

**JUDGES RETIREMENT SYSTEM OF ILLINOIS  
MEETING NO. 360**

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

**July 14, 2023**

A regular meeting of the Board of Trustees of the Judges Retirement System of Illinois convened on Friday, July 14, 2023, at 10 a.m. in Room N505 of the Michael Bilandic Building, 160 North LaSalle Street, Chicago, Illinois with a videoconference location at the System's Springfield Office, 2101 South Veterans Parkway, Springfield, Illinois.

Roll Call was taken with the following trustees in attendance:

Justice Debra Walker, Chairperson & Proxy for Chief Justice Mary Jane Theis (Chicago location)  
Judge Karen Wall (Chicago location)  
Judge Charles M. Feeney (Springfield office)  
Catherine Shannon, Proxy for State Treasurer Michael Frerichs (Springfield office)

Absent was:

Judge John Anderson

Others present:

Timothy B. Blair, Secretary (Chicago location)  
Jeff Houch, Associate Secretary (Springfield office)  
Angie Ackerson, JRS Division Manager (Springfield office)  
Johara Farhadieh, Executive Director, Illinois State Board of Investment (by video)  
Jennifer Koelle, Investment Officer, Illinois State Board of Investment (by video)  
Dipesh Mehta, Deputy Executive Director, Illinois State Board of Investment (Chicago location)  
Alex Rivera, Consulting Actuary, Gabriel, Roeder, Smith & Company (Chicago location)  
Jeff Tebeau, Consulting Actuary, Gabriel, Roeder, Smith & Company (Chicago location)

With a quorum present, Chairperson Walker called the meeting to order at 10:00 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, and no public comments were submitted.

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

Johara Farhadieh, ISBI Executive Director joined the meeting to express appreciation for working with the JRS Board after submitting her resignation effective October 2, 2023. She also announced that Dipesh Mehta, who is currently Deputy Executive Director, General Counsel and Chief Compliance Officer, is serving as Acting Executive Director during her leave. Chairperson Walker thanked Ms. Farhadieh for her dedication and leadership at ISBI and wished her well in her next position.

Ms. Farhadieh turned the presentation over to Deputy Director Mehta to begin the investment report. He directed the Board's attention to the March 31, 2023, Performance Report and noted the

Fund is currently valued at \$23.89 billion and returned 3.6% in the first quarter of 2023, increasing the portfolio by \$732 million in the quarter. He added that the quarter's market volatility resulted in the portfolio underperforming the Policy Benchmark by 10 basis points but beating the Actual Allocation Benchmark by 10 basis points.

Mr. Mehta then discussed the Fund's strategic asset allocation and noted that ISBI methodically deploys assets in a public market equivalent for any private asset classes that are underweight. He briefly reviewed asset allocation, noting that private market asset classes are underweight 0.6% in Private Equity, 3.3% in Private Credit and 0.9% in Infrastructure while Real Estate is overweight by 1.7%. He added ISBI continues to maintain their investment strategy and doesn't react to the markets as the long-term goal is to ensure a 6.75% annual return. He stated that while two-thirds of the portfolio is passively managed, ISBI's goal is to allocate the remaining 33% of assets to strategic partners who consistently outperform their respective benchmarks. Mr. Mehta then turned the presentation over to Jennifer Koelle to review performance.

Ms. Koelle began her presentation by reviewing the Fund's performance for the 12-months ending March 31, 2023, noting the Fund lost 4.0%, underperforming the Policy Benchmark by 50 basis points and the Actual Allocation Benchmark by 10 basis points. She stated the Fund ranked in the 16<sup>th</sup> percentile of its public fund peer group over the one-year period.

Ms. Koelle then reviewed several asset classes, noting the Fixed Income Composite lost 4% over the one-year period, outperforming the benchmark return of -3.5%, and the Core Fixed Income and Treasury Inflation Protected Securities Composite (TIPS) lost 6.2% and 6.1%, respectively, for the same period. She noted the Multi-Asset Credit returned 0.7%, while Private Credit gained 3.7%. Ms. Koelle added that the Domestic Equity Composite lost 9.3%, lagging the broad U.S. equity market by 70 basis points, while the International Equities Composite fell 5.9%, underperforming the benchmark by 10 basis points. She noted the Private Equity portfolio returned 0.4%, while Infrastructure was up 12.6%, and Real Estate returned 7.9%.

Ms. Koelle explained the portfolio's performance was impacted by underperformance in the Emerging Market Equities portfolio, which lost 12.1% and underperformed the MSCI Emerging Markets by 140 basis points. She concluded her report and asked if there were any questions.

Chairperson Walker asked if anyone had questions. Hearing none, she asked for a motion to approve the ISBI report. Trustee Feeney moved to approve, and the motion was seconded by Trustee Wall. All voted in the affirmative. A copy of the March 31, 2023, Performance Report is maintained in the ISBI office and made part of these minutes as *Exhibit A*.

## **REPORT OF CONSULTING ACTUARIES**

Annual Review of Economic Assumptions. Alex Rivera, Consulting Actuary of Gabriel, Roeder, Smith & Company, provided the annual economic assumption review and stated the review is done to determine if the economic assumptions used for the June 30, 2022, actuarial valuation are still adequate. He stated they are recommending no changes to the current economic assumptions for the June 30, 2023 actuarial valuation and recommend using the current JRS investment return assumption of 6.5%, the current price inflation assumption of 2.25%, and the current wage inflation assumption of 2.50% for the FY 23 valuation. Mr. Rivera then turned the presentation over to Jeff Tebeau to provide a detailed review of each economic assumption.

Mr. Tebeau began his presentation by reviewing the wage inflation and salary increase assumptions and indicated that for the plan year ending June 30, 2022, average salary increases were lower than the assumption for those continuing employment since the prior valuation. He stated the experience follows increases that were above assumptions in 2020 and 2021, and therefore, stated they recommend maintaining the 2.5% wage inflation assumption.

Mr. Tebeau then reviewed the inflation assumption, noting that while the CPI-U increased by 9.06% for the 12-month period ending June 30, 2022, the CPI-U increased at an average rate of 2.53% over the last 20 years, 3.88% over the last five years, and 4.98% over the last three years. He noted the expected inflation assumption of 12 independent investment consulting firms with a shorter time horizon and the average was 2.53%, while for a longer time horizon was an average of 2.49%.

Mr. Tebeau continued by stating they recommend using the current JRS investment return assumption of 6.5%, which was developed considering the expected long-term return on assets and the projected funded status of the System. He noted that GRS reviews Meketa's capital market assumptions and short-term and long-term expectations in the analysis as well as eleven independent investment consulting firms. He stated that based on the long-term capital market assumptions, the 20-year period median return is approximately 7.11 percent, and the likelihood of achieving at least 6.50 percent over a 20-year period is approximately 58 percent. Based on these findings, Mr. Tebeau stated they believe the current investment return assumption of 6.5 percent per year is reasonable.

At the conclusion of his presentation, Chairperson Walker asked if there were any questions. Seeing none, Chairperson Walker thanked Mr. Rivera and Mr. Tebeau for their presentations and excused them from the remainder of the meeting. A copy of the GRS Economic Assumption Update Review for the June 30, 2023 actuarial valuation is maintained in the JRS office and made part of these minutes as *Exhibit B*.

After a brief discussion, Chairperson Walker asked for a motion to adopt the actuarial assumptions as presented. Trustee Wall moved and the motion was seconded by Trustee Feeney. All were in favor.

#### **MINUTES OF PREVIOUS MEETING**

The minutes of Meeting No. 359 held on March 31, 2023, were presented by Chairperson Walker for approval. Copies of these minutes were previously submitted to all trustees for preliminary review. Trustee Wall moved to approve the minutes, and the motion was seconded by Trustee Feeney. Three trustees were in favor, with Trustee Shannon abstaining since she didn't attend the last meeting.

#### **READING OF COMMUNICATIONS**

Justice Walker asked Secretary Blair if there were any communications to be presented to the Board. There were no communications to report.

#### **REPORT OF CHAIRPERSON**

Justice Walker notified the Trustees she was chosen to participate in the hiring committee to fill the vacancy of ISBI's Executive Director and Chief Investment Officer position. She noted the position had been posted but no committee meetings have been held yet. She indicated she will keep the Trustees informed as the hiring process progresses.

## REPORT OF ANY TRUSTEE

Justice Walker asked if there were any trustee reports. No reports were offered.

## REPORT OF SECRETARY

Final Review of FY 24 Operations Budget. Secretary Blair presented the FY 24 Operations Budget Request of \$1,103,360, noting a decrease of \$47,540 or 4.13%, from the FY 23 budget. He reviewed the items having a cost impact on the request, including a decrease of \$48,040 in the Personal Services line due to the retirement of an employee who will not be replaced. Included in the request are AFSCME steps and COLAs in July 2023 for all employees.

Secretary Blair explained the Retirement, FICA and Group Insurance lines all decreased due to the decrease in the Personal Services. He noted the increase of \$33,220 in the Contractual line was due mainly to an increase in the audit fee due to the requirement for a compliance audit in FY 23, in addition to the annual financial audit.

Following discussion of the proposed FY 24 operations budget, Trustee Shannon motioned to approve the FY 24 operations budget of \$1,103,360. The motion was seconded by Judge Feeney, and all were in favor.

March 31, 2023 Financial Statements. Secretary Blair reviewed the third quarter FY 23 financial statements, noting that the System's total receipts year-to-date are \$139.8 million and that \$141.6 million in pension benefits were paid. He noted that the System disburses \$16.4 million per month in benefits and receives less than \$14 million in employee and employer contributions, requiring monthly withdrawals from ISBI to pay benefits. Secretary Blair indicated that \$21 million was transferred from the ISBI investment portfolio in the first 3 quarters of FY 2023 and he anticipates approximately \$36.5 million will need to be transferred in FY 24.

Trustee Shannon moved to approve the March 31, 2023 financial statements. The motion was seconded by Trustee Feeney and all were in favor. Official copies of these Financial Statements have been made a part of these minutes as *Exhibit C*.

Funding and Cashflow Update. Secretary Blair informed the Board that the Comptroller's Office is current in making the State contributions and that there have been no delayed payments in FY 23. He directed the Trustees to a memo dated July 5, 2023, which was sent to ISBI. The memorandum provides a projection of funds that will be needed monthly from ISBI in FY 24, an estimated \$36.5 million. He stated that no funds were required in July from ISBI due to JRS receiving an additional \$2.4 million in supplemental appropriations on June 30, 2023.

## REPORT OF DIVISION MANAGER

Annuities and Refunds for Approval. Angie Ackerson, JRS Division Manager, reported that since the last meeting, three retirement annuities totaling \$28,114.97 per month and eleven survivor annuities totaling \$92,584.95 per month were processed. One termination refund in the amount of \$61,742.41, six survivor annuity refunds totaling \$248,774.94, and twelve error refunds totaling \$8,536.23 were processed. There being no questions, Trustee Wall moved to approve the annuities and refunds as presented. Trustee Shannon seconded the motion and all were in favor.

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

**OLD BUSINESS**

No old business was reported.

**NEW BUSINESS**

Secretary Blair updated the Trustees regarding a Tier 2 judge, Patricia Kievlan, who is retiring July 1, 2023, and has requested her JRS benefit be calculated using the Tier 1 JRS formula. He noted that Judge Kievlan is retiring reciprocally on July 1, 2023, with Tier 1 service from the State Universities Retirement System (SURS) and the Illinois Municipal Retirement Fund (IMRF).

Secretary Blair added that he is drafting a response to Judge Kievlan and indicated he had been contacted by Judge Kievlan’s attorney regarding an appeal of her JRS tier status, initially requesting an appeal be conducted at today’s meeting. Secretary Blair told the Board he denied the request for an appeal at the meeting for numerous reasons, but that he informed the attorney that he would discuss options with the Board at the upcoming meeting.

After some discussion the Board agreed to consider a special meeting to be conducted after the calculation of Judge Kievlan’s JRS benefit, which is largely dependent on the timing of the receipt of reciprocal information from SURS and IMRF.

**ADJOURNMENT**

There being no further business to be brought before the Board, Trustee Feeney moved to adjourn at 11:20 a.m. His motion was seconded by Trustee Wall.

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Timothy B. Blair, Secretary

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

APPROVED:

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Justice Debra Walker, Chairperson