion was made by Chairperson Schostok to approve Mr. Houch's legislative report. The motion was seconded by Vice-Chairman Moore and all were in favor.

## **REPORT OF THE MANAGER**

Annuities and Refunds for Approval. Angie Ackerson, Division Manager, reported five retirement annuities processed since the last Board meeting totaling \$59,152.24 per month and four survivor annuities totaling \$21,552.30 per month. A review of the refunds for approval included one termination refund and two survivor annuity

contribution refunds totaling \$134,703.01. Ms. Ackerson reported three error refunds totaling \$2,644.19 due to two new judges electing to not participate in the survivor's annuity provision and one judge electing not to participate in JRS. There being no questions, Judge 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. Ackerson reported the deaths of five JRS members since the January meeting. This report is made a part of these minutes as *Exhibit C*.

**UNFINISHED 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, Judge Walker moved to adjourn at 11:05 a.m. Her motion was seconded by Chairperson Schostok and passed unanimously.

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Timothy B. Blair, Secretary

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

APPROVED:

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Chairperson Mary S. Schostok