

**JUDGES RETIREMENT SYSTEM OF ILLINOIS
MEETING NO. 358**

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

January 13, 2023

A meeting of the Board of Trustees of the Judges Retirement System of Illinois convened on Friday, January 13, 2023, at 10 a.m. at the System's Springfield office, located 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)).

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

Justice Debra B. Walker, Chairperson & Proxy for Chief Justice Mary Jane Theis (videoconference)
Judge Charles M. Feeney (videoconference)
Catherine Shannon, Proxy for State Treasurer Michael Frerichs (videoconference)

Absent were:

Judge John Anderson
Judge Karen Wall

Others present:

Timothy Blair, Administrative Secretary
Jeff Houch, Assistant to Administrative Secretary
Angie Ackerson, JRS Manager
Samantha Goetz, General Counsel
Johara Farhadieh, Executive Director, Illinois State Board of Investment (by videoconference)
Jennifer Koelle, Investment Officer, Illinois State Board of Investment (by videoconference)

With a quorum present, Chairperson Walker called the meeting to order at 10:05 a.m.

PUBLIC COMMENTS

Chairperson Walker 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 directing the Board's attention to the ISBI September 30, 2022, Performance Update. She noted the portfolio lost 14.2% since January 1, 2022, but still ranked in the 12th percentile of its public fund peer group over the one-year period ending September 30, 2022. Director Farhadieh reported the portfolio totaled \$22.2 billion on that date. She then highlighted the actual allocation of assets in comparison to the policy allocation and noted the Private Equity composite is no longer underweight, while Private Credit, Infrastructure, and Real Estate remain underweight. She briefly summarized ISBI's asset deployment strategy regarding active versus passive exposure in the portfolio.

Director Farhadieh provided an update regarding ISBI's diversity efforts, noting that 42.5% of the portfolio is committed to minority- and woman-owned investment firms. She summarized ISBI's other diversity

initiatives such as encouraging minority- and woman-owned brokers, ensuring diversity among vendors, the ISBI board and staff, and an initiative to advocate for the use of minority and female owned investment banks, which often have lower fees and other advantages.

Director Farhadieh turned the presentation over to Jennifer Koelle, ISBI Investment Officer, to review the performance of individual asset classes. Ms. Koelle began by noting that the portfolio lost 10.3% during the year ending September 30, 2022, but outperformed the custom benchmark by 60 basis points over the period. For the quarter ended September 30, 2022, the portfolio declined 4.4% and lagged the custom benchmark and allocation benchmark by 20 and 40 basis points, respectively.

Ms. Koelle stated the fixed income portfolio lost 10.9% for the year ending September 30, 2022, exceeding the benchmark by 4%. She attributed the performance to the private credit composite, which returned 7.9% for the year ending September 30, 2022, outperforming the custom benchmark by 11.8%. The rate sensitive portfolio lagged its benchmark by 80 basis points, reflecting ISBI's relatively conservative position in treasuries. For the quarter ended September 30, 2022, the rate sensitive composite trailed the benchmark by 60 basis points.

Ms. Koelle reported the Global Equity composite lost 16.3% for the one-year period and beat the benchmark by 4.9%. The portfolio saw negative returns in the fixed income, international equity, and emerging market composites, but all outperformed their benchmarks. The private equity portfolio continues to be a key contributor to performance and returned 17% for the one-year period and 6.7% for the calendar year to date, significantly exceeding its benchmarks. She added that infrastructure portfolio was up 9.2% and real estate gained 24.9%.

Chairperson Walker asked the Board if there were any questions. Seeing none, Chairperson Walker thanked Director Farhadieh and Ms. Koelle and excused them from the remainder of the meeting. Trustee Feeney moved to approve the ISBI Quarterly Review for the period ended September 30, 2022 and Trustee Shannon seconded the motion. A roll call vote was taken, and the motion passed unanimously. A copy of the report is maintained in the JRS office and made a part of these minutes as *Exhibit A*.

MINUTES OF PREVIOUS MEETING

The minutes of Meeting No. 357 held on October 28, 2022, were presented by Chairperson Walker for approval. Copies of these minutes were previously submitted to all trustees for review. Trustee Feeney made a motion to approve the minutes, and the motion was seconded by Trustee Shannon. Ms. Ackerson took roll call to record the votes, and all voted in the affirmative.

READING OF COMMUNICATIONS

Justice Walker asked Secretary Blair if there were any communications to be presented to the Board. Secretary Blair indicated there were none.

REPORT OF CHAIRPERSON

Chairperson Walker offered no report.

REPORT OF ANY TRUSTEE

No reports were offered.

REPORT OF SECRETARY

State Actuary's 2021 Report and System Responses. Secretary Blair provided an update of the State Actuary's report and highlighted their recommendations. He noted the State Actuary recommended a less complicated funding plan that finances annual normal cost and amortizes the unfunded liabilities over a closed period and smooth the impact of assumptions changes over a three years, rather than five years, to align with the experience studies that are performed every three years. He added that both recommendations require a statutory change.

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*.

Approval of FY 22 Actuarial Valuation and FY 24 Employer Certification. Secretary Blair informed the Board the final draft of the FY 22 Actuarial Valuation was the same as the version presented at the October 28, 2022 Board meeting. He requested that the Board approve the FY 22 Actuarial Valuation and certify the FY 24 State Contribution of \$147.838 million, or 95.6% of projected payroll. He noted that the State contribution consists of approximately \$29.548 million for the employer's portion of the expected FY 2024 normal cost and an additional \$118.290 million due to the unfunded liabilities.

Following a review of projected benefits and contributions over the remainder of the funding plan, Trustee Feeney moved to approve the FY 22 Actuarial Valuation and the final certification of the FY 24 State contribution of \$147,838,000. Trustee Shannon seconded the motion. Ms. Ackerson took roll call, and all voted in the affirmative.

FY 2023 Funding Update. Secretary Blair informed the Board that the System has received all employer contributions from the Comptroller's Office, adding that \$15 million had been withdrawn from ISBI during FY 23. 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 annual salary maximum. Secretary Blair added that benefit payments amount to almost \$15.5 million per month after the January annual increases.

REPORT OF THE MANAGER

Annuities and Refunds for Approval. Ms. Ackerson presented 17 retirement annuities processed since the last Board meeting totaling \$228,901.85 per month and six survivor annuities totaling \$40,001.11 per month. A review of the refunds for approval included two survivor annuity contribution refunds, totaling \$84,695.53, and six error refunds totaling \$3,409.94. Trustee Feeney moved for approval of the annuities and refunds as presented. Trustee Shannon 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 five JRS annuitants since the October meeting. This report is made a part of these minutes as *Exhibit C*.

OLD BUSINESS

No old business was reported.

NEW BUSINESS

No new business was reported.

ADJOURNMENT

There being no further business to be brought before the Board, Trustee Feeney moved to adjourn at 10:45 a.m. The motion was seconded by Trustee Shannon. Ms. Ackerson took roll call to record the votes, and all voted in the affirmative. Chairperson Walker added that the next meeting of the Board is scheduled for Friday, March 31, 2023, at 10 a.m., and the meeting adjourned.

Timothy B. Blair, Secretary

Date: _____

APPROVED:

Chairperson Debra B. Walker