

JUDGES' RETIREMENT SYSTEM OF ILLINOIS
MEETING NO. 324
MINUTES OF THE ANNUAL MEETING
OF THE
BOARD OF TRUSTEES
October 31, 2014

A meeting of the Board of Trustees of the Judges' Retirement System convened on Friday, October 31, 2014, 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 James R. Moore, Vice-Chairperson
Judge John C. Anderson
Bridget Byron, Proxy for State Treasurer Dan Rutherford
Judge Debra Walker, Proxy for Chief Justice Rita Garman

Others present:

Timothy B. Blair, Administrative Secretary
Jayne L. Waldeck, Manager, Judges' Retirement System
William Atwood, Illinois State Board of Investment
Alex Rivera, Gabriel Roeder Smith & Company
Paul Wood, Gabriel Roeder Smith & Company

With a quorum present, Chairperson Schostok called the meeting to order at 10 a.m. and introduced the newest member of the Board of Trustees, Judge John C. Anderson. All trustees present congratulated Judge Anderson on his recent appointment and welcomed him to the Board. Judge Anderson replaced Judge George Bakalis, effective September 22, 2014.

PUBLIC COMMENTS

Justice Schostok asked if any members of the public wished to address the Board. There were none in attendance.

REPORT OF THE ILLINOIS STATE BOARD OF INVESTMENT (ISBI)

William Atwood, Director of ISBI, distributed copies of the Flash Report dated September 30, 2014 and called the Board's attention to the FY 2014 performance of the total portfolio and the various asset classes. He began by noting that in FY 2014 the ISBI portfolio returned 18.2%, gross of fees, considerably outperforming the benchmark return of 16.3%. Over the same time period, the Fixed Income portfolio returned 6.6% gross of fees, well above the benchmark return of 5.2%, while the U.S. Equity portfolio returned 24.1%, underperforming the benchmark return of 25.2%.

Director Atwood continued by noting the Hedge Fund of Funds portfolio returned 14.7%, gross of fees, significantly outperforming the benchmark return of 8.5%. He then briefly reviewed the FY 15 year to date performance of several of asset classes within the portfolio, noting the underperformance of several asset classes when compared to the respective benchmarks. Mr. Atwood concluded by noting

that FY 2014 was a very good year for ISBI and that the ISBI managers remain confident with the structure of the portfolio.

Chairperson Schostok thanked Mr. Atwood for his informative report and excused him from the remainder of the meeting. Trustee Walker moved to approve the ISBI report with Trustee Moore seconding the motion, which passed unanimously. A copy of the September 30, 2014 ISBI Flash Report is maintained in the ISBI office and made part of these minutes as *Exhibit A*.

REPORT OF CONSULTING ACTUARIES

Alex Rivera and Paul Wood of Gabriel, Roeder, Smith & Company, distributed draft copies of the FY 2014 JRS actuarial valuation. Mr. Wood began his remarks by reminding the Board that an experience study was performed and that based on this study some new assumptions were adopted by the Board at the April meeting. He continued by noting for the Board that the funded ratio, on a market value basis, increased from 29.8% at June 30, 2013 to 34.8% at June 30, 2014.

Mr. Wood continued by noting the employer contribution requirement decreased slightly from \$134.0 million in FY 2015 to \$132.1 million in FY 2016. He explained the decrease in the required contribution is due primarily to much larger than assumed investment returns for the last few fiscal years, which are used to calculate the actuarial value of assets used in determining the annual employer contribution. He also emphasized the funded ratio is expected to grow slowly through 2033 to 52% and then increase rapidly to 90% in 2045.

Secretary Blair explained the Board must certify to the Governor, General Assembly and State Actuary, by November 1, 2013, the proposed FY 2016 employer contribution. The proposed employer contribution and all supporting actuarial work is then reviewed by the State Actuary. Following a brief discussion, Trustee Walker moved to accept the draft valuation and certify the \$132.1 million FY 2016 employer contribution. Trustee Moore seconded the motion and all were in favor. Chairperson Schostok thanked Mr. Rivera and Mr. Wood and excused them from the remainder of the meeting.

MINUTES OF PREVIOUS MEETING

The minutes of Meeting No. 323 held on July 25, 2014, 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 Moore and seconded by Trustee Walker, the minutes of the meeting held July 25, 2014 were unanimously approved, with Trustee Anderson abstaining from the vote.

ELECTION OF 2015 OFFICERS

Chairperson Schostok announced the annual election of officers for the ensuing year was in order and opened the meeting for nominations. Trustee Moore nominated Chairperson Schostok as Chairperson with Trustee Byron seconding the motion. There being no further nominations, the nominations were closed. The vote which followed resulted in the unanimous re-election of Chairperson Schostok to the office of Chairperson for calendar year 2015.

Trustee Walker nominated Trustee Moore as Vice-Chairman and Chairperson Schostok seconded the motion. With no further nominations, the nominations were closed. The vote which followed resulted in the unanimous re-election of Trustee Moore as Vice-Chairman for calendar year 2015.

Trustee Moore nominated Timothy B. Blair for reelection as Administrative Secretary. Trustee Walker seconded the motion. No further nominations were forthcoming, and nominations were closed. The vote resulted in the unanimous re-election of Timothy B. Blair as JRS Administrative Secretary for calendar year 2015.

READING OF COMMUNICATIONS

Chairperson Schostok asked Secretary Blair if there were any communications to be presented to the Board. Secretary Blair provided a copy of a letter appointing Judge John C. Anderson to the JRS Board for a three year term beginning September 22, 2014. Judge Anderson replaces former Trustee Judge George Bakalis.

REPORT OF CHAIRPERSON

Chairperson Schostok had nothing to report.

REPORT OF ANY TRUSTEE

There were no reports from any trustee.

REPORT OF SECRETARY

2015 Meeting Dates. To comply with the Open Meetings Act, Secretary Blair presented the proposed calendar year 2015 meetings dates. Following some discussion, Trustee Moore moved to accept the following meetings dates for 2015: January 9; March 27; July 31; and October 30. 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 Walker seconded the motion and all were in favor.

Financial Statements of September 30, 2014. Secretary Blair briefly reviewed the financial statements for the quarter ended September 30, 2014. He noted for the Board that during the quarter JRS had total receipts in excess of \$36 million and that JRS staff had transferred \$6 million to the ISBI portfolio in the quarter. A cash balance of almost \$30.9 million at September 30, 2014 was more than enough to cover two months of benefit payments.

Secretary Blair continued by briefly reviewing the JRS Excess Benefit Fund details. He then emphasized the total projected fund transfers to ISBI during FY 2015 is \$20 million, but could be higher or lower depending on the timing of employer contributions. Following the review, Trustee Walker moved to approve the financial statements for the quarter ending September 30, 2014. Trustee Byron 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*.

Fiduciary Liability Insurance. Secretary Blair noted that a fiduciary liability insurance proposal had been prepared for the Board by Davis American. He suggested the proposal be thoroughly reviewed by the System's attorney for consideration at the January Board meeting.

REPORT OF THE MANAGER

Annuities and Refunds for Approval. Ms. Waldeck reviewed ten retirement annuities processed since the last Board meeting totaling \$109,848.86 per month and four survivor annuities processed

totaling \$29,026.68 per month. A review of the Refunds for Approval included one Death Before Retirement Refund and seven Survivor Annuity Contribution Refunds totaling \$524,449.39. In addition, two Error Refunds were processed since the last meeting totaling \$24,357.08.

Chairman Schostok requested Ms. Waldeck give a detailed explanation of each type of refund paid for the benefit of the trustees. There being no questions, Trustee Moore moved for approval of the annuities and refunds. Trustee Walker seconded the motion and it passed unanimously.

Deaths of Members. Ms. Waldeck reported the deaths of six JRS members since the July meeting. This report is made a part of these minutes as *Exhibit C*.

OLD BUSINESS

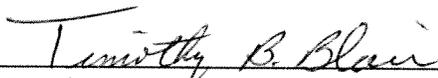
No old business was reported.

NEW BUSINESS

Secretary Blair submitted a copy of a Resolution to be presented to former trustee Judge George J. Bakalis. Following review of the Resolution, Trustee Walker moved to adopt the Resolution and directed Secretary Blair to present the framed Resolution to Judge Bakalis. Trustee Moore seconded the motion and all were in favor.

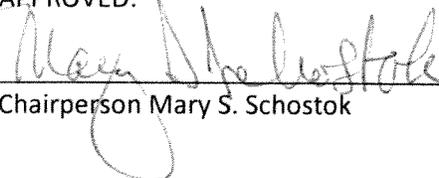
ADJOURNMENT

There being no further business to be brought before the Board, Trustee Walker moved to adjourn at 11:55 a.m. Her motion was seconded by Trustee Byron and passed unanimously. Chairperson Schostok added the next meeting of the Board is scheduled for Friday, January 9, 2015, at 10 a.m. and the meeting adjourned.



Timothy B. Blair, Secretary

Date: 1/9/15

APPROVED:


Chairperson Mary S. Schostok