

JUDGES' RETIREMENT SYSTEM OF ILLINOIS
MEETING NO. 332
MINUTES OF THE ANNUAL MEETING
OF THE
BOARD OF TRUSTEES
October 28, 2016

The annual meeting of the Board of Trustees of the Judges' Retirement System convened on Friday, October 28, 2016, 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
Judge John C. Anderson
Judge Debra Walker, Proxy for Chief Justice Lloyd Karmeier
Rodrigo Garcia, Proxy for State Treasurer Michael Frerichs

Absent was:

Justice James R. Moore, Vice-Chairperson

Others present:

Timothy B. Blair, Administrative Secretary
Jayne L. Waldeck, Manager, Judges' Retirement System
Jeff Houch, Assistant to Administrative Secretary
William Atwood, Director, Illinois State Board of Investment
Johara Farhadieh, Deputy Director, Illinois State Board of Investment
Alex Rivera, Consulting Actuary, Gabriel Roeder Smith & Company
Ryan Gunderson, Consulting Actuary, 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 Quarterly Review dated June 30, 2016 and noted that Johara Farhadieh, ISBI Deputy Director, would report on the alternative investment classes and the utilization of emerging and minority investment managers at ISBI. He began the review by reporting in FY 2016 the total portfolio lost 0.8%, net of fees, lagging the benchmark return of 0.7%. Director Atwood reported the Fixed Income portfolio returned 1.4%, net of fees, significantly below the benchmark return of 5.8%, while the U.S. Equity portfolio lost 1.8 %, lagging the benchmark return of 2.1%.

Ms. Farhadieh continued the ISBI report by noting the Hedge Fund of Funds portfolio lost 9.0%, net of fees, lagging the custom benchmark loss of 5.4%. She then reminded the Board that ISBI was in the process of reducing the Hedge Fund Allocation from 10% of the portfolio to 3% of the portfolio, with

the transition expected to take several years. Ms. Farhadieh then referred the Board to a document detailing the ISBI utilization of emerging and minority investment managers, as of September 30, 2016. On that date, Ms. Farhadieh reported 21.3% of assets were managed by minority managers, while 9.8% of assets were managed by emerging managers.

Chairperson Schostok thanked Mr. Atwood and Ms. Farhadieh for the report and excused them from the remainder of the meeting. Trustee Walker moved to approve the ISBI report and Trustee Anderson seconded the motion, which passed unanimously. A copy of the June 30, 2016 Quarterly Review 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 2016 JRS actuarial valuation. Mr. Rivera began his remarks by noting the assumption changes adopted by the Board in July were used in the FY 2016 valuation. He added the funded ratio, on a market value basis, decreased from 36.04% at June 30, 2015, to 33.0% at June 30, 2016, and pointed out the employer contribution requirement increased from \$131.3 million in FY 2017 to \$146.8 million in FY 2018.

Mr. Rivera reiterated the decrease in the funded ratio and the increase in the FY 2018 required employer contribution reflected the reduction in the investment return assumption and the adoption of a mortality table that provides for future longevity improvements. He elaborated that although the financial condition, as measured by the funded ratio at June 30, 2016, appears to have deteriorated, the assumption changes actually strengthen the condition of JRS by recognizing the reality of lower future investment earnings and increasing life expectancy, thereby increasing the required employer contributions to the system.

Following a review of projected benefits and contributions, Trustee Walker moved to accept the draft valuation and certify the \$146.8 million FY 2018 employer contribution. Trustee Anderson 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. 331 held on July 29, 2016, 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 Chairperson Schostok, the minutes of the meeting held July 29, 2016 were unanimously approved.

ELECTION OF 2017 OFFICERS

Chairperson Schostok announced the annual election of officers for the ensuing year was in order and opened the meeting for nominations. Trustee Walker nominated Chairperson Schostok to remain Chairperson and Justice Moore to remain Vice-Chairperson. Trustee Garcia seconded the motion. There being no further nominations, the nominations were closed. The vote which followed resulted in the unanimous re-election of Chairperson Schostok and Vice-Chairperson Moore for calendar year 2017.

Trustee Walker nominated Timothy Blair for reelection as Administrative Secretary for 2017. Trustee Anderson 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 2017.

READING OF COMMUNIATIONS

Chairperson Schostok noted for the Board the appointment letter from Chief Justice Lloyd Karmeier appointing Judge Walker as his proxy to the JRS Board of Trustees. She congratulated Judge Walker on the appointment. Judge Walker thanked Chairperson Schostok and excused herself from the remainder of the meeting due to another commitment.

REPORT OF CHAIRPERSON

Chairperson Schostok had nothing to report.

REPORT OF ANY TRUSTEE

There were no reports from any trustee.

REPORT OF SECRETARY

2017 Meeting Dates. Secretary Blair presented the proposed calendar year 2017 meeting dates. Following brief discussion, Trustee Anderson moved to accept the following meeting dates for 2017: January 13; March 31; July 28; and October 20. 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 Garcia seconded the motion and all were in favor.

Financial Statements of September 30, 2016. Secretary Blair reviewed the financial statements for the quarter ended September 30, 2016. He noted that during the quarter JRS had total receipts of \$35.2 million and expenditures of almost \$34 million. Secretary Blair added the June 30, 2016 cash balance of \$49.9 million was more than required by JRS policy and there would be a transfer to the ISBI investment portfolio in the 2nd quarter of FY 2017. He estimated the total amount transferred to ISBI during FY 2017 could amount to \$17 million, depending on the timing of employer contributions.

Following the review, Trustee Garcia moved to approve the financial statements for the quarter ended September 30, 2016. Trustee Anderson 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*.

REPORT OF THE MANAGER

Annuities and Refunds for Approval. Ms. Waldeck presented eighteen retirement annuities processed since the last Board meeting totaling \$201,043.58 per month and six survivor annuities processed totaling \$41,496.78 per month. A review of the Refunds for Approval included five Survivor Annuity Contribution Refunds totaling \$177,949.74 and five Error Refunds totaling \$58,189.77. Following brief discussion, Trustee Garcia moved for approval of the annuities and refunds as presented. Trustee Anderson seconded the motion and it passed unanimously.

Deaths of Members. Ms. Waldeck reported the deaths of five 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 Anderson moved to adjourn at 11:30 a.m. His motion was seconded by Trustee Garcia and passed unanimously. Chairperson Schostok added the next meeting of the Board is scheduled for Friday, January 13, 2017, at 10 a.m. and the meeting adjourned.

Timothy B. Blair, Secretary

Date: _____

APPROVED:

Chairperson Mary S. Schostok