

JUDGES' RETIREMENT SYSTEM OF ILLINOIS
MEETING NO. 337
MINUTES OF THE ANNUAL MEETING
OF THE
BOARD OF TRUSTEES
October 20, 2017

The annual meeting of the Board of Trustees of the Judges' Retirement System convened on Friday, October 20, 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-Chairperson
Judge John C. Anderson
Judge Debra Walker, Proxy for Chief Justice Lloyd Karmeier

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
William Atwood, 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, 2017 and began by reporting that in FY 2017 the total portfolio returned 12.3%, net of fees, slightly outperforming the benchmark return of 12.0%. He added the portfolio totaled more than \$17.3 billion on that date and had increased to almost \$18 billion by October 19, 2017. Director Atwood reported the Fixed Income portfolio returned 0.9%, net of fees, in FY 2017, equaling the benchmark return, while the U.S. Equity portfolio returned 20.2% in FY 2017, significantly outperforming the benchmark return of 18.7%.

Director Atwood continued his report by noting the Non-U.S. Equity portfolio gained 22.1%, net of fees, in FY 2017, outpacing the benchmark return of 20.4%, while in FY 2017 the Hedge Fund of Funds portfolio significantly outperformed the benchmark return, 11.7% net of fees, compared to 6.5%. He 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 years. Director Atwood referred the Board to a document detailing the ISBI utilization of emerging and minority investment managers, as of June 30, 2017. On that date, he reported that 24.8% of assets were managed by emerging and minority managers.

Chairperson Schostok thanked Director Atwood for the report and excused him 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, 2017 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 2017 JRS actuarial valuation. Mr. Rivera began by reminding the Board that Public Act 100-0023 required the Board to re-certify the 2018 State contribution, taking into account the smoothing of the effect of all assumption changes after FY 2013. He noted the FY 2018 contributions that were re-certified at the July Board meeting were used in the FY 2017 valuation. Mr. Rivera reported the funded ratio, on a market value basis, increased from 33.00% at June 30, 2016, to 35.55% at June 30, 2017, and the State contribution requirement increased from \$136.0 million in FY 2018 to \$140.5 million in FY 2019.

Following a review of projected benefits and contributions over the remainder of the funding plan, Trustee Walker moved to accept the draft valuation and certify the \$140.469 million FY 2019 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. 336 held on July 28, 2017, were presented by Chairperson Schostok for approval. Copies of these minutes were previously submitted to all trustees for preliminary review. On a motion by Vice-Chairperson Moore and seconded by Chairperson Schostok, the minutes of the meeting held July 28, 2017 were unanimously approved.

ELECTION OF 2018 OFFICERS

Chairperson Schostok announced the annual election of officers for the ensuing year was in order and opened the meeting for nominations. Trustee Anderson nominated Chairperson Schostok to remain Chairperson and Vice-Chairperson Moore 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 for calendar year 2018.

Chairperson Schostok opened the meeting for nominations for Vice-Chairperson. Trustee Walker nominated Vice-Chairperson Moore to continue as Vice-Chairperson for 2018. Trustee Anderson seconded the nomination. There being no further nominations, the nominations were closed. The vote which followed resulted in the unanimous re-election of Vice-Chairperson Moore for 2018.

Trustee Walker nominated Timothy Blair for re-election as Administrative Secretary for 2018. Trustee Moore 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 2018.

READING OF COMMUNICATIONS

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

2018 Meeting Dates. Secretary Blair presented the proposed calendar year 2018 meeting dates. Following brief discussion, Trustee Walker moved to accept the following meeting dates for 2018: January 12; April 20; July 27; and October 26. 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. Vice-Chairperson Moore seconded the motion and all were in favor.

Financial Statements of September 30, 2017. Secretary Blair reviewed the financial statements for the quarter ended September 30, 2017. He noted that during the quarter JRS had total receipts of \$49.2 million and expenditures of almost \$36.4 million. Secretary Blair added the June 30, 2017 cash balance of \$24.8 million was less than required by JRS policy but the balance had grown to the policy level by September 30, 2017. He estimated the total amount that would be transferred to ISBI during FY 2018 was about \$2.4 million, depending on the timing of employer contributions.

Following the review, Trustee Walker moved to approve the financial statements for the quarter ended September 30, 2017. 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*.

FY 2018 Funding Update. Secretary Blair informed the Board that the System has received all employer contributions for Fiscal Year 2018.

Tier 2 Board Policies. Secretary Blair introduced Jeff Houch to explain the proposed Tier 2 Board policies. Mr. Houch explained the legislation that created Tier 2 benefits within JRS did not provide the level of detail needed and Board guidance was required by staff for certain Tier 2 benefits. Specifically, he noted Board Policy was needed to clarify that Tier 2 judges may only limit contributions upon attainment of age 67 and that the Tier 2 maximum salary would be used for all JRS benefits, including disability. The last clarification he presented was that in the case of multiple survivors, the benefit paid to all survivors would equal 66.667% of the earned or actual retirement benefit.

Following the review, Trustee Anderson moved to approve the policies as presented, and Vice-Chairperson Moore seconded the motion, which passed unanimously.

Judge Janice Bierman Update. Secretary Blair informed the Board that on October 16, 2017, a hearing was held regarding the plaintiff's motion for reconsideration of the judgement entered against them and the motion for reconsideration was denied. Secretary Blair stated that he would continue to update the Board on the status of the case.

REPORT OF THE MANAGER

Annuities and Refunds for Approval. Ms. Waldeck presented seventeen retirement annuities processed since the last Board meeting totaling \$170,554.23 per month and five survivor annuities processed totaling \$46,059.99 per month. A review of the Refunds for Approval included three Survivor Annuity Contribution Refunds totaling \$136,700.73 and one Error Refund totaling \$7,113.37. Following brief discussion, Trustee Walker moved for approval of the annuities and refunds as presented. Chairperson Schostok seconded the motion and it passed unanimously.

Deaths of Members. Ms. Waldeck reported the deaths of seven 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 11:35 a.m. Her motion was seconded by Vice-Chairperson Moore and passed unanimously. Chairperson Schostok added the next meeting of the Board is scheduled for Friday, January 12, 2018, at 10 a.m. and the meeting adjourned.

Timothy B. Blair, Secretary

Date: _____

APPROVED:

Chairperson Mary S. Schostok