

**JUDGES' RETIREMENT SYSTEM OF ILLINOIS  
MEETING NO. 349**

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

**October 30, 2020**

The annual meeting of the Board of Trustees of the Judges Retirement System of Illinois was held on Friday, October 30, 2020, at 10:00 a.m. in the System's Springfield Office at 2101 S. Veterans Parkway, Springfield, Illinois and by videoconference, as allowed under Section 7(e) of the Open Meetings Act (5 ILCS 120/7(e)) and Executive Order 2020-7, as amended and reissued by Executive Orders 2020-33, 2020-44, and 2020-59.

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

Justice Mary S. Schostok, Chairperson (by videoconference)

Justice James R. Moore, Vice-Chairperson (by phone)

Judge Debra Walker, Proxy for Chief Justice Anne Burke (by videoconference)

Judge John C. Anderson (by phone)

Rodrigo Garcia, Proxy for State Treasurer Michael Frerichs (by phone)

Others present:

Timothy B. Blair, Administrative Secretary

Jeff Houch, Assistant to Administrative Secretary

Jim Stivers, SRS General Counsel

Angie Ackerson, JRS Manager

Johara Farhadieh, Executive Director, Illinois State Board of Investment (by videoconference)

Scott Richards, Senior Investment Officer, Illinois State Board of Investment (by phone)

Alex Rivera, Consulting Actuary, Gabriel, Roeder, Smith & Company (by videoconference)

Jeff Tebeau, Consulting Actuary, Gabriel, Roeder, Smith & Company (by videoconference)

Heidi Barry, Consulting Actuary, Gabriel, Roeder, Smith & Company (by videoconference)

With a quorum present, Chairperson Schostok called the meeting to order at 10:00 a.m.

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

Johara Farhadieh, ISBI Director, started her presentation by announcing that ISBI was recognized by the American Investment Council as having the top-performing private equity portfolio of any public pension fund in the country. Of the 176 plans surveyed, she stated ISBI had the highest annualized rate of return of 16.7% over a 10-year period, while the median return of all funds was 13.7%. She added that she provides a quarterly report to the ISBI Emerging Managers Committee and recently reported that two minority-owned firms were on the list of top ten performing funds in the private equity portfolio. Director Farhadieh also informed the Trustees that ISBI puts out a request for proposals to retain a general consultant approximately every four to five years and recently retained Meketa Investment Group to continue in its role as the general consultant.

Director Farhadieh directed the Board's attention to the ISBI June 30, 2020, Performance Update, and highlighted the actual allocation of assets in comparison to the policy allocation previously approved by ISBI. She noted the Rate Sensitive Composite remains overweight at 24.6% of the portfolio compared to the policy

allocation of 22%, but this sector of the portfolio provided protection during the recent market downturn. Director Farhadieh also stated ISBI continues to review the risk mitigation strategy due to current market volatility and the impact of the pandemic on the market. She added that the fund's asset allocation is reviewed annually to ensure an appropriate level of risk is being taken and that asset allocation changes are made every three to five years to ensure the portfolio is well diversified. Director Farhadieh concluded her portion of the presentation by briefly reviewing ISBI's asset deployment strategy regarding active versus passive exposure in the portfolio.

Director Farhadieh then turned the presentation over to Scott Richards, ISBI Senior Investment Officer, to review the performance of the portfolio as of June 30, 2020. Mr. Richards reported that in FY 2020 the total portfolio returned 4.6%, net of fees, outperforming the benchmark return of 3.9%. He added the portfolio totaled more than \$19.8 billion on that date, up by \$637 million since June 30, 2019.

Mr. Richards continued by reviewing the FY 20 performance of selected asset classes, pointing out the Fixed Income portfolio returned 7.8%, net of fees, trailing the custom benchmark return of 7.9%, but ranking in the upper 25<sup>th</sup> percentile against peers. He noted the Global Equity portfolio returned 2.7%, outperformed the benchmark by 1.5%, and was in the upper 11<sup>th</sup> percentile, while the U.S. Equity portfolio returned 6.3%, trailing the custom benchmark of 6.5%.

Mr. Richards continued his report by informing the Board the Non-U.S. Equity portfolio lost 2.9% in FY 20, but exceeded the benchmark return by 1.8%, while the Private Equity portfolio returned 7.9% and beat the benchmark by 10%. He concluded his report of the asset classes by adding the Infrastructure Composite returned 8.0% and outperformed the benchmark by 3.8%. Mr. Richards concluded his presentation by highlighting the Real Estate portfolio returned 2.3% in FY 20, net of fees, and trailed the benchmark of 3.9%. He attributed the underperformance to legacy non-core real estate which returned 0.4% compared to the benchmark of 5.3%.

Chairperson Schostok thanked Director Farhadieh and Mr. Richards for their reports and excused them from the remainder of the meeting. Secretary Blair stated that Section 7(e)(6) of the Open Meetings Act requires all votes to be conducted by roll call, so each member's vote on each issue can be identified and recorded. Trustee Walker moved to approve the ISBI report, and Vice-Chairperson Moore seconded the motion. Ms. Ackerson took roll call, and the motion was approved unanimously. A copy of the June 30, 2020 Quarterly Review is maintained in the ISBI office and made part of these minutes as *Exhibit A*.

## **REPORT OF CONSULTING ACTUARIES**

Alex Rivera, Jeff Tebeau, and Heidi Barry of Gabriel, Roeder, Smith & Company, presented draft copies of the FY 20 JRS actuarial valuation. Mr. Rivera began by stating that the results of the actuarial valuation were stable from FY 19, and he added that the funded ratio increased 1% in FY 20, while the required State contribution increased from \$148.6 million in FY 21 to \$152.4 million in FY 22. Mr. Rivera turned the presentation over to Jeff Tebeau to review additional details of the valuation results.

Mr. Tebeau reported the accrued liability as of June 30, 2020 increased approximately 2% to \$2.85 billion from \$2.79 billion at June 30, 2019, and the market value of assets on June 30, 2020, was just over \$1.11 billion dollars, resulting in a funded ratio of 39.04%. He then referred the Board to a slide showing that the funded ratio is expected to steadily increase about 1% annually to 51.5% in FY 33, when the State contribution cap is lifted, and then rapidly increase after FY 34 to reach 90% funded in FY 45.

Mr. Tebeau continued his report by pointing out that net cash flow is expected to be negative due to benefits and expenses exceeding State and employee contributions and added that from FY 21 to FY 33, the percentage of investment income needed to pay ongoing benefits is projected to increase from 20% to 88%. Mr. Tebeau indicated the Tier 2 active population is expected to exceed 50% of the active membership in the next year, and as of June 30, 2020, there were 483 active Tier 1 judges and 464 active Tier 2 judges. Mr. Rivera noted that Table 14 of the Actuarial Valuation provides additional active population projections. Secretary Blair added that more recent membership data of the 939 active judges reflects there are 471 Tier 1 judges and 468 Tier 2 judges.

Secretary Blair requested the Board preliminarily certify the FY 22 State Contribution of \$152.422 million or 97.319% of projected payroll, with approximately \$33 million for the employer's portion of the expected normal cost with the additional \$119.414 million being due to unfunded liabilities. Following a review of projected benefits and contributions over the remainder of the funding plan, Trustee Walker moved to accept the draft valuation and preliminarily certify the \$152.422 million FY 22 employer contribution. Trustee Anderson seconded the motion. Ms. Ackerson took roll call, and the motion was approved unanimously. Chairperson Schostok thanked Mr. Rivera, Mr. Tebeau, and Ms. Barry and excused them from the remainder of the meeting.

A copy of the presentation is maintained in the JRS office and made part of these minutes as *Exhibit B*.

#### **MINUTES OF PREVIOUS MEETING**

The minutes of Meeting No. 348 held on July 31, 2020, were presented by Chairperson Schostok for approval. Copies of these minutes were previously submitted to all trustees for preliminary review. Trustee Walker made a motion to approve the minutes, and the motion was seconded by Trustee Anderson. Ms. Ackerson took roll call, and the motion was approved unanimously.

#### **ELECTION OF 2021 OFFICERS**

Chairperson Schostok announced the annual election of officers for the ensuing year was in order and opened the meeting for nominations. Trustee Walker asked if current officers were willing to serve for calendar year 2021. After each verbally confirmed they were willing to serve, Trustee Walker made a motion to nominate Chairperson Schostok to remain as Chairperson, Vice-Chairperson Moore to continue as Vice-Chairperson, and Timothy Blair to continue as Administrative Secretary. The motion was seconded by Trustee Anderson. No further nominations were forthcoming, and the nominations were closed.

Ms. Ackerson took roll call, and the votes resulted in the unanimous re-election of Chairperson Schostok as Chairperson of the JRS Board of Trustees, Vice-Chairperson Justice Moore as Vice-Chairperson of the JRS Board of Trustees, and Timothy Blair as JRS Administrative Secretary for calendar year 2021.

#### **READING OF COMMUNICATIONS**

Secretary Blair reported that Trustee Anderson was appointed by the Supreme Court to serve as a trustee for another three-year term through September 27, 2023.

#### **REPORT OF CHAIRPERSON**

Chairperson Schostok offered no report.

#### **REPORT OF ANY TRUSTEE**

No reports were offered.

## REPORT OF SECRETARY

Financial Statements of September 30, 2020. Secretary Blair reviewed the financial statements for the quarter that ended September 30, 2020. He noted that during the quarter JRS had total receipts of \$39.7 million, disbursements of \$42 million, and a cash balance of \$32.4 million on September 30, 2020. Secretary Blair reported 937 retirement annuities being paid each month, which is approaching the number of active judges. He continued by reporting the System is paying 314 survivors and 30 QILDRO alternate payees each month. Secretary Blair informed the Board that there have been no funds withdrawn from the ISBI portfolio in FY 21, as State contributions continue to be received on a timely basis. He added that, in the 1<sup>st</sup> quarter, JRS received more than \$37 million in employer contributions, and he expects the same amount will be received in the second quarter.

Official copies of these Financial Statements have been placed on file and made a part of these minutes as *Exhibit C*.

FY 2021 Funding Update. Secretary Blair informed the Board that the System has received all required employer contributions for FY 21, noting the Comptroller's Office is current in making the State contributions and the November contribution has already been received.

2021 Meeting Dates. Secretary Blair presented the proposed calendar year 2021 meeting dates. Chairperson Schostok asked if all trustees had reviewed the meeting dates for 2021: January 15; March 26; July 30; and October 29. All meetings will begin at 10 a.m. in Room N-1810 of the Bilandic Building, 160 North LaSalle Street, Chicago.

Shared Expenses Allocation Policy. Secretary Blair requested formal adoption by the Board of a change in the allocation of shared expenses between JRS and GARS. The preliminary FY 21 budget adopted in March reflected a change in the shared expense allocation from 75% to 80% due to JRS membership being more than 78% of the combined membership since June 30, 2018. Based on the continued and projected relative increase in JRS membership, Secretary Blair recommended the board amend the current policy to require 80% of the shared administrative expenses to be paid by JRS, effective July 1, 2021.

Final Review of FY 2021 Administrative Budget. Secretary Blair presented the FY 2021 Final Operations Budget request of \$1,054,660, noting an increase of \$12,085, or 1.16%, from the FY 2020 budget. He indicated the increase reflects the change in JRS' proportion of shared administrative expenses from 75% to 80% as well as an FY 21 charge of \$15,185 for IT services provided by SERS that was shifted into FY 21.

Public Comment Policy. Secretary Blair presented a proposed public comment policy for the trustees to consider. He described the procedure for visitors to notify him of their plans to attend, stated that public comments would be given a maximum time allotment of 20 minutes, and clarified that comments would be limited to agenda items.

At the conclusion of Secretary Blair's presentation, Chairperson Schostok asked if there was a motion to approve Secretary Blair's presentation of the financial statements, the shared expense allocation policy, the 2021 meeting dates, the public comment policy, and the FY 21 operations budget. Trustee Walker moved to approve the September 30, 2020, financial statements, the shared expense allocation policy, the 2021 meeting dates, the public comment policy, and the FY 21 operations budget. The motion was seconded by Trustee Anderson. Ms. Ackerson took roll call, and the motion was approved unanimously.

**REPORT OF THE MANAGER**

Annuities and Refunds for Approval. Ms. Ackerson presented eight retirement annuities processed since the last Board meeting totaling \$104,222.74 per month and five survivor annuities processed totaling \$39,778.22 per month. A review of the refunds for approval included two death after retirement refunds, one termination refund, and five survivor annuity contribution refunds, totaling \$277,376.81. Following a brief discussion, Trustee Walker moved for approval of the annuities and refunds as presented. Vice-Chairperson Moore seconded the motion. Ms. Ackerson took roll call, and the motion was approved unanimously.

Death of Members. Ms. Ackerson reported the deaths of nine JRS members since the July meeting. This report is made a part of these minutes as *Exhibit D*.

**OLD BUSINESS**

No old business was reported.

**NEW BUSINESS**

No new business was reported.

**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.

**ADJOURNMENT**

There being no further business to be brought before the Board, Trustee Walker moved to adjourn at 11:10 a.m. Her motion was seconded by Trustee Anderson. Roll call was taken, and the motion was approved unanimously. Chairperson Schostok reminded trustees that the next Board meeting is scheduled for Friday, January 15, 2021, at 10 a.m., and the meeting adjourned.

\_\_\_\_\_  
Timothy B. Blair, Secretary

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

APPROVED:

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Chairperson Mary S. Schostok