

**JUDGES RETIREMENT SYSTEM OF ILLINOIS
MEETING NO. 359**

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

March 31, 2023

A regular meeting of the Board of Trustees of the Judges Retirement System of Illinois convened on Friday, March 31, 2023, 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:

Justice Debra Walker, Chairperson & Proxy for Chief Justice Mary Jane Theis by videoconference
Judge John C. Anderson, Vice-Chairperson, by videoconference
Judge Charles M. Feeney, by videoconference
Judge Karen Wall

Absent were:

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 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.

REPORT OF THE ILLINOIS STATE BOARD OF INVESTMENT (ISBI)

Johara Farhadieh, ISBI Executive Director, referred the Board to the Fourth Quarter Performance Update and reported that for the year ending December 31, 2022, the Fund's value was \$23.2 billion, a decrease of \$2.7 billion for the calendar year to date. She noted the Fund ranked in the 12th percentile of its public fund peer group for the one-year period and in the 83rd percentile of its public fund peer group in the fourth quarter. Director Farhadieh attributed the negative performance in the fourth quarter to underperformance in both equity and bond markets, combined with 23.5% of assets invested in the Rate Sensitive Composite asset class and 23% invested in the U.S. Equity market. She stated that peer public funds allocate 17% to Rate Sensitive assets and 32% to U.S. Equities. Director Farhadieh added the ISBI Board believes the current ISBI asset allocation model has worked well in the long-term.

Director Farhadieh briefly reviewed asset allocation, noting that private market asset classes are underweight 2.3% in Private Credit and 0.9% in Infrastructure, while Private Equity is overweight by 0.5% and Real Estate by 2.3%. She added that ISBI invests in public market equivalents until assets can

be deployed to private markets, and that ISBI continues to invest one-third of assets with strategic partners who can outperform the market and two-thirds is passively invested. Ms. Farhadieh informed the Trustees that 42.1% of the Fund is committed to minority and women-owned investment managers and that for the third year in a row, ISBI had the top performing public pension fund Private Equity portfolio, with 24% of it committed to minority and women-owned managers. She then turned the presentation over to Scott Richards to review performance.

Mr. Richards began his presentation by stating the portfolio totaled \$23.7 billion as of March 30, 2023, which is \$550 million more than the performance update shows. He indicated that for the fiscal year to date, the Fund was flat, while the policy benchmark was up 1%, leaving the fund in the 93rd percentile for the six-month period. Mr. Richards stated the Fixed Income Composite was down 2.8%, slightly trailing the benchmark, which lost 2.3%. He attributed some of the underperformance to delayed reporting for Private Credit, Private Equity, Real Estate and Infrastructure which reflect September 30, 2022, values and stated the performance for these composites should more closely align with the benchmarks once the numbers are finalized.

Mr. Richards noted the U.S. Equity Composite returned 2.6%, slightly outperforming the benchmark of 2.4%, but the Fund is underweighted in a very positive asset class. He then reported the Non-U.S. Equity composite returned 2.4% and trailed the benchmark return by 0.7%, and added the Private Equity Composite's lost 1.4%, but beat the benchmark by 3.8%. He noted Infrastructure beat its benchmark with a 2.5% return, while Real Estate lost 0.5%, underperforming the benchmark return of 4.9%. At the conclusion of his presentation, Mr. Richards offered to answer any questions.

Chairperson Walker asked Director Farhadieh and Mr. Richards to discuss the Silicon Valley Bank collapse and any impacts to the Fund. Ms. Farhadieh informed the trustees that their general partners, Mr. Richards and ISBI's CFO took quick action to contact their custodian to stop wire transfers and initiate claw back provisions for wire transfers that had gone out in case they needed to use them. She indicated the Fund had no direct exposure to the bank's collapse but some of the private market managers utilized Silicon Valley Bank and had deposits exceeding \$250,000 but due to the Federal government stepping in and fully funding the customers and general partners, there was little impact to the Fund. She indicated that ISBI continues to monitor the situation closely as there could be similar issues in the banking industry.

Chairperson Walker asked if there were any questions for Director Farhadieh or Mr. Richards. Seeing none, she thanked them for their reports and excused them from the remainder of the meeting. Vice-Chairperson Anderson made a motion to approve the ISBI report, and the motion was seconded by Trustee Feeney. Ms. Ackerson took roll call, 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. 358 held on January 13, 2023, were presented by Chairperson Walker for approval. Copies of the minutes were previously submitted to trustees for review. Trustee Feeney made a motion to approve the minutes as presented, and Trustee Wall seconded the motion. Ms. Ackerson took roll call, and all voted in the affirmative.

READING OF COMMUNICATIONS

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

REPORT OF CHAIRPERSON

Chairperson Walker offered no report.

REPORT OF ANY TRUSTEE

Chairperson Walker asked if there were any trustee reports. None were offered.

REPORT OF SECRETARY

FY 23 Operations Budget Changes. Secretary Blair informed the Board that he was informed by the Auditor General's Office that the audit expense increased to \$62,500 for the financial audit only, compared to a \$40,000 audit expense for both a financial and compliance audits in the prior year. He added the Auditor General's office advised that next year's audit expense would increase to \$80,000. Secretary Blair indicated he discussed the significant fee increase with the Auditor General's Office and they indicated the higher cost was the current cost of audits.

Secretary Blair informed the Board that a full-time employee had retired in December and would not be replaced, but rather an employee of SERS will perform the functions of the retired employee and JRS will reimburse SERS for the work performed. Based on the higher audit expenses and the recent retirement, Secretary Blair requested approval to move \$41,200 to the Contractual line from the Personal Services and related lines.

Preliminary Review of FY 2024 Operations Budget. Secretary Blair presented the FY 24 Preliminary Operations Budget Request of \$1,107,220, a decrease of \$33,680, or 3.80%, from the FY 23 budget. He reviewed the items having a cost impact on the request, including a decrease of \$33,040 in the Personal Services line due to a retirement of an employee who will not be replaced and providing AFSCME steps and 5% COLAs in July 2023 for all employees, including four employees receiving a stipend. Secretary Blair indicated the actual amount of the July COLA would be the amount in the AFSCME collective bargaining agreement that is currently being negotiated, and the final operations budget request submitted in July will reflect the negotiated COLA. He added the preliminary request includes a \$2,400 increase in the Travel line due to more in-person Board meetings in FY 24.

Following discussion of the proposed FY 23 budget changes and the FY 24 operations budget, Vice-Chairperson Anderson motioned for approval. The motion was seconded by Trustee Wall. Ms. Ackerson took roll call, and all were in favor.

December 31, 2022 Financial Statements. Secretary Blair reviewed the financial statements and noted that \$3 to \$3.5 million a month is needed from ISBI to pay monthly benefits. He added this is in part a result of Tier 2 judges not contributing to JRS in the second half of the year after reaching the annual salary maximum, causing employee contributions to drop from \$1.5 million per month to \$600,000 per month. As Tier 2 judges are now the majority, this will continue to impact cashflow in the first and second quarters of every fiscal year.

Secretary Blair noted that at the end of 2022, JRS benefits totaled \$15.3 million per month, and by March JRS benefits were \$16.4 million per month. With the increase in monthly benefits and the seasonal reduction in Tier 2 employee contributions, the \$3.5 million monthly withdrawal is projected through the end of FY 24. Secretary Blair added that there are only 323 Tier 1 judges of the total 942 active judges. He added he works closely with ISBI to maximize funds that remain invested, and he can

maintain a smaller local cash balance since the Comptroller's Office has provided the monthly employer contributions in a timely manner.

Secretary Blair asked if there were any questions regarding his report. Seeing none, Chairperson Walker asked if there was a motion to approve the December 31, 2022 financial statements. Vice-Chairperson Anderson moved to approve the December 31, 2022, financial statements and the motion was seconded by Judge Feeney. Ms. Ackerson took roll call, and all voted in the affirmative. Copies of these financial statements are made a part of these minutes as *Exhibit B*.

FY 2023 Funding Update. Secretary Blair told the Board that JRS has received all FY 23 employer contributions in a timely manner.

Legislative Review. Mr. Houch referred the Board to his legislative update, noting there are two bills that provide supplemental contributions to State retirement systems, HB 3136 and SB 2433. These bills direct additional funds to the retirement systems in the event of a budget surplus. He indicated that of the bills being proposed, these had the most likelihood of becoming law. Following his report, Mr. Houch offered to answer questions. No questions were offered.

REPORT OF THE MANAGER

Annuities and Refunds for Approval. Angie Ackerson, JRS Manager, reported 39 retirement annuities processed since the last meeting totaling \$512,894.62 per month and one survivor annuity totaling \$10,344.62 per month. The refunds for approval included one termination refund of \$37,351.04, two survivor annuity refunds totaling \$88,834.37 and two error refunds totaling \$1,440.03. Vice-Chairperson Anderson moved for approval of the annuities and refunds as presented and Trustee Feeney 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

No new business was reported.

ADJOURNMENT

There being no further business, Chairperson Walker stated the next meeting will be held Friday, July 28, 2023.

Timothy B. Blair, Secretary

Date: _____

APPROVED:

Chairperson Debra B. Walker