

**JUDGES' RETIREMENT SYSTEM OF ILLINOIS  
MEETING NO. 336  
MINUTES OF THE REGULAR MEETING  
OF THE BOARD OF TRUSTEES**

**July 28, 2017**

A meeting of the Board of Trustees of the Judges' Retirement System convened on Friday, July 28, 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-Chairman  
Rodrigo Garcia, Proxy for State Treasurer Michael Frerichs

Absent:

Judge John C. Anderson  
Judge Debra Walker, Proxy for Chief Justice Lloyd Karmeler

Others present:

Timothy B. Blair, Administrative Secretary  
Jayne L. Waldeck, JRS Division Manager  
Jeff Houch, Assistant to Secretary  
Bill Atwood, Executive 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**

Chairperson Schostok asked if any members of the public wished to address the Board. There were no members of the public in attendance.

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

Bill Atwood, ISBI Executive Director, distributed copies of the Quarterly Review dated March 31, 2017, and reviewed the performance of the ISBI portfolio and selected asset classes. He began his report by noting that as of March 31, 2017, the total portfolio returned 8.2% in the first nine months of FY 2017, net of fees, and added the portfolio slightly underperformed the custom benchmark, which returned 8.4%. He added that the Fixed Income Composite was slightly ahead of its benchmark at -0.5% and the High Yield Fixed Income Composite was behind its benchmark at 8.4% (benchmark return of 10.3%). He then stated that the U.S. Equity Composite was ahead of its benchmark at 15.5% and the Non-U.S. Equity Composite was also ahead of its benchmark at 14.9% (benchmark return of 13.8%).

Mr. Atwood then summarized the usage of minority and female owned brokerage firms for the period ended March 31, 2017, concluding 24.5% of the portfolio was managed by minority or female owned investment managers. Director Atwood informed the Board that Johara Farhadieh had been promoted to Chief Investment Officer and would be responsible for the daily management of the portfolio, operations and investment policy. He concluded his report by noting ISBI had two new

appointed members, Katherine Hennessy and Stacey Woehrle, and then offered to answer questions. After questions and discussion, Chairperson Schostok thanked Mr. Atwood and excused him from the remainder of the meeting. Vice-Chairman Moore moved to approve the ISBI report and Trustee Garcia seconded the motion. It passed unanimously. A copy of the March 31, 2017 Quarterly Review is maintained in the ISBI office and made part of these minutes as *Exhibit A*.

#### REPORT OF CONSULTING ACTUARIES

Economic Assumptions Review. Alex Rivera and Ryan Gunderson, consulting actuaries with Gabriel, Roeder, Smith and Company provided their report, which included a review of the economic assumptions of the System. The specific assumptions reviewed included the investment return, price inflation, wage inflation and salary increases. The first item discussed was the investment return assumption. Mr. Rivera and Mr. Gunderson stated that ISBI's investment consultant (Meketa) projects that the System's assets are expected to earn approximately 8.41%, net of expenses, during the current fiscal year, and approximately 7.65% per year over a 20-year period. The likelihood of achieving the current investment return assumption of 6.75% over a 20-year period is approximately 62%. Then, the consulting actuaries discussed return projections as provided by an independent group of eight investment consultants. The average one-year return is approximately 7.64%, net of expenses; while the 20-year period return is approximately 7.01%; and the likelihood of achieving the current investment return assumption of 6.75% over a 20 year period is approximately 53%. Based on these findings, the actuaries believe the current investment return assumption of 6.75% is reasonable.

Mr. Rivera and Mr. Gunderson then reviewed the other economic assumptions. After providing supportive data, the actuaries concluded the current annual inflation assumption of 2.75% is reasonable and they recommended maintaining the current assumptions of 3% for both wage inflation and future salary growth. After the report, Vice-Chairman Moore motioned to accept the recommendations as presented. Trustee Garcia seconded the motion and it passed unanimously. Official copies of the economic assumptions review have been made a part of these minutes as *Exhibit B*.

Fiscal Year 2018 Contribution Recertification. Mr. Rivera and Mr. Gunderson directed the Board's attention to two documents related to the Fiscal Year 2018 contribution recertification required by Public Act 100-0023. The Act included a provision requiring JRS to "smooth" the financial impact of actuarial assumption changes over a 5 year period. They pointed this change reduces the FY 2018 State contribution by \$10.8 million when compared to the original FY 2018 certification. After the conclusion of the report, Vice-Chairman Moore motioned to recertify an FY 2018 State contribution of \$135,962,000. Trustee Garcia seconded the motion and it passed unanimously. Official copies of the recertification documents are made a part of these minutes as *Exhibit C*.

#### MINUTES OF PREVIOUS MEETING

The minutes of Meeting No. 335 held on May 23, 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-Chairman Moore and seconded by Trustee Garcia, the minutes of the meeting held May 23, 2017 were unanimously approved.

#### READING OF COMMUNICATIONS

Chairperson Schostok noted that communication was received from the Supreme Court that Judge Anderson was reappointed to the JRS Board of Trustees.

#### REPORT OF CHAIRPERSON

Chairperson Schostok offered no report.

#### REPORT OF ANY TRUSTEE

No reports were offered.

#### REPORT OF SECRETARY

March 31, 2017 and June 30, 2017 Financial Statements. Secretary Blair reviewed the financial statements and noted for the Board that JRS had transferred \$17 million to the ISBI portfolio in FY 2017. Following the review, Vice-Chairman Moore moved to approve the financial statements. Trustee Garcia seconded the motion and it passed unanimously. Official copies of these Financial Statements have been made a part of these minutes as *Exhibit D*.

Final Review of FY 2018 Operations Budget. Secretary Blair presented the FY 2018 Final Operations Budget Request, noting the request is a decrease of \$41,936, or 4.53% from the preliminary FY 2018 budget request approved at the March Board meeting. Secretary Blair reviewed the items having a significant cost impact on the FY 2018 budget, including a decrease of \$17,200 for personal services and a decrease of \$17,400 in the contractual line, reflecting a \$30,000 reduction for the elimination of the full scope actuarial audit. Following review, Vice-Chairman Moore moved to approve the FY 2018 budget request. Trustee Garcia seconded the motion and all were in favor.

FY 2017 Funding Update. Secretary Blair informed the Board that the System has received all employer contributions for Fiscal Year 2017. Secretary Blair concluded his funding update by stating that FY 2018 was also completely current.

Judge Janice Bierman Update. Secretary Blair informed the Board that on June 7, 2017 the Sangamon County Circuit Court issued a summary judgment in favor of the System. However, the plaintiff's attorney filed a motion to reconsider on June 28<sup>th</sup>. Secretary Blair stated that he would continue to update the Board on the status of the case.

Legislative Review. Jeff Houch, Assistant to the Secretary, referred the Board to his report. He provided a brief summary of the new laws impacting the System and answered a few related questions.

#### REPORT OF THE MANAGER

Annuities and Refunds for Approval. Jayne Waldeck, Division Manager, reported eight retirement annuities have been processed since the last Board meeting totaling \$84,417.45 per month and seven survivor annuities totaling \$54,127.31 per month. A review of the refunds for approval reflected two termination refunds, eight error refunds and eight survivor annuity contribution refunds totaling \$330,068.91. There being no questions, Vice-Chairman Moore moved to approve the annuities and refunds as presented. Trustee Garcia seconded the motion and it passed unanimously.

Deaths of Members. Ms. Waldeck reported the deaths of eleven JRS members during the period. This report is made a part of these minutes as *Exhibit E*.

#### OLD BUSINESS

No old business was reported.

**NEW BUSINESS**

Jayne Waldeck, JRS Division Manager, submitted a memorandum to the Board of Trustees regarding an account write-off. Following an audit of claims arrearages in JRS, Chief Internal Auditor Casey Evans suggested the account of Kathryn Napolitano, surviving spouse of Judge Richard Napolitano, be submitted to the Board for approval to write-off the arrearage. The original arrearage was for \$6,327.16 based on the death of surviving spouse, Kathryn Napolitano. Her survivor benefit continued to be sent to her home for four months following her death. She was eligible for survivor benefits from 2/1/1988 until her death on 7/25/1999. JRS was able to collect \$4,745.37, leaving a current balance of \$1,581.79 for write-off, which was one month's gross survivor's benefit.

Following review and some discussion, Vice Chairman Moore moved to approve the write-off. Trustee Garcia seconded the motion and all were in favor.

**ADJOURNMENT**

There being no further business to be brought before the Board, Vice-Chairman Moore moved to adjourn at 11:50 a.m. His motion was seconded by Trustee Garcia and passed unanimously.

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

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

APPROVED:

\_\_\_\_\_  
Chairperson Mary S. Schostok