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OKLAHOMA PUBLIC EMPLOYEES RETIREMENT SYSTEM

State of Oklahoma
Uniform Retirement System For Justices & Judges

Actuarial Valuation Report
As of July 1, 2011

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CONSULTING, LLC
The experience and dedication you deserve

October 14, 2011

Board of Trustees
Oklahoma Public Employees Retirement System
5801 N. Broadway Extension, Suite 400
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Members of the Board:

In this report are submitted the results of the annual valuation of the assets and liabilities of the Uniform Retirement System for Justices and Judges (URSJJ), prepared as of July 1, 2011.

The purpose of this report is to provide a summary of the funded status of the System as of July 1, 2011, to provide the Annual Required Contribution (ARC) and the accounting information under Governmental Accounting Standards Board Statements No. 25 and 27 (GASB 25 and 27). While not verifying the data at source, the actuary performed tests for consistency and reasonability.

The promised benefits of the System are included in the actuarially calculated contribution rates which are developed using the Entry Age Normal cost method. A five-year market related value of assets is used for actuarial valuation purposes. Gains and losses are reflected in the unfunded actuarial accrued liability (UAAL) that is being amortized by regular annual contributions as a level percentage of payroll, on the assumption that payroll will increase by 4.00% annually. Since the previous valuation, the salary increase assumption and payroll growth assumption have been revised due to findings of the three-year experience investigation for the period ending June 30, 2010. The assumptions recommended by the actuary and adopted by the Board are, in the aggregate, reasonably related to the experience under the Fund and to reasonable expectations of anticipated experience under the Fund and meet the parameters for the disclosures under GASB 25 and 27.

Also, since the last valuation, the plan provisions of the System have been amended by House Bill 2132. Under this legislation, COLAs are removed from the definition of "non-fiscal retirement bills" in the Oklahoma Pension Legislation Actuarial Analysis Act ("OPLAAA"). The effect of these amendments makes any COLA bill subject to all of the requirements of OPLAAA including the requirement that such bills provide adequate funding to pay the cost. Therefore, as of July 1, 2011, liabilities have been calculated without considering future COLAs, and the COLA reserve has been removed.

In addition, there were several bills passed by the 2011 Oklahoma Legislature that will impact only future URSJJ members or otherwise have no fiscal impact on the current valuation. These are discussed in more detail on page one of the Executive Summary.

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We have prepared the Schedule of Funding Progress and Trend Information shown in the financial section of the Comprehensive Annual Financial Report. All historical information that references a valuation date prior to July 1, 2010 was prepared by the previous actuarial firm.

This is to certify that the independent consulting actuaries are members of the American Academy of Actuaries and have experience in performing valuations for public retirement systems, that the valuation was prepared in accordance with principles of practice prescribed by the Actuarial Standards Board, and that the actuarial calculations were performed by qualified actuaries in accordance with accepted actuarial procedures, based on the current provisions of the retirement system and on actuarial assumptions that are internally consistent and reasonably based on the actual experience of the System.

Future actuarial results may differ significantly from the current results 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. Because the potential impact of such factors is outside the scope of a normal annual actuarial valuation, an analysis of the range of results is not presented herein.

We have also reviewed the supplemental medical benefits provided by the System under Section 401(h) of the Internal Revenue Code and have determined that these benefits are subordinate to the retirement benefits as required.

In our opinion, in order for the System to operate in an actuarially-sound manner, contributions equal to the ARC are necessary. Alternatively, a schedule of increasing contribution rates, such as currently exists for URSJJ, may also be sufficient to systematically fund the System on an actuarially sound basis, depending upon the growth in the System liabilities during the period while the statutory rate is still below the ARC. In order to evaluate the long term funding impact of the current increasing statutory contribution rate for URSJJ, we performed a projection of contributions, benefit payments, assets, and actuarial liabilities into the future using standard actuarial methods. This estimated projection of funded status indicated that the current statutory contribution rates will result in the URSJJ being 100% funded in 2027, provided all assumptions are met in the future. Once this valuation is accepted by the Board, Cavanaugh Macdonald will be performing projections that use more sophisticated actuarial modeling techniques. The results of that modeling may vary from the preliminary estimates we made in preparing this report; however, we expect that the general result of the adequacy of the current increasing statutory rates will be confirmed.

The Table of Contents, which immediately follows, outlines the material contained in the report.

Respectfully submitted,

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OVERVIEW

The Uniform Retirement System for Justices and 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, 2011 actuarial valuation for the System. The primary purposes of performing an actuarial valuation are to:

- Determine the employer contribution rate required to fund the System on an actuarial basis;
- Evaluate the sufficiency of the statutory contribution rate;
- 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.

Since the previous valuation, the salary increase assumption and the payroll increase assumption have been revised due to the findings of the three- year experience investigation for the period ending June 30, 2010. Also, since the last valuation, the plan provisions of the System have been amended by House Bill 2132. Under this legislation, COLAs are removed from the definition of "non-fiscal retirement bills" in the Oklahoma Pension Legislation Actuarial Analysis Act ("OPLAAA"). The effect of these amendments makes any COLA bill subject to all of the requirements of OPLAAA including the requirement that such bills provide adequate funding to pay the cost. Therefore, as of July 1, 2011, liabilities have been calculated without considering future COLAs, and the COLA reserve has been removed. This change lowered the unfunded actuarial accrued liability by $52 million.

There were several additional bills passed by the 2011 Oklahoma Legislature and signed by the Governor that will impact only future URSJJ members or that otherwise have no fiscal impact on the current valuation. They include:

- HB1010 - Retirement Eligibility
  The retirement age for judges taking office on or after January 1, 2012 increases from the current age 65 to age 67 with eight years of service. In addition, the current Rule of 80 or age 60 changes to age 62 with 10 or more years of service.
- SB782 - OPLAAA Date Change
  Amends 62 O.S. § 3109 to move the deadline for completion of an actuarial investigation from November 1 to December 1. The final bill deletes the requirement that the state pension systems submit reports annually to the Pension Commission using standard actuarial assumptions.

The valuation results provide a snapshot view of the System's financial condition on July 1, 2011. The unfunded actuarial accrued liability for the System decreased by $44 million due to various factors, the largest being the elimination of the COLA assumption and the COLA Reserve. A detailed analysis of the change in the unfunded actuarial accrued liability from July 1, 2010 to July 1, 2011 is shown on page 5.

The highlights of the valuation are shown below:

Funded Status $(millions)	Actuarial Valuation Date July 1, 2011	July, 1 2010
Actuarial Accrued Liability	$246.8	$282.8
Actuarial Value of Assets	$237.6	$230.0
Unfunded Actuarial Accrued Liability	$ 9.2	$ 52.8
Funded Ratio (Actuarial Value)	96.3%	81.3%
Market Value of Assets	$248.2	$211.2
Funded Ratio (Market Value)	100.6%	74.7%

There was a liability gain of $3.3 million, which resulted in an actuarial accrued liability that was lower than expected (1.3% of expected liability). The components of this net liability gain are identified later in this section.

The net return on the market value of assets was 21.4% for the year ended June 30, 2011. 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 6.6% which resulted in an actuarial loss of $1.8 million.

The actuarial contribution rate for the employer decreased from 2010 to 2011:

Contribution Rate	Actuarial Valuation Date July 1, 2011	July 1, 2010
Normal Cost	26.56%	31.66%
Amortization of UAAL	2.17%	11.61%
Budgeted Expenses	0.63%	0.47%
Actuarial Contribution Rate	29.36%	43.74%
Less Estimated Member Contribution Rate	8.00%	8.00%
Employer Actuarial Contribution Rate	21.36%	35.74%
Less State Statutory Contribution Rate	11.50%	10.00%
Contribution Shortfall	9.86%	25.74%

The contribution shortfall is considerably smaller than last year as a result of House Bill 2132, which resulted in the elimination of the COLA assumption and reserve, although it is still nearly 10% of payroll. The contribution shortfall means that the System is not currently contributing at a contribution rate adequate to meet the goal of amortizing the unfunded actuarial accrued liability by 2027. However, the statutory contribution rate is scheduled to increase each year and reach an ultimate rate of 22% in FY2019. In order to evaluate the long term funding impact of the current increasing statutory contribution rate for URSJJ, we performed a projection of contributions, benefit payments, assets, and actuarial liabilities into the future using standard actuarial methods. This estimated projection of funded status indicated that the current statutory contribution rates will result in the URSJJ being 100% funded in 2027, provided all assumptions are met in the future. Once this valuation is accepted by the Board, Cavanaugh Macdonald will be performing projections that use more sophisticated actuarial modeling techniques. The results of that modeling may vary from the preliminary estimates we made in preparing this report; however, we expect that the general result of the adequacy of the current increasing statutory rates will be confirmed.

EXPERIENCE

July 1, 2010 to July 1, 2011

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, 2011. 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 the 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 July 1, 2010 and July 1, 2011. Each component is examined in the following discussion.

ASSETS

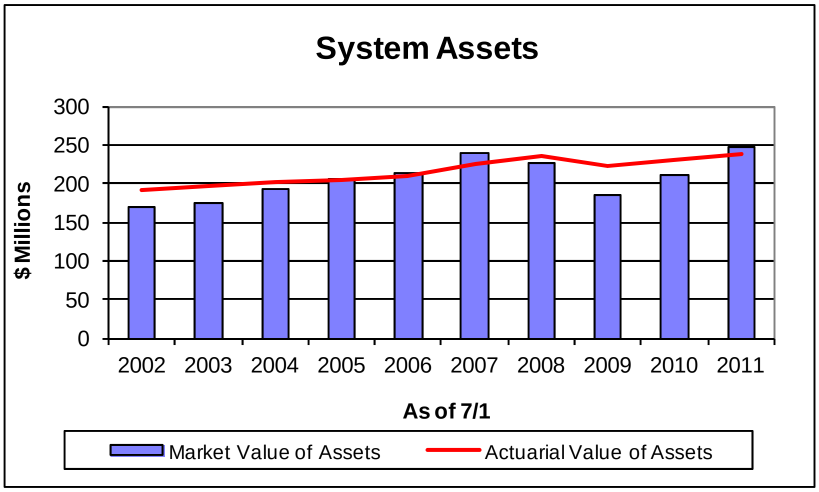
As of July 1, 2011, the System had total funds when measured on a market value basis of $248.2 million. This was an increase of $37.0 million from the July 1, 2010 figure of $211.2 billion. The market value of assets is not used directly in the calculation of the actuarial contribution rate. An asset valuation method, which smoothes the effect of market fluctuations, is used to determine the value of assets used in the valuation, called the "actuarial value of assets". Differences between the actual return on the market value of assets and the assumed return on the actuarial value of assets are phased in over a five-year period. The resulting value must be no less than 80% of the market value and no more than 120% of market value, referred to as "the corridor". See Table 3 for the detailed development of the actuarial value of assets as of July 1, 2011.

The actuarial value of assets as of July 1, 2011 was $237.6 million. The annualized dollar-weighted rate of return for FY2011, measured on the actuarial value of assets, was approximately 6.6%, which produced an actuarial loss of $1.8 million. Measured on the market value of assets, the rate of return was 21.4%, net of investment expenses.

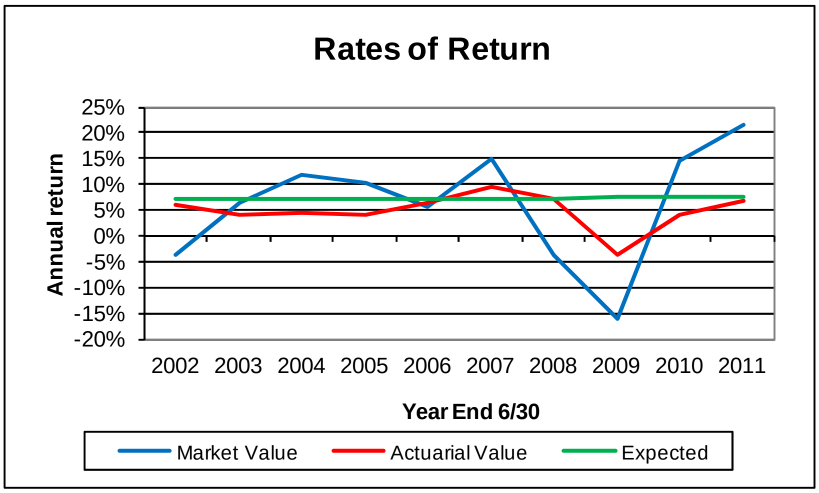
The components of the change in the market and actuarial value of assets for the System are set forth below:

	Market Value $(millions)	Actuarial Value $(millions)
Net Assets, July 1, 2010	211	230
• Employer and Member Contributions	6	6
• Benefit Payments and Expenses	(13)	(13)
• Investment Income/(Loss)	44	15
Preliminary Value July 1, 2011	248	238
Application of Corridor	N/A	N/A
Final Net Assets, July 1, 2011	248	238
Estimated Rate of Return	21.4%	6.6%

Due to the use of an asset smoothing method, there is about $10 million of deferred investment gain that has not yet been recognized. This deferred investment experience will be reflected in the actuarial value of assets over the next few years.



Due to actual investment experience lower than the assumed rate of return for much of the last decade, the actuarial value of assets has been higher than the market value in most years.



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.

SYSTEM LIABILITIES

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

The unfunded actuarial accrued liability as of July 1, 2011 is:

Actuarial Accrued Liability	$246,792,232
Actuarial Value of Assets	237,626,663
Unfunded Actuarial Accrued Liability	$ 9,165,569

See Table 5 for the detailed development of the Actuarial Accrued Liability and Table 8 for the calculation of the Unfunded Actuarial Accrued Liability.

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 the actuarial assumptions, procedures or methods and changes in benefit provisions. The actual experience measured in this valuation is that which occurred during the plan year ending June 30, 2011. There was an experience loss on the actuarial value of assets and an experience gain on liabilities. In addition, there were changes in the actuarial assumptions and methods as a result of the Experience Study and legislation passed in 2011. The net result was a $43.6 million decrease in the UAAL.

Between July 1, 2010 and July 1, 2011 the change in the unfunded actuarial accrued liability for the System was as follows (in millions):

	$millions
Unfunded Actuarial Accrued Liability, July 1, 2010	$52.8
· effect of contributions less than actuarial rate	9.7
· expected increase due to amortization method	(0.1)
· investment experience	1.8
· liability experience[1]	(3.3)
· other experience	0.0
· change in actuarial assumptions	(0.8)
· elimination of COLA assumption/reserve	(50.8)
Unfunded Actuarial Accrued Liability, July 1, 2011*	9.2

[1] Liability gain is about 1.3% of total actuarial accrued liability

* Numbers may not add up due to rounding

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

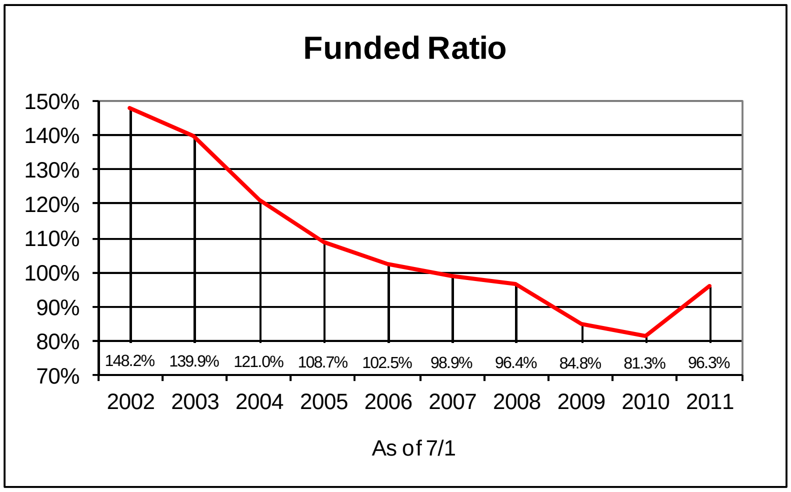
Liability Source	Impact of AAL $(millions)	% of Expected Liability
Salary Increases	(4.08)	(1.63)
Mortality	(0.16)	(0.06)
Termination of Employment	(0.11)	(0.04)
Retirements	0.30	0.12
Disability	(0.26)	(0.10)
New Entrants and Rehires	1.00	0.40
Miscellaneous/Data Changes	0.00	0.00
Total (Gain)/Loss*	(3.30)	(1.32)

*Numbers may not add up due to rounding

A detailed summary of the change in the UAAL is shown in Table 10.

An evaluation of the unfunded actuarial accrued liability on a pure dollar basis may not provide a complete analysis because 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, which is the ratio of the actuarial value of assets to the actuarial accrued liability. The funded status information, on both an actuarial and market value basis, is shown in the following table (in $millions).

	7/1/07	7/1/08	7/1/09	7/1/10	7/1/11
Using Actuarial Value of Assets:					
Funded Ratio	98.9%	96.4%	84.8%	81.3%	96.3%
Unfunded Actuarial Accrued Liability (UAAL)	$2	$9	$40	$53	$9
Using Market Value of Assets:					
Funded Ratio	105.8%	92.6%	70.6%	74.7%	100.6%
Unfunded Actuarial Accrued Liability (UAAL)	($13)	$18	$77	$72	($1)



Until recently, the funded ratio has been above or near 100%, but has been steadily declining. Several factors have contributed to the decline in the funded ratio, including: changes in the benefit provisions, contributions less than the actuarial rate, changes in actuarial assumptions, demographic experience, and investment experience. The increase in 2011 was due to the elimination of the COLA assumption as a result of legislation (HB 2132).

CONTRIBUTION RATES

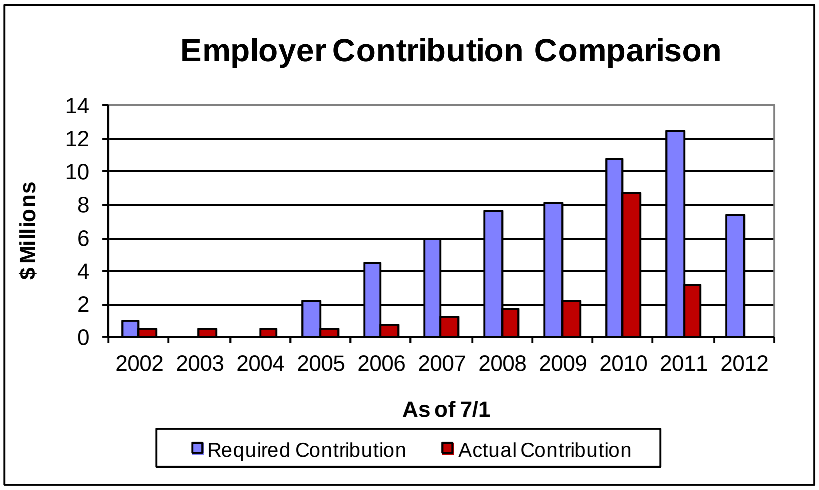
The funding objective of the System is to pay the normal cost rate plus an amount that will pay off the unfunded actuarial accrued liability over a closed 20-year period commencing July 1, 2007.

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.

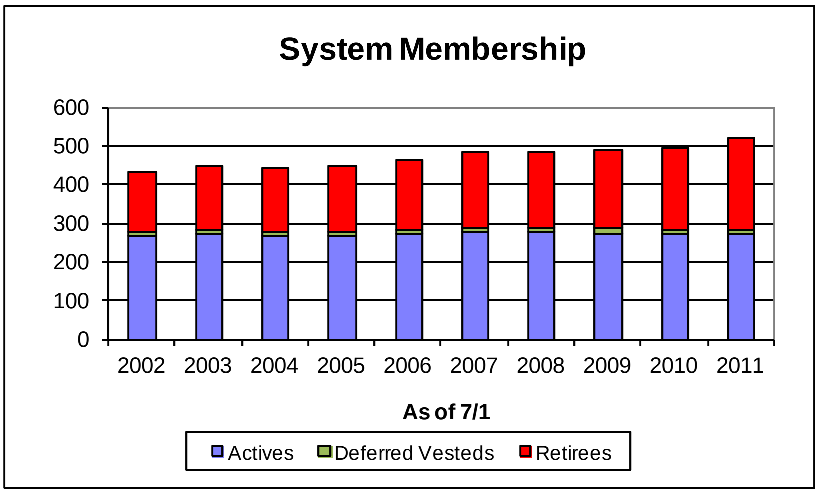
Contributions to the System are made by the members and their employers. Members pay 8.0% of compensation. The employer rate is currently 11.5% and is scheduled to increase each year until it reaches 22.0% for the fiscal year ending June 30, 2019. If all assumptions are met in future years, preliminary projections (described earlier) indicate that the plan's funded ratio will decline slightly, but eventually reach 100%.

The following graph shows the total required employer contribution compared to the amount actually received each year. The actuarial contribution rate, as set out in the funding policy, is equal to the System's normal cost, budgeted expenses, and an amortization of the unfunded actuarial accrued liability over a 20-year closed period beginning July 1, 2007. As of July 1, 2011, 16 years remain in the amortization period.

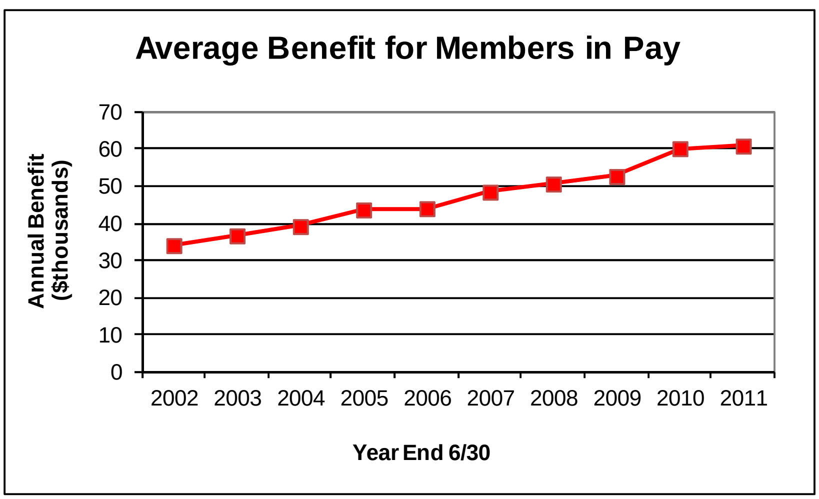


MEMBER INFORMATION

The number of active members included in the valuation stayed level at 271 in the 2011 valuation. The retired member count increased by 25 and the average retirement benefit amount increased. There were 235 retirees and beneficiaries in the 2011 valuation, with an average benefit of $5,015 per month. This represents about a 7.0% increase in the average monthly benefit from the previous year.



The number of active members has been fairly stable over this time period. The number of retirees has increased slightly, which is expected in an ongoing retirement system.



The average benefit for retirees has climbed steadily over the past 10 years as new retirees leave 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 granted by the Legislature have also increased the average benefit during this period.

General Comments

The rate of return on the market value of assets for FY 2011 was over 21%. As a result, the market value of assets is now greater than the actuarial value of assets. In the absence of new losses in future years, the smoothing method is projected to start recognizing net gains in 2012.

The funded ratio of the System improved dramatically (from 81% to 96%) due to the impact of House Bill 2132 which removed COLAs from the definition of "non-fiscal retirement bills" under the Oklahoma Pension Legislation Actuarial Analysis Act (OPLAAA). As a result, the 2% annual COLA assumption was removed and the COLA reserve was eliminated. This had a dramatic impact on the System's funding and resulted in a decrease in the UAL of $52 million and an increase in the funded ratio of 16%.

The statutory employer contribution rate of 11.5% is lower than the actuarial contribution rate shown in this report by nearly 10%. However, the current contribution shortfall is considerably smaller than last year as a result of House Bill 2132 discussed above. The contribution shortfall means that the System is not currently contributing at the level contribution rate to meet the goal of amortizing the unfunded actuarial accrued liability by 2027, although the statutory contribution rate is scheduled to increase each year and reach an ultimate rate of 22% in FY2019 In order to evaluate the long term funding impact of the current increasing statutory contribution rate for URSJJ, we performed a projection of contributions, benefit payments, assets, and actuarial liabilities into the future using standard actuarial methods. This estimated projection of funded status indicated that the current statutory contribution rates will result in the URSJJ being 100% funded in 2027, provided all assumptions are met in the future. Once this valuation is accepted by the Board, Cavanaugh Macdonald will be performing projections that use more sophisticated actuarial modeling techniques. The results of that modeling may vary from the preliminary estimates we made in preparing this report; however, we expect that the general result of the adequacy of the current increasing statutory rates will be confirmed.

For convenience of reference, the principal results of the valuation and a comparison with the preceding year's results are summarized below.

	7/1/2011 Valuation	7/1/2010 Valuation	% Change
1. PARTICIPANT DATA			
Number of:			
Active Members	271	271	0.0
Retired and Disabled Members and Beneficiaries	235	210	11.9
Inactive Members	13	12	8.3
Total members	519	493	5.3
Projected Annual Salaries of Active Members	$ 34,700,819	$ 35,023,262	(0.9)
Annual Retirement Payments for Retired Members and Beneficiaries	$ 14,143,833	$ 11,801,981	19.8
2. ASSETS AND LIABILITIES			
Total Actuarial Accrued Liability	$ 246,792,232	$ 282,765,405	(12.7)
Market Value of Assets	$ 248,189,010	$ 211,180,555	17.5
Actuarial Value of Assets	$ 237,626,663	$ 230,010,299	3.3
Unfunded Actuarial Accrued Liability	$ 9,165,569	$ 52,755,106	(82.6)
Funded Ratio	96.3%	81.3%	18.4
3. EMPLOYER CONTRIBUTION RATES AS A PERCENT OF PAYROLL			
Normal Cost Rate	26.56%	31.66%	
Amortization of Unfunded Actuarial Accrued Liability	2.17%	11.61%	
Budgeted Expenses	0.63%	0.47%	
Total Actuarial Required Contribution Rate	29.36%	43.74%	
Less Member Contribution Rate	8.00%	8.00%	
Employer Actuarial Required Contribution Rate	21.36%	35.74%	
Less Statutory State Employer contribution Rate	11.50%	10.00%	
Contribution Shortfall	9.86%	25.74%	

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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, 2011 the market value of assets for the System was $248 million. Table 1 is a comparison, at market values, of System assets as of July 1, 2011, and July 1, 2010, in total and by investment category. Table 2 summarizes the change in the market value of assets from July 1, 2010 to June 30, 2011.

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’s 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 shows the development of the actuarial value of assets (AVA) as of the valuation date.

Uniform Retirement System For Justices & Judges

Table 1

Analysis of Net Assets at Market Value

	June 30, 2011			June 30, 2010		
	Amount $(millions)		% of Total	Amount $(millions)		% of Total
Cash & Equivalents	$	5.0	2.0%	$	3.0	1.4%
Short-term Investments		0.8	0.3%		1.5	0.7%
Government Obligations		53.1	20.7%		48.4	22.4%
Corporate Bonds		31.4	12.3%		33.5	15.5%
Domestic Equity		104.7	40.9%		83.2	38.4%
International Equity		60.9	23.8%		46.8	21.6%
Subtotal	$	255.9	100.0%	$	216.4	100.0%
Net receivables/(payables)		(7.7)			(5.2)	
Net Assets	$	248.2		$	211.2	

Uniform Retirement System For Justices & Judges

Table 2

Statement of Changes in Net Assets

		Fiscal Year Ended June 30		
		2011		2010
1. Market Value of Net Assets at Beginning of Year	$	211,180,555	$	184,646,816
2. Contributions				
a. Members	$	2,667,908	$	2,599,341
b. Participating Court Employers		3,193,277		8,704,232
c. Total Contributions (2a) + (2b)	$	5,861,185	$	11,303,573
3. Net Investment Income				
a. Net appreciation (depreciation) in fair value of investments	$	42,148,970	$	24,390,695
b. Interest		2,534,867		2,832,603
c. Securities lending activities		29,456		32,665
d. Total investment income/(loss) (3a) + (3b) + (3c)	$	44,713,293	$	27,255,963
e. Investment expenses		(157,258)		(139,481)
f. Net investment income/(loss) (3d) + (3e)		44,556,035		27,116,482
g. Total additions/(subtractions) (2c) + (3f)	$	50,417,220	$	38,420,055
4. Deductions				
a. Retirement, death, and survivor benefits	$	13,117,911	$	11,705,265
b. Refunds and withdrawals		172,089		66,389
c. Administrative expenses		118,765		114,662
d. Total deductions (4a) + (4b) + (4c)	$	13,408,765	$	11,886,316
5. Net Change in Assets (3g) - (4d)		37,008,455		26,533,739
6. Market Value of Net Assets at End of Year (1) + (5)	$	248,189,010	$	211,180,555

Uniform Retirement System For Justices & Judges

Table 3

Determination of 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
2007	$	16,819,375	$	13,455,500	$	3,363,875	$	0
2008		(24,818,650)		(14,891,190)		(4,963,730)		(4,963,730)
2009		(53,183,041)		(21,273,216)		(10,636,608)		(21,273,217)
2010		24,554,582		4,910,916		4,910,916		14,732,750
2011		27,583,180		0		5,516,636		22,066,544
Total	$	(9,044,554)	$	(17,797,990)	$	(1,808,911)	$	10,562,347

Development of Actuarial Value of Assets

1. Actuarial Value as of July 1, 2010	$	230,010,299
2. Contributions		
a. Member	$	2,667,908
b. Employer		3,193,277
c. Total (a) + (b)	$	5,861,185
3. Decreases during year		
a. Benefit payments	$	(13,117,911)
b. Refunds and withdrawals		(172,089)
c. Administrative expenses		(118,765)
d. Total (a) + (b) + (c)	$	(13,408,765)
4. Expected return at 7.5% on:		
a. Item 1	$	17,250,772
b. Item 2 (one-half year)		215,821
c. Item 3 (one-half year)		(493,738)
d. Total (a) + (b) + (c)	$	16,972,855
5. Expected actuarial value as of June 30, 2011 (1) + (2c) + (3d) + (4d)	$	239,435,574
6. Unrecognized asset gain/(loss) as of June 30, 2011	$	(18,829,744)
7. Expected actuarial value as of June 30, 2011 plus previous year's unrecognized gain/(loss) (5) + (6)	$	220,605,830
8. Market Value as of June 30, 2011	$	248,189,010
9. Year end 2011 asset gain/(loss) (8) - (7)	$	27,583,180
10. Asset gain/(loss) to be recognized as of June 30, 2011	$	(1,808,911)
11. Initial Actuarial Value as of June 30, 2011 (5) + (10)	$	237,626,663
12. Constraining values:		
a. 80% of market value (8) x 0.8	$	198,551,208
b. 120% of market value (8) x 1.2	$	297,826,812
13. Actuarial Value as of June 30, 2011 (11), but not less than (12a), nor greater than (12b)	$	237,626,663

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, 2011. In this section, the discussion will focus on the commitments of the System, which are referred to as its liabilities.

Table 4 contains the actuarial present value of all future benefits (PVFB) for contributing members, inactive members, retirees and their beneficiaries.

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 expected to be earned. For all members, active and retired, the value includes 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, 2010. This valuation (July 1, 2011) is the first to use the set of assumptions, as shown in Appendix C. The salary increase assumption and the payroll growth assumption were changed as a result of the Experience Study. The liabilities reflect the benefit structure in place as of July 1, 2011.

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 "break down" 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 contains the calculation of actuarial liabilities for all groups.

Prior to the July 1, 2011 valuation, the System used an assumption of a 2% annual COLA each year in developing liabilities and contribution rates even though the System did not have an automatic COLA provision. Ad hoc COLAs had historically been granted by the Legislature every other year so 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 included a "COLA Reserve". The COLA Reserve was included in the actuarial accrued liability to account for expected cost of living adjustments to the benefits of retired participants that had not been granted by the valuation date. The 2011 Legislature passed House Bill 2132 which removed future COLAs from the definition of a "non-fiscal retirement bill" under the Oklahoma Pension Legislation Actuarial Analysis Act (OPLAAA). As a result, any COLA granted by the Legislature must provide adequate funding to pay for the cost of the benefits. As a result, the liabilities of the System in this valuation have been calculated without an assumption of future COLAs and the COLA Reserve has been eliminated.

Uniform Retirement System For Justices & Judges

Table 4

Present Value of Future Benefits

		Total
1. Active Employees		
a. Retirement Benefit	$	169,229,787
b. Withdrawal Benefit		7,299,196
c. Pre-Retirement Death Benefit		3,595,893
d. Return of Member Contributions		394,528
e. Supplemental Medical Benefit		1,605,519
f. Subtotal	$	182,124,923
2. Inactive Nonvested Members	$	396,667
3. Inactive Vested Members	$	3,729,476
4. Disabled Members	$	1,140,680
5. Retirees	$	115,330,424
6. Beneficiaries	$	12,331,038
7. Supplemental Medical Benefit for Retirees and Inactive Vested Members	$	1,407,967
8. COLA Reserve		0
9. Total PVFB	$	316,461,175

Uniform Retirement System For Justices & Judges

Table 5

Actuarial Accrued Liability

		Total
1. Present Value of Future Benefits for Active Members		
a. Retirement Benefit	$	169,229,787
b. Withdrawal Benefit		7,299,196
c. Pre-Retirement Death Benefit		3,595,893
d. Return of Member Contributions		394,528
e. Supplemental Medical Benefit		1,605,519
f. Subtotal	$	182,124,923
2. Present Value of Future Normal Costs for Active Members		
a. Retirement Benefit	$	61,307,820
b. Withdrawal Benefit		5,568,229
c. Pre-Retirement Death Benefit		1,497,798
d. Return of Member Contributions		664,796
e. Supplemental Medical Benefit		630,300
f. Subtotal	$	69,668,943
3. Present Value of Future Benefits for Inactive Members		134,336,252
4. Total Actuarial Accrued Liability (1f) - (2f) + (3)	$	246,792,232

Uniform Retirement System For Justices & Judges

Table 6

Development of COLA Reserve

1. Reserve as of July 1, 2010	$	5,934,168
2. Interest at 7.5%		445,063
3. Reserve increment		2,576,043
4. Expected reserve as of July 1, 2011 (1) + (2) + (3)	$	8,955,274
5. Change in law (House Bill 2132)		(8,955,274)
6. Actual reserve as of July 1, 2011 (4) - (5), but not less than $0	$	0

In the previous two sections, attention has been focused on the assets and the liabilities of the System. A comparison of Tables 3 and 4 indicates that there is a shortfall in current actuarial assets needed to meet the present value of all future benefits for current members and beneficiaries.

In an active system, there will always be a difference between the assets and the present value of all future benefits. An actuarial valuation determines a schedule of future contributions that will provide for this funding 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 the actuarial assumptions. 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 benefit is allocated 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 UAAL is amortized as a level percent of payroll over a closed 20-year period commencing July 1, 2007. Prior to 2008, the unfunded actuarial accrued liability was amortized as a level dollar amount over a 40-year period from July 1, 1987. Given a stable active workforce, the level percent of payroll amortization method is expected to produce a payment stream that is constant as a percent of covered payroll.

Contribution Rate Summary

The normal cost rate is developed in Table 7. Table 8 develops the contribution rate for amortization of the unfunded actuarial accrued liability. Table 9 develops the total actuarial contribution rate.

Uniform Retirement System For Justices & Judges

Table 7

Normal Cost Contribution Rates
As Percentages of Salary

		Total	% of Pay
1. Normal Cost			
a. Retirement Benefit	$	8,185,878	23.58%
b. Withdrawal Benefit		641,477	1.85%
c. Pre-Retirement Death Benefit		199,613	0.58%
d. Return of Member Contributions		92,714	0.27%
e. Supplemental Medical Benefit		98,303	0.28%
f. Total	$	9,217,985	26.56%
2. Estimated Payroll for the Year	$	34,700,819	
3. Normal Cost Rate (1f)/(2)		26.56%	

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Table 8

Unfunded Actuarial Accrued Liability Contribution Rate

1. Actuarial Present Value of Future Benefits	$	316,461,175
2. Actuarial Present Value of Future Normal Costs		69,668,943
3. Actuarial Accrued Liability (1) - (2)	$	246,792,232
4. Actuarial Value of Assets		237,626,663
5. Unfunded Actuarial Accrued Liability (UAAL) (3) - (4)	$	9,165,569
6. Amortization of UAAL over 20 years from July 1, 2007 (assumed mid-year) *	$	752,512
7. Total Estimated Payroll for Year Ending June 30, 2012	$	34,700,819
8. Amortization as a Percent of Payroll		2.17%

*The UAAL is amortized as a level percent of payroll, assuming payroll increases 4.0% per year

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Table 9

Actuarial Contribution Rate

	July 1	
	2011	2010
1. Total Normal cost Rate	26.56%	31.66%
2. Amortization of UAAL[1]	2.17%	11.61%
3. Budgeted Expenses[2]	0.63%	0.47%
4. Total Actuarial Contribution Rate (1) + (2) + (3)	29.36%	43.74%
5. Member Contribution Rate	8.00%	8.00%
6. Employer Actuarial Contribution Rate (4) - (5)	21.36%	35.74%

[1] Amortization of UAAL is a level percent of payroll

[2] Provided by the system

Uniform Retirement System For Justices & Judges

Table 10

Calculation of Actuarial Gain/(Loss)

1. Expected actuarial accrued liability		
a. Actuarial accrued liability at July 1, 2010	$	282,765,405
b. Normal cost at July 1, 2010		11,090,075
c. Benefit payments for fiscal year ending June 30, 2011		(13,290,000)
d. Interest on (a), (b), and (c)		21,126,400
e. Change in assumptions		(759,201)
f. Change in COLA assumption/reserve (House Bill 2132)		(50,838,197)
g. Expected actuarial accrued liability as of July 1, 2011 (a) + (b) + (c) + (d) + (e) + (f)	$	250,094,482
2. Actuarial accrued liability at July 1, 2011	$	246,792,232
3. Actuarial accrued liability gain/(loss) (1g) - (2)	$	3,302,250
4. Expected actuarial value of assets		
a. Actuarial value of assets at July 1, 2010	$	230,010,299
b. Contributions for fiscal year ending June 30, 2011		5,861,185
c. Benefit payments and administrative expenses for fiscal year ending June 30, 2011		(13,408,765)
d. Interest on (a), (b), and (c)		16,972,855
e. Expected actuarial value of assets as of July 1, 2011 (a) + (b) + (c) + (d)	$	239,435,574
5. Actuarial value of assets at July 1, 2011	$	237,626,663
6. Actuarial value of assets gain/(loss) (5) - (4e)	$	(1,808,911)
7. Net actuarial gain/(loss) (3) + (6)	$	1,493,339

Uniform Retirement System For Justices & Judges

Table 11

Summary of Contribution Requirements

	Actuarial Valuation as of		
	July 1, 2011	July 1, 2010	Percent Change
1. Expected annual payroll	$ 34,700,819	$ 35,023,262	(0.92%)
2. Total normal cost	$ 9,217,985	$ 11,090,075	(16.88%)
3. Unfunded actuarial accrued liability	$ 9,165,569	$ 52,755,106	(82.63%)
4. Amortization of unfunded actuarial accrued liability over 20 years from July 1, 2007*	$ 752,512	$ 4,067,042	(81.50%)
5. Budgeted expenses (provided by the System)	$ 218,301	$ 163,298	33.68%
6. Total required contribution (2) + (4) + (5)	$ 10,188,798	$ 15,320,415	(33.50%)
7. Estimated member contributions	$ 2,776,066	$ 2,801,861	(0.92%)
8. Required employer contribution (6) - (7)	$ 7,412,732	$ 12,518,554	(40.79%)
9. Previous year's actual contribution			
a. Member	$ 2,667,908	$ 2,599,341	2.64%
b. Employer	3,193,277	8,704,232	(63.31%)
c. Total	$ 5,861,185	$ 11,303,573	(48.15%)

*Amortization of UAAL is a level percent of payroll.

Uniform Retirement System For Justices & Judges

Governmental Accounting Standards Board Statement No. 25, Financial Reporting for Defined Benefit Pension Plans as amended by GASB 50, (referred to as GASB 25), establishes financial reporting standards for defined benefit pension plans. In addition to the 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 FASB Statement No. 35 and an exhibit showing the expected benefit payments for the System.

Uniform Retirement System For Justices & Judges

Table 12

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)
7/1/2006	$210,376,209	$205,302,048	($5,074,161)	102.5%	$27,488,381	(18.5%)
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%
7/1/2009	221,576,179	261,396,022	39,819,843	84.8%	33,579,668	118.6%
7/1/2010	230,010,299	282,765,405	52,755,106	81.3%	35,023,262	150.6%
7/1/2011	237,626,663	246,792,232	9,165,569	96.3%	34,700,819	26.4%

Valuation Date	July 1, 2011
Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percent of Pay, Closed
Remaining Amortization Period	16 Years
Asset Valuation Method	5 Year Moving Average (see Appendix C)
Actuarial Assumptions:	
Investment Rate of Return	7.5%
Projected Salary Increases	5.25%
Cost of Living Adjustment	0%

Uniform Retirement System For Justices & Judges

Table 13

Accounting Information for GASB 25

Schedule of Employer Contributions

For Fiscal Year Ended June 30

Year End	Annual Required Contribution	Percentage Contributed
2006	$ 4,441,184	17.8%
2007	5,936,316	20.6%
2008	7,615,245	22.2%
2009	8,169,214	27.5%
2010	10,778,833	80.8%
2011	12,518,554	25.5%

Uniform Retirement System For Justices & Judges

Table 13a

Accounting Information for GASB 27

	Fiscal Year End	
	June 30, 2012	June 30, 2011
Annual Required Contribution	$ 7,412,732	$ 12,518,554
Interest on Net Pension Obligation	1,326,455	628,375
Adjustment to Annual Required Contribution	(1,452,063)	(645,910)
Annual Pension Cost	$ 7,287,124	$ 12,501,019
Actual Contribution	*	3,193,277
Increase in Net Pension Obligation	*	9,307,742
Beginning of Year Net Pension Obligation	$ 17,686,073	$ 8,378,331
End of Year Net Pension Obligation	*	17,686,073
Interest Rate	7.50%	7.50%
Amortization Period	16	17
Amortization Factor	12.1800	12.9714

* Not available until the end of the fiscal year

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Table 14

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.

	July 1	
	2011	2010
Vested benefits		
Active members	$ 76,544,706	$ 85,624,735
Vested terminated members	3,729,476	3,227,083
Unclaimed contributions	396,667	521,580
Retirees and beneficiaries	128,802,142	108,836,054
Supplemental medical insurance premiums	2,516,060	2,445,328
Total vested benefits	$ 211,989,051	$ 200,654,780
Nonvested benefits for active members	$ 9,901,904	$ 9,191,445
Total accumulated benefits	$ 221,890,955	$ 209,846,225
Market value of assets available for benefits	$ 248,189,010	$ 211,180,555
Funded ratio	111.9%	100.6%
Number of members		
Vested members		
Active members	146	157
Vested terminated members	13	12
Retirees and beneficiaries	235	210
Total vested members	394	379
Nonvested active members	125	114
Total members	519	493

Uniform Retirement System For Justices & Judges

Table 14 (continued)

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 benefit as of July 1, 2010	$	209,846,225
Increase/(decrease) during the year attributable to:		
Benefits accrued and (gains)/losses		10,085,628
Increase due to interest		15,249,102
Benefits paid		(13,290,000)
Plan provision change		0
Net increase/(decrease)	$	12,044,730
Present value of accrued benefit as of July 1, 2011	$	221,890,955

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Table 15

Projected Benefit Payments

The table below shows estimated benefits expected to be paid over the next ten years, based on the assumptions used in the valuation. The “Actives” column shows benefits expected to be paid to members currently active on July 1, 2011. The “Retirees” column shows benefits expected to be paid to all other members. This includes those who, as of July 1, 2011, 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
2012	$ 1,445,000	$ 14,044,000	$ 15,489,000
2013	2,646,000	13,751,000	16,397,000
2014	3,798,000	13,566,000	17,364,000
2015	5,188,000	13,275,000	18,463,000
2016	6,689,000	12,977,000	19,666,000
2017	8,192,000	12,614,000	20,806,000
2018	9,555,000	12,265,000	21,820,000
2019	10,976,000	11,888,000	22,864,000
2020	12,493,000	11,570,000	24,063,000
2021	13,900,000	11,234,000	25,134,000

Supplemental Medical Premium Benefits

Year Ending June 30	Actives	Retirees	Total
2012	$ 17,000	$ 167,000	$ 184,000
2013	33,000	161,000	194,000
2014	48,000	157,000	205,000
2015	64,000	152,000	216,000
2016	83,000	145,000	228,000
2017	98,000	139,000	237,000
2018	112,000	133,000	245,000
2019	126,000	127,000	253,000
2020	139,000	123,000	262,000
2021	150,000	119,000	269,000

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Following is a summary of the major System provisions used to determine the System's financial position as of July 1, 2011.

Effective date and authority	Laws 1968, c. 128 The System is provided for under Chapter 16, Sections 1101-1112 of Title 20 of the Oklahoma Statutes.
Administration	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 administration of the System.
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.
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.
Employer contributions	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 years 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.
Service considered	Any justice or judge who becomes a member of the System when first eligible will receive credit for all years of service with the Supreme Court, Court of Criminal Appeals, Workers' Compensation Court, Court of Appeals, or District Court within the State of Oklahoma.

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Compensation considered	Salary received by the justice or judge while serving in the referenced courts.
Final average salary	The average monthly salary received during the thirty-six highest months of active service as a Justice or Judge.
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 in entitled only to a return of his/her accumulated contributions without interest.
Normal retirement	A member who completes eight years of service and attains age 65, or completes ten (10) years of service and attains age 60, or completes eight (8) 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. For judges taking office after January 2012, retirement age is age 67 with eight (8) years of service or age 62 with ten (10) years of service. The benefit, payable monthly for the life of the member, is equal to 4% of average monthly salary multiplied by the number of years in 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.
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),

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Survivor coverage (continued)	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 the 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. 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 the 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.

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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	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 System are paid from the retirement trust fund.

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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 the “funding method,” this is a particular technique used by actuaries for establishing the amount of the annual actuarial cost of pension 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 actuarial 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;

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- 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 commencing 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.

Valuation Procedures

The actuarial accrued liability 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, is equal to the amount of the individual's unclaimed contributions.

The wages used in the projection of benefits and liabilities are actual earnings for the year ending June 30, 2011 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 reported for 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.

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Economic Assumptions

Investment Return: 7.5% net of investment expenses per annum, compounded annually

Salary Increases: 5.25% per year

Payroll Growth: 4.0% per year

Ad hoc benefit increase assumption:
- **Monthly benefits** 2% per year
- **Medical supplement** No increases assumed

Projection of 410(a)(17) compensation limit Projected with inflation at 3.0%

Demographic Assumptions

Retirement age:

Active members

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

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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.
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:	
Provisions for expenses	Administrative expenses, as 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.

Uniform Retirement System For Justices & Judges

	Actuarial Valuation as of 7/1/2011	Actuarial Valuation as of 7/1/2010	% Change
1. Active members			
a. Number	271	271	0.0%
b. Annual compensation	$ 34,700,819	$ 35,023,262	(0.9%)
c. Average annual compensation	$ 128,047	$ 129,237	(0.9%)
d. Average age	56	57	(1.9%)
e. Average service	11	12	(9.8%)
2. Accumulated member contributions			
a. Active members	$ 20,060,127	$ 20,976,808	(4.4%)
b. Unclaimed contribution amounts	$ 396,667	$ 521,580	(23.9%)
c. Total	$ 20,456,794	$ 21,498,388	(4.8%)
3. Vested terminated members			
a. Number	13	12	8.3%
b. Annual deferred benefits	$ 548,663	$ 485,361	13.0%
c. Average annual deferred benefit	$ 42,205	$ 40,447	4.3%
d. Annual supplemental medical insurance premiums	$ 16,380	$ 15,120	8.3%
4. Retired members			
a. Number	177	157	12.7%
b. Annual retirement benefits	$ 12,372,729	$ 10,484,788	18.0%
c. Average annual retirement benefit	$ 69,902	$ 66,782	4.7%
d. Annual supplemental medical insurance premiums	$ 165,060	$ 146,160	12.9%
5. Beneficiaries			
a. Number	56	51	9.8%
b. Annual retirement benefits	$ 1,539,200	$ 1,201,241	28.1%
c. Average annual retirement benefit	$ 27,486	$ 23,554	16.7%
6. Disabled members			
a. Number	2	2	0.0%
b. Annual retirement benefits	$ 115,952	$ 115,952	0.0%
c. Average annual retirement benefit	$ 57,976	$ 57,976	0.0%
d. Annual supplemental medical insurance premiums	$ 2,520	$ 2,520	0.0%
7. Total members included in valuation	519	493	5.3%

Uniform Retirement System For Justices & Judges

	Active Members	Vested Terminated	Receiving Benefits: Retirees	Receiving Benefits: Disability Retirees	Receiving Benefits: Benefici-aries	Total Members
As of July 1, 2010	**271**	**12**	**157**	**2**	**51**	**493**
Age retirements	(26)	(1)	27	0	0	0
Disability retirements	0	0	0	0	0	0
Deaths without payments continuing	(1)	0	(1)	0	(2)	(4)
Deaths with payments continuing	0	0	(6)	0	7	1
Nonvested terminations/refund of contributions	(1)	0	0	0	0	(1)
Vested terminations	(2)	2	0	0	0	0
Transfers	0	0	0	0	0	0
Data adjustments	0	0	0	0	0	0
Rehires	2	0	0	0	0	2
New entrants during the year	28	0	0	0	0	28
Net change	0	1	20	0	5	26
As of July 1, 2011	**271**	**13**	**177**	**2**	**56**	**519**

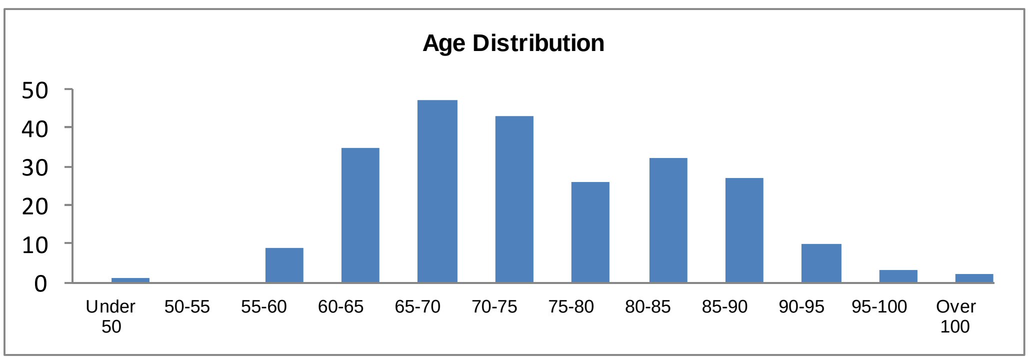
Uniform Retirement System For Justices & Judges

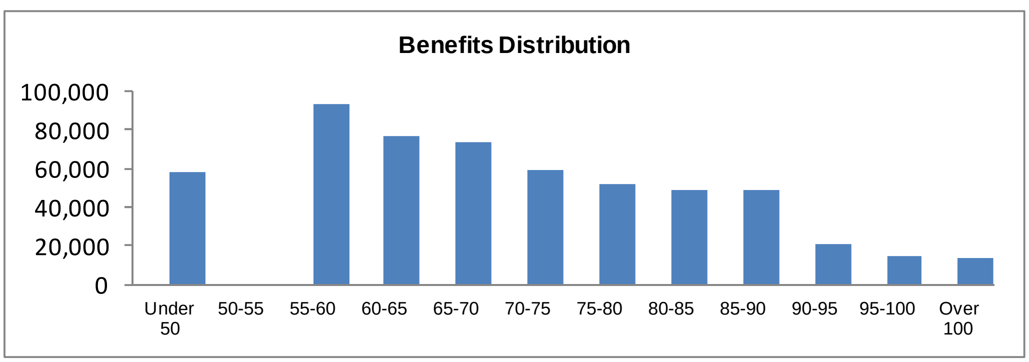
	Active	Retired	Vested Terminated	Total
Records submitted on data file	271	397	13	681
Remove deceased retirees	0	(162)	0	(162)
Remove unusable data	0	0	0	0
Remove those with another status	0	0	0	0
Add those with no application	0	0	0	0
Add assumed vesteds	0	0	0	0
Total valued	**271**	**235**	**13**	**519**

Uniform Retirement System For Justices & Judges

Retirees, Beneficiaries, & Disableds

Age	Number			Annual Benefits		
	Male	Female	Total	Male	Female	Total
Under 50	0	1	1	$ 0	$ 58,689	$ 58,689
50-55	0	0	0	0	0	0
55-60	6	3	9	649,825	192,704	842,530
60-65	26	9	35	2,118,617	579,016	2,697,633
65-70	33	14	47	2,611,968	867,027	3,478,995
70-75	37	6	43	2,312,444	236,573	2,549,018
75-80	19	7	26	1,166,425	175,425	1,341,850
80-85	24	8	32	1,370,423	201,226	1,571,649
85-90	16	11	27	1,064,188	260,169	1,324,357
90-95	2	8	10	97,069	109,619	206,688
95-100	0	3	3	0	45,236	45,236
Over 100	0	2	2	0	27,188	27,188
Total	163	72	235	$ 11,390,960	$ 2,752,873	$ 14,143,833





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Accrued Benefit

The amount of an individual's benefit (whether or not vested) as of a specific date, determined in accordance with the terms of a pension plan and based on compensation and service to that date.

Actuarial Accrued Liability

That portion, as determined by a particular Actuarial Cost Method, of the Actuarial Present Value of pension plan benefits and expenses which is not provided for by future Normal Costs.

Actuarial Assumptions

Assumptions as to the occurrence of future events affecting pension costs, such as: mortality, withdrawal, disablement, and retirement; changes in compensation, rates of investment earnings, and asset appreciation or depreciation; procedures used to determine the Actuarial Value of Assets; and other relevant items.

Actuarial Cost Method

A procedure for determining the Actuarial Present Value of pension plan benefits and expenses and for developing an actuarially equivalent allocation of such value to time periods, usually in the form of a Normal Cost and an Actuarial Accrued Liability.

Actuarial Gain (Loss)

A measure of the difference between actual experience and that expected based upon a set of Actuarial Assumptions during the period between two Actuarial Valuation dates, as determined in accordance with a particular Actuarial Cost Method.

Actuarial Present Value

The value of an amount or series of amounts payable or receivable at various times, determined as of a given date by the application of a particular set of Actuarial Assumptions.

Actuarial Valuation

The determination, as of a valuation date, of the Normal Cost, Actuarial Accrued Liability, Actuarial Value of Assets, and related Actuarial Present Values for a pension plan.

Actuarial Value of Assets

The value of cash, investments and other property belonging to a pension plan, as used by the actuary for the purpose of an Actuarial Valuation.

Actuarially Equivalent

Of equal Actuarial Present Value, determined as of a given date with each value based on the same set of Actuarial Assumptions.

Amortization Payment

That portion of the pension plan contribution which is designed to pay interest on and to amortize the Unfunded Actuarial Accrued Liability.

Deferred Vested Participant

A vested member who has terminated employment prior to early or normal retirement age who does not withdraw his or her contributions and is, therefore, due a retirement benefit at a later date.

Entry Age Actuarial Cost Method

A method under which the Actuarial Present Value of the Projected Benefits of each individual included in an Actuarial Valuation is allocated on a level basis over the earnings of the individual between entry age and assumed exit ages. The portion of this Actuarial Present Value allocated to a valuation year is called the Normal Cost. The portion of this Actuarial Present Value not provided for at a valuation date by the Actuarial Present Value of future Normal Costs is called the Actuarial Accrued Liability.

Market Value of Assets

The fair value of cash, investments and other property belonging to a pension plan that could be acquired by exchanging them on the open market.

Normal Cost

That portion of the Actuarial Present Value of pension plan benefits and expenses which is allocated to a valuation year by the Actuarial Cost Method Projected Benefits

Projected Benefits

Those pension plan benefit amounts which are expected to be paid at various future times under a particular set of Actuarial Assumptions, taking into account such items as the effect of advancement in age and past and anticipated future compensation and service credits.

Unaccrued Benefit

The excess of an individual's Projected Benefits over the Accrued Benefits as of a specified date.

Unfunded Actuarial Accrued Liability

The excess of the Actuarial Accrued Liability over the Actuarial Value of Assets.

Withdrawal Liability

The liability due to an active member terminating employment with a deferred vested benefit.