

**JUDGES' RETIREMENT SYSTEM OF ILLINOIS
MEETING NO. 341**

**MINUTES OF THE ANNUAL MEETING
OF THE BOARD OF TRUSTEES**

October 26, 2018

The annual meeting of the Board of Trustees of the Judges' Retirement System convened on Friday, October 26, 2018, 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
Angie Ackerson, Manager, Judges' Retirement System
Jeff Houch, Assistant to Administrative Secretary
Johara Farhadieh, Executive Director, Illinois State Board of Investment
Scott Richards, Senior Investment Officer, 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)

Johara Farhadieh, ISBI Director, referred the board to a document detailing changes ISBI has made to simplify the portfolio, reduce fees and increase transparency. Director Farhadieh also referred the Board to a document detailing the ISBI utilization of emerging and minority investment managers, as of June 30, 2018. On that date, she reported that 25.6% of assets were managed by emerging and minority managers.

Scott Richards, Senior Investment Officer of ISBI, distributed copies of the Quarterly Review dated June 30, 2018 and reported that in FY 2018 the total portfolio returned 7.6%, net of fees, slightly outperforming the benchmark return of 7.4%. He added the portfolio totaled more than \$18.3 billion on that date, up by more than a \$1 billion since June 30, 2017.

Mr. Richards continued his report by reviewing the performance of selected asset classes, first pointing out the Fixed Income portfolio returned 0.9%, net of fees, in FY 2018, outperforming the benchmark return of -0.3%, while the U.S. Equity portfolio returned 14.3% in FY 2018, trailing the benchmark return of 14.8%.

Mr. Richards continued his report by noting the Private Equity portfolio gained 20.6%, net of fees, in FY 2018, outperforming the benchmark return of 16.4%; the Real Assets Composite portfolio significantly outperformed the benchmark return, 8.6% net of fees, compared to -0.3%. The Hedge Fund allocation is now only 0.4% of the fund's assets compared to 4.8% last year.

Chairperson Schostok thanked Director Farhadieh and Mr. Richards for their reports and excused them from the remainder of the meeting. Trustee Walker moved to approve the ISBI report and Vice-Chairperson Moore seconded the motion, which passed unanimously. A copy of the June 30, 2018 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 2018 JRS actuarial valuation. Mr. Rivera began by reminding the Board that pursuant to Public Act 99-0232, JRS is required to conduct an actuarial experience review every three years, with the next experience study covering the period from July 1, 2015 through June 30, 2018. He noted the FY 2019 contributions that were re-certified at the July Board meeting were used in the FY 2018 valuation. Mr. Rivera reported the funded ratio, on a market value basis, increased from 35.55% at June 30, 2017, to 37.19% at June 30, 2018, and the State contribution requirement increased from \$140.5 million in FY 2019 to \$144.2 million in FY 2020.

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 \$144.2 million FY 2020 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. 340 held on July 27, 2018, 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 Trustee Anderson, the minutes of the meeting held July 27, 2018 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 Walker 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 2019. Chairperson Schostok 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 2019.

READING OF COMMUNICATIONS

There were no communications to report.

REPORT OF CHAIRPERSON

Chairperson Schostok had nothing to report.

REPORT OF ANY TRUSTEE

Trustee Walker discussed the recent article on the Judges' Retirement System written by Chief Justice Karmeier and published in the Illinois Courts Connect newsletter on August 27, 2018.

REPORT OF SECRETARY

Proposed Inclusion Policy Amendment. Secretary Blair presented the Board with an amended inclusion policy as it relates to JRS procurement processes for the inclusion of increased diversity of JRS employees and fiduciaries, consistent with 40 ILCS 5/1-109 and 40 ILSC 5/1-109.1. Secretary Blair informed the Board that employment diversity associations will be notified of any job postings and MWDBE firms will be notified of upcoming Request for Proposals (RFP) or an Invitation to Bid (IFB). Trustee Walker moved to approve the Inclusion Policy Amendments and Chairperson Schostok seconded the motion, which passed unanimously.

2019 Meeting Dates. Secretary Blair presented the proposed calendar year 2019 meeting dates. Following brief discussion, Trustee Walker moved to accept the following meeting dates for 2019: January 11; April 26; July 26; and October 25. 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 Anderson seconded the motion, and all were in favor.

Financial Statements of September 30, 2018. Secretary Blair reviewed the financial statements for the quarter ended September 30, 2018. He noted that during the quarter JRS had total receipts of \$36.6 million and expenditures of approximately \$38 million. Secretary Blair added the September 30, 2018 cash balance of \$26.6 million reflects a \$1.5 million decline from the June 30, 2018 balance. He estimated the total amount that would be transferred to ISBI during FY 2019 was about \$2 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, 2018. 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 2019 Funding Update. Secretary Blair informed the Board that the System has received all employer contributions for Fiscal Year 2019. He added that the Comptroller's Office is current in making the state contributions and the November contribution is expected prior to the end of October.

Staffing Update. Secretary Blair informed the Board a total of six candidates will be interviewed to fill the vacancy left due to Lori Austin, the Assistant Manager, retiring on September 28, 2018. The position has been re-classified as an Executive II title.

REPORT OF THE MANAGER

Annuities and Refunds for Approval. Ms. Ackerson presented fourteen retirement annuities processed since the last Board meeting totaling \$155,701.02 per month, two survivor annuities processed totaling \$13,025.43 per month, and one temporary disability benefit for \$8,012.96 per month. A review of the Refunds for Approval included two Termination Refunds and one Survivor Annuity Contribution Refund totaling \$108,419.34 and one Error Refund totaling \$5,975.66. Following brief discussion, Trustee Walker moved for approval of the annuities and refunds as presented. Trustee Anderson seconded the motion and it passed unanimously.

Deaths of Members. Ms. Ackerson reported the deaths of two 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, 2019, at 10 a.m. and the meeting adjourned.

Timothy B. Blair, Secretary

Date: _____

APPROVED:

Chairperson Mary S. Schostok