

**JUDGES RETIREMENT SYSTEM OF ILLINOIS
MEETING NO. 355**

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

March 25, 2022

A regular meeting of the Board of Trustees of the Judges Retirement System of Illinois convened on Friday, March 25, 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 Walker, Vice-Chairperson and Proxy for Chief Justice Anne Burke
Judge John C. Anderson
Judge Charles M. Feeney
Catherine Shannon, Proxy for State Treasurer Michael Frerichs

Others present:

Timothy B. Blair, Secretary
Jeff Houch, Assistant to Secretary
Angie Ackerson, JRS Division Manager
Johara Farhadieh, Director, Illinois State Board of Investment, by videoconference
Scott Richards, Senior Investment Officer, Illinois State Board of Investment, 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, ISBI Executive Director, distributed copies of the Quarterly Review dated December 31, 2021, and reported that for the year ending December 31, 2021, the Fund increased \$3.3 billion in 2021, from \$22.6 billion to \$25.9 billion at the end of the year. She cautioned that the Fund's performance in the 1st quarter of 2022 would be negatively affected by ongoing market volatility due to the conflict in Ukraine. Ms. Farhadieh reported that ISBI's managers had been divesting Russian assets and reported that only \$40,000 of \$48 million remains invested in Russian assets. Ms. Farhadieh noted the Portfolio is designed to protect assets during inflationary periods with approximately 56.5% invested in Equities, 32.1% in Fixed Income, and 10.9% in Real Assets.

Ms. Farhadieh reviewed asset allocation, noting that the private market asset classes are underweight by 7.8% in the areas of Private Equity, Private Credit, Infrastructure, and Real Estate. She stated that ISBI invests in public market equivalents until the assets can be deployed to private markets. ISBI continues to invest one-third of assets with strategic partners who can outperform the market and the remaining two-thirds is passively invested. She then turned the presentation over to Scott Richards to review performance.

Mr. Richards began by noting the Portfolio's one-year return on December 31, 2021 was 14.9%, beating the custom benchmark return of 12.4%. Mr. Richards stated the Fixed Income Composite was up 3.2% while the benchmark lost 1.1%. He noted the Multi-Sector Credit Composite returned 8.2%, outperforming the custom benchmark by 5.5%, while the Private Credit Composite was up 19.4%, beating the index return of 3.5%. The Domestic Equity Composite returned 24.3%, trailing the benchmark by approximately 1.4%. Mr. Richards then reported the Fixed Income Portfolio performed very strongly, returning 55.8% over the calendar year and outperforming the benchmark by 7.8%. He concluded his presentation by noting the Global Equity was up 9.4%, outperforming the benchmark by 0.9%, and the U.S. Equity composite trailed the benchmark return by 0.4%, performing 24.3%.

Chairperson Schostok thanked Director Farhadieh and Mr. Richards 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 Feeney. 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. 354 held on January 14, 2022, were presented by Chairperson Schostok for approval. Copies of the minutes were previously submitted to trustees for review. Vice-Chairperson Walker made a motion to approve the minutes of the meeting held January 14, 2022, and Trustee Anderson seconded the motion. Ms. Ackerson took roll call, 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.

REPORT OF CHAIRPERSON

Justice Schostok stated she had spoken with Senator Robert Martwick, and he indicated there was no legislative activity in the current session regarding the Tier 2 judges with reciprocal service being considered Tier 1 judges.

REPORT OF ANY TRUSTEE

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

REPORT OF SECRETARY

FY 22 Supplemental Operations Budget Request. Secretary Blair requested an increase of \$19,000 to the FY 22 JRS Operations Budget of \$1,135,920. He stated the funds were needed to meet unexpected increases in the Group Insurance line and the Contractual line. He noted the request included an \$8,000 increase in the Group Insurance line and an \$11,000 increase in the Contractual line for a large increase in the annual audit fee. He explained that a new audit standard requiring census data testing resulted in a higher fee than originally budgeted. Secretary Blair added that he expects lapses of \$7,000 in other lines, so overall spending in FY 22 will be approximately \$12,000 higher than in the FY 22 budget approved by the Board in July 2021.

After discussion, Justice Schostok asked for a motion to approve a \$19,000 increase in the FY 22 supplemental budget. Vice-Chairperson Walker moved to approve the supplemental budget request and Trustee Anderson seconded the motion. Ms. Ackerson took roll call, and all voted in the affirmative.

Preliminary Review of FY 2023 Operations Budget. Secretary Blair presented the FY 23 Preliminary Operations Budget Request noting a decrease of \$26,680, or 2.36%, from the FY 22 budget. The FY 23 JRS budget request totaled \$1,141,840. He reviewed the items having a cost impact on his request, including an increase of \$22,160 in the Personal Services line due to AFSCME steps and COLAs of 3.95% in July 2022, including the 3.95% July COLA for the Division Manager and those receiving a stipend to match the scheduled AFSCME COLA.

Secretary Blair noted the preliminary request included a \$3,200 increase in the Group Insurance line due to expected increases in monthly premiums and a \$22,160 increase in the Personal Services line. He stated the Contractual line decreased by \$53,560 due primarily to the comprehensive review of all actuarial assumptions in FY 22 and the full scope actuarial audit in FY 22. Following discussion of the proposed FY 23 operations budget preliminary, Vice-Chairperson Walker motioned for approval. The motion was seconded by Trustee Anderson. Ms. Ackerson took roll call, and all were in favor.

December 31, 2021 Financial Statements. Secretary Blair reviewed the financial statements and noted that in the 2nd quarter of FY 22, the System had \$43.1 million in receipts, and \$43.6 million in disbursements, primarily benefit payments. He noted the cash balance was \$17 million at the end of the quarter, adding he is maintaining the smallest cash balance possible to minimize withdrawing funds from ISBI. He told the Board the smaller cash balance is manageable as the Comptroller's Office has provided the monthly contribution in a timely manner and has stated its intentions to continue to do so. Maintaining the smaller cash balance allows more JRS assets to remain invested.

Secretary Blair continued his report by adding System staff withdrew \$2 million in funds from ISBI in the second quarter. He attributed this to monthly benefits increasing from \$14.5 million to \$15.5 million per month after the January pension increases and several January retirements. He added that he expects \$1.2 to \$1.5 million from ISBI each month to pay benefits with an anticipated \$8.5 million total withdrawn in FY 22. Secretary Blair explained that despite the timely employer contributions and the employee contributions each month, the draw down is primarily due to the increase in benefit payments. He also noted the decrease in employee contributions from \$1.6 million per month to \$700,000 per month when the Tier 2 judges reach the annual salary maximum and no longer contribute to JRS. With Tier 2 judges holding the majority in the System, he stated this will continue to be an issue for the first and second quarters of each fiscal year.

Judge Walker moved to approve the December 31, 2021, financial statements and the motion was seconded by Judge Feeney. Ms. Ackerson took roll call, and all voted in the affirmative. Official copies of these financial statements are made a part of these minutes as *Exhibit B*.

FY 2022 Funding Update. Secretary Blair told the Board that the System has received all required employer contributions for FY 22.

Legislative Review. Mr. Houch referred the Board to his report outlining legislation impacting JRS. He stated that the two bills related to the FY 23 Contribution, HB 5632 and SB 4105, propose to fully fund the JRS certified contribution of \$142,659,000. He added that Governor Pritzker is expected to sign SB 2803, which appropriates a \$3.6 million to JRS in FY 22, in addition to the \$152 million certified for FY 22. Mr. Houch concluded his report by saying that he is monitoring any legislation that would allow Tier 2 judges with Tier 1 reciprocal service to become Tier 1 JRS participants.

Following his report, Mr. Houch offered to answer questions. No questions were offered.

Review of Actuarial Audit of June 30, 2020 Valuation. Secretary Blair provided the results of a full scope actuarial audit conducted by Foster & Foster to review the June 30, 2020, actuarial valuation report produced by Gabriel, Roeder, Smith & Company (GRS). He reported the audit was very clean and found no major deficiencies. Foster & Foster agreed the valuation results were reasonable. He also shared the written response provided by GRS in which they agreed to issues surrounding the statutory funding policy but acknowledged the current methods are prescribed in statute and cannot change without legislative action. GRS also agreed to consider the recommendations from Foster & Foster to provide more details in defining how the actuarially determined contribution calculations are produced as well as the benefit provisions surrounding Tier 2 salary limitations.

Secretary Blair asked if there were any questions regarding his report. Seeing there were none, Justice Schostok thanked him for his presentation.

REPORT OF THE MANAGER

Annuities and Refunds for Approval. Angie Ackerson, JRS Manager, reported eighteen retirement annuities processed since the last meeting totaling \$228,300.70 per month and four survivor annuities totaling \$27,922.73 per month. A review of the refunds for approval included eight survivor annuity refunds totaling \$407,352.26 and one error refund totaling \$696.12, due to a new judge electing not to participate in the survivor's annuity provision. 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 eight 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

No new business was reported.

ADJOURNMENT

There being no further business to be brought before the Board, Chairperson Schostok stated the next meeting will be Friday, July 29, 2022. Vice-Chairperson Walker moved to adjourn at 11:00 a.m. Her motion was seconded by Chairperson Schostok. Ms. Ackerson took roll call, and all voted in favor.

Timothy B. Blair, Secretary

Date: _____

APPROVED:

Chairperson Mary S. Schostok