

# 2016

UNIFORM RETIREMENT SYSTEM FOR JUSTICES AND JUDGES

## BY THE NUMBERS

Popular Annual Financial Report for the Fiscal Year Ended June 30, 2016

### COMPREHENSIVE ANNUAL FINANCIAL REPORT ONLINE

The 2016 Popular Annual Financial Report of the Uniform Retirement System for Justices and Judges (URSJJ) contains summary financial information from the 2016 Comprehensive Annual Financial Report. The full report may be viewed, in its entirety online, at [www.opers.ok.gov/publications](http://www.opers.ok.gov/publications).

The logo for the Uniform Retirement System for Justices and Judges (URSJJ) is displayed in a yellow oval with a black border. The text "URSJJ" is written in a bold, red, sans-serif font.

Dear Esteemed Member:

We are pleased to bring you the Popular Annual Financial Report for the Uniform Retirement System for Justices and Judges (URSJJ) for the fiscal year ended June 30, 2016. This report contains summary financial information from the 2016 Comprehensive Annual Financial Report (CAFR) written in layman's terms.

The theme of this year's CAFR is "By the Numbers" and is dedicated to telling a visual story of our retirement system and membership.

Understanding and managing numbers is a nonstop responsibility for us at the URSJJ. We work tirelessly with this information each day to ensure the long-term financial health of your retirement system. Contributions, investment returns, service and salary information, and actuarial data are just a handful of the numbers, statistics, and variables we use to keep our promises to you.

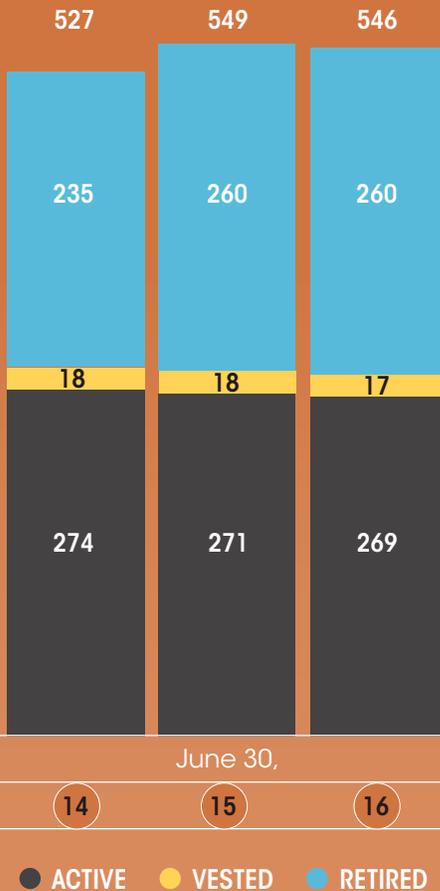
Through prudent management and effective decision-making by our legislature and the Board of Trustees, these numbers illustrate the tremendous growth of our system.

We hope you find this report informative.

Sincerely,

Joseph A. Fox  
*Executive Director*

## DEMOGRAPHICS CHART



## ABOUT URSJJ

The URSJJ is a single-employer public employee retirement plan established in 1968 by the Oklahoma Legislature. The Plan covers Justices and Judges who sit on the Supreme Court of Oklahoma, the Oklahoma Court of Criminal Appeals, the Oklahoma Courts of Civil Appeals, the Oklahoma District Courts and the Oklahoma Workers' Compensation Court, as well as the Administrative Director of the Courts. As of June 30, 2016, the Plan's membership includes 269 active members, 17 inactive members, and 260 retirees and beneficiaries.

## NET POSITION

Net position represents assets less liabilities held in trust for payment of monthly retirement benefits and other qualified distributions to URSJJ members. A summary of net position restricted for pensions on June 30, 2016, 2015, and 2014, is shown below. As of June 30, 2016, URSJJ net position was approximately \$293 million.

## Condensed Schedules of Fiduciary Net Position

(\$ millions)

	June 30		
	2016	2015	2014
<b>Assets:</b>			
Cash and cash equivalents	\$ 3.9	\$ 3.3	\$ 1.6
Receivables	9.8	9.7	9.7
Investments	295.7	306.6	303.9
Securities lending collateral	8.7	15.1	13.9
Total assets	318.1	334.7	329.1
<b>Liabilities:</b>			
Other liabilities	15.7	18.3	13.7
Securities lending collateral	8.7	15.1	13.9
Total liabilities	24.4	33.4	27.6
Ending net position restricted for pensions	\$ 293.7	\$ 301.3	\$ 301.5

## CHANGES IN FIDUCIARY NET POSITION

The URSJJ is funded through a combination of member contributions, employer contributions and investment earnings. For the year ended June 30, 2016, fiduciary net position decreased \$7.6 million, or 2.5%. Total assets decreased by \$16.6 million, or 5.0%, due to a decrease of 3.5% in investments and a decrease of 42.5% in securities lending collateral, partially offset by an increase of 18.7% in cash and cash equivalents. Total liabilities decreased 27.0% primarily due to a 42.5% decrease in securities lending collateral and a 14.1% decrease in pending purchases of securities.

Deductions to fiduciary net position are incurred primarily for the purpose for which the URSJJ was created, namely the payment of benefits to retirees. Fiscal year 2016 showed a \$6.2 million decrease in total additions and a \$1.2 million increase in total deductions. Compared to the prior year, additions decreased 38.5% due to a decrease in the fair value of investments of \$7.0 million. The 7.1% increase in total deductions was primarily due to a 6.9% increase in retirement benefits. Administrative costs were 3.9% more when compared to the prior year due to a 0.4% increase in the allocation percentage.

### Condensed Schedules of Changes in Fiduciary Net Position

(\$ millions)	June 30		
	2016	2015	2014
Member contributions	\$ 2.7	\$ 2.7	\$ 2.5
State and local agency contributions	5.8	5.3	4.6
Net investment income	1.4	8.2	46.2
<b>Total additions</b>	<b>9.9</b>	<b>16.2</b>	<b>53.3</b>
Retirement, death and survivor benefits	17.2	16.1	14.9
Refunds and withdrawals	0.2	0.1	0.1
Administrative expenses	0.1	0.1	0.1
<b>Total deductions</b>	<b>17.5</b>	<b>16.3</b>	<b>15.1</b>
<b>Net (decrease) increase in net position</b>	<b>\$ (7.6)</b>	<b>\$ (0.1)</b>	<b>\$ 38.2</b>

### BENEFITS PAID TO MEMBERS

Participants who became members prior to January 1, 2012, qualify for full retirement benefits at the earliest of the following: age 65 with eight years of judicial service; age 60 with 10 years of judicial service; or, when the sum of at least eight years of credited service and age equals or exceeds 80. Participants who became members on or after January 1, 2012, qualify at age 67 with eight years of judicial service, or at age 62 with 10 years of judicial service.

The *Schedule of Benefit Payments* to the right provides information on the total benefit expenses incurred by the Plan consisting of age and service, disability, and beneficiary death benefits.

### INVESTMENTS

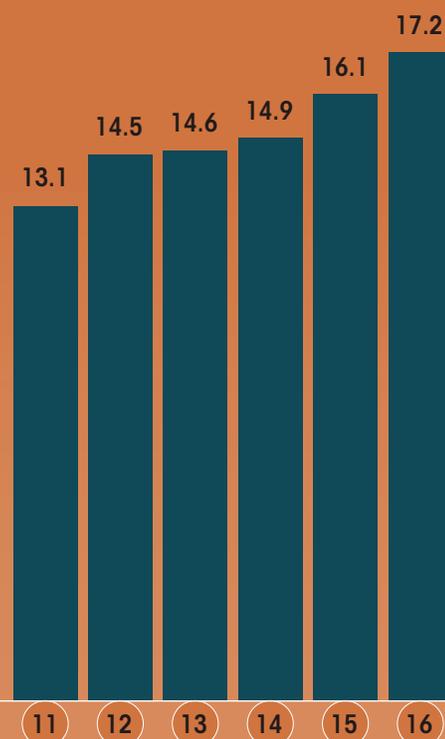
The Board of Trustees adheres to the highest standard in making investment decisions for the Plan – the Prudent Investor Rule. The Board and its advisors invest the Plan’s assets for the sole interest of our membership and their beneficiaries. In addition, funds are to be diversified to minimize the risk of large losses, unless under the circumstances it is clearly prudent not to do so. The Plan’s overall investment return for the year ended June 30, 2016, was 0.6 percent. The decrease in the Plan’s managed investments is reflective of the decrease in fixed income and domestic equity markets for the year. The *Rate of Return* table to the right reflects overall investment returns for the Plan over the past five fiscal years.

The Board of Trustees has established the *Statement of Investment Policy* to guide investment decisions and outline the overall investment philosophy of the Plan. The investment philosophy is supported by three main pillars: identifying the importance of asset allocation and rebalancing; diversification of the asset base as the primary risk control element; and, controlling costs through passive investment management where most appropriate.

The Board engages outside investment managers to manage the various asset classes where URSJJ has exposure. At fiscal year end, the investment portfolio of URSJJ was actively managed by three fixed income managers and passively managed by another investment manager with holdings in one fixed income index fund, two domestic equity index funds and one international equity index fund. For fiscal year 2016, investments provided a 0.6 percent rate of return. The

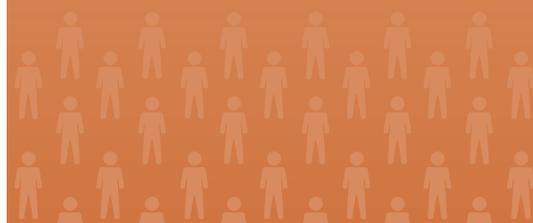
### SCHEDULE OF BENEFIT PAYMENTS

(\$ millions)



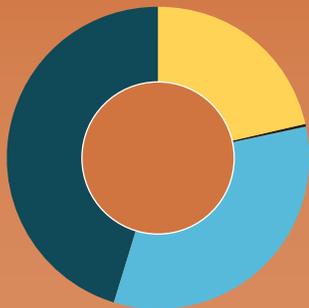
### RATE OF RETURN

Year Ended June 30,	Total
2016	0.6 %
2015	2.8
2014	17.7
2013	11.5
2012	1.9

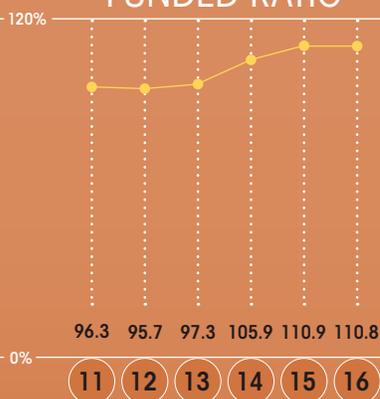


## ASSET MIX

- 21.6% ● International Equities
- 0.2% ● Cash
- 33.1% ● Fixed Income
- 45.1% ● U.S. Equities



## FUNDED RATIO



annualized rate of return for URSJJ was 6.8 percent over the last three years and 6.7 percent over the last five years. At June 30, 2016, the allocation of the investment portfolio is shown in the *Asset Mix* chart to the left.

## FUNDING

A pension fund is well funded when it has enough money in reserve to meet all expected future obligations to participants. It must also have a revenue source sufficient to keep up with future obligations. The funding objective for URSJJ is to meet long-term benefit promises through contributions that remain approximately level as a percent of member payroll. The greater the level of funding, the larger the ratio of assets accumulated to the actuarial accrued liability and the greater the level of investment potential. The advantage of a well-funded plan is that the participants can look at assets that are committed to the payment of benefits. The actuarial accrued liability and actuarial value of assets as of July 1, 2016 amounted to \$276.4 million and \$306.3 million, respectively.

The URSJJ funded ratio had been steadily declining from 2002 to 2010, falling below 100 percent for the first time at July 1, 2007 and declining further to 81.3 percent at July 1, 2010 before rebounding significantly to 96.3 percent at July 1, 2011 due to the removal of the cost-of-living-adjustment (COLA) assumption, and increased further to 110.8 percent as of July 1, 2016. In part this overall decline was due to an employer contribution rate decrease in January 2001 and the lifting of the salary cap for benefit calculation for the past seven years. Effective July 1, 2005, in an effort to address the decline, the employer rate was increased 1.0 percent annually for two years, and at July 1, 2007 it was increased 1.5 percent annually up to 22.0 percent for fiscal years ending 2019 and thereafter. The *Funded Ratio* chart to the left shows the change in funded status over the past six fiscal years.

## THE URSJJ AWARDED FOR EXCELLENCE IN FINANCIAL REPORTING

The Government Finance Officers Association of the United States and Canada (GFOA) has given an *Award for Outstanding Achievement in Popular Annual Financial Reporting* to the Uniform Retirement System for Justices and Judges for its Popular Annual Financial Report for the fiscal year ended June 30, 2015. The Award for Outstanding Achievement is a prestigious national award recognizing conformance with the highest standards for preparation of state and local government popular reports.

To receive an Award for Outstanding Achievement in Popular Annual Financial Reporting, a government unit must publish a Popular Annual Financial Report, whose contents conform to program standards of creativity, presentation, understandability and reader appeal. An Award for Outstanding Achievement in Popular Annual Financial Reporting is valid for a period of one year only. We believe our current report continues to conform to the award requirements, and we are submitting it to GFOA. This is the second year the URSJJ has received this award.

The GFOA is a nonprofit professional association serving approximately 17,500 government finance professionals with offices in Chicago, IL, and Washington, D.C.