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GASB STATEMENT NO. 74 REPORT

FOR THE STATE OF OKLAHOMA

UNIFORM RETIREMENT SYSTEM FOR

JUSTICES & JUDGES

PREPARED AS OF JUNE 30, 2018





Cavanaugh Macdonald

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October 9, 2018

Mr. Joseph Fox
Executive Director
Oklahoma Public Employees Retirement System
5400 N. Grand Boulevard, Suite 400
Oklahoma City, OK 73112

Dear Mr. Fox:

Presented in this report is information to assist the Uniform Retirement System for Justices and Judges in meeting the requirements of the Governmental Accounting Standards Board (GASB) Statement No. 74 for the June 30, 2018 Measurement Date. The calculations in this report have been made on a basis that is consistent with our understanding of this accounting standard (GASB 74).

The annual actuarial valuation performed as of July 1, 2018 was used as the basis for much of the information presented as of June 30, 2018 in this report. The valuation was based upon data, furnished by the Uniform Retirement System for Justices and Judges' staff, concerning active, inactive and retired members along with pertinent financial information. This information was reviewed for completeness and internal consistency, but was not audited by us. The valuation results depend on the integrity of the data. If any of the information is inaccurate or incomplete our results may be different and our calculations may need to be revised. Please see the actuarial valuation for additional details on the funding requirements for the System including actuarial assumptions and methods and the funding policy.

To the best of our knowledge, the information contained in this report is complete and accurate. The calculations were performed by qualified actuaries according to generally accepted actuarial principles and practices, as well as in conformity with Actuarial Standards of Practice issued by the Actuarial Standards Board. The calculations are based on the current provisions of the System, and on actuarial assumptions that are internally consistent and individually reasonable based on the actual experience of the System. In addition, the calculations were completed in compliance with applicable law and, in our opinion, meet the requirements of GASB 74.



Mr. Joseph Fox
October 9, 2018
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These results are only for financial reporting and may not be appropriate for funding purposes or other types of analysis. Calculations for purposes other than satisfying the requirements of GASB 74 may produce significantly different results. Future actuarial results may differ significantly from the current results presented in this report due to such factors as changes in plan experience or changes in economic or demographic assumptions.

We, Alisa Bennett, FSA and Brent A. Banister, FSA, are members of the American Academy of Actuaries and meet the Qualification Standards to render the actuarial opinion contained herein. 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.

Respectfully submitted,

A handwritten signature in blue ink that reads 'Alisa Bennett'.

Alisa Bennett, FSA, EA, FCA, MAAA
Principal and Consulting Actuary

A handwritten signature in blue ink that reads 'Brent A. Banister'.

Brent A. Banister, PhD, FSA, EA, FCA, MAAA
Chief Actuary



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REPORT OF THE ANNUAL GASB STATEMENT NO. 74

UNIFORM RETIREMENT SYSTEM FOR JUSTICES AND JUDGES

SUMMARY OF PRINCIPAL RESULTS

Valuation Date (VD):	July 1, 2018
Prior Measurement Date:	June 30, 2017
Measurement Date (MD):	June 30, 2018
Membership Data:	
Retirees and Beneficiaries	144
Inactive Vested Members	14
Inactive Nonvested Members	0
Active Employees	<u>265</u>
Total	423
Single Equivalent Interest Rate (SEIR):	
Long-Term Expected Rate of Return	7.00%
Municipal Bond Index Rate at Prior Measurement Date	3.56%
Municipal Bond Index Rate at Measurement Date	3.89%
Year in which Fiduciary Net Position is Projected to be Depleted	N/A
Single Equivalent Interest Rate at Prior Measurement Date	7.00%
Single Equivalent Interest Rate at Measurement Date	7.00%
Net OPEB Liability/(Asset):	
Total OPEB Liability (TOL)	\$2,724,325
Fiduciary Net Position (FNP)	<u>3,138,717</u>
Net OPEB Liability/(Asset) (NOL = TOL – FNP)	(\$414,392)
FNP as a percentage of TOL	115.21%



INTRODUCTION

The Governmental Accounting Standards Board issued Statement No. 74 (GASB 74), “*Financial Reporting for Postemployment Benefit Plans other than Pension Plans*”, in June 2015. The effective date for reporting under GASB 74 for the Uniform Retirement System for Justices and Judges was fiscal year end June 30 2017.

This report, prepared as of June 30, 2018 (the Measurement Date), presents information to assist the Uniform Retirement System for Justices and Judges in meeting the requirements of GASB 74. Much of the material provided in this report is based on the data, assumptions and results of the annual actuarial valuation of the System performed as of July 1, 2018 (the Valuation Date). The results of that valuation were detailed in a report dated October 9, 2018.

GASB 74 replaces GASB 43, and represents a significant departure from the requirements of the prior statement. GASB 43 was issued as a “funding friendly” statement that required postemployment benefit plans other than pension plans (OPEB) to report items consistent with the results of the plan’s actuarial valuations, as long as those valuations met certain parameters. GASB 74 basically separates accounting from funding by creating disclosure and reporting requirements that may or may not be consistent with the basis used for funding the Plan.

A major change in GASB 74 is the requirement to determine the Total OPEB Liability (TOL) utilizing the Entry Age Normal actuarial cost method. The Net OPEB Liability/(Asset) (NOL) is then set equal to the TOL minus the Plan’s Fiduciary Net Position (FNP) (basically the fair (market) value of assets). The benefit provisions recognized in the calculation of the TOL are summarized in Schedule B.

Among the items needed for the liability calculation is the discount rate, or Single Equivalent Interest Rate (SEIR), as described by GASB 74. To determine the SEIR, the FNP must be projected, using GASB 74 guidelines, into the future for as long as there are anticipated benefits payable under the plan’s provisions applicable to the members and beneficiaries of the System on the Measurement Date. If the FNP is not projected to be depleted at any point in the future, the long-term expected rate of return on plan investments expected to be used to finance the benefit payments may be used as the SEIR.

If, however, the FNP is projected to be depleted at a future measurement date, the SEIR is determined as the single rate that will generate a present value of benefit payments equal to the sum of the present value determined by discounting all projected benefit payments through the date of depletion by the long-term expected rate of return, and the present value determined by discounting those benefits after the date of depletion by a 20-year tax-exempt municipal bond (rating AA/Aa or higher) rate. The rate used, if necessary, for this purpose is the monthly average of the Bond Buyers General



Obligation 20-year Municipal Bond Index Rate (formerly published monthly by the Board of Governors of the Federal Reserve System) (3.89%).

Our calculations indicate that the FNP is not projected to be depleted, so the Municipal Bond Index Rate is not used in the determination of the SEIR for either the June 30, 2017 or the June 30, 2018 TOL. The SEIR is 7.00% at June 30, 2018 and 7.00% at June 30, 2017, the long-term assumed rate of return on investments in effect at the respective Measurement Dates. Please see Paragraph 35.b.(2) for more explanation of the development of the SEIR.

The FNP projections are based upon the Uniform Retirement System for Justices and Judges' financial status on the Measurement Date, the indicated set of methods and assumptions, and the requirements of GASB 74. As such, the FNP projections are not reflective of the cash flows and asset accumulations that would occur on an ongoing plan basis, reflecting the impact of future members. Therefore, the results of this test do not necessarily indicate whether or not the fund will actually run out of money, the financial condition of the System, or the System's ability to make benefit payments in future years.

The sections that follow provide the results of all the necessary calculations, presented in the order laid out in GASB 74 for note disclosure and Required Supplementary Information (RSI).



SECTION I – NOTES TO FINANCIAL STATEMENTS

The material presented herein will follow the order presented in GASB 74. Paragraph numbers are provided for ease of reference.

Paragraphs 34.a. (1)-(3): This information will be supplied by the System.

Paragraph 34.a. (4): The data required regarding the membership of the System were furnished by the System. The following table summarizes the membership of the System as of July 1, 2018, the date of the valuation used to determine the June 30, 2018 Total OPEB Liability.

Membership

Number as of July 1, 2018	
Inactive Members Or Their Beneficiaries	144
Currently Receiving Benefits	
Inactive Members Entitled To But Not Yet	14
Receiving Benefits	
Nonvested Terminations	-
Active Members	265
Total	423

Paragraphs 34.a. (5)-(6) and Paragraphs 34.b.-e.: This information will be supplied by the System.

Paragraph 35.a. (1)-(4): As stated earlier, the NOL is equal to the TOL minus the FNP. That result, as of June 30, 2018, is presented in the following table.

Fiscal Year Ending June 30, 2018	
Total OPEB Liability	\$ 2,724,325
Fiduciary Net Position	<u>3,138,717</u>
Net OPEB Liability/(Asset)	\$ (414,392)
Ratio of Fiduciary Net Position to Total OPEB Liability	115.21%



Paragraph 35.b.: This paragraph requires information to be disclosed regarding the actuarial assumptions and other inputs used to measure the TOL. The complete set of actuarial assumptions and other inputs utilized in developing the TOL are outlined in Appendix C. The TOL as of June 30, 2018 was determined based on an actuarial valuation prepared as of July 1, 2018, using the following actuarial assumptions and other inputs:

Price Inflation	2.75 percent
Salary increases, including price inflation	3.75 percent
Long-term Rate of Return, net of investment expense, including price inflation	7.00 percent
Municipal Bond Index Rate	
Prior Measurement Date	3.56 percent
Measurement Date	3.89 percent
Year FNP is projected to be depleted	N/A
Single Equivalent Interest Rate, net of plan investment expense, including price inflation	
Prior Measurement Date	7.00 percent
Measurement Date	7.00 percent
Healthcare Cost Trend Rate	N/A

Mortality Pre-retirement mortality rates were based on the RP-2014 Blue Collar Active Healthy Mortality Table with base rates projected to 2025 using Scale MP-2016. Rates set back one year.

Post-retirement mortality rates were based on the RP-2014 Blue Collar Retiree Healthy Mortality Table with base rates projected to 2025 using Scale MP-2016 (males multiplied by 95% under age 70 and 105% over age 70, while female rates are multiplied by 90% and 115%). Rates set back one year.

Disability mortality rates were based on the post-retirement mortality rates with rates set forward 12 years.



The actuarial assumptions used in the valuation are based on the results of the most recent actuarial experience study, which covered the three-year period ending June 30, 2016. The experience study report is dated April 13, 2017.

Paragraph 35.b.(1)

Sensitivity analysis: The disclosure of the sensitivity of the Net OPEB Liability to changes in the healthcare cost trend rate. The TOL is based on a medical benefit that is a flat dollar amount, therefore, it is unaffected by a healthcare cost trend rate. An increase or decrease in the trend rate would have no effect on the TOL.

Paragraph 35.b.(2)

(a) Discount rate (SEIR): The discount rate used to measure the TOL at June 30, 2018 was 7.00 percent. The discount rate used to measure the TOL at the Prior Measurement Date was 7.00 percent.

(b) Projected cash flows: The projection of cash flows used to determine the discount rate assumed that plan contributions from members and the State of Oklahoma will be made at the current contribution rates as set out in state statute:

- a. Employee contribution rate: 8.00%
- b. State contribution rate: 22.00%
- c. Administrative expenses in the prior year were projected forward with price inflation as an estimate for administrative expenses in current and future years. The portion of expenses in future years allocated to the current members was based on the proportionate share of covered payroll in each year for the remainder of the existing members to the total covered payroll for all members.
- d. Both pension and OPEB benefits are paid by the trust as a whole.

Based on those assumptions, the System's FNP was projected to be available to make all projected future benefit payments of current System members. Therefore, the long-term expected rate of return on System investments of 7.00% was applied to all periods of projected benefit payments to determine the TOL.

The FNP projections are based upon the System's financial status on the Measurement Date, the indicated set of methods and assumptions, and the requirements of GASB 74. As such, the FNP projections are not reflective of the cash flows and asset accumulations that would occur on an ongoing System basis, reflecting the impact of future members. Therefore, the results of this test do not necessarily indicate whether or not the fund will actually run out of money, the financial condition of the System, or the System's ability to make benefit payments in future years.



- (c) **Long-term rate of return:** The long-term expected rate of return on plan investments is reviewed as part of the experience study. Several factors are considered in evaluating the long-term rate of return assumption, including long-term historical data, estimates inherent in current market data, and an analysis in which best-estimate ranges of expected future real rates of return (expected returns, net of investment expense and inflation), along with estimates of variability and correlations for each asset class, were developed by the System’s investment consultant. These ranges were combined to develop the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and then adding expected inflation. The capital market assumptions developed by investment consultants are often intended for use over a 10-year investment horizon and are not always useful in setting the long-term rate of return for funding OPEB plans which covers a longer timeframe. The long-term rate of return assumption is intended to be a long-term assumption (30 to 50 years) and is not expected to change absent a significant change in the asset allocation, a change in the inflation assumption, or a fundamental change in the market that alters expected returns in future years.
- (d) **Municipal bond rate:** A municipal bond rate was not used in determining the discount rate. If it were required, the rate would be 3.89% on the Measurement Date.
- (e) **Periods of projected benefit payments:** Projected future benefit payments for all current plan members until benefit payments ran out.
- (f) **Assumed asset allocation:** The target asset allocation and best estimates of arithmetic real rates of return for each major asset class, as used in the June 30, 2016 experience study, are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return*
US Large Cap Equity	38.0%	3.8%
US Small Cap Equity	6.0%	4.9%
Non-US Equity	24.0%	9.2%
US Fixed	<u>32.0%</u>	1.4%
Total	100.0%	

*Arithmetic mean



(g) Sensitivity analysis: This paragraph requires disclosure of the sensitivity of the NOL to changes in the discount rate. The following presents the NOL of the System, calculated using the discount rate of 7.00 percent, as well as the System's NOL calculated using a discount rate that is 1-percentage-point lower (6.00 percent) or 1-percentage-point higher (8.00 percent) than the current rate:

	1% Decrease (6.00%)	Current Discount Rate (7.00%)	1% Increase (8.00%)
Net OPEB Liability/(Asset)	(\$188,240)	(\$414,392)	(\$613,498)

Paragraph 35.c.: The TOL at June 30, 2018 is based upon an actuarial valuation prepared as of July 1, 2018.



SECTION II – REQUIRED SUPPLEMENTARY INFORMATION

There are several tables of Required Supplementary Information (RSI) that need to be included in the System’s financial statements:

Paragraphs 36.a.-c.: The required tables of schedules are provided in Appendix A.

Paragraph 36.d.: The money-weighted rates of return will be supplied by the System.

Paragraph 38: The following information should be noted regarding the RSI, particularly for the *Schedule of Employer Contributions*:

Changes of benefit and funding terms: The following changes to the plan provisions were made by the Oklahoma Legislature and reflected in the valuation performed as of July 1 listed below:

2011: Under House Bill 2132, 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.

Under HB1010, 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 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.

Changes in actuarial assumptions:

7/1/2017 valuation:

- Decrease the investment return from 7.25% to 7.00%.
- Decrease the price inflation from 3.00% to 2.75%.
- Decrease the real wage growth from 1.00% to 0.75%.
- Change mortality assumption to reflect recent mortality improvements.
- Salary scale assumption was decreased from 5.00% to 3.75%
- Retirement rates were revised.



Method and assumptions used in calculations of actuarially determined contributions.

The System is funded with fixed contribution rates for the employees and the state. The Actuarially Determined Contributions in the *Schedule of Employer Contributions* are calculated as of the beginning of the fiscal year in which contributions are reported.

The following actuarial methods and assumptions (from the July 1, 2017 actuarial valuation) were used to determine the Actuarially Determined Contribution reported for Fiscal Year End 2018 in that schedule:

Actuarial cost method	Entry age normal
Amortization method	Level percentage of payroll, closed
Remaining amortization period	10 years
Asset valuation method	5-year smoothed market
Price Inflation	2.75 percent
Salary increase, including price inflation	3.75 percent
Long-term Rate of Return, net of investment expense, including price inflation	7.00 percent
Healthcare Cost Trend Rate	N/A

Please see the information presented earlier in regard to Paragraph 38 for detailed information on the benefit changes and assumption changes that may have impacted the Actuarially Determined Contributions shown in the *Schedule of Employer Contributions*.

It should be noted that the funding valuation develops a combined pension and OPEB rate.



APPENDIX A

REQUIRED SUPPLEMENTARY INFORMATION



Exhibit A
GASB 74 Paragraph 36.a.
SCHEDULE OF CHANGES IN THE NET OPEB LIABILITY/(ASSET)

	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Total OPEB Liability										
Service Cost	\$112,479	\$122,634								
Interest	182,707	174,008								
Benefit changes	0	0								
Difference between expected and actual experience	(88,495)	(13,276)								
Changes of assumptions	0	106,936								
Benefit payments	(181,860)	(178,710)								
Refunds of contributions	<u>0</u>	<u>0</u>								
Net change in Total OPEB Liability	\$24,831	\$211,592								
Total OPEB Liability - beginning*	\$2,699,494	\$2,487,902								
Total OPEB Liability - ending (a)	\$2,724,325	\$2,699,494								
Plan Fiduciary Net Position										
Contributions – employer	\$180,000	\$177,600								
Contributions – non-employer	0	0								
Contributions – member	0	0								
Net investment income	250,817	330,457								
Benefit payments	(181,860)	(178,710)								
Administrative expense	(1,472)	(1,392)								
Refunds of contributions	0	0								
Other	<u>0</u>	<u>0</u>								
Net change in Plan Fiduciary Net Position	\$247,485	\$327,955								
Plan Fiduciary Net Position – beginning*	\$2,891,232	\$2,563,277								
Plan Fiduciary Net Position - ending (b)	3,138,717	2,891,232								
Net OPEB Liability/(Asset) - ending (a) - (b)	(\$414,392)	(\$191,738)								

* 2017 is the first year the Medical Supplement is split out.



Exhibit A (Continued)

**GASB 74 Paragraph 36.b.
SCHEDULE OF CHANGES IN THE NET OPEB LIABILITY/(ASSET)**

	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Total OPEB Liability	\$2,724,325	\$2,699,494								
Plan Fiduciary Net Position	<u>3,138,717</u>	<u>2,891,232</u>								
Net OPEB Liability/(Asset)	(\$414,392)	(\$191,738)								
Ratio of Plan Fiduciary Net Position to Total OPEB Liability	115.21%	107.10%								
Covered payroll	N/A	N/A								
Net OPEB Liability as a percentage of covered payroll	N/A	N/A								

Note: Schedule is intended to show 10-year trend. Additional years will be reported as they become available.



Exhibit B

**GASB 74 Paragraph 32.c.
SCHEDULE OF EMPLOYER CONTRIBUTIONS**

Uniform Retirement System for Justices and Judges	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Actuarially determined employer contribution	\$15,364	\$34,612								
Actual employer contributions	<u>180,000</u>	<u>177,600</u>								
Annual contribution deficiency (excess)	<u>(\$164,636)</u>	<u>(\$142,988)</u>								
Covered payroll	N/A	N/A								
Actual contributions as a percentage of covered payroll	N/A	N/A								



APPENDIX B

SUMMARY OF MAIN BENEFIT PROVISIONS

Uniform Retirement System of Justices & Judges

Following is a summary of the major System provisions used to determine the System's financial position as of July 1, 2018. For purposes of this report, only the post-retirement medical benefit is valued for liabilities. The full benefit provisions are included because they are relevant for assumptions and funding provisions.

Effective date and authority	<p>The System became effective January 13, 1969.</p> <p>The System is provided for under Sections 1101-1111 of Title 20 of the Oklahoma Statutes.</p>
Administration	<p>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.</p>
Employees included	<p>All justices and judges of the Supreme Court, Court of Criminal Appeals, Workers Compensation Court, Court of Appeals or District Court who serve in the State of Oklahoma participate in the Uniform Retirement System for Justices and Judges.</p>
Member contributions	<p>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.</p>
Employer contributions	<p>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 2.0% 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.</p>
Service considered	<p>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 a District Court of the State of Oklahoma.</p>



Uniform Retirement System of Justices & Judges

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 (36) highest months of active service as a justice or judge.
Eligibility for benefits	A justice or judge must complete eight (8) 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 (8) years of service is entitled only to a return of his/her accumulated contributions without interest.
Normal retirement date	A member who completes eight (8) years of service and attains age sixty-five (65), or completes ten (10) years of service and attains age sixty (60), or completes eight (8) years of service and whose sum of years of service and age equals or exceeds eighty (80), may begin receiving retirement benefits at his/her request. For judges taking office after January 1, 2012, retirement age is sixty-seven (67) with eight (8) years of service or age sixty-two (62) with ten (10) years of service.
Normal retirement benefit	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 (15) years of service, attains age fifty-five (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), 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 (10) years of service and the death is determined to be employment related, this



Uniform Retirement System of Justices & Judges

Survivor coverage (cont.)

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 ninety (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 (3) 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, or a joint annuitant other than the spouse.

Post-retirement 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



Uniform Retirement System of Justices & Judges

Minimum benefits (cont.)	excess of the accumulated contributions over all benefits received by either the member, or the member and the spouse combined.
Supplemental medical insurance	The System contributes the lesser of \$105 per month or the Medicare Supplement Premium to the Office of Management and Enterprise Services, Employees Group Insurance Division for members receiving retirement benefits.
Expenses	The expenses of administering the System are paid from the retirement trust fund.



APPENDIX C

STATEMENT OF ACTUARIAL ASSUMPTIONS

Uniform Retirement System of Justices & Judges

Economic Assumptions

Long-Term Rate of Return:	7.00% net of investment expenses per annum, compounded annually
Salary Increases:	3.75% per year
Payroll Growth:	3.50% per year
Ad hoc benefit increase assumption:	
Monthly benefits	No increases assumed
Medical supplement	No increases assumed
Projection of 401(a)(17) compensation limit:	Projected with inflation at 2.75%

Demographic Assumptions

Retirement age:

<u>Attained Age</u>	<u>Annual Rates of Retirement Per 100 Eligible Members</u>
Below 59	7
59 – 61	10
62 – 66	15
67 – 68	20
69 – 74	25
75+	100

Deferred vested members

Participants with deferred benefits are assumed to commence benefits on a date provided by the System. Actives expected to terminate with a vested benefit are assumed to commence benefits at age sixty (60).

Mortality Rates:

Active participants and non-disabled pensioners

RP-2014 Blue Collar Active/Retiree Healthy Mortality Table with base rates projected to 2025 using Scale MP-2016. For retirees, male rates are multiplied by 95% under age 70 and 105% over age 70, while female rates are multiplied by 90% and 115%. (For the multipliers, 5-year geometric smoothing is applied at age 70.) After all adjustments, ages are set back one year



Uniform Retirement System of Justices & Judges

Mortality Rates (Cont):

Disabled pensioners
Nondisabled retiree mortality set forward 12 years for disabled experience.

Separation Rates:

Separation for all reasons other than death
2% for all years of service prior to retirement eligibility.

Disability Rates:

0%

Marital Status:

Age difference
Males are assumed to be four (4) 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.

Age
For members who have not completed the application process and are missing a date of birth, we assume they are 50 years old as of the valuation date.

Service
For members who have not completed the application process and are missing an entry date, we assume they have half a year of service as of the valuation date.