

***State of Oklahoma  
Uniform Retirement System  
For Justices & Judges***

***Actuarial Valuation Report  
as of July 1, 2008***

*Prepared: October 2008*



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# Uniform Retirement System For Justices & Judges Actuarial Valuation Report

## Table of Contents

<b>Sections</b>	<b>Page</b>
Actuarial Certification Letter	
Section 1 – Board Summary	1
Section 2 – Scope of the Report	11
Section 3 – Assets	13
Table 1 – Statement of Net Assets at Market Value	14
Table 2 – Summary of Changes in Net Assets	15
Table 3 – Actuarial Value of Assets	16
Section 4 – System Liabilities	17
Table 4 – Present Value of Future Benefits	18
Table 5 – Actuarial Accrued Liability	19
Table 6 – COLA Reserve Development	20
Section 5 – Employer Contributions	21
Table 7 – Normal Cost Rate	22
Table 8 – Unfunded Actuarial Accrued Liability Contribution Rate	23
Table 9 – Actuarial Employer Contribution Rate	24
Table 10 – Actuarial Gain/(Loss)	25
Table 11 – Summary of Contribution Requirements	26
Section 6 – Accounting and Other Information	27
Table 12 – Schedule of Funding Progress (GASB 25)	28
Table 13 – Schedule of Employer Contributions (GASB 25)	29
Table 14 – Accounting Information for GASB 27	30
Table 15 – FASB No. 35 Information	
Actuarial Present Value of Accumulated Benefits	31
Table 16 – Ten-Year Projected Benefit Payments	33
<b>Appendices</b>	
A. Summary of Membership Data	35
B. Summary of System Provisions	43
C. Actuarial Methods and Assumptions	47
D. Glossary of Terms	51
<b>Addendum</b>	
A. Certification	55
B. Summary of Valuation Results Under Prescribed Assumptions	56
C. Unfunded Actuarial Accrued Liability	58
D. Normal Cost	59

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1120 South 101<sup>st</sup> Street  
Suite 400  
Omaha, NE 68124  
USA

Tel +1 402 393 9400  
Fax +1 402 393 1037

milliman.com

October 16, 2008

Board of Trustees  
Uniform Retirement System  
For Justices & Judges  
5801 N. Broadway Extension, Suite 400  
P.O. Box 53007  
Oklahoma City, OK 73152-3007

Dear Members of Board:

At your request, we have completed an actuarial valuation of the Uniform Retirement System For Justices & 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. The major findings of the valuation are contained in this report, which reflects 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. This report reflects the four percent COLA, for members who were retired as of June 30, 2007, granted by the 2008 legislature. The valuation process anticipates that a COLA will be granted so there was no impact on the valuation results.

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 them as indicated in Appendix C.

In the course of this valuation, we have examined the relative magnitude of medical benefits provided under Section 401(h) of the Internal Revenue Code. We have determined that these medical benefits are subordinate to the retirement benefits, as required.

Actuarial computations presented in this report are for purposes of determining the recommended funding amounts for 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 as disclosed in our report. 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.

Milliman's work product was prepared exclusively for URSJJ for a specific and limited purpose. It is a complex, technical analysis that assumes a high level of knowledge concerning URSJJ operations, and uses URSJJ data, which Milliman has not audited. It is not for the use or benefit of any third party for any purpose. Any third party recipient of Milliman's work product who desires professional guidance should not rely upon Milliman's work product, but should engage qualified professionals for advice appropriate to its own specific needs.

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

We respectfully submit the following report and look forward to discussing it with you.

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.

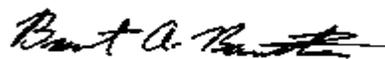
I, Brent A. Banister F.S.A., am a member of the American Academy of Actuaries and a Fellow of the Society of Actuaries, and meet the Qualification Standards of the American Academy of Actuaries to render the actuarial opinion contained herein.

MILLIMAN, Inc.

Sincerely,



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



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

## SECTION I BOARD SUMMARY

### OVERVIEW

The Uniform Retirement System For Justices & Judges (URSJJ) provides retirement benefits for all Justices and Judges of the Oklahoma Supreme Court, Court of Criminal Appeals, Workers' Compensation Court, Court of Appeals, and District Courts. URSJJ is administered by the Oklahoma Public Employees Retirement System and its Board of Trustees.

This report presents the results of the July 1, 2008 actuarial valuation for the System. The primary purposes of performing an actuarial valuation are to:

- determine the employer contribution rates required to fund each System on an actuarial basis,
- disclose asset and liability measures as of the valuation date,
- determine the experience of the System since the last valuation date, and
- analyze and report on trends in System contributions, assets, and liabilities over the past several years.

The 2008 Oklahoma Legislature passed one bill (HB3112) that directly impacts members of URSJJ. This bill included 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. The 4% COLA is reflected in this valuation. However, the valuation process anticipates that a COLA will be granted so there was no change in the unfunded actuarial accrued liability (UAAL) resulting from the legislation.

There were changes in the actuarial assumptions and methods used in the actuarial valuation, as the result of the 2007 Experience Study. These include:

- Increase the inflation assumption from 2.5% to 3.0%.
- Increase the investment return from 7.25% to 7.50%.
- Set the general wage growth assumption to 4.25%.
- Increase retirement rates for ages before 65 and lower rates at ages above 67.
- Change the post-retirement mortality to RP-2000 Combined Active/Retired Healthy Mortality Table projected to 2010, setback one year.
- Change the amortization methodology for the unfunded actuarial accrued liability from level dollar to level percent of payroll. The Board reset the amortization period to 20 years from July 1, 2007. The previous amortization period was 40 years from July 1, 1987 so the remaining amortization period was unchanged.

The change in actuarial assumptions increased the unfunded actuarial accrued liability by \$3.8 million and increased the normal cost rate by 0.03%. The change in the UAAL amortization methodology did not impact the amount of the UAAL or the normal cost rate. However, this change decreased the actuarial contribution rate from 33.92% to 33.22%, or 0.70% of pay.

The valuation results provide a "snapshot" view of the System's financial condition on July 1, 2008. The system was in a surplus position (actuarial assets exceed actuarial accrued liability) for many years prior to 2007. In the 2007 valuation, and again this year, the System has an unfunded actuarial accrued liability. The UAAL increased by \$6.3 million due to various factors. A detailed analysis of the change in the unfunded actuarial accrued liability from July 1, 2007 to July 1, 2008 is shown on page 5.

The highlights of the valuation are:

<b>Funded Status (\$M)</b>	<b>Actuarial Valuation</b>	
	<b>July 1, 2008</b>	<b>July 1, 2007</b>
Actuarial Accrued Liability	\$244.1	\$227.1
Actuarial Value of Assets	235.3	224.6
Unfunded Actuarial Accrued Liability/(Surplus)	8.8	2.5
Funded Ratio (Actuarial Value)	96.4%	98.9%
Funded Ratio (Market Value)	92.6%	105.8%

There was a net liability gain which decreased the actuarial accrued liability more than expected (1.4% of expected liability). The components of this net liability gain are identified on page 5 of this report. As that table shows, the largest source of gain was salary increases that were lower than assumed.

The return on the market value of assets was approximately -3.7% for the year ended June 30, 2008. The actuarial value of assets is determined using a method to smooth gains and losses in order to develop more stable contribution rates. The return on the actuarial value of assets was approximately 7.4%, which resulted in an actuarial gain of \$0.2 million.

The actuarial contribution rate for the employer increased to 25.22% of payroll:

<b>Contribution Rate</b>	<b>Actuarial Valuation</b>	
	<b>July 1, 2008</b>	<b>July 1, 2007</b>
Normal Cost	30.74%	30.28%
Amortization of UAAL/(Surplus)	1.92%	0.72%
Budgeted Expenses	<u>0.56%</u>	<u>0.66%</u>
Actuarial Contribution Rate	33.22%	31.66%
<b>Less</b> Estimated Member Contribution Rate	<u>8.00%</u>	<u>8.00%</u>
Employer Contribution Rate	25.22%	23.66%
<b>Less</b> Statutory Contribution Rate	7.00%	5.50%
<b>Shortfall</b>	<b>18.22%</b>	<b>18.16%</b>

The amortization methodology was changed from level dollar to level percent of pay, which decreased the UAAL payment for the current year from 2.62% to 1.92%. In addition, the statutory employer contribution rate increased 1.50% and there was favorable experience for the year. Despite these positive changes to the System's funding, the shortfall between the employer actuarial contribution rate and the statutory contribution rate increased slightly. The shortfall between the statutory and actuarial contribution rates results in an increase in the UAAL.

## EXPERIENCE

### July 1, 2007 – June 30, 2008

In many respects, an actuarial valuation can be thought of as an inventory process. The inventory is taken as of the actuarial valuation date, which for this valuation is July 1, 2008. On that date, the assets available for the payment of benefits are appraised. The assets are compared with the liabilities of the System, which are generally in excess of assets. The actuarial process leads to a method of determining the contributions needed by members and employers in the future to balance the System assets and liabilities.

Changes in the System's assets and liabilities impacted the change in the actuarial contribution rates between the July 1, 2007 and July 1, 2008 actuarial valuations. On the following pages each component is discussed.

## ASSETS

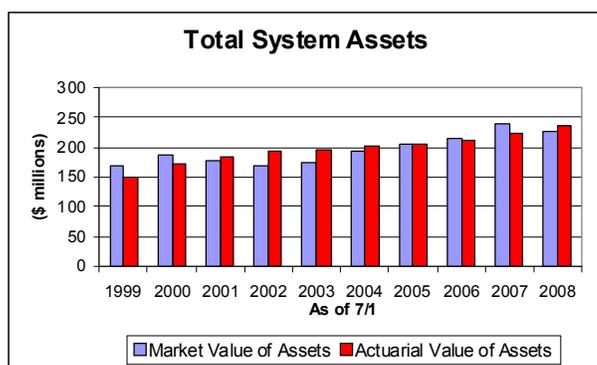
As of July 1, 2008, the System had total funds when measured on a market value basis, of \$226 million. This was a decrease of \$14 million from the July 1, 2007 figure of \$240 million.

The market value of assets is not used directly in the calculation of contribution rates. An asset valuation method is used to smooth the effect of market fluctuations. See Table 3 on page 15 for the detailed development of the actuarial value of assets as of July 1, 2008.

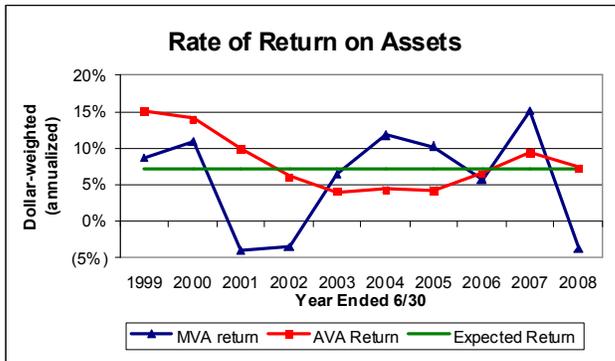
The actuarial value of assets as of July 1, 2008, was \$235 million. The annualized dollar-weighted rate of return for FY2008 measured on the actuarial value of assets was approximately 7.4% and measured on the market value of assets, was a -3.7%, net of investment expenses. The components of the change in the market and actuarial value of assets for the Retirement System (in millions) are set forth below.

	Market Value \$(millions)	Actuarial Value \$(millions)
Net Assets, July 1, 2007	\$240	\$225
• Employer and Member Contributions	4	4
• Benefit Payments and Expenses	(10)	(10)
• Investment Income	(8)	16
Net Assets, July 1, 2008	\$226	\$235
Estimated Rate of Return	-3.7%	7.4%

Due to the use of an asset smoothing method, there is about \$9 million of net deferred investment loss that has not yet been recognized. This deferred investment experience will be reflected in the actuarial value of assets over the next four years.



*The market value of assets during this period has been both higher and lower than the actuarial value of assets. This is to be expected when using an asset smoothing method.*



*Rates of return on the market value of assets are very volatile. The return on the actuarial value of assets illustrates the advantage of using an asset smoothing method.*

## LIABILITIES

The actuarial accrued liability is that portion of the present value of future benefits that will not be paid by future employer normal costs or member contributions. The difference between this liability and asset values at the same date is referred to as the unfunded actuarial accrued liability (UAAL). The unfunded actuarial accrued liability will be reduced if the employer's contributions exceed the employer's normal cost for the year, after allowing for interest earned on the previous balance of the unfunded actuarial accrued liability. Benefit improvements, experience gains and losses, and changes in actuarial assumptions and methods will also impact the total actuarial accrued liability (AAL) and the unfunded portion thereof.

The unfunded actuarial accrued liability is summarized below:

Actuarial Accrued Liability	\$ 244,062,321
Actuarial Value of Assets	<u>235,297,077</u>
Unfunded Actuarial Accrued Liability/(Surplus)	\$ 8,765,244

See Table 5 on page 18 for the detailed development of the Actuarial Accrued Liability. The calculation of the Unfunded Actuarial Accrued Liability is shown in Table 8 on page 22.

Other factors influencing the UAAL from year to year include actual experience versus that expected based on the actuarial assumptions (both asset and liability), changes in actuarial assumptions, procedures or methods and changes in benefit provisions. The change in the actuarial assumptions increased the UAAL by \$3.8 million. The actual experience measured in this valuation is that which occurred during the prior plan year (fiscal year 2008). There was a small experience gain on the actuarial value of assets and an experience gain on the actuarial accrued liability.

Between July 1, 2007 and July 1, 2008 the change in the unfunded actuarial accrued liability for the System was as follows (in millions):

	<b><u>\$millions</u></b>
Unfunded Actuarial Accrued Liability, July 1, 2007	\$2.5
• effect of contributions less than actuarial rate	6.2
• expected decrease due to amortization method	(0.1)
• investment experience	(0.2)
• liability experience <sup>1</sup>	(3.4)
• change in actuarial assumptions	3.8
Unfunded Actuarial Accrued Liability, July 1, 2008	\$8.8

<sup>1</sup> Liability gain is about 1.4% of total actuarial accrued liability.

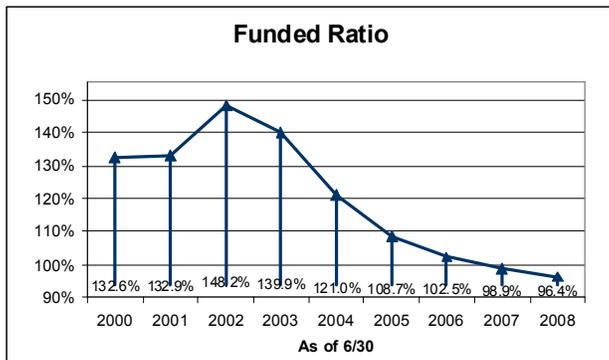
The liability gain for the System can be allocated to experience related to each actuarial assumption as follows:

<b>Liability Source</b>	<b>Impact on AAL (\$M)</b>	<b>% of Expected Liability</b>
Salary increase	(4.2)	(1.68%)
Deaths	1.6	0.65
Termination of employment	0.3	0.11
Retirements	(1.5)	(0.62)
New entrants and rehires	0.0	0.00
Miscellaneous/Data changes	0.4	0.18
Total (gain)/loss	(3.4)	(1.36%)

A detailed summary of the change in the unfunded actuarial accrued liability is shown in Table 10 on page 24.

An evaluation of the unfunded actuarial accrued liability on a pure dollar basis may not provide a complete analysis since only the difference between the assets and liabilities (which are both very large numbers) is reflected. Another way to evaluate the unfunded actuarial accrued liability and the progress made in its funding is to track the funded status, the ratio of the actuarial value of assets to the actuarial accrued liability. The funded status information is shown below (in millions).

	7/1/05	7/1/06	7/1/07	7/1/08
Actuarial Assets	\$204	\$210	\$225	\$235
Actuarial Accrued Liability	188	205	227	244
Funded Ratio	108.7%	102.5%	98.9%	96.4%
Unfunded Actuarial Accrued Liability (UAAL)	\$(16)	\$(5)	\$2	\$9



*The funded ratio has generally been above 100% during this period but has been declining. Several factors have contributed to the decline in the funded ratio including changes in benefit provisions, contributions less than the actuarial rate, changes in actuarial assumptions, demographic experience and investment experience from 2001 – 03.*

## CONTRIBUTION RATES

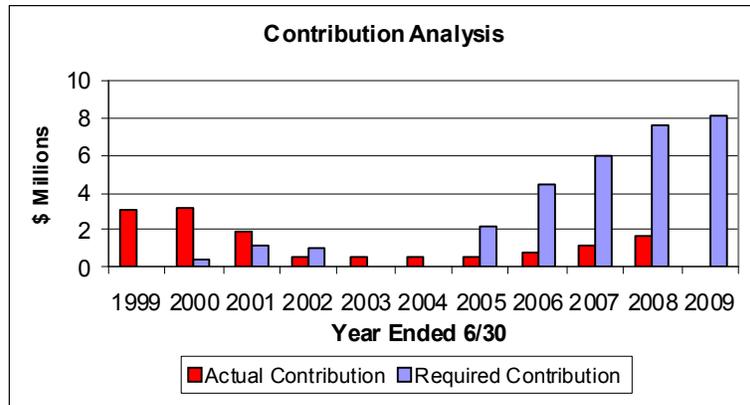
The funding objective of the System is to pay the normal cost rate plus an amount which will pay off the unfunded actuarial accrued liability over a 20-year period commencing July 1, 2007.

Under the Entry Age Normal cost method, the actuarial contribution rate consists of:

- a "normal cost" for the portion of projected liabilities allocated by the actuarial cost method to service of members during the year following the valuation date,
- an "unfunded actuarial accrued liability contribution" for the excess of the portion of projected liabilities allocated to service to date over the actuarial value of assets on hand.

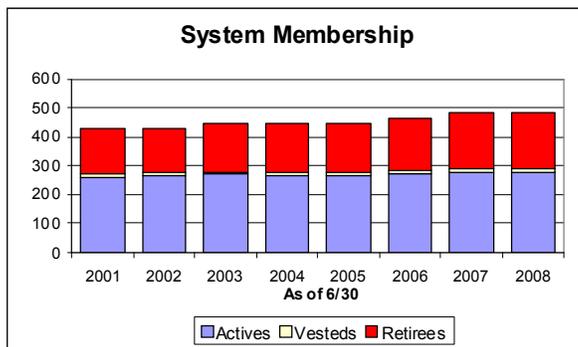
Contributions to the Retirement System are made by the members and their employers. Members pay 8% of salary. The employer contribution rate is scheduled to increase each year until it reaches 22.0% for the fiscal year ending June 30, 2019. The Board is authorized to adjust the contribution rates to prevent a funded ratio of less than 100%. The actuarial employer contribution rate in the 2008 valuation is 25.22% and the statutory contribution rate is 7.00%. Based on a projection model prepared by Milliman using the July 1, 2007 valuation, the scheduled increases in the statutory contribution rate are not expected to be sufficient to reach the actuarial contribution rate before the end of the amortization period, even if all actuarial assumptions are met in future years. If the unfunded actuarial accrued liability is to be amortized by 2027, higher contributions will be necessary. Future experience will determine if the ultimate employer contribution rate of 22% is sufficient to meet the System's funding requirement, but the long-term funding of the System should continue to be monitored closely in future years.

The graph below represents the total required employer contribution compared to the amount actually received in the fiscal year. The funding policy contribution equals the System's normal cost, budgeted expenses and an amortization of the unfunded actuarial accrued liability/(surplus). For the July 1, 2008 valuation, the amortization period was changed to 20 years from July 1, 2007 (19 years remaining as of July 1, 2008).

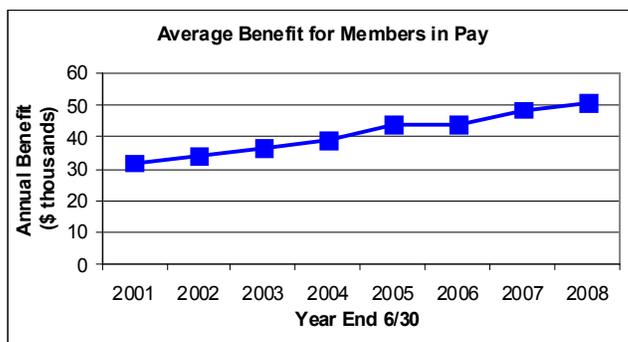


## MEMBER INFORMATION

The number of active members included in the valuation held steady from 2007 to 2008. The retired member count increased by one and the average retirement benefit amount increased. There were 195 retirees and beneficiaries in the 2008 valuation with an average benefit of \$4,248 per month. This represents a 5% increase in the average monthly benefit.



*The number of active members has remained relatively level over this time period. The number of retirees has increased slightly, which is expected in an ongoing system.*



*The average benefit for retirees has climbed steadily over the past 10 years as new retirees retire with higher salaries and therefore higher benefits than those already retired. In addition, effective July 1, 2004, the maximum benefit was increased from 72.5% to 100% of pay. Ad hoc COLAs have also increased the average benefit during this period.*

## **SUMMARY**

At the current contribution levels, the combined member and employer contributions are significantly less than the actuarial contribution rate for the year. This contribution shortfall increases the unfunded actuarial accrued liability. For FY08, employer contributions received were \$1.7 million, about 23% of the actuarial employer contribution rate of \$7.4 million. As a result, the unfunded actuarial accrued liability increased by the difference with interest, about \$6 million for this year. Even with the increasing schedule of employer contributions in future years, the funded ratio of the System is expected to decline absent favorable experience.

A summary of key data elements and valuation results as of July 1, 2008 and July 1, 2007 are presented on the following page. More detail on each of these elements can be found in the following sections of the report.

## SUMMARY OF PRINCIPAL RESULTS

### UNIFORM RETIREMENT SYSTEM FOR JUSTICES & JUDGES

	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	\$ 9,940,068	\$ 9,410,934	5.6
* Includes "No Application" members			
<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

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## SECTION 2

### SCOPE OF THE REPORT

This report presents the actuarial valuation of the Uniform Retirement System for Justices & Judges (URSJJ) as of July 1, 2008. This valuation was prepared at the request of the System's Board of Trustees.

The reader is encouraged to review the actuarial certification letter, where the guidelines employed in the preparation of this report are outlined. Also included in this letter are comments on the sources and reliability of both the data and the actuarial assumptions upon which our findings are based. Those comments are the basis for our certification that this report is complete and accurate to the best of our knowledge and belief.

A summary of the findings resulting from this valuation is presented in the previous section. Section 3 describes the assets and investment experience of the System. Sections 4 and 5 describe how the obligations of the System are to be met under the actuarial cost method in use.

This report includes several Appendices and an Addendum:

- Appendix A Schedules of valuation data classified by various categories of members.
- Appendix B A summary of the current benefit structure, as determined by the provisions of governing law on July 1, 2008.
- Appendix C A summary of the actuarial methods and assumptions used to estimate liabilities and determine contribution rates.
- Appendix D A glossary of actuarial terms.
- Addendum Provides required information for the Oklahoma State Pension Commission using a prescribed set of actuarial assumptions and methods under 20 Okla.Stat, Section 1108(D).

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## SECTION 3

### ASSETS

#### Market Value of Assets

The current market value represents the "snapshot" or "cash-out" value of System assets as of the valuation date. In addition, market values of assets provide a basis for measuring investment performance from time to time. At July 1, 2008 the market value of assets for the Retirement System was \$225.9 million. Table 1 on page 13 is a comparison, at market values, of System assets as of July 1, 2008, and July 1, 2007, in total and by investment category. Table 2 on page 14 summarizes the change in the market value of assets from July 1, 2007 to June 30, 2008.

#### Actuarial Value of Assets

Neither the market value of assets, representing a "cash-out" value of System assets, nor the book value of assets, representing the cost of investments, may be the best measure of the System's ongoing ability to meet its obligations.

To arrive at a suitable value for the actuarial valuation, a technique for determining the actuarial value of assets is used which dampens swings in the market value while still indirectly recognizing market values.

The actuarial value of assets is based on a five-year moving average of expected and actual market values determined as follows:

- at the beginning of each fiscal year, a preliminary expected actuarial asset value is calculated as the sum of the previous year's actuarial value increased with a year's interest at the System valuation rate plus net cash flow adjusted for interest (at the same rate) to the end of the previous fiscal year;
- the expected actuarial asset value is set equal to the preliminary expected actuarial value plus the unrecognized investment gains and losses as of the beginning of the previous fiscal year;
- the difference between the expected actuarial asset value and the market value is the investment gain or loss for the previous fiscal year;
- the (final) actuarial asset value is the preliminary value plus 20% of the investment gains and losses for each of the five previous fiscal years, but in no case more than 120% of the market value or less than 80% of the market value.

Table 3 on page 15 shows the development of the actuarial value of assets (AVA) as of the valuation date.

**TABLE 1**  
**UNIFORM RETIREMENT SYSTEM FOR JUSTICES & JUDGES**  
**STATEMENT OF NET ASSETS AT MARKET VALUE**

	<u>June 30, 2008</u>		<u>June 30, 2007</u>	
	<u>Amount</u> (\$ Millions)	<u>% of</u> <u>Total</u>	<u>Amount</u> (\$ Millions)	<u>% of</u> <u>Total</u>
Cash & Equivalents	\$ 0.7	0.3	\$ 1.2	0.5
Short-term Investments	2.3	1.0	6.6	2.6
Government Obligations	49.8	21.4	69.8	27.5
Corporate Bonds	39.1	16.8	42.6	16.7
Domestic Equity	88.4	38.1	93.3	36.7
International Equity	52.0	22.4	40.6	16.0
<b>Subtotal</b>	<b>\$ 232.3</b>	<b>100.0</b>	<b>\$ 254.1</b>	<b>100.0</b>
Net Receivables/(Payables)	(6.4)		(13.8)	
<b>Net Assets</b>	<b>\$ 225.9</b>		<b>\$ 240.3</b>	

**TABLE 2**  
**UNIFORM RETIREMENT SYSTEM FOR JUSTICES & JUDGES**  
**SUMMARY OF CHANGES IN NET ASSETS**

(Market Value)

	Fiscal Year Ended June 30	
	2008	2007
1. Market Value of Net Assets at Beginning of Year	\$ 240,250,642	\$ 213,717,521
2. Contributions:		
a. Members	2,486,481	2,599,296
b. Participating employers	1,688,673	1,223,765
c. Total Contributions (2a) + (2b)	<u>4,175,154</u>	<u>3,823,061</u>
3. Net Investment Income:		
a. Net appreciation/(depreciation) in fair value of investments	(14,166,795)	27,052,338
b. Interest	5,360,446	4,940,973
c. Securities lending activities	161,012	36,642
d. Other	38,717	0
e. Total investment income/(loss) (3a) + (3b) + (3c) + (3d)	<u>(8,606,620)</u>	<u>32,029,953</u>
f. Investment expenses	(129,244)	(148,778)
g. Net investment income/(loss) (3e) + (3f)	<u>(8,735,864)</u>	<u>31,881,175</u>
h. Total additions (2c) + (3g)	(4,560,710)	35,704,236
4. Deductions:		
a. Retirement, death, and survivor benefits	9,650,446	8,962,416
b. Refunds and withdrawals	2,333	97,642
c. Administrative expenses	112,484	111,057
d. Total deductions (4a) + (4b) + (4c)	<u>9,765,263</u>	<u>9,171,115</u>
5. Net Change in Assets (3h) - (4d)	(14,325,973)	26,533,121
6. Market Value of Net Assets at End of Year (1) + (5)	<u>\$ 225,924,669</u>	<u>\$ 240,250,642</u>

**TABLE 3**  
**UNIFORM RETIREMENT SYSTEM FOR JUSTICES & JUDGES**  
**ACTUARIAL VALUE OF ASSETS**

**Schedule Of Asset Gains/(Losses)**

Year End	Original Amount	Recognized in Prior Years	Recognized in This Year	Recognized in Future Years
2004	\$ 5,906,597	\$ 4,725,278	\$ 1,181,319	\$ 0
2005	4,497,876	2,698,725	899,575	899,576
2006	(1,271,724)	(508,690)	(254,345)	(508,689)
2007	16,819,375	3,363,875	3,363,875	10,091,625
2008	(24,818,650)	0	(4,963,730)	(19,854,920)
Total	\$ 1,133,474	\$ 10,279,188	\$ 226,694	\$ (9,372,408)

**Development of Actuarial Value of Assets**

1. Actuarial value as of July 1, 2007	\$ 224,577,704
2. Contributions	
a. Member	\$ 2,486,481
b. Employer	1,688,673
c. Total (a) + (b)	\$ 4,175,154
3. Decreases during year	
a. Benefit payments	\$ (9,650,446)
b. Return of member contributions	(2,333)
c. Noninvestment expenses	(112,484)
d. Total (a) + (b) + (c)	\$ (9,765,263)
4. Expected return at 7.25% on:	
a. Item 1	\$ 16,281,884
b. Item 2 (one-half year)	148,701
c. Item 3 (one-half year)	(347,797)
d. Total (a) + (b) + (c)	\$ 16,082,788
5. Expected actuarial value as of June 30, 2008 (1) + (2) + (3) + (4)	\$ 235,070,383
6. Unrecognized asset gain/(loss) as of June 30, 2007	\$ 15,672,936
7. Expected actuarial value June 30, 2008, plus previous year's unrecognized asset gain/(loss) (5) + (6)	\$ 250,743,319
8. Market value June 30, 2008	\$ 225,924,669
9. Year end 2008 asset gain/(loss) (8) – (7)	\$ (24,818,650)
10. Asset gain/(loss) to be recognized as of June 30, 2008	\$ 226,694
11. Initial actuarial value July 1, 2008 (5) + (10)	\$ 235,297,077
12. Constraining values:	
a. 80% of market value (8) x 0.8	\$ 180,739,735
b. 120% of market value (8) x 1.2	\$ 271,109,603
13. Actuarial value as of July 1, 2008 (11), but no less than (12a), nor greater than (12b)	\$ 235,297,077

## SECTION 4

### SYSTEM LIABILITIES

In the previous section, an actuarial valuation was compared with an inventory process, and an analysis was given of the inventory of assets of the System as of the valuation date, July 1, 2008. In this section, the discussion will focus on the commitments of the System, which are referred to as its liabilities.

Table 4 on page 17 contains an analysis of the actuarial present value of all future benefits (PVFB) for contributing members, inactive members, retirees and their beneficiaries. The analysis is provided for each group.

The liabilities summarized in Table 4 include the actuarial present value of all future benefits expected to be paid with respect to each member. For an active member, this value includes measures of both benefits already earned and future benefits to be earned. For all members, active and retired, the value extends over benefits earnable and payable for the rest of their lives and, if an optional benefit is chosen, for the lives of the surviving beneficiaries.

The actuarial assumptions used to determine liabilities are based on the results of an Experience Study based on the three year period ended June 30, 2007. This set of assumptions, as shown in Appendix C, was first used for the July 1, 2008 valuation.

The liabilities reflect the benefit structure in place as of July 1, 2008. Additionally, the liabilities shown in the report assume a 2% annual COLA will be granted by the Legislature in future years.

#### **Actuarial Liabilities**

A fundamental principle in financing the liabilities of a retirement program is that the cost of its benefits should be related to the period in which benefits are earned, rather than to the period of benefit distribution. An actuarial cost method is a mathematical technique that allocates the present value of future benefits into annual costs. In order to do this allocation, it is necessary for the funding method to “breakdown” the present value of future benefits into two components:

- (1) that which is attributable to the past; and
- (2) that which is attributable to the future.

Actuarial terminology calls the part attributable to the past the “past service liability” or the “actuarial accrued liability”. The portion allocated to the future is known as the present value of future normal costs, with the specific piece of it allocated to the current year being called the “normal cost”. Table 5 on page 18 contains the calculation of actuarial accrued liability.

The System uses an assumption of a 2% annual COLA each year in developing liabilities and contribution rates even though the System does not have an automatic COLA provision. Ad hoc COLAs have historically been granted by the Legislature every other year. In order to avoid actuarial gains in the year in which a COLA is not granted and an actuarial loss in the years in which a COLA is granted, the System’s liabilities include a “COLA Reserve”. The COLA Reserve is included in the actuarial accrued liability to account for expected cost of living adjustments to the benefits of retired participants that have not been granted by the valuation date. Any ad hoc increase granted will decrease the reserve amount by the cost of the increase. When the cost of an ad hoc increase is greater than the amount of the reserve, the reserve is set to zero and the period for calculating ungranted increases is set to the valuation date.

**TABLE 4**  
**UNIFORM RETIREMENT SYSTEM FOR JUSTICES & JUDGES**  
**PRESENT VALUE OF FUTURE BENEFITS (PVFB)**  
**AS OF JULY 1, 2008**

1. Active employees	
a. Retirement Benefit	\$ 190,656,926
b. Withdrawal Benefit	8,984,285
c. Pre-Retirement Death Benefit	4,418,331
d. Return of Member Contributions	198,759
e. Supplementary Medical Benefit	1,711,692
f. Total	\$ <u>205,969,993</u>
2. Inactive Nonvested Members	334,058
3. Inactive Vested Members	3,272,281
4. Disabled Members	1,216,940
5. Retirees	93,625,241
6. Beneficiaries	8,352,206
7. Supplementary Medical Benefit for Retirees and Inactive Vested Members	1,129,912
8. COLA Reserve	<u>892,890</u>
9. Total PVFB	\$ <u><u>314,793,521</u></u>

**TABLE 5**  
**UNIFORM RETIREMENT SYSTEM FOR JUSTICES & JUDGES**  
**ACTUARIAL ACCRUED LIABILITY**  
**AS OF JULY 1, 2008**

1. Present Value of Future Benefits for Active Members		
a. Retirement Benefit	\$	190,656,926
b. Withdrawal Benefit		8,984,285
c. Pre-Retirement Death Benefit		4,418,331
d. Return of Member Contributions		198,759
e. Supplementary Medical Benefit		1,711,692
f. Total	\$	<u>205,969,993</u>
2. Present Value of Future Normal Costs for Active Members		
a. Retirement Benefit	\$	61,198,995
b. Withdrawal Benefit		6,575,796
c. Pre-Retirement Death Benefit		1,601,847
d. Return of Member Contributions		728,276
e. Supplementary Medical Benefit		626,286
f. Total	\$	<u>70,731,200</u>
3. Present Value of Future Benefits for Retirees and Inactive Members		<u>108,823,528</u>
4. Total Actuarial Accrued Liability (1f) - (2f) + (3)	\$	<u><u>244,062,321</u></u>

**TABLE 6**  
**UNIFORM RETIREMENT SYSTEM FOR JUSTICES & JUDGES**  
**DEVELOPMENT OF COLA RESERVE**

1. Reserve as of July 1, 2007	\$	2,378,341
2. Interest at 7.25%		172,430
3. Reserve increment		<u>2,057,372</u>
4. Expected reserve as of July 1, 2008		4,608,143
5. Ad hoc cost of living increase during year ended June 30, 2008		<u>(3,715,253)</u>
6 Actual reserve on July 1, 2008 (4) less (5), not less than \$0	\$	892,890

## SECTION 5

### EMPLOYER CONTRIBUTIONS

The previous two sections were devoted to a discussion of the assets and liabilities of the System. A comparison of Tables 3 and 4 indicates that current assets fall short of meeting the present value of future benefits (total liability). This is expected in all but a fully closed down fund, where no further contributions are anticipated.

In an active system, there will almost always be a difference between the actuarial value of assets and total liabilities. This deficiency has to be made up by future contributions and investment returns. An actuarial valuation sets out a schedule of future contributions that will deal with this deficiency in an orderly fashion.

The method used to determine the incidence of the contributions in various years is called the actuarial cost method. Under an actuarial cost method, the contributions required to meet the difference between current assets and current liabilities are allocated each year between two elements: (1) the normal cost and (2) the payment on the unfunded actuarial accrued liability.

The term “fully funded” is often applied to a system in which contributions at the normal cost rate are sufficient to pay for the benefits of existing employees as well as for those of new employees. More often than not, systems are not fully funded, either because of past benefit improvements that have not been completely funded and/or because of actuarial deficiencies that have occurred because experience has not been as favorable as anticipated. Under these circumstances, an unfunded actuarial accrued liability (UAAL) exists.

#### Description of Rate Components

The actuarial cost method used by the System is the traditional Entry Age Normal (EAN) – level percent of pay cost method. Under the EAN cost method, the actuarial present value of each member’s projected benefits allocates on a level basis over the member’s compensation between the entry age of the member and the assumed exit ages. The portion of the actuarial present value allocated to the valuation year is called the normal cost. The actuarial present value of benefits allocated to prior years of service is called the actuarial accrued liability. The unfunded actuarial accrued liability represents the difference between the actuarial accrued liability and the actuarial value of assets as of the valuation date. The unfunded actuarial accrued liability is calculated each year and reflects experience gains/losses.

Effective with the July 1, 2008 valuation, the unfunded actuarial accrued liability is amortized as a level percent of payroll over a 20-year period commencing July 1, 2007 (previously amortized as a level dollar amount over a 40-year period from July 1, 1987). Given a stable active workforce, this amortization method is expected to produce a payment stream that remains level as a percent of covered payroll.

#### Contribution Rate Summary

The normal cost rate is developed in Table 7 on page 21. Table 8 on page 22 develops the contribution rate for amortization of the unfunded actuarial accrued liability. Table 9 on page 23 develops the total actuarial contribution rate and the employer portion thereof.

**TABLE 7**  
**UNIFORM RETIREMENT SYSTEM FOR JUSTICES & JUDGES**  
**NORMAL COST RATE**  
**AS OF JULY 1, 2008**

1. Normal Cost at Beginning of Year		% of Pay
a. Retirement Benefit	\$ 8,703,656	26.87%
b. Withdrawal Benefit	814,686	2.52%
c. Pre-Retirement Death Benefit	230,834	0.71%
d. Return of Member Contributions	105,218	0.32%
e. Supplementary Medical Benefit	103,608	0.32%
f. Total	\$ 9,958,002	30.74%
2. Estimated Payroll for Current Actives	\$ 32,389,296	
3. Normal Cost Rate [(1f) / (2)]	30.74%	

**TABLE 8**  
**UNIFORM RETIREMENT SYSTEM FOR JUSTICES & JUDGES**  
**UNFUNDED ACTUARIAL ACCRUED LIABILITY CONTRIBUTION RATE**  
**AS OF JULY 1, 2008**

1. Actuarial Present Value of Future Benefits	\$ 314,793,521
2. Actuarial Present Value of Future Normal Costs	<u>70,731,200</u>
3. Actuarial Accrued Liability (1) - (2)	\$ 244,062,321
4. Actuarial Value of Assets	<u>235,297,077</u>
5. Unfunded Actuarial Accrued Liability (UAAL) (3) - (4)	\$ 8,765,244
6. Payment to Amortize UAAL over 20 years from July 1, 2007 (assumed mid-year) *	\$ 621,705
7. Total Estimated Payroll for Year Ending June 30, 2009	\$ 32,389,296
8. Amortization Payment as a Percent of Payroll	1.92%

\* Amortized as a level percentage of payroll.

**TABLE 9**  
**UNIFORM RETIREMENT SYSTEM FOR JUSTICES & JUDGES**  
**ACTUARIAL EMPLOYER CONTRIBUTION RATE**  
**AS OF JULY 1, 2008**

1. Total Normal Cost Rate	30.74%
2. Amortization of UAAL*	1.92%
3. Budgeted Expenses**	<u>0.56%</u>
4. Total Actuarial Contribution Rate (1) + (2) + (3)	33.22%
5. Estimated Member Contribution Rate	<u>8.00%</u>
6. Employer Actuarial Contribution Rate (4) - (5)	25.22%

\* Amortization of UAAL is as a level percent of payroll

\*\* Provided by the System

**TABLE 10**  
**UNIFORM RETIREMENT SYSTEM FOR JUSTICES & JUDGES**  
**ACTUARIAL GAIN/(LOSS)**

The actuarial gain/(loss) is comprised of both the liability and the actuarial asset gain/(loss). Each of these represents the difference between the expected and actual values as of July 1, 2008.

1. Expected actuarial accrued liability		
a. Actuarial accrued liability at July 1, 2007	\$	227,062,193
b. Normal cost at July 1, 2007		9,747,996
c. Benefit payments for fiscal year ending June 30, 2008		(9,652,779)
d. Interest on (a), (b), and (c)		16,465,400
e. Change in assumptions		3,840,044
f. Expected actuarial accrued liability at July 1, 2008	\$	<u>247,462,854</u>
(a) + (b) + (c) + (d) + (e)		
2. Actuarial accrued liability at July 1, 2008	\$	244,062,321
3. Actuarial accrued liability gain/(loss)	\$	3,400,532
(1f) - (2)		
4. Expected actuarial value of assets		
a. Actuarial value of assets at July 1, 2007	\$	224,577,704
b. Contributions for fiscal year ending June 30, 2008		4,175,154
c. Benefit payments and administrative expenses for		(9,765,263)
fiscal year ending June 30, 2008		
d. Interest on (a), (b), and (c)		16,082,788
e. Expected actuarial value of assets at July 1, 2008	\$	<u>235,070,383</u>
(a) + (b) + (c) + (d)		
5. Actuarial value of assets at July 1, 2008	\$	235,297,077
6. Actuarial value of assets gain/(loss)	\$	226,694
(5) - (4e)		
7. Net actuarial gain/(loss)	\$	3,627,226
(3) + (6)		

**TABLE 11**  
**UNIFORM RETIREMENT SYSTEM FOR JUSTICES & JUDGES**  
**SUMMARY OF CONTRIBUTION REQUIREMENTS**

	Actuarial Valuation as of		Percent Change in Amount
	July 1, 2008	July 1, 2007	
	Amount	Amount	
1. Expected annual payroll	\$ 32,389,296	\$ 32,191,938	0.6%
2. Total normal cost	\$ 9,958,002	\$ 9,747,996	2.2%
3. Unfunded actuarial accrued liability	\$ 8,765,244	\$ 2,484,489	252.8%
4. Amortization of unfunded actuarial accrued liability over 20 years from July 1, 2007	\$ 621,705 <sup>1</sup>	\$ 230,872 <sup>2</sup>	169.3%
5. Budgeted expenses (provided by the System)	\$ 180,651	\$ 211,732	(14.7%)
6. Total required contribution (2) + (4) + (5)	\$ 10,760,358	\$ 10,190,600	5.6%
7. Estimated member contribution	\$ 2,591,144	\$ 2,575,355	0.6%
8. Required employer contribution (6) – (7)	\$ 8,169,214	\$ 7,615,245	7.3%
9. Previous year's actual contribution			
a. Member	\$ 2,486,481	\$ 2,599,296	(4.3%)
b. Employer	1,688,673	1,223,765	38.0%
c. Total	\$ 4,175,154	\$ 3,823,061	9.2%

<sup>1</sup>Amortization of UAAL is level percent of payroll.

<sup>2</sup>Amortization of UAAL is level dollar payment.

## SECTION 6

### ACCOUNTING AND OTHER INFORMATION

Governmental Accounting Standards Board Statement No. 25, as amended by GASB 50, Financial Reporting for Defined Benefit Pension Plans (referred to as GASB 25), establishes financial reporting standards for defined benefit pension plans. In addition to two required statements regarding plan assets, the statement requires two schedules and accompanying notes disclosing information relative to the funded status of the plan and historical contribution patterns.

- The Schedule of Funding Progress provides information about whether the financial strength of the Plan is improving or deteriorating over time.
- The Schedule of Employer Contributions provides historical information about the annual required contribution (ARC) and the percentage of the ARC that was actually contributed.

In addition to information required by GASB, we also provide an exhibit showing the present value of accumulated benefits under Financial Accounting Standards Board Statement No. 35 and an exhibit showing the expected benefit payments for the System.

**TABLE 12**  
**UNIFORM RETIREMENT SYSTEM FOR JUSTICES & JUDGES**  
**ACCOUNTING INFORMATION FOR GASB 25**

**Schedule of Funding Progress**

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percent of Covered Payroll ((b-a)/c)
7/1/2003	\$196,989,778	\$140,856,203	(\$56,133,575)	139.9%	\$25,652,805	(218.8%)
7/1/2004	201,141,649	166,275,941	(34,865,708)	121.0%	25,715,005	(135.6%)
7/1/2005	203,951,085	187,556,845	(16,394,240)	108.7%	24,814,338	(66.1%)
7/1/2006	210,376,209	205,305,048	(5,071,161)	102.5%	27,488,381	(18.4%)
7/1/2007	224,577,704	227,062,193	2,484,489	98.9%	32,191,938	7.7%
7/1/2008	235,297,077	244,062,321	8,765,244	96.4%	32,389,296	27.1%

Valuation Date	July 1, 2008
Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percent of Payroll, Closed
Remaining Amortization Period	19 years
Asset Valuation Method	Five Year Moving Average of Expected and Market Value
Actuarial Assumptions:	
Investment Rate of Return	7.50%
Projected Salary Increases	5.5%
Cost of Living Adjustment	2%

**TABLE 13**  
**UNIFORM RETIREMENT SYSTEM FOR JUSTICES & JUDGES**  
**ACCOUNTING INFORMATION FOR GASB 25**

**Schedule of Employer Contributions**  
**For the Fiscal Year Ended June 30**

<b>Year</b>	<b>Annual Required Contribution</b>	<b>Percentage Contributed</b>
2003	\$0	NA
2004	0	NA
2005	2,234,175	21.3%
2006	4,441,184	17.8%
2007	5,936,316	20.6%
2008	7,615,245	22.2%

The Annual Required Contribution (ARC) is calculated each year as part of the actuarial valuation. The ARC includes the employer's normal cost and an amortization payment of the unfunded actuarial accrued liability, in accordance with the parameters in GASB 25. This exhibit shows the dollar amount of ARC applicable each of the last six years and the percentage of the ARC that was actually contributed by the employer.

**TABLE 14**  
**UNIFORM RETIREMENT SYSTEM FOR JUSTICES & JUDGES**  
**ACCOUNTING INFORMATION FOR GASB 27**

	Fiscal Year End	
	June 30, 2009	June 30, 2008
Annual Required Contribution	\$ 8,169,214	\$ 7,615,245
Interest on Net Pension Obligation	27,703	(412,692)
Adjustment to Annual Required Contribution	(26,200)	547,797
Annual Pension Cost	8,170,717	7,750,350
Actual Contribution	*	1,688,673
Increase in Net Pension Obligation	*	6,061,677
Beginning of Year Net Pension Obligation	369,380	(5,692,297)
End of Year Net Pension Obligation	*	369,380
Interest rate	7.50%	7.25%
Amortization period	19	20
Amortization factor	14.0987	10.3912

\* Not available until the end of the year.

**TABLE 15**  
**UNIFORM RETIREMENT SYSTEM FOR JUSTICES & JUDGES**  
**FASB NO. 35 INFORMATION**  
**ACTUARIAL PRESENT VALUE OF ACCUMULATED BENEFITS**

The actuarial present value of vested and nonvested accumulated System benefits is computed on an ongoing System basis in order to provide information on benefit liabilities calculated in accordance with Financial Accounting Standards Board Statement No. 35. In this calculation, a determination is made of all benefits earned by current participants as of the valuation date; the actuarial present value is then computed using demographic assumptions and an assumed interest rate. Assumptions regarding future salary and accrual of future benefit service are not necessary for this purpose. *An assumption of 2% annual future ad hoc cost-of-living increases is not reflected in this liability. Only System liabilities accrued (and in statute) as of the valuation date are included.*

	<b>7/1/2008</b>	<b>7/1/2007</b>
Vested benefits		
Active members	\$ 64,379,610	\$ 55,449,417
Terminated vested members	2,717,997	3,104,024
Unclaimed contributions	334,058	388,599
Retirees and beneficiaries	88,808,399	83,456,332
Supplemental medical insurance premiums	1,203,110	1,186,676
Total vested benefits	\$ 157,443,174	\$ 143,585,048
Nonvested benefits		
Active members	\$ 5,358,236	\$ 4,952,638
Members who have not completed an application	0	25,449
Total nonvested benefits	\$ 5,358,236	\$ 4,978,087
<b>Total Accumulated Benefits</b>	<b>\$ 162,801,410</b>	<b>\$ 148,563,135</b>
Market value of assets available for benefits	\$ 225,924,669	\$ 240,250,642
Funded ratio	138.8%	161.7%
<b>Number of members</b>		
Vested members		
Active members	101	104
Terminated vested members	11	11
Retirees and beneficiaries	195	194
Total vested members	307	309
Nonvested active members	176	174
<b>Total members</b>	<b>483</b>	<b>483</b>

**TABLE 15 (continued)**  
**UNIFORM RETIREMENT SYSTEM FOR JUSTICES & JUDGES**  
**FASB NO. 35 INFORMATION**  
**ACTUARIAL PRESENT VALUE OF ACCUMULATED BENEFITS**

A statement of changes in the actuarial present value of accumulated System benefits follows. This statement shows the effect of certain events on the actuarial present value shown on the previous page.

Present value of accrued benefits as of July 1, 2007	\$	148,563,135
Increase/(decrease) during the year attributable to:		
Benefit accrual and (gains)/losses		7,922,898
Increase for interest due to discount period		10,420,914
Benefits paid		(9,652,779)
Plan provision change (COLA)		3,715,253
Assumption change		1,831,989
Net increase/(decrease)		<u>14,238,275</u>
Present value of accrued benefits as of July 1, 2008	\$	162,801,410

**TABLE 16**  
**UNIFORM RETIREMENT SYSTEM FOR JUSTICES & JUDGES**  
**TEN-YEAR PROJECTED BENEFIT PAYMENTS**

The chart below shows estimated benefits expected to be paid over the next ten years, based on the assumptions used in this valuation. The “Actives” column shows benefits expected to be paid to members currently active on July 1, 2008. The “Retirees” column shows benefits expected to be paid to all other members. This includes those who, as of July 1, 2008, are receiving benefit payments or who terminated employment and are entitled to a deferred vested benefit.

**Retirement, Survivor, and Withdrawal Benefits**

Year Ending June 30	Actives	Retirees	Total
2009	\$1,356,963	\$9,933,945	\$11,290,908
2010	2,613,885	9,889,735	12,503,620
2011	3,898,849	9,854,348	13,753,197
2012	5,153,765	9,780,656	14,934,421
2013	6,498,175	9,684,264	16,182,439
2014	8,044,481	9,616,542	17,661,023
2015	9,671,335	9,518,881	19,190,216
2016	11,434,698	9,365,826	20,800,524
2017	13,196,909	9,229,623	22,426,532
2018	14,872,733	9,069,124	23,941,857

**Supplementary Medical Premium Benefits**

Year Ending June 30	Actives	Retirees	Total
2009	\$16,629	\$134,979	\$151,608
2010	29,644	129,764	159,408
2011	43,759	125,627	169,386
2012	55,675	121,337	177,012
2013	68,996	115,690	184,686
2014	85,599	111,200	196,799
2015	100,935	106,629	207,564
2016	117,252	100,824	218,076
2017	133,942	96,267	230,209
2018	149,418	91,766	241,184

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**APPENDIX A**  
**UNIFORM RETIREMENT SYSTEM FOR JUSTICES & JUDGES**  
**COMPARATIVE SUMMARY OF MEMBER DATA**

	Actuarial Valuation as of		Percent
	7/1/2008	7/1/2007	Change
<b>Summary of Data</b>			
1. Active members			
a. Number			
i) Active members	277	275	0.7%
ii) Members without an application	0	3	(100.0%)
iii) Total	277	278	(0.4%)
b. Annual compensation	\$ 32,389,296	\$ 32,191,938	0.6%
c. Average annual compensation	\$ 116,929	\$ 115,798	1.0%
d. Average age	56.5	55.9	1.1%
e. Average service	12.0	11.4	4.7%
2. Accumulated member contributions			
a. Active members	\$ 19,206,749	\$ 17,218,458	11.5%
b. Unclaimed contribution amounts	334,058	388,599	(14.0%)
c. Members without applications (incl. in active)	(incl. in active)	32,265	
d. Total	\$ 19,540,807	\$ 17,639,322	10.8%
3. Vested terminated members			
a. Number	11	11	0.0%
b. Annual deferred benefits	\$ 375,244	\$ 405,490	(7.5%)
c. Average annual deferred benefit	34,113	36,863	(7.5%)
d. Annual supplemental medical insurance premiums	\$ 13,860	\$ 13,860	0.0%
4. Retired members			
a. Number	145	142	2.1%
b. Annual retirement benefits	\$ 8,828,550	\$ 8,266,850	6.8%
c. Average annual retirement benefit	60,887	58,217	4.6%
d. Annual supplemental medical insurance premiums	\$ 135,720	\$ 132,300	2.6%
5. Joint annuitants/surviving spouses			
a. Number	48	50	(4.0%)
b. Annual retirement benefits	\$ 995,566	\$ 1,032,592	(3.6%)
c. Average annual benefit	\$ 20,741	\$ 20,652	0.4%
6. Disabled members			
a. Number	2	2	0.0%
b. Annual retirement benefits	\$ 115,952	\$ 111,492	4.0%
c. Average annual retirement benefit	57,976	55,746	4.0%
d. Annual supplemental medical insurance premiums	\$ 2,520	\$ 2,520	0.0%
7. Total members included in valuation			
	483	483	0.0%

**APPENDIX A**  
**UNIFORM RETIREMENT SYSTEM FOR JUSTICES & JUDGES**  
**MEMBER DATA RECONCILIATION**

	Active Members	Vested Terminated	Receiving Benefits			Total Members
			Retirees	Disability Retirees	Benefici- aries	
<b>As of July 1, 2007</b>	<b>278</b>	<b>11</b>	<b>142</b>	<b>2</b>	<b>50</b>	<b>483</b>
Age retirements	(5)	(2)	7	0	0	0
Disability retirements	0	0	0	0	0	0
Deaths without payments continuing	0	0	(3)	0	(3)	(6)
Deaths with payments continuing	0	0	(1)	0	1	0
Nonvested terminations/refund of contributions	(1)	0	0	0	0	(1)
Vested terminations	(0)	0	0	0	0	0
Transfers	0	0	0	0	0	0
Data adjustments	0	2	0	0	0	2
Rehires	0	0	0	0	0	0
 New entrants during the year	 5	 0	 0	 0	 0	 5
 Net Change	 (1)	 0	 3	 0	 (2)	 0
<b>As of July 1, 2008</b>	<b>277</b>	<b>11</b>	<b>145</b>	<b>2</b>	<b>48</b>	<b>483</b>

**APPENDIX A**  
**UNIFORM RETIREMENT SYSTEM FOR JUSTICES & JUDGES**  
**DATA RECORD RECONCILIATION**  
**FOR JULY 1, 2008 ACTUARIAL VALUATION**

	Active	Retired	Vested Terminated	Total
Records submitted on data tape	276	342	8	626
Remove deceased retirees	0	(147)	0	(147)
Remove unusable data	0	0	0	0
Remove those with another status	0	0	0	0
Add those with no application	1	0	0	1
Add assumed vesteds	<u>0</u>	<u>0</u>	<u>3</u>	<u>3</u>
<b>Total valued</b>	<b>277</b>	<b>195</b>	<b>11</b>	<b>483</b>

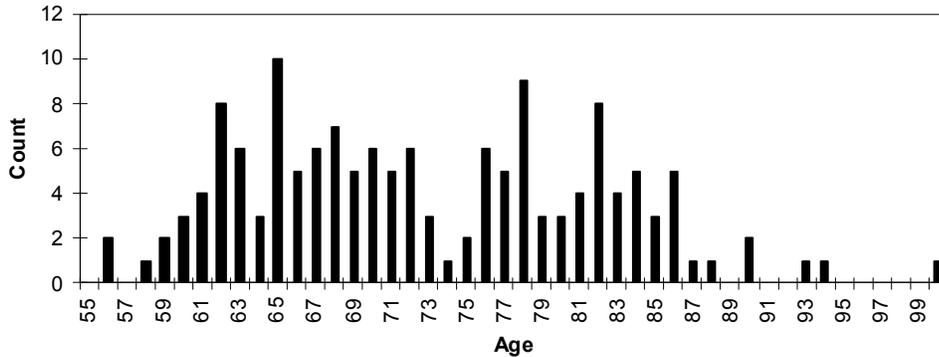
**APPENDIX A  
UNIFORM RETIREMENT SYSTEM FOR JUSTICES & JUDGES  
SUMMARY OF MEMBERSHIP DATA**

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	7/1/2008	7/1/2007
<b>Actives</b>		
Number	277	275*
Average Current Age	56.5	55.9
Average Service	12.0	11.4
Average Pay	\$116,929	\$115,900
*Excludes "No Application" members		
<b>Retirees</b>		
Number	145	142
Average Annual Benefit	\$60,887	\$58,217
Average Age	73.0	72.8
<b>Disability Retirees</b>		
Number	2	2
Average Annual Benefit	\$57,976	\$55,746
Average Age	62.5	61.5
<b>Joint Annuitants/Surviving Spouses</b>		
Number	48	50
Average Annual Benefit	\$20,741	\$20,652
Average Age	80.3	79.6
<b>Total Receiving Benefits</b>		
Number	195	194
Average Annual Benefit	\$50,975	\$48,510
Average Age	74.7	74.4
<b>Vested Terminated Members</b>		
Number	11	11
Average Annual Benefit	\$34,113	\$36,863
Average Age	54.7	54.4

**APPENDIX A**  
**UNIFORM RETIREMENT SYSTEM FOR JUSTICES & JUDGES**  
**DISTRIBUTION OF RETIREES AND BENEFICIARIES**  
as of July 1, 2008

**All Retirees (excluding Beneficiaries)**

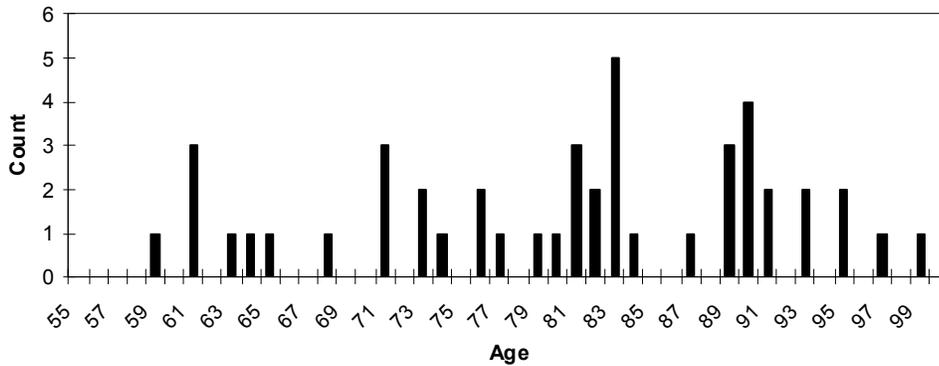


Count: 147

Average age: 72.9

Average benefit: \$ 60,847

**Beneficiaries**



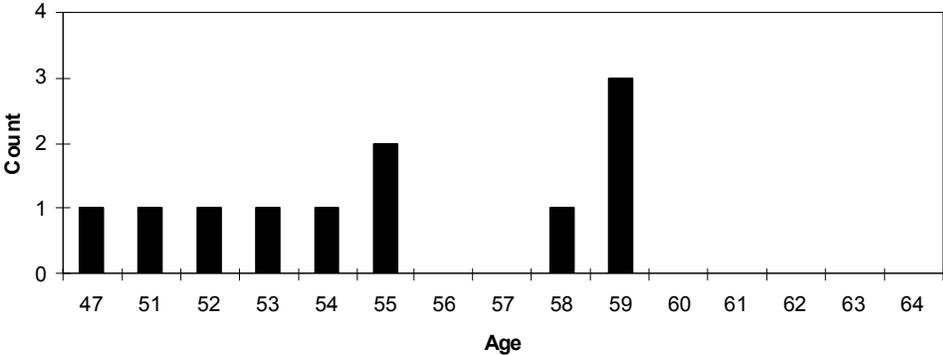
Count: 48

Average age: 80.3

Average benefit: \$ 20,741

**APPENDIX A**  
**UNIFORM RETIREMENT SYSTEM FOR JUSTICES & JUDGES**  
**DISTRIBUTION OF VESTED TERMINATED MEMBERS**  
as of July 1, 2008

**Vested Terminated Members**



Count: 11

Average age: 54.7

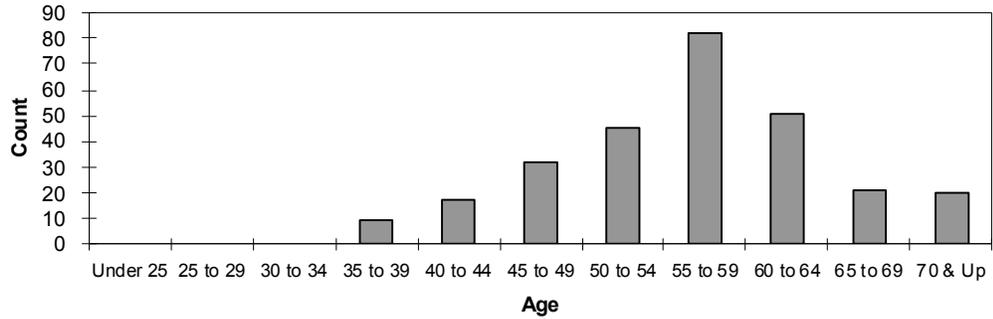
Average benefit: \$ 34,113

Includes assumed vested members

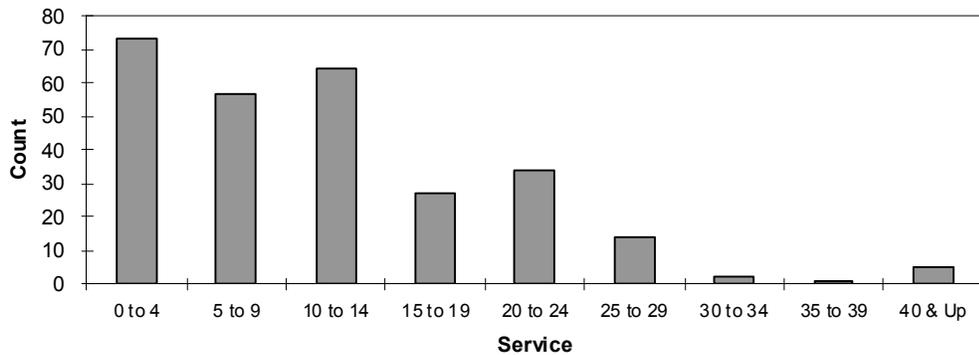
**APPENDIX A**  
**UNIFORM RETIREMENT SYSTEM FOR JUSTICES & JUDGES**  
**DISTRIBUTION OF ACTIVE MEMBERS**  
as of July 1, 2008

Age	Service									Total
	0 to 4	5 to 9	10 to 14	15 to 19	20 to 24	25 to 29	30 to 34	35 to 39	40 & Up	
Under 25	0	0	0	0	0	0	0	0	0	0
25 to 29	0	0	0	0	0	0	0	0	0	0
30 to 34	0	0	0	0	0	0	0	0	0	0
35 to 39	7	2	0	0	0	0	0	0	0	9
40 to 44	9	7	1	0	0	0	0	0	0	17
45 to 49	15	10	7	0	0	0	0	0	0	32
50 to 54	11	9	12	9	3	1	0	0	0	45
55 to 59	14	14	21	6	18	8	1	0	0	82
60 to 64	13	9	10	6	8	3	1	0	1	51
65 to 69	3	6	7	3	1	0	0	1	0	21
70 & Up	1	0	6	3	4	2	0	0	4	20
<b>Total</b>	<b>73</b>	<b>57</b>	<b>64</b>	<b>27</b>	<b>34</b>	<b>14</b>	<b>2</b>	<b>1</b>	<b>5</b>	<b>277</b>

**Age Distribution**



**Service Distribution**



Excludes members who have not filed an application

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**APPENDIX B**  
**UNIFORM RETIREMENT SYSTEM FOR JUSTICES & JUDGES**  
**SUMMARY OF SYSTEM PROVISIONS**

Following is a summary of the major System provisions used to determine the System's financial position.

<b>Effective date and authority</b>	Laws 1968, c.128. The System is provided for under Chapter 16, Sections 1101-1112 of Title 20 of the Oklahoma Statutes.
<b>Administration</b>	The State Judicial Retirement Fund is administered by the Board of Trustees of the Oklahoma Public Employees Retirement System. The Board acts as the fiduciary for investment and application of the System.
<b>Employees included</b>	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.
<b>Member contributions</b>	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.
<b>Employer contributions</b>	Before July 1, 1997, the fund received an amount equal to 10% of the Court Fund receipts. After July 1, 1997, employer contributions were based on members' salaries and a yearly schedule and, effective January 1, 2001, were changed to 2% of the member's salary. Effective for the fiscal year ending June 30, 2006, employer contributions increased to 3.0% of the member's salary and will increase annually up to 22.0% 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%
<b>Service considered</b>	Any Justice or Judge who becomes a member of the System when first eligible will receive credit for all years of service in any court of record.
<b>Compensation considered</b>	Salary received by the Justice or Judge while serving in a court of record.
<b>Final average salary</b>	The average monthly salary received during the thirty-six highest months of active service as a Justice or Judge in a court of record.

**APPENDIX B**  
**UNIFORM RETIREMENT SYSTEM FOR JUSTICES & JUDGES**  
**SUMMARY OF SYSTEM PROVISIONS**

(continued)

**Eligibility for benefits**

A Justice or Judge must complete eight years of service to be eligible for any benefit from the System. A member who leaves the System, for any reason, prior to the completion of eight years of service is entitled only to a transfer of his/her accumulated contributions without interest.

**Normal retirement**

A member who completes eight years of service and attains age 65, or completes ten years of service and attains age 60, or completes eight years of service and whose sum of years of service and age equals or exceeds 80, may begin receiving retirement benefits at his/her request.

The benefit, payable monthly for the life of the member, is equal to 4% of average monthly salary multiplied by the number of years of service. In no event, however, will the benefit exceed 100% of final average salary.

**Disability retirement**

A member who completes fifteen years of service, attains age 55, and is ordered to retire by reason of disability is eligible for disability retirement benefits. The benefit, payable for life, is calculated in the same manner as a normal retirement benefit but cannot exceed 100% of final average salary.

**Survivor coverage**

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 reduced benefit with 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. Spouses of members who made the voluntary contributions prior to July 1, 1999 and die or retire after July 1, 1999 may receive up to 65% of unreduced benefit. 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. Otherwise, the benefit is payable to the spouse on the date the deceased member would have been eligible. This benefit is payable only to the surviving spouse of a member and they must be married 90 days prior to the member's termination of employment as a Justice or Judge.

**Optional forms of Retirement benefits**

The Maximum Benefit is an unreduced single life annuity with a guaranteed refund of the contribution accumulation. Three other Types of Benefit payments are available to retiring members:

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

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

**APPENDIX B**  
**UNIFORM RETIREMENT SYSTEM FOR JUSTICES & JUDGES**  
**SUMMARY OF SYSTEM PROVISIONS**

(continued)

**Optional forms of retirement benefits**

Original Surviving Spouse Plan – An unreduced benefit with Joint and 50% survivor annuity available only to members who made additional voluntary survivor benefit contributions of 3% of salary prior to September 1, 2005. Spouses of members who made the voluntary contributions prior to July 1, 1999 and die or retire after July 1, 1999 may receive up to 65% of unreduced benefit.

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

**Postretirement death benefit**

Upon the death of any retired member, a \$5,000 lump-sum death benefit will be paid to the member's beneficiary. If there is no beneficiary, then the benefit will be paid to the estate.

**Minimum benefits**

In no event will a member, or the estate of a member, receive an amount or amounts less than the member's accumulated contributions without interest.

If a former member is not eligible for any other benefit from the System, the member will receive a transfer of these contributions. Similarly, if a member dies while having no spousal coverage, or upon the death of a spouse receiving survivor benefits, the member's beneficiary will receive the excess of the accumulated contributions over all benefits received by either the member, or the member and spouse combined.

**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.

**Expenses**

The expenses of administering the retirement system are paid from the retirement trust fund.

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## APPENDIX C UNIFORM RETIREMENT SYSTEM FOR JUSTICES & JUDGES ACTUARIAL METHODS AND ASSUMPTIONS

### **Entry Age Actuarial Cost Method**

Liabilities and contributions shown in this report are computed using the Individual Entry Age Level Percent of Pay actuarial cost. Sometimes called "funding method," this is a particular technique used by actuaries for establishing the amount of the annual actuarial cost of pension System benefits, or normal cost, and the related unfunded actuarial accrued liability. Ordinarily the annual contribution to the System is comprised of (1) the normal cost and (2) an amortization payment on the unfunded actuarial accrued liability.

Under the Entry Age Actuarial Cost Method, the **Normal Cost** is computed as the level percentage of pay which, if paid from the earliest time each member would have been eligible to join the System if it then existed (thus, entry age) until his retirement or termination, would accumulate with interest at the rate assumed in the valuation to a fund sufficient to pay all benefits under the System.

The **Actuarial Accrued Liability** under this method at any point in time is the theoretical amount of the fund that would have accumulated had annual contributions equal to the normal cost been made in prior years (it does not represent the liability for benefits accrued to the valuation date). The **Unfunded Actuarial Accrued Liability** is the excess of the actuarial accrued liability over the actuarial value of System assets actually on hand on the valuation date.

Under this method experience gains or losses, i.e. decreases or increases in accrued liabilities attributable to deviations in experience from the actuarial assumptions, adjust the unfunded actuarial accrued liability.

### **Asset Valuation Method**

The actuarial value of assets is based on a five-year moving average of expected and actual market values determined as follows:

- at the beginning of each fiscal year, a preliminary expected actuarial asset value is calculated as the sum of the previous year's actuarial value increased with a year's interest at the System valuation rate plus net cash flow adjusted for interest (at the same rate) to the end of the previous fiscal year;
- the expected actuarial asset value is set equal to the preliminary expected actuarial value plus the unrecognized investment gains and losses as of the beginning of the previous fiscal year;
- the difference between the expected actuarial asset value and the market value is the investment gain or loss for the previous fiscal year;
- the (final) actuarial asset value is the preliminary value plus 20% of the investment gains and losses for each of the five previous fiscal years, but in no case more than 120% of the market value or less than 80% of the market value.

### **Amortization Method**

The Unfunded Actuarial Accrued Liability is amortized as a level percentage of payroll over a 20-year period from July 1, 2007. Given a stable active workforce, this amortization method is expected to produce a payment stream that remains level as a percent of covered payroll.

**APPENDIX C**  
**UNIFORM RETIREMENT SYSTEM FOR JUSTICES & JUDGES**  
**ACTUARIAL METHODS AND ASSUMPTIONS**  
(continued)

**Valuation Procedures**

No actuarial accrued liability in excess of the unclaimed contributions is held for nonvested, inactive members who have a break in service, or for nonvested members who have quit or been terminated, even if a break in service has not occurred as of the valuation date.

The wages used in the projection of benefits and liabilities are considered earnings for the year ending June 30, 2008 increased by the salary scale to develop expected earnings for the current valuation year. Earnings are annualized for members with less than twelve months of reported earnings.

In computing accrued benefits, average earnings are determined using actual pay history provided for valuation purposes.

The calculations for the required employer contribution are determined as of mid-year. This is a reasonable estimate since contributions are made on a monthly basis throughout the year.

We did not value the 415 limit for active participants. The impact was assumed to be *de minimus*.

The compensation limitation under IRC Section 401(a)(17) is considered in this valuation.

Liability is included for members who appear to be deferred vested, but who are not in the vested data provided. An estimated benefit was calculated based on pay and service from prior valuations. A corrected benefit and status will be provided by the System when the actual benefit and status have been finalized.

Members who are contributing to the System, but have not yet filled out an enrollment application, are included as active members. Where data elements are missing, reasonable estimates are used. Service is estimated based on hours worked. Age is based on average entry age for other members. Gender is assigned in proportion to the overall group.

The System uses an assumption of a 2% annual COLA each year in developing liabilities and contribution rates. The System does not have an automatic COLA provision, but ad hoc COLAs have historically been granted by the Legislature every other year. In order to avoid actuarial gains in the year in which a COLA is not granted and an actuarial loss in the years in which a COLA is granted, the System's liabilities include a "COLA Reserve". The COLA Reserve is included in the actuarial accrued liability to account for expected cost of living adjustments to the benefits of retired participants that have not been granted by the valuation date. Any ad hoc increase granted will decrease the reserve amount by the cost of the increase. When the cost of an ad hoc increase is greater than the amount of the reserve, the reserve is set to zero and the period for calculating ungranted increases is set to the valuation date.

**APPENDIX C**  
**UNIFORM RETIREMENT SYSTEM FOR JUSTICES & JUDGES**  
**ACTUARIAL METHODS AND ASSUMPTIONS**  
(continued)

**Economic Assumptions**

<b>Investment Return:</b>	7.50% net of investment expenses per annum, compounded annually.
<b>Salary Increases:</b>	5.5% per year.
<b>Payroll Growth:</b>	4.25% per year.
<b>Ad hoc benefit increase assumption:</b>	
Monthly benefits	2% per year.
Medical supplement	No increases assumed.
<b>Projection of 401(a)(17) compensation limit</b>	Projected with inflation at 3.0%

**Demographic Assumptions**

**Retirement age:**

Active members

<u>Attained Age</u>	<u>Annual Rates of Retirement Per 100 Eligible Members</u>
Below 62	10
62 – 65	25
66 – 67	10
68 – 69	30
70	20
71 – 74	10
75+	100

Deferred vested members

Participants with deferred benefits are assumed to commence benefits on a date provided by URSJJ. Actives expected to terminate with a vested benefit are expected to commence benefits at age 60.

**Mortality Rates:**

Active Participants and  
nondisabled pensioners

RP-2000 Combined Active/Retired Healthy Mortality Table projected to 2010 using Scale AA, setback 1 year

Disabled pensioners

RP-2000 Combined Active/Retired Healthy Mortality Table projected to 2010 using Scale AA set forward 14 years.

**APPENDIX C**  
**UNIFORM RETIREMENT SYSTEM FOR JUSTICES & JUDGES**  
**ACTUARIAL METHODS AND ASSUMPTIONS**  
(continued)

**Separation Rates:**

Separation for all reasons  
other than death 2% for all years of service.

**Disability Rates:**

0%

**Marital Status:**

Age difference Males are assumed to be four years older than spouses.  
Percentage married 85%.

**Other Assumptions:**

Actuarial value of assets	An expected actuarial value is determined equal to the prior year's actuarial value of assets plus cash flow (excluding realized and unrealized gains and losses) for the year ended on the valuation date and assuming the valuation investment return. Twenty percent (20%) of any (gain)/loss as measured by the difference between the expected actuarial value and the market value at the valuation date is added to the expected actuarial value. The (gain)/loss is amortized over five years. The result is constrained to a value of 80% to 120% of the market value at the valuation date.
Provisions for expenses	Administrative expenses budgeted for the Oklahoma Uniform Retirement System for Justices and Judges.
Form of payment	Active members who were contributing 8% of pay as of August 31, 2005, are assumed to retire with an unreduced benefit payable as a 50% joint and survivor annuity. All other members are assumed to retire with a life-only annuity.

**APPENDIX D**  
**UNIFORM RETIREMENT SYSTEM FOR JUSTICES & JUDGES**  
**GLOSSARY OF TERMS**

<b>Actuarial Accrued Liability</b>	The difference between the actuarial present value of system benefits and the actuarial value of future normal costs. Also referred to as “accrued liability” or “actuarial accrued liability”.
<b>Actuarial Assumptions</b>	Estimates of future experience with respect to rates of mortality, disability, turnover, retirement, rate or rates of investment income and salary increases. Decrement assumptions (rates of mortality, disability, turnover and retirement) are generally based on past experience, often modified for projected changes in conditions. Economic assumptions (salary increases and investment income) consist of an underlying rate in an inflation-free environment plus a provision for a long-term average rate of inflation.
<b>Accrued Service</b>	Service credited under the system which was rendered before the date of the actuarial valuation.
<b>Actuarial Equivalent</b>	A single amount or series of amounts of equal actuarial value to another single amount or series of amounts, computed on the basis of appropriate assumptions.
<b>Actuarial Cost Method</b>	A mathematical budgeting procedure for allocating the dollar amount of the actuarial present value of retirement system benefit between future normal cost and actuarial accrued liability. Sometimes referred to as the “actuarial funding method”.
<b>Experience Gain (Loss)</b>	The difference between actual experience and actuarial assumptions anticipated experience during the period between two actuarial valuation dates.
<b>Actuarial Present Value</b>	The amount of funds currently required to provide a payment or series of payments in the future. It is determined by discounting future payments at predetermined rates of interest and by probabilities of payment.
<b>Amortization</b>	Paying off an interest-discounted amount with periodic payments of interest and principal, as opposed to paying off with lump sum payment.
<b>Normal Cost</b>	The actuarial present value of retirement system benefits allocated to the current year by the actuarial cost method.

**APPENDIX D**  
**UNIFORM RETIREMENT SYSTEM FOR JUSTICES & JUDGES**  
**GLOSSARY OF TERMS**

(continued)

**Unfunded Actuarial Accrued Liability** The difference between actuarial accrued liability and the valuation assets. Sometimes referred to as “unfunded actuarial accrued liability” or “unfunded accrued liability”.

Most retirement systems have unfunded actuarial accrued liability. They arise each time new benefits are added and each time an actuarial loss is realized.

The existence of unfunded actuarial accrued liability is not in itself bad, any more than a mortgage on a house is bad. Unfunded actuarial accrued liability does not represent a debt that is payable today. What is important is the ability to amortize the unfunded actuarial accrued liability and the trend in its amount (after due allowance for devaluation of the dollar).

# **ADDENDUM**

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**ADDENDUM  
UNIFORM RETIREMENT SYSTEM FOR JUSTICES & JUDGES  
CERTIFICATION**

We have prepared an actuarial valuation of the State of Oklahoma Uniform Retirement System for Justices and Judges as of July 1, 2008, for the fiscal year ending June 30, 2009. The results of the valuation are set forth in this addendum, which reflects the benefit provisions in effect as of July 1, 2008.

In preparing this report, we relied, without audit, on information (some oral and some in writing) supplied by the System's staff. This information includes, but is not limited to, statutory provisions, employee 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.

The results in this Addendum have been prepared for the sole purpose of meeting the Retirement Board's requirement to submit this information to the Oklahoma State Pension Commission, based on the following prescribed assumptions (20 Okla.Stat, Section 1108(D)):

- Interest rate: 7.50%
- COLA assumption: 2.00%
- Mortality: RP-2000 Mortality Table for Employees, Healthy Retirees and Disabled Retirees with Mortality Projected Forward from 2000 using Scale AA.
- Amortization period: 30 years, open period
- Sources of all contributions and revenues, including dedicated tax free revenue and federal monies

All other assumptions, methodologies, and System provisions used are consistent with those used in the July 1, 2008 valuation.

The results shown in this Addendum are not consistent with those in the July 1, 2008, valuation. The July 1, 2008, valuation results were determined in accordance with generally accepted actuarial principles and practices that are consistent with the Actuarial Standards of Practice promulgated by the Actuarial Standards Board and the applicable Guides to Professional Conduct, amplifying opinion and supporting recommendations of the American Academy of Actuaries. The results shown in this Addendum are not based on the assumptions and methodologies adopted by the Retirement Board.

Milliman's work product was prepared exclusively for the Oklahoma Uniform Retirement System for Justices and Judges (URSJJ) for a specific and limited purpose. It is a complex, technical analysis that assumes a high level of knowledge concerning URSJJ' operations, and used URSJJ' data, which Milliman has not audited. It is not for the use or benefit of any third party for any purpose other than the Oklahoma State Pension Commission. Any third party recipient of Milliman's work product who desires professional guidance should not rely upon Milliman's work product, but should engage qualified professionals for advice appropriate to its own specific needs.

We are available to answer any questions on the material contained in this report, or to provide explanations or further details as may be appropriate.

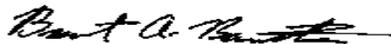
The undersigned credentialed actuaries meet the Qualification Standards of the American Academy of Actuaries to render the actuarial opinion contained in this report.



Patrice A. Beckham, F.S.A.

October 16, 2008

Date



Brent A. Banister, F.S.A.

October 16, 2008

Date

## ADDENDUM

### UNIFORM RETIREMENT SYSTEM FOR JUSTICES & JUDGES SUMMARY OF VALUATION RESULTS UNDER PRESCRIBED ASSUMPTIONS

This supplemental report has been prepared to present the results of a valuation of the State of Oklahoma Public Employees Retirement System as of July 1, 2008, based on the prescribed assumptions under 20 Okla.Stat, Section 1108(D) of current statutes and regulations issued thereunder.

A summary of principal valuation results from the current and the prior valuation follows.

	<u>Actuarial Valuation as of</u>		<u>Change Between Years</u>	
	<u>July 1, 2008</u>	<u>July 1, 2007</u>	<u>Amount</u>	<u>Percent</u>
<b>Summary of Costs</b>				
Required employer contribution for current year	\$8,061,090	\$7,258,644	\$802,446	11.1%
Actual employer contributions received in prior year	1,688,673	1,223,765	464,908	38.0%
<b>Funded Status</b>				
Actuarial accrued liability	\$242,712,142	\$223,977,973	\$18,734,169	8.4%
Actuarial value of assets	235,297,077	224,577,704	10,719,373	4.8%
Unfunded actuarial accrued liability	7,415,065	(599,731)	8,014,796	(1,336.4%)
Funded Ratio	96.9%	100.3%	(3.3%)	(3.3%)
<b>Market Value of Assets and Additional Liabilities</b>				
Market value of assets	\$225,924,669	\$240,250,642	(\$14,325,973)	(6.0%)
Present value of projected future System benefits	315,174,510	297,660,304	17,514,206	5.9%

## ADDENDUM

### UNIFORM RETIREMENT SYSTEM FOR JUSTICES & JUDGES SUMMARY OF VALUATION RESULTS UNDER PRESCRIBED ASSUMPTIONS (continued)

This supplemental report has been prepared to present the results of a valuation of the State of Oklahoma Public Employees Retirement System as of July 1, 2008, based on the prescribed assumptions under 20 Okla.Stat, Section 1108(D) of current statutes and regulations issued thereunder.

A summary of principal valuation results from the current and the prior valuation follows.

	<u>Actuarial Valuation as of</u>		<b>Percent Change in Amount</b>
	<u>July 1, 2008</u>	<u>July 1, 2007</u>	
	<b>Amount</b>	<b>Amount</b>	
<b>Summary of Contribution Requirements</b>			
1. Expected annual payroll	\$ 32,389,296	\$ 32,191,938	0.6%
2. Total normal cost	\$ 10,085,400	\$ 9,671,244	4.3%
3. Unfunded actuarial accrued liability	\$ 7,415,065	\$ (599,731)	(1,336.4%)
4. Amortization of unfunded actuarial accrued liability over 30 years	\$ 386,183 <sup>1</sup>	\$ (48,977) <sup>2</sup>	(888.5%)
5. Budgeted expenses (provided by the System)	\$ 180,651	\$ 211,732	(14.7%)
6. Total required contribution (2) + (4) + (5)	\$ 10,652,234	\$ 9,833,999	8.3%
7. Estimated member contribution	\$ 2,591,144	\$ 2,575,355	0.6%
8. Required employer contribution (6) – (7)	\$ 8,061,090	\$ 7,258,644	11.1%
9. Previous year's actual contribution			
a. Member	\$ 2,486,481	\$ 2,599,296	(4.3%)
b. Employer	1,688,673	1,223,765	38.0%
c. Total	\$ 4,175,154	\$ 3,823,061	9.2%

<sup>1</sup>Amortization of UAAL is level percent of payroll.

<sup>2</sup>Amortization of UAAL is level dollar payment

## ADDENDUM

### UNIFORM RETIREMENT SYSTEM FOR JUSTICES & JUDGES UNFUNDED ACTUARIAL ACCRUED LIABILITY

This supplemental report has been prepared to present the results of a valuation of the State of Oklahoma Public Employees Retirement System as of July 1, 2008, based on the prescribed assumptions under 20 Okla.Stat, Section 1108(D) of current statutes and regulations issued thereunder.

The actuarial accrued liability is the present value of projected future System benefits allocated to past service by the actuarial funding method being used.

	<u>July 1, 2008</u>	<u>July 1, 2007</u>
1. Actuarial present value of benefits		
a. Active members	\$ 208,737,801	\$ 196,537,176
b. Terminated vested members and other nonactives	3,695,881	4,151,461
c. Retirees, disableds and beneficiaries	102,740,828	96,971,667
d. Total (a) + (b) + (c)	\$ <u>315,174,510</u>	\$ <u>297,660,304</u>
2. Actuarial present value of future normal costs	\$ 72,462,368	\$ 73,682,331
3. Total actuarial accrued liability (1 – 2)	\$ 242,712,142	\$ 223,977,973
4. Actuarial value of assets	\$ 235,297,077	\$ 224,577,704
5. Unfunded actuarial accrued liability (3) – (4)	\$ 7,415,065	\$ (599,731)

## ADDENDUM

### UNIFORM RETIREMENT SYSTEM FOR JUSTICES & JUDGES NORMAL COST

This supplemental report has been prepared to present the results of a valuation of the State of Oklahoma Public Employees Retirement System as of July 1, 2008, based on the prescribed assumptions under 20 Okla.Stat, Section 1108(D) of current statutes and regulations issued thereunder.

The components of normal cost under the System's funding method are:

<b>Component</b>	<b>July 1, 2008</b>	<b>July 1, 2007</b>
Retirement benefits	\$ 8,909,291	\$ 8,426,209
Withdrawal benefits	812,123	787,117
Death benefits	156,280	160,947
Refunds	103,171	100,908
Supplemental medical insurance premiums	104,535	98,903
Normal cost for people who have not submitted an application	<u>0*</u>	<u>97,159</u>
Total normal cost	\$ 10,085,400	\$ 9,671,244

\* Not separately calculated. Included in active Normal Cost.