

**JUDGES' RETIREMENT SYSTEM OF ILLINOIS
MEETING NO. 361**

**MINUTES OF THE ANNUAL MEETING
OF THE BOARD OF TRUSTEES**

October 27, 2023

The annual meeting of the Board of Trustees of the Judges' Retirement System of Illinois was held on Friday, October 27, 2023, at 10:00 a.m. in the System's Springfield Office at 2101 S. Veterans Parkway, Springfield, Illinois with a videoconference location in Room N-505 of the Michael Bilandic Building at 160 N. LaSalle Avenue, Chicago, IL.

Roll Call was taken with the following trustees in attendance:

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

Others present:

Timothy B. Blair, Administrative Secretary (Chicago location)
Jeff Houch, Assistant Administrative Secretary (Springfield location)
Samantha Goetz, SRS General Counsel (Springfield location)
Aaron Evans, External Counsel, Sorling Northrup (Springfield location)
Scott Richards, Senior Investment Officer, Illinois State Board of Investment (Chicago location)
Jennifer Koelle, Investment Officer, Illinois State Board of Investment (Chicago location)
Jeff Tebeau, Consulting Actuary, Gabriel, Roeder, Smith & Company (by videoconference)
Heidi Barry, Consulting Actuary, Gabriel, Roeder, Smith & Company (by videoconference)

Chairperson Walker called the meeting to order at 10:00 a.m. With a quorum present, Trustee Feeney motioned to permit Trustee Hoffman to participate remotely, and Trustee Wall seconded the motion. A voice vote was taken, and all Trustees voted in the affirmative.

Chairperson Walker welcomed recently appointed Justice Hoffman, who previously served for 23 years as a JRS Trustee and asked everyone to briefly introduce themselves.

REPORT OF THE ILLINOIS STATE BOARD OF INVESTMENT (ISBI)

Jennifer Koelle, Investment Officer for ISBI, reminded the Board that former Executive Director Johara Farhadieh left ISBI and that ISBI's General Counsel Dipesh Mehta is serving as the Acting Director until her successor is selected. She stated that no changes to the asset allocation policy had been made since the last JRS Board meeting, and the portfolio's market value totaled approximately \$24.4 billion as of June 30, 2023. Ms. Koelle mentioned that approximately 43% of its assets are managed by emerging and minority-owned firms and that 57% of the portfolio's assets are passively managed.

Ms. Koelle directed the Board's attention to the ISBI Performance Update for June 30, 2023. She stated that the portfolio gained 6.2% in FY 23, trailing the benchmark by 60 basis points. She noted that Fiscal Year 2023 was extremely volatile as many significant events occurred during that period, including historic interest rate increases, the collapse of Silicon Valley bank, and the continuation of the Russo-Ukrainian War.

Ms. Koelle turned the presentation over to Scott Richards, ISBI Senior Investment Officer, to review the performance of individual asset classes. He began by pointing out the Fixed Income portfolio gained 0.5%, net of fees, for the year ended June 30, 2023, outperforming the benchmark by 0.5%. Mr. Richards added the Core Fixed Income portfolio and the Treasury Inflation Protected Securities Composite (TIPS) lost 2.1% and 1.4%, respectively, while the Credit Composite portfolio gained 7.6%, but underperformed the benchmark by 3.8%. He noted the Private Credit portfolio returned 6.7%, underperforming the benchmark by 6.1%, and the Global Equity portfolio gained 12.7% and the U.S. Equity portfolio increased by 17.6%.

Mr. Richards continued his report by telling the Board that the Non-U.S. Equity portfolio gained 11.9% for the 12 months ended June 30, 2023, while the Emerging Markets portfolio advanced 2.0%, exceeding the benchmark by 30 basis points, and the Private Equity portfolio advanced 2.4%, exceeding the benchmark by 4.2%. He concluded his review of the asset classes by adding the Infrastructure Composite returned 9.7% and the Real Estate portfolio was the worst performing asset class with a loss of 6.0% in FY 23, net of fees.

Chairperson Walker thanked Ms. Koelle and Mr. Richards for their report. Trustee Wall moved to approve the ISBI report, and Trustee Feeney seconded the motion. The motion was approved unanimously. A copy of the June 30, 2023 Quarterly Update is maintained in the ISBI office and made part of these minutes as *Exhibit A*.

REPORT OF CONSULTING ACTUARIES

Jeff Tebeau and Heidi Barry of Gabriel, Roeder, Smith & Company presented draft copies of the FY 23 JRS actuarial valuation. Ms. Barry noted the purpose of the valuation is to measure the funded status of the System on June 30, 2023, and to determine the required State contribution for FY 25. She added that Public Act 100-0023, effective July 6, 2017, modified the State's funding policy to smooth State contribution rate increases or decreases for actuarial assumptions changes, over a five-year period in equal annual amounts.

Ms. Barry reported that the actuarial accrued liability increased from \$2.96 billion on June 30, 2022 to \$3.04 billion on June 30, 2023. She indicated the market value of assets increased by \$45.3 million, which increased the funded ratio on a market value basis from 43.3% to 43.6%. Ms. Barry noted that the actuarial value of assets increased from almost \$1.31 billion to \$1.36 billion, increasing the funded ratio based on the actuarial value of assets from 44.3% to 44.6%. She referred the Board to the slide showing that the funded ratio is expected to slowly increase until FY 33, and then rapidly increase after FY 33 to reach 90% funded in FY 45. Ms. Barry then turned the presentation over to Mr. Tebeau.

Mr. Tebeau began his presentation by stating that in FY 23, employer contributions totaled \$147.4 million, employee contributions were \$15.0 million, and benefits and expenses were \$193.1 million, resulting in negative cash flow of approximately \$31.8 million. He added this means the Fund is using assets to pay benefits and the forecast from 2023 to 2033 is that the percentage of investment income needed to pay benefits is projected to increase from approximately 53% to 94%. Mr. Tebeau stated the FY 25 State Contribution rate increased from 95.6% of payroll to 95.9%, or by \$1.1 million over FY 24, to \$148.9 million. He pointed out that the actuarially determined contribution (ADC) is \$178.6 million, or \$29.7 million higher than the amount calculated under the statutory funding plan. He reminded the Board that 17 years remain on the amortization schedule of the Board's ADC policy.

Following discussion regarding the productivity component of the salary increase assumption, Trustee Shannon moved to accept the draft FY 23 valuation and preliminarily certify the \$148.9 million FY 25 employer contribution. Trustee Hoffman seconded the motion, and the motion was approved unanimously. Chairperson Walker thanked Mr. Tebeau and Ms. Barry.

A copy of the presentation is maintained in the JRS office and made part of these minutes as *Exhibit B*.

WRITTEN APPEALS OF JUDGE PATRICIA KIEVLAN AND NATOSHA TOLLER

Secretary Blair stated that requests for written appeals were received from retired Tier 2 judge Patricia Kievlan, and active Tier 2 judge Natosha Toller. Both members appealed to the Board to change their status to Tier 1 as they contend that being coded as a Tier 2 member violated the pension protection clause of the Illinois Constitution, their equal protection rights under both the United States Constitution and the Illinois Constitution, the prohibition in the Illinois Constitution against special legislation, and the three-readings requirement under the Illinois Constitution.

After lengthy discussion on the basis for these members' retirement tier assignments, and the legal dynamics associated with both members due to their employment status, Trustee Hoffman motioned that external counsel review Judge Kievlan's appeal and produce a recommendation for the Board's consideration at the January 2024 Board meeting and to conduct additional research on whether Judge Toller's appeal is ripe for consideration. Trustee Feeney seconded the motion, which was approved unanimously.

MINUTES OF PREVIOUS MEETING

The minutes of Meeting No. 360 held on July 15, 2023, were presented by Chairperson Walker for approval. Copies of these minutes were previously submitted to all trustees for preliminary review. Trustee Feeney made a motion to approve the minutes, and the motion was seconded by Trustee Wall. A voice vote was taken, and the motion was approved unanimously.

ELECTION OF 2024 OFFICERS

Chairperson Walker announced the election of 2024 officers was in order and opened the meeting for nominations. Chairperson Walker indicated that she was willing to continue serving as Chair if nominated. Trustee Feeney nominated Chairperson Walker as Chairperson in 2024 and the nomination was seconded by Trustee Wall. No other nominations were offered, and Chairperson Walker was unanimously re-elected.

Trustee Wall then nominated Trustee Feeney to serve as Vice-Chairperson. Trustee Shannon seconded the nomination. No other nominations were offered, and Trustee Feeney was unanimously elected.

Trustee Hoffman motioned to nominate Timothy Blair as Administrative Secretary, which was seconded by Trustee Shannon. No other nominations were offered, and Mr. Blair was unanimously elected.

READING OF COMMUNICATIONS

Chairperson Walker asked Secretary Blair if there were any communications to be presented to the Board. He informed the trustees he received notice from the Supreme Court that Justice Thomas Hoffman had been appointed to serve a three-year term beginning September 28, 2023.

REPORT OF CHAIRPERSON

Chairperson Walker summarized the status of filling the Executive Director position at the Illinois State Board of Investment. She indicated that three finalists remain, and all candidates will interview with ISBI.

REPORT OF ANY TRUSTEE

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

REPORT OF SECRETARY

Financial Statements of September 30, 2023. Secretary Blair reviewed the financial statements for the quarter that ended September 30, 2023. He noted that during the quarter JRS had total receipts of \$45.8 million, disbursements of \$50 million, and a cash balance of \$14.3 million. Secretary Blair reported 1,029 monthly retirement annuities were paid, which exceeds the number of sitting judges. He reported the System is also paying 331 survivors and 30 QILDRO alternate payees each month.

Secretary Blair informed the Board that \$7 million was withdrawn from the ISBI portfolio in the first quarter of FY 24 and he projects the need to withdraw up to \$36.5 million in FY 24 due to the decreased participant contributions from Tier 2 participants in the 1st and 2nd quarters of FY 24 and large numbers of upcoming retirements.

At the conclusion of Secretary Blair's presentation, Chairperson Walker asked if there was a motion to approve the financial statements. Trustee Shannon moved to approve the September 30, 2023 financial statements. The motion was seconded by Trustee Feeney, and the motion was approved unanimously.

Copies of the Financial Statements have been placed on file and made a part of these minutes as *Exhibit C*.

2024 Meeting Dates. Secretary Blair presented the proposed 2024 meeting dates. Chairperson Walker asked if all trustees had reviewed the meeting dates for 2024: January 12; April 19; July 26; and October 25. All meetings will begin at 10 a.m. and will be held by videoconference between Chicago and Springfield unless a disaster proclamation allows the meeting to be conducted virtually. After brief discussion, Trustee Wall made a motion to approve the 2024 meeting dates; the motion was seconded by Trustee Feeney, and all voted in the affirmative.

FY 2024 Funding Update. Secretary Blair informed the Board that the System has received all required employer contributions for FY 24, noting the Comptroller's Office is current in making the State contributions and the November contribution was already received.

Annuities and Refunds for Approval. Secretary Blair presented 21 retirement annuities processed since the last Board meeting totaling \$261,176.36 per month and 3 survivor annuities totaling \$26,591.32 per month. A review of the refunds for approval included one death after retirement refund, two termination refunds, and four survivor annuity contribution refunds totaling \$381,670.38. He noted there were five error refunds processed, totaling \$2,135.81. Following discussion, Trustee Feeney moved for approval of the annuities and refunds as presented. Trustee Shannon seconded the motion, and the motion was approved unanimously.

Death of Members. Secretary Blair reported the deaths of thirteen JRS members since the July meeting. This report is made a part of these minutes as *Exhibit E*.

OLD BUSINESS

No old business was reported.

NEW BUSINESS

No new business was reported.

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 submitted.

ADJOURNMENT

There being no further business to be brought before the Board, Trustee Feeney moved to adjourn at 11:30 a.m. His motion was seconded by Trustee Wall. Chairperson Walker reminded trustees that the next Board meeting is scheduled for Friday, January 12, 2024, at 10 a.m., and the meeting adjourned.

Timothy B. Blair, Secretary

Date: _____

APPROVED:

Chairperson Debra Walker