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We anticipate and  
**meet** our customers' **needs**  
and **treat** them with **respect, patience,**  
and **equity**. We regularly  
**survey our membership** to  
**measure** how well  
we are **meeting** these **needs**.

We provide accurate, clear, timely and  
**consistent information** to our customers  
using a variety of **media**  
and **technologies**.





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October 27, 2008

Board of Trustees  
Oklahoma Public Employees Retirement System  
5801 N. Broadway Extension, Suite 400  
P.O. Box 53007  
Oklahoma City, OK 73152-3007

**Re: Certification of July 1, 2008 Actuarial Valuation of the  
Oklahoma Uniform Retirement System for Justices and Judges (URSJJ)**

Dear Members of Board:

At your request, we have completed an actuarial valuation of the Oklahoma Uniform Retirement System for Justices and Judges (URSJJ) as of July 1, 2008 for the purpose of determining the actuarial contribution rate for the fiscal year ending June 30, 2009 and calculating and analyzing key financial measurements. Actuarial valuations are performed annually. The valuation results reflect a new set of actuarial assumptions adopted by the Board in May 2008 as the result of an Experience Study. The Board also adopted a new methodology for amortizing the unfunded actuarial accrued liability, the level percent of payroll methodology. The valuation reflects the four percent COLA, for members who were retired as of June 30, 2007, granted by the 2008 legislature. However, the valuation process anticipates that a COLA will be granted so there was no impact on the unfunded actuarial accrued liability.

All of the information and supporting schedules in the Actuarial Section have been provided by Milliman, Inc. We also provided the *Schedule of Funding Progress* and *Schedule of Employer Contributions*, which appear in the Financial Section of the System's Annual Report.

In preparing our report, we relied, without audit, on information (some oral and some written) supplied by the System's staff. This information includes, but is not limited to, statutory provisions, member data and financial information. In our examination of these data, we have found them to be reasonably consistent and comparable with data used for other purposes. Since the valuation results are dependent on the integrity of the data supplied, the results can be expected to differ if the underlying data is incomplete or missing. It should be noted that if any data or other information is inaccurate or incomplete, our calculations may need to be revised.

On the basis of the foregoing, we hereby certify that, to the best of our knowledge and belief, this report is complete and accurate and has been prepared in accordance with generally recognized and accepted actuarial principles and practices which are consistent with the Actuarial Standards of Practice promulgated by the Actuarial Standards Board (ASB) and the applicable Guides to Professional Conduct, amplifying Opinions, and supporting recommendations of the American Academy of Actuaries.

We hereby further certify that, in our opinion, each actuarial assumption used is reasonably related to the experience of the System and to reasonable expectations which, in combination, represent our best estimate of anticipated experience under the System. Nevertheless, the emerging costs will vary from those presented in this report to the extent actual experience differs from that projected by the actuarial assumptions. The Board of Trustees has the final decision regarding the appropriateness of the assumptions and has adopted the assumptions shown later in this section. The assumptions comply with the requirements of Statement 25 of the Governmental Accounting Standards Board.

Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following: plan experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period or additional cost or contribution requirements based on the plan's funded status); and changes in plan provisions or applicable law. Due to the limited scope of our assignment, we did not perform an analysis of the potential range of future measurements.

Actuarial computations presented in this report are for purposes of determining the actuarial contribution rates for funding the System. Actuarial computations under GASB Statements No. 25 and 27 are for purposes of fulfilling financial accounting requirements. The computations prepared for these two purposes may differ. The calculations in this report have been made on a basis consistent with our understanding of the System's funding requirements and goals, and of GASB Statements No. 25 and 27. Determinations for purposes other than meeting these requirements may be significantly different from the results contained in this report. Accordingly, additional determinations may be needed for other purposes.

In addition to these results, 20 Okla. Stat, Section 1108(D) requires disclosure of valuation results under prescribed assumptions. This information is provided elsewhere in the System's Annual Report.

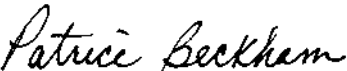
We would like to express our appreciation to the OPERS staff, who gave substantial assistance in supplying the data on which this report is based.

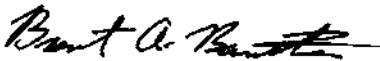
I, Patrice A. Beckham F.S.A., am a member of the American Academy of Actuaries and a Fellow of the Society of Actuaries, and meet the Qualification Standards of the American Academy of Actuaries to render the actuarial opinion contained herein.

I, Brent A. Banister F.S.A., am a member of the American Academy of Actuaries and a Fellow of the Society of Actuaries, and meet the Qualification Standards of the American Academy of Actuaries to render the actuarial opinion contained herein.

MILLIMAN, Inc.

Sincerely,

  
Patrice A. Beckham, F.S.A.  
Consulting Actuary

  
Brent A. Banister, F.S.A.  
Consulting Actuary

## Summary of Principal Valuation Results

The key results for the July 1, 2008 valuation are presented below, along with a comparison to the prior valuation results.

	7/1/2008 Valuation	7/1/2007 Valuation	% Change
<b>1. PARTICIPANT DATA</b>			
Number of:			
Active Members*	277	278	(0.4)
Retired and Disabled Members and Beneficiaries	195	194	0.5
Inactive Members	11	11	0.0
Total Members	483	483	0.0
Projected Annual Salaries* of Active Members	\$ 32,389,296	\$ 32,191,938	0.6
Annual Retirement Payments for Retired Members and Beneficiaries * Includes "No Application" members	\$ 9,940,068	\$ 9,410,934	5.6
<b>2. ASSETS AND LIABILITIES</b>			
Total Actuarial Accrued Liability	\$ 244,062,321	\$ 227,062,193	7.5
Market Value of Assets	225,924,669	240,250,642	(6.0)
Actuarial Value of Assets	235,297,077	224,577,704	4.8
Unfunded Actuarial Accrued Liability	8,765,244	2,484,489	252.8
Funded Ratio	96.4%	98.9%	(2.5)
<b>3. EMPLOYER CONTRIBUTION RATES AS A PERCENT OF PAYROLL</b>			
Normal Cost Rate	30.74%	30.28%	1.5
Amortization of Unfunded Actuarial Accrued Liability	1.92%	0.72%	166.7
Budgeted Expenses	0.56%	0.66%	(15.2)
Actuarial Contribution Rate	33.22%	31.66%	4.9
<b>Less</b> Estimated Member Contribution Rate	8.00%	8.00%	0.0
Employer Actuarial Required Contribution Rate	25.22%	23.66%	6.6
<b>Less</b> Statutory Employer Contribution Rate	7.00%	5.50%	27.3
Contribution Shortfall	18.22%	18.16%	0.3

## Summary of Actuarial Assumptions and Methods

1. The investment return rate used in the valuation was 7.50 percent per year, net of investment expenses, compounded annually. This rate of return is not the assumed real rate of return. The real rate of return is the rate of return in excess of the inflation rate. Considering other financial assumptions, the 7.50 percent investment return rate translates to an assumed real rate of return of 4.50 percent.
2. The RP-2000 Mortality Table projected to 2010 using Scale AA for males and females with a one-year age setback is used for preretirement and postretirement mortality.
3. The probability of withdrawal from service is 2% for all years of service. The individual pay increase assumption is 5.5% per year.
4. The probabilities of retirement are shown in Schedule 1.
5. Benefits are assumed to increase two percent each year due to future ad hoc cost-of-living increases.
6. The individual entry-age normal actuarial cost method of valuation was used in determining actuarial accrued liability and normal cost. Actuarial gains and losses reduce or increase the unfunded actuarial accrued liability and are amortized over the remaining amortization period (19 years as of July 1, 2008). The amortization method was changed this year from the level dollar to the level percent of pay method.
7. The actuarial value of assets is based on a five-year moving average of expected actuarial values and market values. A preliminary expected value is determined equal to the prior year's actuarial value of assets plus net cash flow for the year ending on the valuation date, assuming the valuation investment return. The expected actuarial asset value is equal to the preliminary expected actuarial value plus the unrecognized investment gains and losses as of the beginning of the previous fiscal year. Twenty percent (20%) of the gain/loss as measured by the difference between the expected actuarial value and the market value at the valuation date is added to the preliminary expected actuarial value plus twenty percent (20%) of the unrecognized gains or losses for the four preceding fiscal years. The final result is constrained to a value no less than 80% and no more than 120% of the market value at the valuation date.
8. The actuarial assumptions and methods used in the valuation were adopted by the Board based upon the recommendations of the actuary. The assumptions and methods used for the July 1, 2008 valuation were adopted by the Board based on System experience through June 30, 2007.
9. There were changes in the actuarial assumptions since the prior valuation including
  - Increase the inflation assumption from 2.50% to 3.00%.
  - Investment return assumption was increased from 7.25% to 7.50%.
  - Retirement rates were increased for ages before 65 and lowered for ages above 67
  - Mortality assumption was changed to the RP-2000 Combined Active/Retired Healthy Mortality Table projected to 2010, setback one year.
10. The 2008 Oklahoma Legislature passed a four percent (4%) COLA for members who were retired as of June 30, 2007 and still receiving a benefit as of July 1, 2008. However, the valuation process anticipates that a COLA will be granted so there was no change in the unfunded actuarial accrued liability resulting from the legislation.

# Summary of Actuarial Assumptions and Methods (continued)

## Schedule 1

### Percent of Eligible Active Members Retiring Within Next Year

Retirement		Retirement	
Ages	Percent	Ages	Percent
Below 62	10%	69	30%
62	25%	70	20%
63	25%	71	10%
64	25%	72	10%
65	25%	73	10%
66	10%	74	10%
67	10%	75	100%
68	30%		

## Schedule of Active Member Valuation Data

Valuation Date	Number	Annual Payroll <sup>1</sup>	Annual Average Pay	% Increase in Average Pay
July 1, 2008	277	\$32,389,296	\$116,929	0.98
July 1, 2007	278	32,191,938	115,798	14.58
July 1, 2006	272	27,488,381	101,060	8.33
July 1, 2005	266	24,814,338	93,287	(2.05)
July 1, 2004	270	25,715,005	95,241	(0.50)
July 1, 2003	268	25,652,805	95,719	(1.10)
July 1, 2002	266	25,744,427	96,784	6.10
July 1, 2001	261	23,808,429	91,220	5.97
July 1, 2000	259	22,295,354	86,082	(1.02)
July 1, 1999	259	22,525,441	86,971	5.45

<sup>1</sup>The annual payroll shown above differs from the covered payroll shown in the Financial Section. The annual payroll reflects total compensation paid during the fiscal year. The covered payroll reflects compensation up to the maximum compensation levels on which employee and employer contributions are based.

## Schedule of Retirants, Disabled Retirants, and Beneficiaries Added to and Removed from Rolls

Year Ended	Added to Rolls		Removed from Rolls		Rolls – End of Year		% Increase in Annual Allowances	Average Annual Allowances
	No.	Annual Allowances	No.	Annual Allowances	No.	Annual Allowances		
June 30, 2008	7	\$459,236	6	\$205,594	195	\$9,940,068	5.62	\$50,975
June 30, 2007	19	1,278,139	5	193,466	194	9,410,934	12.50	48,510
June 30, 2006	8	561,682	3	72,874	180	8,365,205	9.35	46,473
June 30, 2005	16	1,258,767	9	182,188	175	7,649,990	16.03	43,703
June 30, 2004	6	334,685	7	143,267	168	6,591,422	6.17	39,235
June 30, 2003	22	1,195,498	6	113,045	169	6,208,320	18.97	36,736
June 30, 2002	4	201,284	7	115,880	153	5,218,274	4.92	34,106
June 30, 2001	6	201,563	4	90,075	156	4,973,461	1.89	31,881
June 30, 2000	4	233,672	3	36,766	154	4,881,381	5.89	31,697
June 30, 1999	17	842,751	6	74,816	153	4,609,794	19.16	30,129

## Analysis of Financial Experience

### Gains & Losses in Actuarial Accrued Liability During the Year Ended June 30, 2008 Resulting from Differences Between Assumed Experience & Actual Experience

Type of Activity	(Gain) or Loss for Year 2008
1. <b>Age &amp; Service Retirements.</b> If members retire at older ages or with greater benefits than assumed, there is a gain. If they retire at younger ages or have higher average pays, a loss occurs.	\$ (1,500,000)
2. <b>Death Benefits.</b> If survivor claims are less than assumed, there is a gain. If more claims, there is a loss.	1,600,000
3. <b>Withdrawal from Employment.</b> If more liabilities are released by withdrawals than assumed, there is a gain. If smaller releases, a loss.	300,000
4. <b>Pay Increases.</b> If there are smaller pay increase than assumed, there is a gain. If greater increases, a loss.	(4,200,000)
5. <b>New Entrants.</b> All new entrants to the System create a loss.	0
6. <b>Other.</b> Miscellaneous gains and losses resulting from data adjustments, employee transfers, valuation methods, etc.	400,000
7. <b>(Gain) or Loss During Year From Financial Experience.</b>	<u>(200,000)</u>
8. <b>Composite (Gain) or Loss During Year.</b>	<u>\$ (3,600,000)</u>

## Summary of System Provisions

- Employees Included:* All Justices and Judges of the Supreme Court, Court of Criminal Appeals, Workers Compensation Court, Courts of Appeals or District Court who serve in the State of Oklahoma participate in the Uniform Retirement System for Justices and Judges.
- System Contributions:* The contributions are received from the employer agencies based on a percentage of salary of covered members. This current percentage is 3.0%. Employer contributions will increase annually to 22.0% of member payroll for fiscal years ending June 30, 2019, and thereafter. The Board is authorized to adjust the contribution rates to prevent a funded ratio of the System of less than 100%.
- Member Contributions:* Before September 1, 2005, basic member contributions equal 5% of salary, while married members could have elected an 8% contribution rate in order to provide survivor coverage. After September 1, 2005, the member contribution rate for all members is 8% of salary.
- Final Average Salary:* The average monthly salary received during the highest three years of active service as a Justice or Judge in a court of record.
- Retirement Date:* A member who completes eight years of service and attains age 65, or completes ten years of service and attains age 60, or whose sum of years of service and age equals or exceeds 80, may begin receiving retirement benefits at his request.
- Normal Retirement Benefit:* General formula is 4% of average monthly salary multiplied by service, up to a maximum benefit of 100% of final average salary.
- Disability Benefit:* After fifteen years of service and age 55, provided the member is ordered to retire by reason of disability is eligible for disability retirement benefits. This benefit, payable for life, is calculated in the same manner as a normal retirement benefit but cannot exceed 100% of final average salary.
- Survivor Benefit:* The spouse of a deceased active member who had met normal or vested retirement provisions may elect a spouse's benefit. The spouse's benefit is the benefit that would have been paid if the member had retired and elected the joint and 100% survivor option (Option B), or a 50% unreduced benefit for certain married participants making 8% of pay contributions prior to September 1, 2005. If the member has ten years of service and the death is determined to be employment related, this benefit is payable immediately to the spouse. In order to be eligible for

## Summary of System Provisions (continued)

*Survivor Benefit (continued):*

this survivor coverage, members must be married to their spouse for three years preceding death and they must be married 90 days prior to the member's termination of employment as a Justice or Judge. Effective October 1, 2004, the benefit for surviving spouses may be higher than 50% of the member's benefit, up to 65% for certain members who made additional voluntary survivor benefit contributions of 3% of salary prior to July 1, 1999, and who die or retire after July 1, 1999.

*Optional Forms of Retirement Benefits:*

The normal form of benefit for a single member is a single life monthly annuity with a guaranteed refund of the contribution accumulation. The normal form for a married member is a 50% joint and survivor annuity benefit. Optional forms of payment with actuarial reduction (if applicable) are available to all members retiring under the normal retirement or vested retirement provisions. After September 1, 2005, the options providing post-retirement death benefits are:

Option A -- Joint and 50% survivor annuity with a return to the unreduced amount if the joint annuitant dies.

Option B -- Joint and 100% survivor annuity with a return to the unreduced amount if the joint annuitant dies.

For married members, spousal consent is required for any option other than Option A.

*Participant Death Benefit:*

\$5,000 lump sum.

*Supplemental*

*Medical Insurance Premium:*

The System contributes the lesser of \$105 per month or the Medicare Supplement Premium to the Oklahoma State and Education Employee's Group Health Insurance Program for members receiving retirement benefits.

## Solvency Test

The Judges funding objective is to be able to pay long-term benefit promises through contributions that remain approximately level from year to year as a percent of salaries earned by members. In this way, members and employers in each year pay their fair share for retirement service accrued in that year by System members.

If the retirement system follows level contribution rate financing principles, the system will pay all promised benefits when due – the ultimate test of financial soundness.

A short-term solvency test is one means of checking the funding progress. In a short-term solvency test, the retirement System's present valuation assets are compared with: 1) active member contributions on deposit, 2) the liabilities for future benefits to persons who have retired and the liabilities for terminated employees with vested benefits, and 3) the liabilities for service already rendered by active members. In a system that has been following the discipline of level contribution rate financing, the liabilities for member contributions on deposit (liability 1), the liabilities for future benefits to present retirees and the liabilities for future benefits for terminated employees (liability 2) will be fully covered by present assets, except in rare circumstances.

In addition, the liabilities for service already rendered by members (liability 3) will be partially covered by the remainder of present assets. Generally, if the system has been using level contribution rate financing, the funded portion of liability 3 will increase over time; however, a decrease generally occurs in those years when substantial benefit improvements are granted by the Legislature. It is unusual for liability 3 to be fully funded. The funded ratio of the System based on total actuarial accrued liabilities (1 + 2 + 3) provides an indication of how well the System is funded.

The schedule below illustrates the progress of funding the actuarial accrued liabilities.

Actuarial Accrued Liabilities <sup>1</sup> and Valuation Assets						Portion of Actuarial Accrued Liabilities Covered by Reported Assets			
Date	Active Member Contributions (Liability 1)	Retirees, Beneficiaries and Terminated Vested Members	Employer Financed Portion of Active Members (Liability 3)	Total Liability <sup>1</sup> (1 + 2 + 3)	Reported Assets <sup>2</sup>	(1)	(2)	(3)	Funded Ratio of Total Accrued Actuarial Liabilities
7/1/99 <sup>1</sup>	10,526,150	45,162,645	113,295,085	168,983,880	148,769,710	100	100	86.4	91.0%
7/1/00	11,758,092	47,407,633	68,854,755	128,020,480	169,693,888	100	100	100.0	132.6%
7/1/01	13,243,150	47,984,952	77,929,139	139,157,241	184,909,669	100	100	100.0	132.9%
7/1/02	14,478,606	50,647,373	65,101,064	130,227,043	193,010,895	100	100	100.0	148.2%
7/1/03	14,614,834	63,042,410	63,198,959	140,856,203	196,989,778	100	100	100.0	139.9%
7/1/04	15,947,990	64,357,324	85,970,627	166,275,941	201,141,649	100	100	100.0	121.0%
7/1/05	15,883,671	82,158,147	89,515,027	187,556,845	203,951,085	100	100	100.0	108.7%
7/1/06	16,672,133	90,877,534	97,755,381	205,305,048	210,376,209	100	100	100.0	102.5%
7/1/07	17,218,458	104,441,388	105,402,347	227,062,193	224,577,704	100	100	97.6	98.9%
7/1/08	19,206,749	108,823,528	116,032,044	244,062,321	235,297,077	100	100	96.2	96.4%

<sup>1</sup> The System has been funded, in certain years indicated above, under the aggregate funding method. This method does not produce an actuarial accrued liability. For these years, the present value of future benefits has been used. The present value of future benefits is a more conservative (higher) liability measure than the actuarial accrued liability.

<sup>2</sup> Actuarial value of assets based on the smoothing technique adopted by the Board.