

JUDGES' RETIREMENT SYSTEM OF ILLINOIS
MEETING NO. 328
MINUTES OF THE ANNUAL MEETING
OF THE
BOARD OF TRUSTEES
October 30, 2015

The annual meeting of the Board of Trustees of the Judges' Retirement System convened on Friday, October 30, 2015, 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-Chairperson
Judge John C. Anderson
Judge Debra Walker, Proxy for Chief Justice Rita Garman

Absent was:

Rodrigo Garcia, Proxy for State Treasurer Michael Frerichs

Others present:

Timothy B. Blair, Administrative Secretary
Jayne L. Waldeck, Manager, Judges' Retirement System
Jeff Houch, Assistant to Administrative Secretary
Max Dulberger, Treasurer's Office
William Atwood, Director, Illinois State Board of Investment
Alex Rivera, Gabriel Roeder Smith & Company
Ryan Gunderson, Gabriel Roeder Smith & Company

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

PUBLIC COMMENTS

Justice Schostok asked if any members of the public wished to address the Board. None did.

REPORT OF THE ILLINOIS STATE BOARD OF INVESTMENT (ISBI)

William Atwood, ISBI Director, distributed copies of the Executive Summary dated September 30, 2015 and noted that in addition to the normal report he would also provide a report on the utilization of emerging and minority investment managers at ISBI. He began the portfolio review by noting that in FY 2015 the portfolio returned 4.7%, net of fees, considerably outperforming the benchmark return of 4.0%. Over the same time period, the Fixed Income portfolio lost 1.6% net of fees, well below the benchmark return of 1.6%, while the U.S. Equity portfolio returned 6.3%, underperforming the benchmark return of 7.3%.

Director Atwood reported the Hedge Fund of Funds portfolio returned 5.7%, net of fees, outperforming the benchmark return of 4.0%. He then briefly reviewed the FY 16 year to date

performance of several of asset classes within the portfolio, noting the underperformance of several asset classes when compared to their respective benchmarks.

Director Atwood noted that Marc Levine had been elected ISBI Chairman in September and Justice Schostok remained the Recording Secretary. In addition, following release of a Request For Proposal (RFP), Meketa Investment Group was chosen to replace Marquette and Associates as the ISBI General Consultant.

Director Atwood then referred the Board to several documents detailing the ISBI utilization of emerging and minority investment managers and brokers. He provided that 43% of domestic equity brokerage fees went to minority brokers, while 47% of international equity brokerage fees and 42% of domestic fixed income brokerage fees went to minority brokers. The brokerage fees of all three of these assets classes surpassed the utilization goals adopted by ISBI.

Chairperson Schostok thanked Mr. Atwood for his informative report and excused him from the remainder of the meeting. Vice-Chairperson Moore moved to approve the ISBI report and Trustee Walker seconded the motion, which passed unanimously. A copy of the September 30, 2015 ISBI Flash Report is maintained in the ISBI office and made part of these minutes as *Exhibit A*.

REPORT OF CONSULTING ACTUARIES

Alex Rivera and Ryan Gunderson of Gabriel, Roeder, Smith & Company, distributed draft copies of the FY 2015 JRS actuarial valuation. Mr. Rivera began his remarks by noting for the Board that the funded ratio, on a market value basis, increased from 34.8% at June 30, 2014 to 36.0% at June 30, 2015. He continued by pointing out the employer contribution requirement decreased slightly from \$132.1 million in FY 2016 to \$131.3 million in FY 2017. Mr. Rivera explained the decrease in the required contribution is due primarily to much larger than assumed investment returns for the last few fiscal years, which are used to calculate the actuarial value of assets used in determining the annual employer contribution. He also emphasized the funded ratio is expected to grow slowly through 2033 to 51% and then increase rapidly to 90% in 2045.

Secretary Blair explained the Board must certify to the Governor, General Assembly and State Actuary, by November 1, 2015, the proposed FY 2017 employer contribution. The proposed employer contribution and all supporting actuarial work is then reviewed by the State Actuary. Following a brief discussion, Trustee Anderson moved to accept the draft valuation and certify the \$131.3 million FY 2017 employer contribution. Vice-Chairperson Moore seconded the motion and all were in favor. Chairperson Schostok thanked Mr. Rivera and Mr. Gunderson and excused them from the remainder of the meeting.

MINUTES OF PREVIOUS MEETING

The minutes of Meeting No. 327 held on July 31, 2015, 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-chairperson Moore, the minutes of the meeting held July 31, 2015 were unanimously approved.

ELECTION OF 2016 OFFICERS

Chairperson Schostok announced the annual election of officers for the ensuing year was in order and opened the meeting for nominations. Vice-Chairperson Moore nominated Chairperson Schostok to remain Chairperson with Trustee Walker seconding the motion. There being no further nominations, the nominations were closed. The vote which followed resulted in the unanimous re-election of Chairperson Schostok to the office of JRS Chairperson for calendar year 2016.

Trustee Anderson nominated Vice-Chairperson Moore to remain Vice-Chairman and Trustee Walker seconded the motion. With no further nominations, the nominations were closed. The vote which followed resulted in the unanimous re-election of Trustee Moore as JRS Vice-Chairman for calendar year 2016.

Trustee Anderson nominated Timothy Blair for reelection as Administrative Secretary. Trustee Walker seconded the motion. No further nominations were forthcoming, and nominations were closed. The vote resulted in the unanimous re-election of Timothy Blair as JRS Administrative Secretary for calendar year 2016.

READING OF COMMUNICATIONS

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

REPORT OF CHAIRPERSON

Chairperson Schostok had nothing to report.

REPORT OF ANY TRUSTEE

There were no reports from any trustee.

REPORT OF SECRETARY

2016 Meeting Dates. To comply with the Open Meetings Act, Secretary Blair presented the proposed calendar year 2016 meetings dates. Following some discussion, Trustee Anderson moved to accept the following meetings dates for 2016: January 15; April 1; July 29; and October 28. All meetings will begin at 10 a.m. and will be held in Room N-1810 of the Bilandic Building, 160 North LaSalle Street, Chicago. Trustee Walker seconded the motion and all were in favor.

Financial Statements of September 30, 2015. Secretary Blair briefly reviewed the financial statements for the quarter ended September 30, 2015. He noted for the Board that during the quarter JRS had total receipts in excess of \$36 million and that JRS staff had transferred \$4 million to the ISBI portfolio in the quarter. A cash balance of almost \$31.9 million at September 30, 2015 was more than enough to cover two months of benefit payments, as required by JRS policy.

Secretary Blair continued by emphasizing the total projected fund transfers to ISBI during FY 2016 is \$10.5 million, depending on the timing of employer contributions. Following the review, Trustee Walker moved to approve the financial statements for the quarter ending September 30, 2015.

Vice-Chairperson Moore seconded the motion, which passed unanimously. Official copies of these Financial Statements have been placed on file and made a part of these minutes as *Exhibit B*.

Consideration of Inclusion Policy. Secretary Blair reviewed an Inclusion Policy that specifies JRS would promote diversity in the hiring and procurement processes. The Policy adopts an aspirational goal of 20% and requires tracking and reporting against the goal. Trustee Walker moved for adoption of the Inclusion Policy and Trustee Anderson seconded the motion, which passed unanimously.

REPORT OF THE MANAGER

Annuities and Refunds for Approval. Ms. Waldeck reviewed seventeen retirement annuities processed since the last Board meeting totaling \$153,338.13 per month and one survivor annuity processed totaling \$8,892.80 per month. A review of the Refunds for Approval included one Termination Refund and three Survivor Annuity Contribution Refunds totaling \$131,839.69. In addition, one Error Refund was processed totaling \$1,920.26. There being no questions, Trustee Anderson moved for approval of the annuities and refunds. Trustee Walker seconded the motion and it passed unanimously.

Deaths of Members. Ms. Waldeck reported the deaths of six JRS members since the July 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 11:30 a.m. Her motion was seconded by Trustee Anderson and passed unanimously. Chairperson Schostok added the next meeting of the Board is scheduled for Friday, January 15, 2015, at 10 a.m. and the meeting adjourned.

Timothy B. Blair, Secretary

Date: _____

APPROVED:

Chairperson Mary S. Schostok