

**JUDGES RETIREMENT SYSTEM OF ILLINOIS  
MEETING NO. 351**

**MINUTES OF THE REGULAR MEETING  
OF THE BOARD OF TRUSTEES**

**March 26, 2021**

A meeting of the Board of Trustees of the Judges Retirement System of Illinois convened on Friday, March 26, 2021, at 10 a.m. at the System's Springfield Office, located at 2101 S. Veterans Parkway, Springfield, Illinois. Trustees were authorized to participate via videoconference under Section 7(e) of the Open Meetings Act (5 ILCS 120/7 (e)) and Executive Order 2020-07, as amended and reissued by Executive Orders 2020-33, 2020-44, and 2021-1.

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

Justice Mary S. Schostok, Chairperson  
Justice James R. Moore, Vice-Chairman  
Judge Debra Walker, Proxy for Chief Justice Anne Burke  
Judge John C. Anderson  
Rodrigo Garcia, Proxy for State Treasurer Michael Frerichs

Others present:

Timothy B. Blair, Secretary  
Jeff Houch, Assistant to Secretary  
Jim Stivers, SRS General Counsel  
Angie Ackerson, JRS Division Manager  
Johara Farhadieh, Director, Illinois State Board of Investment, by telephone  
Alli Wallace Stone, Principal, Meketa Investment Group  
Frank Benham, Meketa Investment Group

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)**

Johara Farhadieh, ISBI Executive Director, distributed copies of the Quarterly Review dated December 31, 2020, and reported that ISBI continues to make changes in the asset allocation. She then turned the presentation over to Ms. Alli Wallace-Stone from Meketa to review the Fund's performance.

Ms. Wallace-Stone began by noting the portfolio was up 8.8% for the quarter ended December 31, 2020, with a value of \$22.6 billion. She added that the portfolio's one-year return on that date was 13%, with the key drivers of performance including the Global Equity Composite, which returned 18.4% and outperformed the benchmark by approximately 2%. Ms. Wallace-Stone reported the Fixed Income Portfolio performed very strongly, returning 8.5% over the calendar year and outperforming the benchmark by nearly 1%. She attributed the performance to the long-term government bond portion of the Portfolio.

Ms. Wallace-Stone then reported the Credit Composite returned 4.7% and outperformed the custom benchmark by 1%, while the Private Credit Composite was up 4.8%, outperforming the custom benchmark by 2%. She noted that ISBI's portfolio is designed to perform well in a down market and performed well relative to peers for the fourth quarter and the calendar year.

Director Farhadieh then provided a brief update on ISBI's continued diversity efforts, reporting that 38.8% of the portfolio is committed to minority and women-owned managers. She noted that while two-thirds of the portfolio is passively managed, ISBI has been successful in making commitments totaling \$165 million to six active MWDBE managers. Chairperson Schostok noted that ISBI's efforts are impressive given the percentage of the portfolio committed to MBDBE managers.

Chairperson Schostok thanked Director Farhadieh and Ms. Wallace-Stone for their reports and excused them from the remainder of the meeting. Trustee Walker made a motion to approve the ISBI report, and the motion was seconded by Trustee Anderson. Ms. Ackerson took roll call to record the votes, and all voted in the affirmative. A copy of the ISBI Quarterly Review is maintained in the ISBI office and made a part of these minutes as *Exhibit A*.

## **MINUTES OF PREVIOUS MEETING**

The minutes of Meeting No. 350 held on January 15, 2021, were presented by Chairperson Schostok for approval. Copies of the minutes were previously submitted to all trustees for review. Trustee Walker made a motion to approve the minutes of the meeting held January 15, 2021, and the motion was seconded by Vice-Chairperson Moore. Ms. Ackerson took roll call to record the votes, and all voted in the affirmative.

## **READING OF COMMUNICATIONS**

Justice Schostok asked Secretary Blair if there were any communications to be presented to the Board. Secretary Blair had no communications to report but shared with the Board that Senator Napoleon Harris, Chairman of the Senate Appropriations Committee, requested a copy of the System's Inclusion policy during the Senate Appropriations hearing. Secretary Blair noted he provided Senator Harris with the System's inclusion policy and the latest diversity report from ISBI.

## **REPORT OF CHAIRPERSON**

Justice Schostok offered no report.

## **REPORT OF ANY TRUSTEE**

Justice Schostok asked if there were any trustee reports. None were offered.

## **REPORT OF SECRETARY**

FY 21 Supplemental Operations Budget Request. Secretary Blair requested a net increase of \$23,800 to meet all expected FY 21 obligations and purchase four new computers and a scanner to image member records. He noted the request included a \$17,500 increase due to a significant increase in the Group Insurance line for the period July 1, 2020 through November 15, 2020. Secretary Blair added that Group Insurance premiums are based on experience and prior fiscal years have averaged around \$4,800 per pay period. On July 1, 2020, rates unexpectedly increased to \$6,700 per pay period. He indicated that due to decreased utilization from the pandemic, rates were adjusted back to pre-pandemic levels to avoid an overpayment. He added the budget request also includes a \$500 increase in the Contractual line for an adult disabled child disability review and a \$2,000 decrease in the Travel and Auto lines due to reduced travel.

After discussion, Justice Schostok asked for a motion to approve a \$23,800 increase in the FY 21 supplemental budget. Judge Walker moved to approve the supplemental budget request and Vice-Chairperson Moore seconded the motion. Ms. Ackerson took roll call to record the votes, and all voted in the affirmative.

Preliminary Review of FY 2022 Operations Budget. Secretary Blair presented the FY 22 Preliminary Operations Budget Request noting an increase of \$35,720, or 3.39%, from the FY 21 budget. The FY 22 JRS budget request totaled \$1,114,180. He reviewed the items having a cost impact on his request, including an increase of \$21,040 in the Personal Services line due to AFSCME steps and COLAs of 3.95% in July 2021, including the 3.95% July COLA for the Division Manager and those receiving a stipend to match the scheduled AFSCME COLA.

The increase in Personal Services would result in an increase of \$14,880 in the Retirement line, and a \$1,600 increase in the FICA line. Secretary Blair added the employer contribution rate for State Employees' Retirement System (SERS) increased from 55.143% in FY 21 to 56.169% in FY 22. He also included a \$23,960 increase in the Contractual line due to the comprehensive review of all actuarial assumptions and indicated the figure was taken directly from the actuarial consultant's contract. Secretary Blair noted the requested increases were offset by a \$5,000 decrease in the Group Insurance line due to the temporary bump in rates at the beginning of FY 21 as well as a \$21,500 decrease in the IT line due to the purchase of 4 computers and a scanner in FY 21 and the payment of an FY 20 IT chargeback in FY 21.

Following discussion of the proposed FY 22 operations budget preliminary, Judge Walker motioned for approval. The motion was seconded by Justice Moore. Ms. Ackerson took roll call, and all were in favor.

December 31, 2020 Financial Statements. Secretary Blair reviewed the financial statements and noted that in the 2<sup>nd</sup> quarter of FY 21, the System had \$32 million in receipts, and \$42 million in disbursements, primarily benefit payments. He noted the cash balance decreased over the 2<sup>nd</sup> quarter to approximately \$22.8 million. Secretary Blair added he is maintaining the smallest cash balance possible to pay all JRS benefits and expenses while avoiding withdrawing money from ISBI. He told the Board JRS is able to maintain the smaller cash balance as the Comptroller's Office has provided the monthly contribution in a predictable and timely manner and has stated its intentions to continue to do so. Maintaining the smaller cash balance allows more JRS assets to remain invested in the ISBI portfolio, rather than invested in the Treasurer's overnight portfolio at far less return.

Secretary Blair continued his report by adding System staff is hoping to finish out FY 21 without withdrawing any funds from ISBI. He assured the Board there is no danger to allow the cash balance to go below the two to three months of benefit payments they have traditionally held because the Comptroller has been consistent in providing monthly contributions on time. Secretary Blair has been assured by the Comptroller's Office that contributions will continue to be timely through June. Judge Walker moved to approve the December 31, 2020 financial statements and the motion was seconded by Judge Anderson. Ms. Ackerson took roll call, and all voted in the affirmative. Official copies of these financial statements have been made a part of these minutes as *Exhibit B*.

FY 2021 Funding Update. Secretary Blair told 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. Secretary Blair noted the April contribution was received on March 23<sup>rd</sup> and no funds had been withdrawn from ISBI during FY 21.

Legislative Review. Mr. Houch referred the Board to his report outlining legislation impacting JRS. He began by stating that the two technical corrections bills related to the recent increase to the IRS minimum distribution age are expected to become law. The required minimum distribution age was recently increased from age 70.5 to age 72, and references to the prior age in the JRS article of the Pension Code and the Revised Uniform Unclaimed Property Act would also be adjusted by SB 43 and SB 338.

Mr. Houch then directed the Board's attention to SB 1980. The bill provides that for any legal action that involves the Pension Code or the Pension Protection Clause of the Illinois Constitution in which there is at issue the payment of benefits due to a participant or beneficiary, then a court may allow either party to recover the cost of the action. Mr. Houch mentioned that the System has had conversations with the sponsor and her staff regarding this bill and that it is expected that an amendment would be filed to clarify that potential awards related to such cases would be paid from a separate fund consisting of revenue from the general revenue fund that is controlled by the Office of the Attorney General. Furthermore, the amendment would limit the scope to cases in which the Pension Protection Clause has been violated.

Mr. Houch was then asked about SB 1675, which increases the contribution rate for those judges that have been automatically enrolled in the State's Deferred Compensation Plan. After some discussion on the merits of that bill, Mr. Houch concluded his report by discussing HB 3004. He stated that HB 3004 prohibits an individual who is a Trustee of a Retirement System from being employed by Retirement System or Investment Board under the Pension Code or by any vendor of any entity regulated by the Pension Code for 5 years after he or she ceases to be a Trustee. Furthermore, that bill prohibits a Retirement System from paying membership dues to an organization or association that has any pecuniary interest with any entity that provides services to a retirement system unless that organization or association provides a list of those pecuniary interests. Following the conclusion of his report, Mr. Houch offered to answer any questions, but there were none.

Tier 2 Survivor's Annuity and Child's Annuity Policy. Mr. Houch presented policies for the Board's consideration to clarify the ambiguities that exist within the survivor's annuity and child's annuity provisions for Tier 2 judges. He recommended the current policy be updated to clarify that the System would provide a child's annuity to an eligible child of a Tier 2 judge equal to 5% of the decedent's last annual salary, subject to the Tier 2 annual salary maximum, and the child's annuity would receive Tier 2 annual increases. Mr. Houch also noted the child's annuity benefit is payable regardless of whether the annuitant or participant elected to contribute to a survivor's annuity under Section 18-123 of the Illinois Pension Code.

Mr. Houch continued his review by presenting additional policies regarding the survivors' annuities for the surviving spouses of Tier 2 judges. He noted the new policies would apply to an eligible spouse of a Tier 2 judge who meets the qualifications of Section 18-128 and the eligible spouse shall receive a survivor's annuity equal to 66 2/3% of the annuity earned by the Tier 2 judge as of the date of death, or 66 2/3% of the annuity the Tier 2 annuitant was receiving immediately prior to his or her death, inclusive of annual increases in the retirement annuity to the date of death. Mr. Houch also stated that Section 18-128 provides that an eligible spouse must have been married to the participant and/or annuitant for a continuous period of at least one year immediately preceding the date of death, be at least age 50 or have in his or her care eligible children of the decedent. He added that eligibility for a survivor's annuity is also contingent on service credit earned in the System. Mr. Houch further noted that an active participant must have at least 1 1/2 years of service credit as a judge to qualify a spouse for a survivor annuity while an inactive participant must have at least 10 years of service credit. Mr. Houch added that the new policies were a result of extensive discussion among staff, a thorough review of the statute by Jim Stivers, General Counsel, and would provide guidance to staff in administering these benefits.

After a brief discussion, Vice-Chairperson Moore moved for approval of the Tier 2 survivor's annuity and Tier 2 child's annuity policies as presented by Mr. Houch. The motion was seconded by Judge Walker. Ms. Ackerson took roll call, and all voted in favor.

## **REPORT OF THE MANAGER**

Annuities and Refunds for Approval. Angie Ackerson, JRS Manager, reported twenty retirement annuities processed since the last Board meeting totaling \$261,934.88 per month and three survivor annuities totaling

\$26,982.48 per month. A review of the refunds for approval included two death after retirement refunds, five termination refunds and two survivor annuity contribution refunds totaling \$345,046.57. Ms. Ackerson reported nine error refunds totaling \$3,983.51, due to two new judges electing not to participate in JRS, five judges electing not to participate in the survivor's annuity provision, and two judges exceeding Tier 2 annual contributions. There being no questions, Judge Walker moved for approval of the annuities and refunds as presented and Judge Anderson seconded the motion. Ms. Ackerson took roll call, and all voted in favor.

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

## **UNFINISHED BUSINESS**

No old business was reported.

## **NEW BUSINESS**

Secretary Blair reported a request for reimbursement for out-of-state travel from a trustee who had attended a George Mason educational event. He explained that while most expenses were covered by George Mason, some expenses were not, and that reimbursement for out-of-state travel requires pre-approval by the Board. Secretary Blair suggested the Board consider adopting an out-of-state travel policy that would apply in similar circumstances, effectively adopting a policy of Board pre-approval for educational out-of-state travel.

Chairperson Schostok requested that staff draft a policy providing that the System would reimburse a trustee up to \$500 for out-of-state travel expenses related to education without prior approval and any out-of-state travel expenses above \$500 would require pre-approval from the Board. After discussion, the Board deferred the matter to the July Board meeting.

Secretary Blair concluded his report by telling the Board that Appellate Court Justice Judith Cates may file an appeal regarding her election in 2012 to decline JRS participation.

## **ADJOURNMENT**

There being no further business to be brought before the Board, Judge Walker moved to adjourn at 11:15 a.m. Her motion was seconded by Chairperson Schostok. Ms. Ackerson took roll call, and all voted in favor.

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Timothy B. Blair, Secretary

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

APPROVED:

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Chairperson Mary S. Schostok