

**JUDGES RETIREMENT SYSTEM OF ILLINOIS
MEETING NO. 354**

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

January 14, 2022

A meeting of the Board of Trustees of the Judges Retirement System of Illinois convened on Friday, January 14, 2022, 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)).

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

Justice Mary S. Schostok, Chairperson
Judge Debra B. Walker, Vice-Chairperson and Proxy for Chief Justice Anne Burke
Judge Charles M. Feeney
Judge John C. Anderson
Catherine Shannon, Proxy for State Treasurer Michael Frerichs

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)
Jennifer Koelle, Investment Officer, Illinois State Board of Investment (by videoconference)
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 10:05 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, Executive Director of the Illinois State Board of Investment (ISBI), began the ISBI presentation by reporting the portfolio's asset value was \$24.7 billion on September 30, 2021, noting a \$2.2 billion increase since January 1, 2021.

Director Farhadieh reminded the Board that ISBI uses a barbell approach to provide downside protection within the rate sensitive asset classes. She added that this approach was instrumental in the portfolio's performance during the height of the pandemic. She then reviewed the portfolio's active and passive allocations, reminding the Board that passive investments allow for inexpensive, broad market exposure and actively managed assets allow ISBI to choose a fund manager that will outperform a benchmark and add value.

Director Farhadieh turned the presentation over to Jennifer Koelle, ISBI Investment Officer, to review the performance of individual asset classes. Ms. Koelle began her review by noting that the portfolio returned 19.6% return during the prior year, which corresponds to 2.2% excess returns relative to the custom benchmark over the one-year period ending 30 September 2021. For the quarter ended September 30, 2021, the portfolio declined 0.2% and lagged the custom benchmark and allocation benchmark by 130 and 80 basis points respectively.

Ms. Koelle stated the fixed income portfolio had a strong performance for the year ending September 30, 2021, exceeding the benchmark by 3.5%, and attributed the strong performance to the credit composite portfolio. The rate sensitive portfolio lagged the benchmark by 60 basis points, reflecting ISBI's relatively conservative position in treasuries. For the quarter ended September 30, 2021, the rate sensitive composite outperformed its benchmark by 20 basis points. Ms. Koelle reiterated that the rate sensitive composite continues to provide down market protection and is performing in line with ISBI's expectations.

Ms. Koelle continued by reporting the Global Equity composite delivered a 31.5% return for the one-year period and beat the benchmark by 2.6%. The portfolio saw robust returns from international equity and emerging market composites, both of which outperformed their benchmarks. For the one-year period, the domestic factor composite returned 25.9%, but was 5% under the custom benchmark. This under performance was offset by strong performance in the rest of the domestic equity portfolio. The private equity portfolio continues to be a key contributor to performance and returned 56.3% for the one-year period and 42.1% for the calendar year to date, significantly exceeding the applicable benchmarks. Ms. Koelle added that the private equity portfolio has generated strong excess returns over all annualized periods since inception and has delivered consistent with ISBI's expectations.

Ms. Koelle noted the real asset composite posted 14.7% return for the one-year period ending September 30, 2021, outperforming the benchmark by 6.7%. Ms. Koelle concluded her report by offering to answer any questions from the Board. No questions were offered.

Director Farhadieh concluded the ISBI report by highlighting diversity initiatives, noting that 35.5% of the portfolio is committed to minority and woman owned investment managers. She added that ISBI made allocations to two such managers since the last SERS board meeting. She summarized ISBI's other diversity initiatives such as encouraging minority and woman owned brokerage dealers for trading, ensuring diversity among vendors, the ISBI board and staff, as well as a new initiative to advocate for the use of minority and female owned investment banks, which often have lower fees and other advantages.

Chairperson Schostok thanked Director Farhadieh and Ms. Koelle for their reports and excused them from the remainder of the meeting. Vice-Chairperson Walker moved to approve the ISBI Quarterly Review for the period ended September 30, 2021 and Trustee Feeney seconded the motion. A roll call vote was taken, and the motion passed unanimously. A copy of the report 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. 353 held on October 29, 2021, were presented by Chairperson Schostok for approval. Copies of these minutes were previously submitted to all trustees for review. Vice-Chairperson Walker made a motion to approve the minutes, and the motion was seconded by Trustee Feeney. 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 indicated there were none.

REPORT OF CHAIRPERSON

Chairperson Schostok offered no report.

REPORT OF ANY TRUSTEE

No reports were offered.

REPORT OF SECRETARY

State Actuary's 2021 Report and System Responses. Secretary Blair reported that the State Actuary concluded that the assumptions and methodology used for the FY 21 Actuarial Valuation are reasonable and that the certified contributions were calculated in accordance with State law. He reported that the report recommended spreading liability changes due to assumption changes from a period of 5 years to 3 years. Secretary Blair also noted the State Actuary's report also recommended the economic assumptions (interest rate and inflation) be reviewed annually given the economic conditions present, which is already being done.

Secretary Blair then referenced the letter outlining the State Actuary's recommendations and the GRS and JRS responses to these recommendations, both of which are made a part of these minutes as *Exhibit B*. After brief discussion, Chairperson Schostok requested that Secretary Blair provide the Trustees with an electronic version of the State's Actuary Report for their review.

Approval of FY 21 Actuarial Valuation and FY 23 Employer Certification. Secretary Blair informed the Board the final version of the 21 Actuarial Valuation was identical to the draft version presented at the October 29, 2021 Board meeting. He requested that the Board approve the FY 21 Actuarial Valuation and certify the FY 23 State Contribution of \$142.659 million, or 91.911% of projected payroll. He noted that the State contribution consists of approximately \$31.334 million for the employer's portion of the expected FY 2023 normal cost and an additional \$111.325 million due to the unfunded liabilities.

Following a review of projected benefits and contributions over the remainder of the funding plan, Vice-Chairperson Walker moved to approve the FY 21 Actuarial Valuation and the final certification of the FY 23 State contribution of \$142,659,000. Trustee Anderson seconded the motion. Ms. Ackerson took roll call, and all voted in the affirmative.

FY 2022 Funding Update. Secretary Blair informed the Board that the System has received all employer contributions from the Comptroller's Office, noting that only \$4.3 million had been withdrawn from ISBI during FY 22. He added that the need for the funds from ISBI is the result of over 50% of the active judges being Tier 2, which results in monthly employee contributions dropping off considerably when Tier 2 judges reach the 2022 annual salary maximum. Secretary Blair also added that benefit payments now amount to approximately \$15 million per month after the January annual increases were added to the pensions.

REPORT OF THE MANAGER

Annuities and Refunds for Approval. Ms. Ackerson presented 5 retirement annuities processed since the last Board meeting totaling \$69,092.12 per month and three survivor annuities totaling \$16,662.54 per month.

A review of the refunds for approval included two survivor annuity contribution refunds, totaling \$94,520.27. Vice-Chairperson Walker moved for approval of the annuities and refunds as presented. Trustee Anderson seconded the motion. Ms. Ackerson took roll call to record the votes, and all trustees voted in the affirmative.

Death of Members. Ms. Ackerson reported the deaths of 6 JRS annuitants since the October meeting. This report is made a part of these minutes as *Exhibit C*.

OLD BUSINESS

Justice Gallagher Recommendation. Secretary Blair directed the Board to the written recommendation prepared by SRS attorney, Jim Stivers, regarding the petition by retired Justice Michael Gallagher at the October 29, 2021, meeting. Justice Gallagher appeared by videoconference and requested to rescind his written election to not participate in the JRS survivor's annuity program. After discussion, Chairperson Schostok asked if there was a motion to approve the recommendation to deny Justice Gallagher's petition. A motion was made by Vice-Chairperson Walker and seconded by Trustee Anderson. Ms. Ackerson took roll call to record the votes, and all trustees voted in the affirmative. The recommendation is made a part of these minutes as *Exhibit D*.

NEW BUSINESS

No new business was reported.

ADJOURNMENT

There being no further business to be brought before the Board, Vice-Chairperson Walker moved to adjourn at 11:15 a.m. Her motion was seconded by Trustee Anderson. Ms. Ackerson took roll call to record the votes, and all voted in the affirmative. Chairperson Schostok added that the next meeting of the Board is scheduled for Friday, March 25, 2022, at 10 a.m., and the meeting adjourned.

Timothy B. Blair, Secretary

Date: _____

APPROVED:

Chairperson Mary S. Schostok