UNIFORM RETIREMENT SYSTEM FOR JUSTICES AND JUDGES

2017

Cultivating a Healthy Retirement

Comprehensive Annual Financial Report
for the Fiscal Years Ended June 30, 2017 and June 30, 2016
A Component Unit of the State of Oklahoma

Cultivating a Healthy Retirement

The land must be cultivated and nurtured for a crop to grow and thrive. It is the responsibility of the farmer to work the land, water, fertilize, and protect it from weeds and wildlife. The farmer cultivates a sustainable harvest spending days, weeks, and years fostering a healthy environment.

Since 1968, the staff of the Uniform Retirement System for Justices and Judges has the responsibility to nurture and cultivate the pension for Oklahoma's public servants. This staff works diligently every day to grow this retirement plan, for not only today's members, but also for the future.

Compiling and publishing the Comprehensive Annual Financial Report (CAFR) is an opportunity to prove to our members and stakeholders that the URSJJ has been successful in cultivating a healthy retirement plan. Continue reading about our success in this year's CAFR.

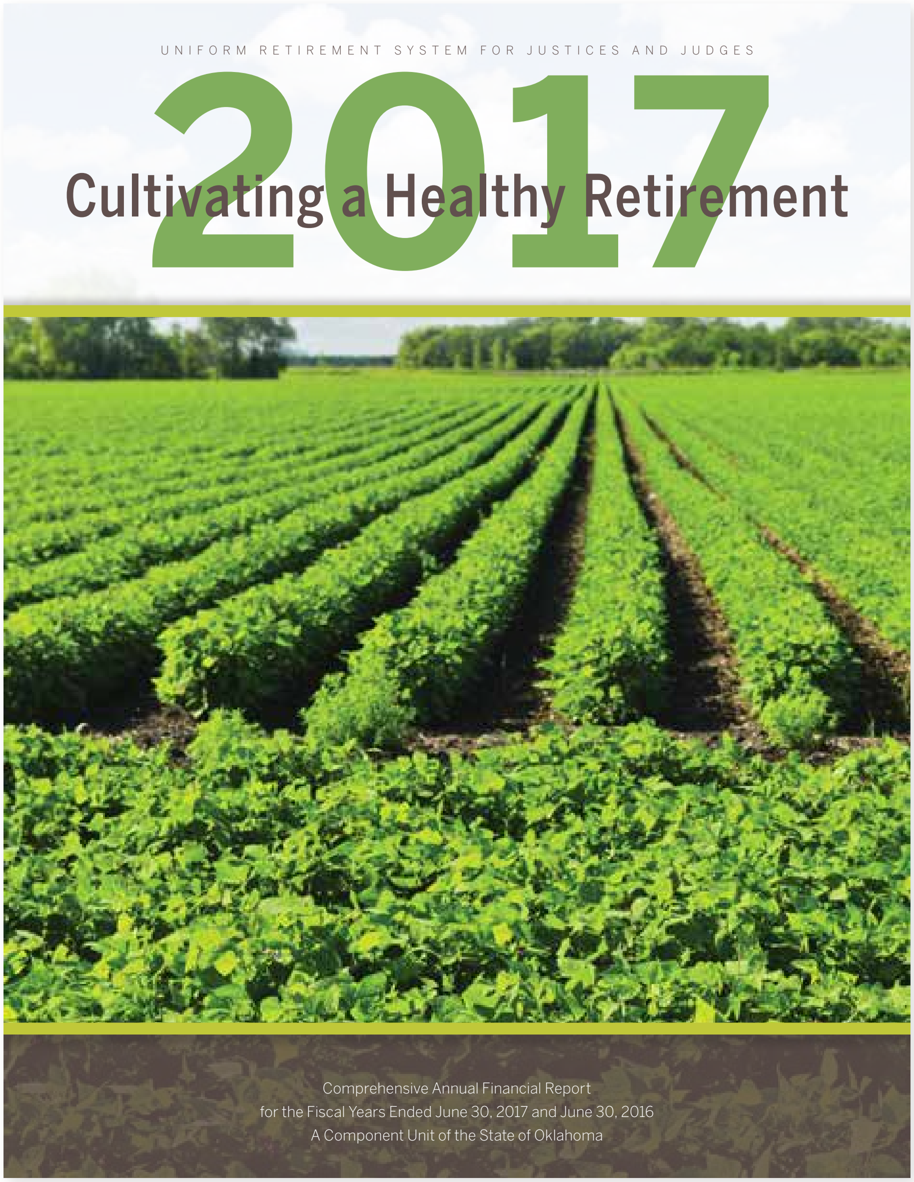
$321 Million	112.6%	543
Total Net Assets	Total Funded Ratio	Total Membership

as of June 30, 2017

Mission Statement
The Oklahoma Public Employees Retirement System provides and promotes comprehensive, accountable and financially sound retirement services to Oklahoma's public servants in a professional, efficient and courteous manner.

Vision Statement
Our vision is to ensure all members can achieve a secure and lasting retirement.

UNIFORM RETIREMENT SYSTEM FOR JUSTICES AND JUDGES
Administered by the Oklahoma Public Employees Retirement System



This report was prepared by the staff of the Uniform Retirement System for Justices and Judges.

This publication is issued by the Oklahoma Public Employees Retirement System as authorized by its Executive Director. Copies have not been printed but are available through the agency website. An electronic version of this publication has been deposited with the Publications Clearinghouse of the Oklahoma Department of Libraries.

2017 Comprehensive Annual Financial Report

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Introductory

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Uniform Retirement System for Justices and Judges
P.O. Box 53007
Oklahoma City, Oklahoma 73152-3077

800.733.9008 toll-free
405.848.5946 fax

November 30, 2017

To the Board of Trustees of the Oklahoma Public Employees Retirement System
and Members of the Uniform Retirement System for Justices and Judges:

State law requires that, after July 1 and before December 1 of each year, the Uniform Retirement System for Justices and Judges (the System) publish an annual report that covers the operation of the System during the past fiscal year, including income, disbursements and the financial condition at the end of the fiscal year. This report is published, in part, to fulfill that requirement for the fiscal year ended June 30, 2017.

Management assumes full responsibility for the completeness and reliability of the information contained in this report, based upon a comprehensive framework of internal control that it has established for this purpose. Because the cost of internal control should not exceed anticipated benefits, the objective is to provide reasonable, rather than absolute, assurance that the financial statements are free of any material misstatements.

Eide Bailly LLP, Certified Public Accountants, has issued an unqualified opinion on the Uniform Retirement System for Justices and Judges' statement of fiduciary net position as of June 30, 2017, and the related statement of changes in fiduciary net position for the year then ended. The independent auditor's report is located at the front of the Financial Section of this report.

Management's discussion and analysis (MD&A) immediately follows the independent auditor's report and provides a narrative introduction, overview, and analysis of the basic financial statements. MD&A complements this letter of transmittal and should be read in conjunction with it.

Profile of the Plan

The System is a single-employer public employee retirement plan, which is a defined benefit pension plan, covering all justices and judges of the Oklahoma Supreme Court, Court of Criminal Appeals, Workers' Compensation Court, Court of Appeals, and District Courts. The System is administered by the Oklahoma Public Employees Retirement System (OPERS) and its Board of Trustees (the Board). The employee and employer contribution rates are established by the Oklahoma Legislature after recommendation by the Board based on an actuarial calculation which is performed to determine the adequacy of such contribution rates.

Members qualify for full retirement benefits at their normal retirement age, defined as: (1) when the sum of the member's age and years of credited service equals 80 or (2) at age 65 with 8 years of judicial service, (age 67 with 8 years of judicial service if becoming a member on or after January 1, 2012), or (3) at age 60 with 10 years of judicial service (age 62 with 10 years of judicial service if becoming a member on or after January 1, 2012). Benefits are determined at 4% of the member's

Letter of Transmittal (continued)

average salary, as defined, multiplied by the number of years of service, not to exceed 100% of the member's average monthly salary received as a justice or judge for the highest 36 months of compensation. Justices and judges retiring after September 1, 2005, may elect a maximum benefit with no survivor option or one of two actuarially reduced retirement benefits that provide for a lifetime benefit to be paid to the member's joint annuitant after the member's death. The original surviving spouse benefit for married judges who were members prior to September 1, 2005, continues to be available. All justices and judges pay a uniform contribution rate of 8%.

The System also administers the Health Insurance Subsidy Plan (HISP), a cost-sharing multiple-employer defined benefit other post-employment benefit (OPEB) plan that provides OPEB covering the same categories of employees covered by the pension plan. HISP provides a health insurance premium subsidy for retirees of the System who elect to maintain health insurance with the Oklahoma Employees Group Insurance Division (EGID). This subsidy continues until the retiree terminates health insurance coverage with EGID or other qualified plan, or until death. The subsidy is only for the retiree, not joint annuitants or beneficiaries.

The Board of Trustees of OPERS consists of fourteen appointed members, some by position and some by association. Those serving through position are a member of the Corporation Commission or the Commission's designee selected by the Commission, the Director of the Office of Management and Enterprise Services or the Director's designee, the State Insurance Commissioner or the Commissioner's designee, the Director of Human Capital Management of the Office of Management and Enterprise Services, a member of the Tax Commission selected by the Tax Commission, and the State Treasurer or the Treasurer's designee. Of the remaining members, three are appointed by the Governor, one is appointed by the Supreme Court, two are appointed by the Speaker of the House of Representatives and two are appointed by the President Pro Tempore of the Senate. Qualifications for certain of these appointees include a balance of individuals having experience in investment management, pension management, public fund management, the banking profession or a licensed attorney or a licensed accountant.

Each year, OPERS, along with other state agencies, is required to file a budget work program with the Office of Management and Enterprise Services. Administrative overhead expenses of URSJJ, including personnel and other supporting services costs, are paid for by OPERS and allocated to URSJJ based on an estimate of the cost of services provided. The allocated costs are charged to URSJJ and paid with funds provided through operations of URSJJ. The OPERS budget work program, which includes the costs related to URSJJ, is approved by the Board and includes a description of all funds available for expenditure and shows spending by major program category. URSJJ receives no state appropriations and is funded through employee and employer contributions and investment earnings.

Additionally in each even-numbered year, OPERS, along with other state agencies, must file a strategic plan covering five fiscal years beginning with the next odd-numbered fiscal year. The strategic plan includes a mission statement, the core values and behaviors inherent to operations, and a summary of goals and objectives to be achieved through specific projects outlined for the five-year period. The mission of the OPERS Board and staff is to provide and promote comprehensive, accountable and financially sound retirement services to Oklahoma's public servants in a professional, efficient and courteous manner. The core values and behaviors inherent to the agency's operations are honesty, integrity and accountability; excellence in service; and commitment to teamwork and team members. The summary of goals and objectives outlined in the strategic plan are:

- Provide prompt and comprehensive customer service
- Manage the assets of the Plans in a fiscally responsible manner
- Inform and educate all members to help them identify and meet their retirement goals
- Maintain a competent and well-trained workforce
- Achieve and maintain well-funded status to assist the State in paying retirement benefit obligations, and secure changes in plan design that make the plan easier to understand or more equitable without an undue increase in the retirement system's liabilities.

Letter of Transmittal (continued)

Investments

The standard for URSJJ in making investments is to exercise the care, skill, prudence, and diligence under the circumstances then prevailing that a prudent person acting in a like capacity and familiar with such matters would use in the conduct of an enterprise of a like character and unless under the circumstances it is clearly prudent not to do so. URSJJ's funds are invested solely in the best interest of the members and their beneficiaries with a goal of keeping administrative expenses as low as possible. The Board has established an investment policy and guidelines that identify asset allocation as the key determinant of return and diversification, both by and within asset classes, as the primary risk control element. Passive fund portfolios are considered to be suitable investment strategies, especially in highly efficient markets.

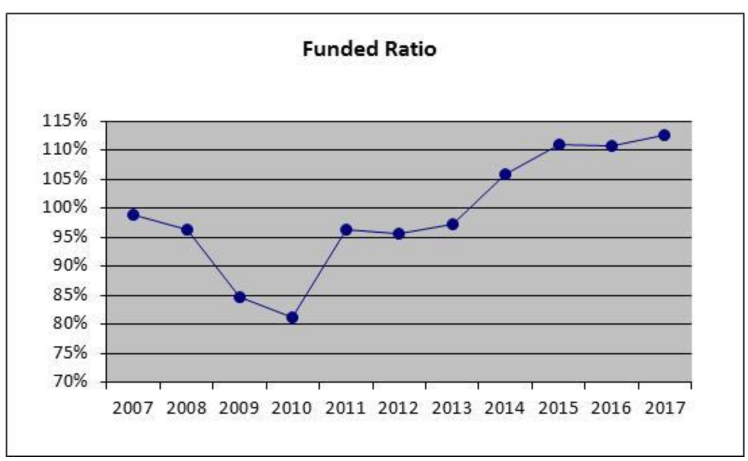
The Board engages outside investment managers to manage the various asset classes where URSJJ has exposure. At fiscal year end, the investment portfolio of URSJJ was actively managed by three fixed income managers and passively managed by another investment manager with holdings in one fixed income index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

Included in the Investment Section of this report are a summary of the Investment Portfolio by Type and Manager and a comparison of the above amounts to the target allocations, as shown in the Asset Comparison chart. For fiscal year 2017, investments provided a 12.7 percent rate of return. The annualized rate of return for URSJJ was 5.2 percent over the last three years and 8.9 percent over the last five years.

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, 2017 amounted to $285.5 million and $321.4 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 112.6 as of July 1, 2017. The funded ratio was 148.2 percent at June 30, 2002. 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. However, based on a projection model prepared by the URSJJ actuary, the scheduled increases in the statutory contribution rate are not expected to be sufficient to reach the actuarial contribution rate before the end of the amortization period of the unfunded actuarial accrued liability, even if all the actuarial assumptions are met in future years. The Legislature has provided a statutory requirement that retirement bills be analyzed for actuarial fiscal impact and contains adequate funding



Letter of Transmittal (continued)

sources sufficient to pay the cost of the change. In the session ended May 2009 the Legislature designated $6.0 million in the Supreme Court's Management Information System Fund to pay employer contributions to the Plan in fiscal year 2010. A detailed discussion of funding is provided in the Actuarial Section of this report.

Awards and Acknowledgements

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the Uniform Retirement System for Justices and Judges for its comprehensive annual financial report (CAFR) for the fiscal year ended June 30, 2016. This was the nineteenth year URSJJ has received this prestigious award. In order to be awarded a Certificate of Achievement, a government unit must publish an easily readable and efficiently organized comprehensive annual financial report that satisfies both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe our current comprehensive annual financial report continues to conform to the Certificate of Achievement program requirements, and we are submitting it to the GFOA to determine its eligibility for another certificate.

The preparation of this report would not have been possible without the efficient and dedicated service of the entire staff of OPERS. We wish to express our appreciation to all staff members who assisted and contributed to the preparation of this report. Credit also must be given to the Board of Trustees for their unfailing support for maintaining the highest standards of professionalism in the financial management of the Uniform Retirement System for Justices and Judges.

Respectfully submitted,

Joseph A. Fox
Executive Director

Susan Reed
Chief Financial Officer and Director of Finance

Chairman's Letter

Uniform Retirement System for Justices and Judges
P.O. Box 53007
Oklahoma City, Oklahoma 73152-3007

800.733.7008 toll-free
405.848.5946 fax

November 30, 2017

Dear Members:

On behalf of the Board of Trustees, I am pleased to present the Comprehensive Annual Financial Report for the Uniform Retirement System for Justices and Judges (URSJJ) for the fiscal year ending June 30, 2017.

This report is designed to provide a detailed look at the financial, investment and actuarial aspects of the System, which continues to be a strong retirement system.

You are encouraged to carefully review this report, as it contains a wealth of information about your retirement system. If you have questions or comments, please feel free to contact us. We can be reached at P.O. Box 53007, Oklahoma City, Oklahoma 73152-3007. Our telephone number is 405-858-6737 (or toll-free 1-800-733-9008).

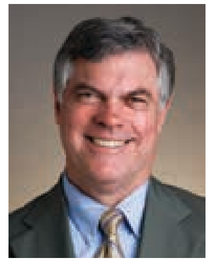
I also want to thank the staff for their diligent work in preparing this report and their commitment to continually improve the administrative operations necessary to operate your retirement system.

Sincerely,

DeWayne McAnally
Chairman

Board of Trustees

DeWayne McAnally
Chair
Appointee, Governor

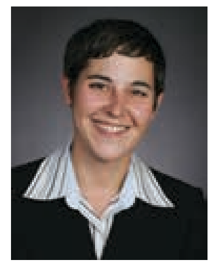


Frank Stone
Vice Chair
State Insurance Commissioner

Bob Anthony
Corporation Commissioner

Jari Askins
Appointee, Supreme Court

Lisa Blodgett
Appointee, Governor



Jill Geiger
Designee, State Finance Director

James R. "Rusty" Hale
Appointee, Speaker of the House of Representatives

Jan Harrison
Appointee, Speaker of the House of Representatives

Steven Kaestner
Appointee, Governor

Thomas E. Kemp, Jr.
Member of Tax Commission selected by Commission

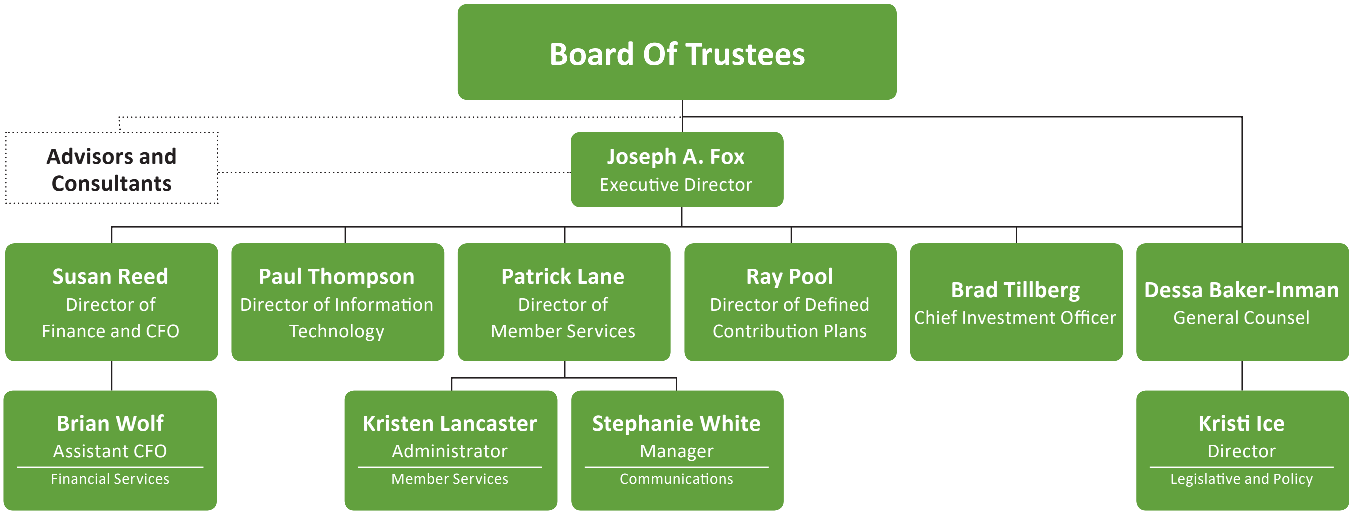
Don Kilpatrick
Appointee, President Pro Tempore of the Senate

Brian Maddy
Appointee, President Pro Tempore of the Senate

Ken Miller
State Treasurer

Dana Webb
Administrator, Human Capital Management, Office of Management and Enterprise Services

Organizational Structure



Back Row (from left to right): **Stephanie White, Ray Pool, Brian Wolf, Paul Thompson, Brad Tillberg, and Kristen Lancaster**
Front Row (from left to right): **Patrick Lane, Susan Reed, Joseph Fox, and Dessa Baker-Inman**
Not pictured: **Kristi Ice**

Advisors and Consultants*

Master Custodian
The Northern Trust Company
Chicago, Illinois

Investment Consultant
Verus Advisory, Inc.
Seattle, Washington

Independent Auditors
Eide Bailly LLP
Oklahoma City, Oklahoma

Actuarial Consultant
Cavanaugh Macdonald Consulting, LLC
Kennesaw, Georgia

Internal Auditors
Finley & Cook PLLC
Shawnee, Oklahoma

*The Schedules of Investment Expenses and Professional/Consultant Fees (pages 44 and 46, respectively) in the Financial Section provide more information regarding advisors and consultants.

Government Finance Officers Association

Certificate of Achievement for Excellence in Financial Reporting

Presented to

Uniform Retirement System for Justices and Judges, Oklahoma

For its Comprehensive Annual Financial Report for the Fiscal Year Ended

June 30, 2016

Executive Director/CEO

Financial

EideBailly
CPAs & BUSINESS ADVISORS

Independent Auditor's Report

To the Board of Trustees
Uniform Retirement System for Justices and Judges
Oklahoma City, Oklahoma

Report on the Financial Statements
We have audited the accompanying financial statements of the Uniform Retirement System for Justices and Judges (the System), a component unit of the State of Oklahoma, which comprise the statement of fiduciary net position as of June 30, 2017, and the related statement of changes in fiduciary net position, for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements
Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility
Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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Opinion
In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Uniform Retirement System for Justices and Judges, as of June 30, 2017, and the respective statement of changes in fiduciary net position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter
As discussed in Note 1, the financial statements of the Uniform Retirement System for Justices and Judges, are intended to present the fiduciary net position, the changes in fiduciary net position of only that portion of the System. They do not purport to, and do not, present fairly the fiduciary net position of other Plans governed by the Oklahoma Public Employee Retirement System Board of Trustees, as of June 30, 2017, the changes in its fiduciary net position, in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Changes in Accounting Principles
As discussed in Note 2(f), in 2017, the System adopted Governmental Accounting Standards Board (GASB) Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pensions*. The provisions of GASB Statement No. 74 required the System to adjust its net position as of July 1, 2016, upon adoption. Our opinion is not modified with respect to these matters.

Other Matters

Required Supplementary Information
Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and the required supplementary information, as referenced within the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information
Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the System's basic financial statements as a whole. The introductory, other supplementary information, investment, actuarial and statistical sections are presented for purposes of additional analysis and are not a required part of the financial statements.

The additional supplementary information accompanying financial information listed as other supplementary information, as referenced within the table of contents, are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the accompanying financial information listed as supplementary schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The introductory, investment, actuarial and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Eide Bailly LLP

October 13, 2017
Oklahoma City, Oklahoma

Management's Discussion and Analysis

(Unaudited)

As management of the Uniform Retirement System for Justices and Judges (the System) we offer readers of the System's financial statements this narrative overview and analysis of the financial activities of the System for the fiscal years ended June 30, 2017 and 2016.

Financial Highlights

- The net position restricted for pensions totaled approximately $321.2 million at June 30, 2017, compared to $293.7 million at June 30, 2016. The net position restricted for pension/HISP benefits is available for payment of monthly retirement benefits and other qualified distributions to the System's participants. The increase of $27.4 million has resulted primarily from the changes in the fair value of the System's investments due to volatile equity markets.
- At June 30, 2017, the total number of members participating in the System was 543, compared to 546 at June 30, 2016. The total number of retirees increased to 265 for June 30, 2017 compared to 260 at June 30, 2016.
- The beginning balance of the net position restricted for pension/HISP benefits was restated due to the implementation of GASB Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans,* (GASB 74). This had no effect on the combined plan ratio of fiduciary net position to the combined liabilities for pensions and HISP.

Overview of the Financial Statements

The System is a single-employer, public employee retirement plan, which is a defined benefit pension plan. The System covers all Justices and Judges of the Oklahoma Supreme Court, Court of Criminal Appeals, Workers' Compensation Court, Court of Appeals, and District Courts. Benefits are determined at 4% of the average monthly compensation received as a justice or judge based on the highest thirty-six months of compensation multiplied by the number of years of credited service, not to exceed 100% of the retiree's average monthly salary received as a justice and judge for the highest thirty-six months of compensation. Normal retirement ages under the System are 62 with 10 years of judicial service, 67 with 8 years of judicial service, or when the sum of the member's age and years of credited service equals or exceeds 80 (Rule of 80). Members become eligible to vest fully upon termination of employment after attaining eight years of service as a justice or judge, or the members' contributions may be withdrawn upon termination of employment.

The System also includes a single-employer, public employee other post-employment benefit plan, which is a defined benefit plan. This plan is called the Health Insurance Subsidy Plan (HISP), and it provides a health insurance premium subsidy for retirees of the System who elect to maintain health insurance with the Oklahoma Employees Group Insurance Division (EGID) or other qualified insurance plan provided by the employer. This subsidy continues until the retiree terminates health insurance coverage with EGID or other qualified plan, or until death. The subsidy is only for the retiree, not joint annuitants or beneficiaries.

The System's financial statements are comprised of Statements of Fiduciary Net Position and Statements of Changes in Fiduciary Net Position for both pensions and HISP, and Notes to Financial Statements. Also included is certain required supplementary information and supplementary information for both pensions and HISP.

The System is a component unit of the state of Oklahoma (the State) and is administered by the Oklahoma Public Employees Retirement System, a component unit of the State, which together with the System and other similar funds comprise the fiduciary-pension and HISP trust funds of the State.

Management's Discussion and Analysis (continued)
(Unaudited)

The *statements of fiduciary net position* presents information on the System's assets, liabilities and the resulting *net position restricted for pensions and HISP*. This statement reflects the System's investments, at fair value, along with cash and cash equivalents, receivables, and other assets and liabilities.

The *statements of changes in fiduciary net position* presents information showing how the System's net position restricted for pensions and HISP changed during the years ended June 30, 2017 and 2016. It reflects contributions by members and participating employers along with deductions for retirement benefits, refunds and withdrawals, and administrative expenses. Investment income during the period is also presented showing income from investing and securities lending activities.

On July 1, 2016, the System implemented Governmental Accounting Standards Board (GASB) Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pensions* (GASB 74). GASB 74 presents improved information about postemployment benefit plans other than pensions (OPEB). The System administers a health insurance subsidy plan (HISP), which is considered OPEB in accordance with the provisions of GASB 74. As a result of the implementation of GASB 74, a beginning balance restatement occurred.

The *notes to financial statements* provide additional information that is essential to a full understanding of the data provided in the financial statements.

The *required supplementary information* presents a schedule of changes in the net pension liability, schedule of net pension liability, schedule of employer contributions, and schedule of money-weighted rate of return on pension plan and HISP investments. Schedules of certain expenses and fees paid are presented as *supplementary information*.

Financial Analysis

The following are the condensed Schedules of Fiduciary Net Position and Changes in Fiduciary Net Position for the Uniform Retirement System for Justices and Judges for the fiscal years ended June 30, 2017 and 2016.

Management's Discussion and Analysis (continued)
(Unaudited)

Condensed Schedules of Fiduciary Net Position
($ millions)

	2017			2016*
	Pension	HISP	Combined	
Assets:				
Cash and cash equivalents	$ 5.9	$ 0.1	$ 6.0	$ 3.9
Receivables	10.9	0.1	11.0	9.8
Investments	322.4	2.9	325.3	295.7
Securities lending collateral	16.2	0.1	16.3	8.7
Total assets	355.4	3.2	358.6	318.1
Liabilities:				
Other liabilities	20.9	0.2	21.1	15.7
Securities lending collateral	16.2	0.1	16.3	8.7
Total liabilities	37.1	0.3	37.4	24.4
Ending fiduciary net position	$ 318.3	$ 2.9	$ 321.2	$ 293.7

Condensed Schedules of Changes in Fiduciary Net Position
($ millions)

	2017			2016*
	Pension	HISP	Combined	
Member contributions	$ 2.7	$ -	$ 2.7	$ 2.7
Participating court employers	6.0	0.2	6.2	5.8
Net investment income	36.3	0.3	36.6	1.4
Total additions	45.0	0.5	45.5	9.9
Retirement, death and survivor benefits	17.6	0.2	17.8	17.2
Refunds and withdrawals	0.1	-	0.1	0.2
Administrative expenses	0.2	-	0.2	0.1
Total deductions	17.9	0.2	18.1	17.5
Net (decrease) increase in fiduciary net position	27.1	0.3	27.4	(7.6)
Beginning of year as restated for GASB 74	291.2	2.6	293.8	-
End of year	$ 318.3	$ 2.9	$ 321.2	$ (7.6)

*Prior year column has not been restated for the effect of the adoption of GASB Statement No. 74

For the year ended June 30, 2017, fiduciary net position increased $27.4 million, or 9.3%. Total assets increased by $40.5 million, or 12.7%, due to an increase of 10.0% in investments, an increase of 87.7% in securities lending collateral and an increase of 53.8% in cash and cash equivalents. The System achieved a money-weighted rate of return of 12.68% compared to the prior year of 0.49% resulting in the majority of the increase in fiduciary net position. Total liabilities increased 53.7% primarily due to an 87.7% increase in securities lending collateral and a 34.9% increase in pending purchases of securities.

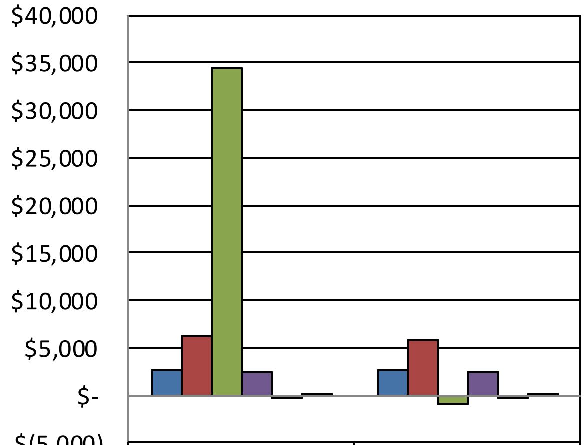
Fiscal year 2017 showed a $35.6 million increase in total additions and a $0.6 million increase in total deductions. Compared to the prior year, additions increased 358.0% due to an increase in the fair value of investments of $29.6 million. The 3.2% increase in total deductions was primarily due to a 3.7% increase in retirement benefits. Administrative costs were 7.0% more when compared to the prior year due to a 2.5% increase in the allocation percentage.

Additions to Fiduciary Net Position

For the year ended June 30, 2017, additions to fiduciary net position increased $35.6 million, or 358.0%, from the prior year. The significant appreciation in the fair value of investments of $35.2 million is reflective of the rebounding market, compared to fiscal year 2016. Interest income remained unchanged at $2.4 million and securities lending income increased 171.2%. Contributions increased $0.1 million, or 0.7%, because of the statutory increase in the contribution percentage for participating court employers.

Management's Discussion and Analysis (continued)
(Unaudited)

Additions to Fiduciary Net Position
Comparative Data for Fiscal Years Ended June 30, 2017 and 2016
($ thousands)



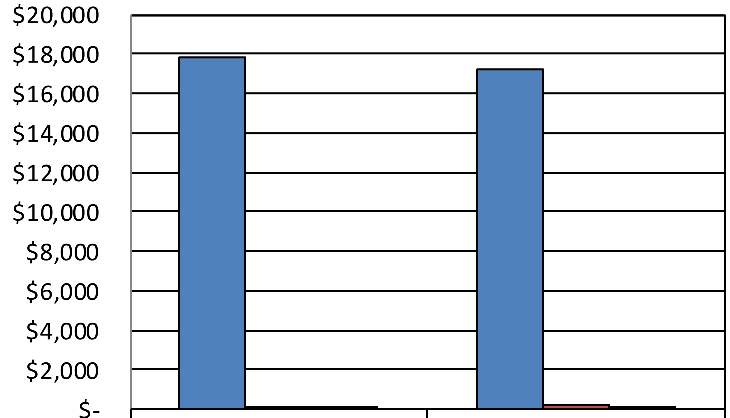
	2017	2016
Member contributions	$2,664	$2,666
Court employer contributions	6,191	5,832
Net appreciation (depreciation)	34,368	(834)
Interest, dividends, and other investment income	2,355	2,378
Investment expenses	(134)	(127)
Securities lending income	135	38

Deductions to Fiduciary Net Position

For the year ended June 30, 2017, total deductions increased $0.6 million, or 3.2%, from the prior year. Retirement, death, and survivor benefits increased $0.6 million, or 3.7%, and the average benefit increased 3.3% compared to the prior year due to a 1.9% increase in the number of retirees. Refunds and withdrawals decreased 44.7% from the prior year because the total amount withdrawn is dependent on contribution amounts of the specific members electing to withdraw contributions each year. Administrative costs increased 7.0% when compared to the prior year due to an overall increase in personnel costs giving rise to an increase in the allocation rate of 2.5%.

Management's Discussion and Analysis (continued)
(Unaudited)

Deductions to Fiduciary Net Position
Comparative Data for Fiscal Years Ended June 30, 2017 and 2016
($ thousands)



	2017	2016
Retirement, death and survivor benefits	$17,827	$17,198
Refunds and withdrawals	89	162
Administrative expenses	155	145

Investments

The investment portfolio is reported in the chart below by the asset class of the investment managers' portfolios which includes the cash equivalents in those portfolios. In April, the System's Board voted to modify the policy asset allocation to increase exposure to international equity and reduce exposure to U.S. equity. A summary of the System's cash equivalents and investments for fiscal years ended June 30, 2017 and 2016 is as follows:

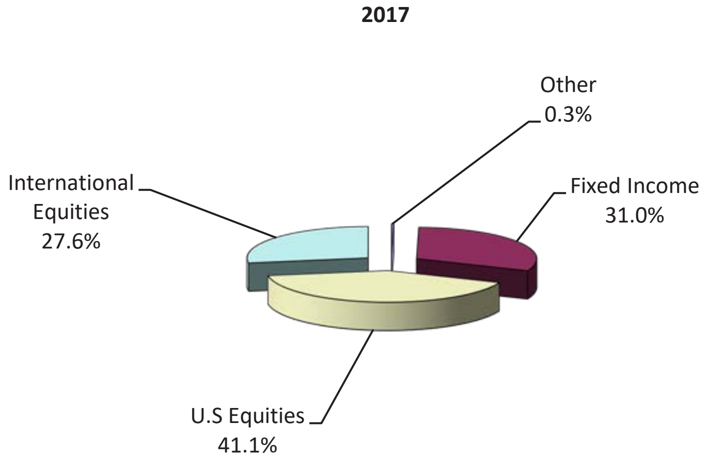
Cash, Cash Equivalents, and Investment Portfolio
($ millions)

	June 30	
	2017	**2016**
Fixed income	$ 110.0	$ 103.3
U.S. equities	131.9	132.1
International equities	88.6	63.4
Other	0.8	0.7
Total managed investments	331.3	299.5
Cash equivalents on deposit with State	0.1	0.1
Securities lending collateral	16.3	8.7
Total cash, cash equivalents, and investments	$ 347.7	$ 308.3

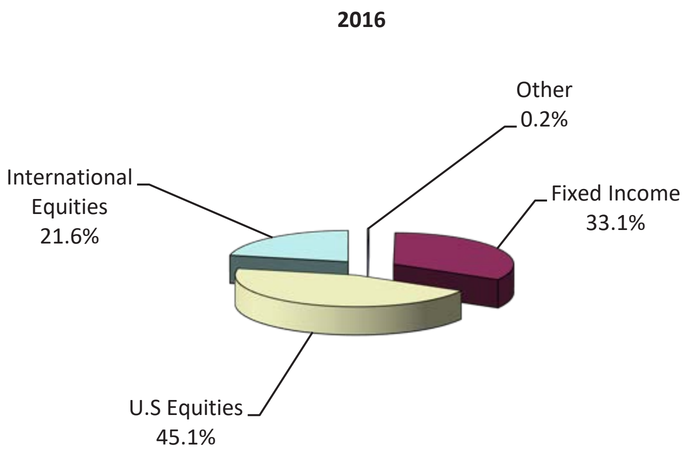
The increase in the System's managed investments is reflective of the increase in domestic and international equity markets for the year. The System's overall return for the year ended June 30, 2017 was 12.7%. Equity index funds correlated closely with market trends with U.S. and international equities showing returns of 19.0% and 20.9%, respectively. Fixed income showed a return of -0.8%. Due to a rebalancing of the portfolio, international equities were increased $12.0 million and fixed income was increased $3.2 million during the year by reallocating $13.7 million from large cap equities and $1.5 million from small cap equities. An amount of $9.3 million of U.S. equities was used to supplement the cash requirements of monthly retiree benefit payments. The change in securities lending collateral is dependent on the securities loaned by the System's master custodian at year end.

Management's Discussion and Analysis (continued)
(Unaudited)

At June 30, 2017, the distribution of the System's investments including accrued income and pending trades was as follows:



At June 30, 2016, the distribution of the System's investments including accrued income and pending trades was as follows:



Economic Factors

Ratio of Fiduciary Net Position to Total Pension Liability and to Total HISP Liability

The ratio of fiduciary net position to the total pension liability was as follows:

	June 30
	2017
Total pension liability	$ 282,837,412
Plan fiduciary net position	$ 318,262,645
Ratio of fiduciary net position to total pension liability	112.52%

Management's Discussion and Analysis (continued)
(Unaudited)

The ratio of fiduciary net position to the total HISP liability was as follows:

	June 30 2017
Total HISP liability	$ 2,699,494
Plan fiduciary net position	$ 2,891,232
Ratio of fiduciary net position to total HISP liability	107.10%

Plan Amendment

A System provision change was enacted by the State Legislature during the session ended in May 2017. The change amended language related to members of URSJJ who retire and then subsequently return to work.

Other

The actuarial assumptions used in the July 1, 2017, valuation are based on the results of the most recent actuarial experience study, which covered the three-year period ending June 30, 2016. Some important changes adopted by the Board as a result of this experience study were to: decrease the expected investment return from 7.25% to 7.00%; reduce the range of assumed salary increases to 3.75% from 5.00%; decrease the assumed inflation rate from 3.00% to 2.75%; and decrease the payroll growth assumption from 4.0% to 3.5%

Other than changes in the fair value of System assets as may be impacted by the equity and bond markets, no other matters are known by management to have a significant impact on the operations or financial position of the System.

Requests for Information

This financial report is designed to provide a general overview of the System's finances for all those with an interest. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Financial Reporting Division, OPERS, P.O. Box 53007, Oklahoma City, Oklahoma 73152-3007.

Statements of Fiduciary Net Position

As of June 30, 2017

	Pension Plan	Health Insurance Subsidy Plan	Combined
Assets			
Cash equivalents	$ 5,976,011	$ 56,814	$ 6,032,825
Receivables:			
Member contributions	185,665	-	185,665
State and local agency contributions	436,987	3,969	440,956
Due from brokers for securities sold	9,833,070	89,301	9,922,371
Accrued interest and dividends	429,923	3,904	433,827
Total receivables	10,885,645	97,174	10,982,819
Investments, at fair value:			
Short-term investments	4,492,351	40,798	4,533,149
Government obligations	72,788,292	661,044	73,449,336
Corporate bonds	26,607,124	241,639	26,848,763
Domestic equities	130,699,473	1,186,978	131,886,451
International equities	87,776,070	797,159	88,573,229
Securities lending collateral	16,183,944	146,978	16,330,922
Total investments	338,547,254	3,074,596	341,621,850
Total assets	355,408,910	3,228,584	358,637,494
Liabilities			
Due to brokers and investment managers	20,962,321	190,374	21,152,695
Securities lending collateral	16,183,944	146,978	16,330,922
Total liabilities	37,146,265	337,352	37,483,617
Net position restricted for pension/HISP benefits	$ 318,262,645	$ 2,891,232	$ 321,153,877

See Accompanying Notes to Financial Statements

Statements of Changes in Fiduciary Net Position

For the Year Ended June 30, 2017

	Pension Plan	Health Insurance Subsidy Plan	Combined
Additions			
Contributions:			
Members	$ 2,663,717	$ -	$ 2,663,717
Participating court employers	6,013,196	177,600	6,190,796
Total contributions	8,676,913	177,600	8,854,513
Investment income:			
From investing activities:			
Net appreciation in fair value of investments	34,058,749	309,313	34,368,062
Interest	2,332,840	21,856	2,354,696
Total investment income	36,391,589	331,169	36,722,758
Less – Investment expenses	(132,514)	(1,203)	(133,717)
Income from investing activities	36,259,075	329,966	36,589,041
From securities lending activities:			
Securities lending income	133,590	1,213	134,803
Securities lending expenses:			
Borrower rebates	(70,678)	(642)	(71,320)
Management fees	(8,772)	(80)	(8,852)
Income from securities lending activities	54,140	491	54,631
Net investment income	36,313,215	330,457	36,643,672
Total additions	44,990,128	508,057	45,498,185
Deductions			
Retirement, death and survivor benefits	17,648,438	178,710	17,827,148
Refunds and withdrawals	89,298	-	89,298
Administrative expenses	153,267	1,392	154,659
Total deductions	17,891,003	180,102	18,071,105
Net increase in net position	27,099,125	327,955	27,427,080
Net position restricted for pension/HISP benefits			
Beginning of year as restated (See Note 2(f))	291,163,520	2,563,277	293,726,797
End of year	$ 318,262,645	$ 2,891,232	$ 321,153,877

See Accompanying Notes to Financial Statements

Notes to Financial Statements

June 30, 2017

(1) Reporting Entity

The Uniform Retirement System for Justices and Judges (the System) is a defined benefit cost-sharing single employer plan consisting of a retirement plan and a health insurance subsidy plan (HISP) both held in irrevocable trusts. The System, together with other similar fiduciary pension trust funds of the state of Oklahoma (the State), is a component unit of the State. The System is administered by the Oklahoma Public Employees Retirement System (OPERS). As set forth in Title 20 of the Oklahoma Statutes, at Section 1108, a portion of the administrative overhead expenses, including personnel and other supporting services costs, which are paid for by a separate retirement fund also administered by OPERS, are allocated to the System. The allocation is based on OPERS' estimate of the cost of services provided to the System by the separate fund. Allocated costs are charged to the System and paid with funds provided through operations of the System.

(2) Summary of Significant Accounting Policies

The following are the significant accounting policies followed by the Uniform Retirement System for Justices and Judges (the System).

(a) Basis of Accounting

The financial statements are prepared using the economic resources measurement focus and the accrual basis of accounting under which expenses are recorded when the liability is incurred, revenues are recorded in the accounting period in which they are earned and become measurable, and investment purchases and sales are recorded as of their trade dates. Member and employer contributions are established by statute as a percentage of salaries and are recognized when due, pursuant to legal requirements. Benefits and refunds are recognized when due and payable in accordance with the terms of the System.

(b) Investments

The System is authorized to invest in eligible investments as approved by the Board of Trustees of OPERS (the Board) as set forth in its investment policy.

System investments are reported at fair value, which is the price that would be received if the investments were sold in an orderly transaction between a willing buyer and a willing seller. Short-term investments include bills and notes and commercial paper. Short-term investments, domestic debt securities, and equity securities are reported at fair value, as determined by the System's custodial agent, generally based on pricing services or prices quoted by independent brokers. The fair value of the pro rata share of units owned by the System in index and commingled trust funds is determined by the respective fund trustees based on quoted sales prices of the underlying securities.

Cash equivalents include investments in money market funds and investment pools and are reported at amortized cost.

Net investment income (loss) includes net appreciation (depreciation) in the fair value of investments, interest income, securities lending income and expenses, dividend income, and investment expenses, which includes investment management and custodial fees and all other significant investment related costs.

Notes to Financial Statements (continued)

The System's investment policy provides for investments in combinations of stocks, bonds, fixed income securities, and other investment securities, along with investments in commingled trust and index funds. Investment securities and investment securities underlying the trust and index fund investments are exposed to various risks, such as interest rate and credit risks. Due to the risks associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities may occur in the near term, and those changes could materially affect the amounts reported in the statements of fiduciary net position.

(c) Use of Estimates

Management of the System has made a number of estimates and assumptions relating to the reporting of assets and liabilities and the disclosure of contingent assets and liabilities to prepare these financial statements in conformity with U.S. generally accepted accounting principles (GAAP), note disclosure and required supplementary information (RSI). Actual results could differ from these estimates.

(d) Risk and Uncertainties

Contributions to the System and the actuarial information included in Note (6) Net Pension Liability, Net OPEB Liability and Actuarial Information and the RSI are reported based on certain assumptions pertaining to interest rates, inflation rates, and employee compensation and demographics. Due to the changing nature of these assumptions, it is at least reasonably possible that changes in these assumptions may occur in the near term and, due to the uncertainties inherent in setting assumptions, that the effect of such changes could be material to the financial statements.

(e) Composition of Board of Trustees

The Board of Trustees consists of fourteen appointed members, some by position and some by association. Those serving through position are a member of the Corporation Commission as selected by the Commission, a member of the Tax Commission as selected by the Tax Commission, the Administrator of the Office of Personnel Management or designee, the State Insurance Commissioner or designee, the Director of State Finance or designee, and the State Treasurer or designee. Of the remaining members, three are appointed by the Governor, one is appointed by the Supreme Court, two are appointed by the Speaker of the House of Representatives and two are appointed by the President Pro Tempore of the Senate. Qualifications for certain of these appointees include a balance of individuals having experience in investment management, pension management, public fund management, the banking profession or a licensed attorney or a licensed accountant.

(f) Restatement and Reclassifications

On July 1, 2016, the System implemented Governmental Accounting Standards Board (GASB) Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pensions* (GASB 74). GASB 74 presents improved information about postemployment benefit plans other than pensions (OPEB). The System administers a health insurance subsidy plan (HISP), which is considered OPEB in accordance with the provisions of GASB 74. As a result of the implementation of GASB 74, a beginning balance restatement occurred as follows:

Notes to Financial Statements (continued)

	Retirement Plan	Health Insurance Subsidy Plan	Combined
Net Position restricted for pension / OPEB benefits as of June 30, 2016	$ 293,726,797	$ -	$ 293,726,797
Adoption of GASB 74	(2,563,277)	2,563,277	-
Net Position restricted for pension / OPEB benefits as of June 30, 2016	$ 291,163,520	$ 2,563,277	$ 293,726,797

Certain amounts in prior-year financial statements have been reclassified to conform with the current year presentation.

(3) System Descriptions and Contribution Information

The following brief description of the System is provided for general information purposes only. Participants should refer to Title 20 of the Oklahoma Statutes, Sections 1101 through 1111, for more complete information.

(a) General

The System is a single-employer public employee retirement plan, which is a defined benefit pension plan covering all justices and judges of the Oklahoma Supreme Court, Court of Criminal Appeals, Workers' Compensation Court, Court of Appeals, and District Courts.

The System also administers the Health Insurance Subsidy Plan, a cost-sharing multiple-employer defined benefit OPEB plan that provides OPEB covering the same categories of employees covered by the System.

The supervisory authority for the management and operation of the System and HISP is the Board, which acts as a fiduciary for investment of the funds and the application of System interpretation.

At June 30, the System's membership consisted of:

Inactive members or their beneficiaries currently receiving benefits	265
Inactive members entitled to but not yet receiving benefits	16
Active members	262
Total	543

Of the inactive members or their beneficiaries currently receiving benefits, 144 are retirees and beneficiaries in the HISP. The Plan also includes 18 nonvested terminated members entitled to a refund of their member contributions as of June 30, 2017.

(b) Benefits

Pensions

Benefits are determined at 4% of the member's average monthly compensation for covered active service over the highest thirty-six months of compensation as a justice or judge times the total years of service in the System not to exceed 100% of the retiree's average monthly salary received as a justice or judge for the highest thirty-six months of compensation.

Notes to Financial Statements (continued)

Normal retirement ages under the System are as follows:

For participants who became members prior to January 1, 2012:

- When the sum of at least 8 years of credited years and age equals or exceeds 80 (Rule of 80)
- Age 65 with 8 years of judicial service
- Age 60 with 10 years of judicial service

For participants who became members on or after January 1, 2012:

- Age 67 with 8 years of judicial service
- Age 62 with 10 years of judicial service

Members are eligible to vest fully upon termination of judicial service after accumulating eight years of judicial service, or the member's contributions may be withdrawn at the time such member ceases to be a justice or judge of a court within the System. Disability retirement benefits are available for members who have attained age 55 and have 15 years of continuous judicial service and are determined to be disabled by the Court of the Judiciary. The benefits are calculated in the same manner as the normal retirement benefit. The Court of the Judiciary may override these requirements if it is determined that any judge or justice is no longer capable of performing regular duties.

Upon the death of an active member, the System will pay to the designated beneficiary the active member's accumulated employee contributions. However, if the deceased member contributed to survivor benefits, an eligible spouse of the member may choose to vest the member's service (8 years required) until the spouse is eligible to receive monthly survivor benefits as defined by the System.

Upon the death of a retired member, the System will pay a $5,000 death benefit to the member's beneficiary or estate of the member if there is no living beneficiary. The death benefit will be paid in addition to any excess employee contributions or survivor benefits due to the estate or beneficiary. Death benefits paid for the year ended June 30, 2017 totaled approximately $33,000.

Surviving spouse benefits are paid to a member's spouse, provided the member makes the required contributions and the spouse qualifies under the System provisions. These payments are made monthly over the remaining life of the spouse. If the member has ten years of service and the death is determined by the Workers' Compensation Court to be employment related, the benefit is payable immediately to the spouse. Members must have eight years of credited service before their spouses are eligible for normal survivor benefits. The benefit payment is equal to 50% up to 65% of the normal retirement benefit if certain contributions and other criteria are met. Effective September 1, 2005, survivor benefits are also available to the retiree's designated joint annuitant according to the option elected by the member. The first option gives the member a reduced lifetime annuity with 50% of the amount paid to the member's survivor at the member's death. The second option pays the member an even further reduced annuity with the same amount paid to the survivor after the member's death.

Health Insurance Subsidy Plan

HISP provides a health insurance premium subsidy for retirees of the System who elect to maintain health insurance with the Oklahoma Employees Group Insurance Division (EGID) or other qualified insurance plan provided by the employer. This subsidy continues until the retiree terminates health insurance coverage with EGID or other qualified plan, or until death. The subsidy is only for the retiree, not joint annuitants or beneficiaries.

Benefits are established and may be amended by the State Legislature from time to time.

Notes to Financial Statements (continued)

(c) Contributions

The contribution requirements of the System are an established rate determined by the Oklahoma Legislature and are based on a comparison to an actuarial calculation which is performed to determine the adequacy of the contribution rate. An actuarially determined portion of the total contributions to the System are set aside to finance the cost of the benefits of the HISP in accordance with provisions of the Internal Revenue Code.

The contribution rate of all justices and judges is 8% of a member's monthly salary. The member may elect a maximum benefit with no survivor option or one of two types of actuarially reduced retirement benefits that provide for a lifetime benefit to be paid to the member's joint annuitant after the member's death. This election is available for any judge or justice without regard to marital status. Prior to September 2005, the basic member contributions were 5% of a member's monthly salary. Each member of the System who was married provided for spousal survivor benefits and contributed at the rate of 8% unless the member's spouse agreed to waive spousal benefits. Participating court employers are required to contribute monthly a percentage of the gross salaries of the active members of the System. The percentages established by the Oklahoma Legislature for the years ended June 30, 2017 and 2016 were 19.0% and 17.5%, respectively, of member payroll. Only employers contribute to the HISP.

Effective for the fiscal year ended June 30, 2018, the employer contribution rate will increase to 20.5% of payroll and will increase another 1.5% to 22.0% for fiscal years ending June 30, 2019 and thereafter.

Prior to July 2009, the Board was authorized to adjust the contribution rate to prevent a funded ratio of the System of less than 100%. Effective July 1, 2009, the statutory responsibility of the Board was modified to adjust the employer contribution rate to prevent a funded ratio below the target of "at or near" ninety percent. In May 2010, legislation was enacted to remove the authority of the Board to adjust the employer contribution rate.

(4) Cash Equivalents

Cash equivalents represent short-term investment funds held by the Office of the State Treasurer (State Treasurer) and the System's custodial agent.

At June 30, cash equivalents were:

	2017
Cash equivalents	
State Treasurer	$ 64,477
Custodial agent	5,968,348
Total cash and cash equivalents	$ 6,032,825

Cash is deposited to *OK INVEST*, an internal investment pool of the State Treasurer with holdings limited to obligations of the U.S. Government, its agencies and instrumentalities, agency senior debt and mortgage-backed pass-through securities, tri-party repurchase agreements, money market mutual funds, collateralized certificates of deposit, commercial paper, obligations of state and local governments, and State of Israel Bonds. Participants are limited to qualifying agencies and funds within the State's reporting entity, and each participant maintains an interest in the underlying investments of *OK INVEST* and shares the risk of loss on the fund in proportion to the respective investment in the fund. The custodial agent cash equivalents consist of temporary investments in commingled trust funds of the System's custodial agent. The fund is composed of high-grade money market instruments with short maturities. Each participant in the fund shares the risk of loss on the fund in proportion to the respective investment in the fund.

Notes to Financial Statements (continued)

Deposits are exposed to custodial credit risk if they are not covered by depository insurance and the deposits are uncollateralized, collateralized with securities held by the pledging financial institution, or collateralized with securities held by the pledging financial institution's trust department or agency but not in the depositor-government's name. At June 30, 2017, the cash equivalents in *OK INVEST* and the System's custodial agent cash equivalents were not exposed to custodial credit risk because their existence cannot be evidenced by securities that exist in physical or book entry form.

(5) Investments

(a) General

Investments are pooled for administrative purposes and then allocated to the pension plan and HISP based on actuarial data, inflows and outflows. The OPERS Statement of Investment Policy states that the Board believes that System assets should be managed in a fashion that reflects the System's unique liabilities and funding resources, incorporating accepted investment theory and reliable empirical evidence. Specifically, the Board has adopted the following principles:

- Asset allocation is the key determinant of return, and therefore, commitments to asset allocation targets will be maintained through a disciplined rebalancing program.
- Diversification, both by and within asset classes, is the primary risk control element.
- Passive fund portfolios are suitable investment strategies, especially in highly efficient markets. These index funds, which are externally managed by professional investment management firms selected through due diligence of the Board, are deemed to be actively managed accounts within the meaning of Section 909.1(D) of Title 74 of the Oklahoma Statutes.

The investment policy, guidelines, and objectives which govern the investment of System assets shall be developed and adopted by the Board of Trustees at a regularly scheduled public Board meeting, at least annually, prior to August 1 of each year. Changes to the investment policy may be made, as necessary, at any public meeting of the Board of Trustees, in compliance with the Open Meeting Act. During 2015, the investment policy was modified to allow investments in certain real estate-related assets.

The asset allocation guidelines established by policy at June 30, 2017, were U.S. equities – 40%, international equities – 28%, and domestic fixed income – 32%. The guidelines also establish minimum and maximum percentages for each asset class allocation, and when allocations move outside these limits, portfolios are rebalanced.

The fair value of investments held by the System at June 30 was as follows:

	2017
U.S. Treasury notes/bonds	$ 39,015,245
U.S. TIPS index fund	10,189,339
Government agencies	75,507
Government mortgage-backed securities	23,279,385
Foreign bonds	328,187
Municipal bonds	561,672
Corporate bonds	23,497,558
Asset-backed securities	4,833,024
Commercial mortgage-backed securities	2,193,400
Non government backed collateralized mortgage obligations	857,931
U.S. equity index funds	131,886,451
International equity index fund	88,573,229
Securities lending collateral	16,330,922
Total investments	$ 341,621,850

The System participates in fixed income and international and domestic equity index funds managed by BlackRock Institutional Trust Company, N.A. (BTC). BTC, a subsidiary of BlackRock, Inc., is a national banking association and operates as a limited purpose trust company. Its primary regulator is the Office of the Comptroller of the Currency (OCC), the agency of the U.S. Treasury Department that regulates United States national banks. Each fund is a collective fund which is a group trust and an entity separate from BTC, other funds, and the investing participants. BTC is trustee of each of the collective fund trusts and holds legal title to each trust's assets for the exclusive benefit of the System. The fair value of the System's position in the pool is the same as the value of the pool shares. In 2017, the System invested in a fixed income index fund, two domestic equity index funds, and an international equity index fund. The System shares the risk of loss in these funds with other participants in proportion to its respective investment. Because the System does not own any specific identifiable investment securities of these funds, the risk associated with any derivative investments held in these funds is not apparent. The degree of risk depends on the underlying portfolios of the funds, which were selected by the System in accordance with its investment policy guidelines including risk assessment.

(b) Securities Lending

The System's investment policy provides for its participation in a securities lending program. The program is administered by the System's master custodian, and there are no restrictions on the amount of loans that can be made. During 2017, the types of securities loaned were primarily U.S. Government and corporate bonds. Certain securities of the System are loaned to participating brokers, who must provide collateral in the form of cash, U.S. Treasury or Government Agency securities, or letters of credit issued by approved banks.

Under the terms of the securities lending agreement, collateral is required to be provided in the amount of 102% of the fair value of U.S. securities loaned and 105% of the fair value of non-U.S. securities loaned. At June 30, 2017, the System has no credit risk exposure to borrowers because the amounts the System owes the borrowers exceed the amounts the borrowers owe the System. The securities on loan at June 30, 2017 collateralized by cash collateral were $15,968,666, and the cash collateral received for those securities on loan was $16,330,922. In addition, the securities on loan at June 30, 2017 collateralized by non-cash collateral were $4,703,094, and the market value of the non-cash collateral for those securities on loan was $4,801,812. The master custodian provides for full indemnification to the System for any losses that might occur in the program due to the failure of a broker to return a security that was borrowed (and if the collateral is inadequate to replace the securities lent) or failure to pay the System for income of the securities while on loan. The System cannot pledge or sell collateral securities unless the borrower defaults. The loan premium paid by the borrower of the securities is apportioned between the System and its custodial agent in accordance with the securities lending agreement. All securities loans can be terminated on demand by either the lender or the borrower.

The securities lending agreement provides that cash collateral be invested in the custodial agent's short-term investment pool and sets forth credit quality standards, acceptable investments, diversification standards, and maturity and liquidity constraints for the investment fund. The System's investment guidelines do not require a matching of investment maturities with loan maturities but do establish minimum levels of liquidity and other investment restrictions designed to minimize the interest rate risk associated with not matching the maturities of the investments with the loans. At June 30, 2017, the cash collateral investments had an average weighted maturity of 17 days, and the relationship between the maturities of the custodial agent's investment pool and the System's loans is affected by the maturities of the securities loans made by other entities that use the agent's pool, which the System cannot determine. The System's non-cash collateral is represented by its allocated share of a pool administered by the agent for the System and other pool participants.

(c) Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will default or will otherwise not fulfill its obligations.

Notes to Financial Statements (continued)

The System's investment guidelines provide for the domestic fixed income managers to follow one of four investment styles and specify quality guidelines for each style.

The *Constrained Core* manager will invest in a broadly diversified portfolio with characteristics similar to a broad fixed income market index, such as the Barclays Capital Aggregate Bond Index. The total portfolio minimum quality should be single-A as rated by a nationally recognized statistical rating organization (NRSRO). The portfolio should primarily consist of investment grade securities, with a minimum quality rating for any issue of triple-B rating by at least one NRSRO. In the event that a credit rating is downgraded below this minimum, the investment manager shall immediately notify OPERS staff and provide an evaluation and recommended course of action.

The *Core Plus* manager will invest in a broadly diversified portfolio with characteristics similar to the Constrained Core manager and will add a "plus" of limited exposure to high yield bonds. The total portfolio minimum quality should be single-A as rated by an NRSRO. No more than 20% of the portfolio shall consist of non-investment grade issues. The minimum quality rating for any issue is single-B rating by at least one NRSRO, and no more than 5% of a portfolio shall be invested in issues rated below double-B rating by at least one NRSRO. In the event that a credit rating is downgraded below this minimum, the investment manager shall immediately notify OPERS staff and provide an evaluation and recommended course of action.

The *Interest Rate Anticipator* manager follows a style that seeks to correctly forecast the long term trend in interest rates and adjust the portfolio duration accordingly. The total portfolio minimum quality should be single-A as rated by an NRSRO, and the portfolio should consist of investment grade securities only.

The *Passive* fixed income style consists of a TIPS index fund. TIPS are securities issued by the U.S. Government that are designed to protect the purchasing power of the investor.

At June 30, 2017, the domestic fixed income portfolio consisted of a constrained core fixed income portfolio, a core plus fixed income portfolio, a rate anticipator portfolio, and a passive U.S. TIPS index fund. All components met the stated policy restrictions, except the core fixed income portfolio, which held $39,386 of the portfolio in issues rated below triple-B minus, and the core plus fixed income portfolio, which held $193,763 in issues rated below single-B.

Investments issued by or explicitly guaranteed by the U.S. Government are not considered to have credit risk. At June 30, 2017, the System held 39.3% of fixed income investments that were not considered to have credit risk and 9.7% in a U.S. TIPS index fund made up of explicitly guaranteed U.S. Treasury Inflation-Protected Securities.

Notes to Financial Statements (continued)

The System's exposure to credit risk at June 30, 2017 is presented below, in thousands, by investment category as rated by an NRSRO.

	Triple-A	Double-A	Single-A	Triple-B	Double-B	Single-B	Triple-C	Not Rated or Rating Not Available	Total
Government agencies	$ -	$ -	$ -	$ 30	$ -	$ -	$ -	$ -	$ 30
Foreign government bonds	-	-	-	328	-	-	-	-	328
Municipal bonds	97	368	-	97	-	-	-	-	562
Corporate bonds	436	1,216	6,468	10,231	430	134	35	4,548	23,498
Asset-backed securities	2,841	1,164	551	22	-	128	31	96	4,833
Commercial mortgage-backed securities	1,639	237	-	101	29	-	-	187	2,193
Non government backed collateralized mortgage obligations	368	246	69	102	-	73	-	-	858
Total fixed income securities exposed to credit risk	$ 5,381	$ 3,231	$ 7,088	$ 10,911	$ 459	$ 335	$ 66	$ 4,831	$ 32,302
Percent of total fixed income portfolio	5.1%	3.1%	6.8%	10.4%	0.4%	0.3%	0.1%	4.6%	30.9%

The exposure to credit risk of the underlying investments of the System's cash equivalents at June 30 is as follows:

Credit Rating	2017
Triple-A	0.1 %
Double-A	95.8
Single-A	4.1
	100.0 %

(d) Concentration of Credit Risk

Investments can be exposed to concentration of credit risk if significant amounts are invested in any one issuer. The System's investment policy states that portfolios managed on behalf of the System should not hold more than 5% of the outstanding securities of any single issuer. As of June 30, 2017, the System did not have 5% or more of its total investments in any single issuer.

(e) Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment or a deposit. Duration is a measure of a debt investment's exposure to fair value changes arising from changing interest rates based upon the present value of cash flows, weighted for those cash flows as a percentage of the investment's full price. Effective duration estimates the sensitivity of a bond's price to interest rate changes and makes assumptions regarding the most likely timing and amounts of variable cash flows arising from investments such as callable bonds, collateralized mortgage obligations, and other mortgage-backed securities.

The System does not have a formal investment policy on interest rate risk. Interest rate risk is controlled through diversification of portfolio management styles.

At June 30, the System's exposure to interest rate risk as measured by effective duration is listed below by investment category.

Notes to Financial Statements (continued)

	2017	
	Fair Value	Effective duration in years
U.S. Treasury notes/bonds	$ 39,015,245	10.8
U.S. TIPS index fund	10,189,339	7.8
Government agencies	75,507	11.8
Government mortgage-backed securities	23,279,385	4.5
Foreign bonds	328,187	7.1
Municipal bonds	561,672	7.1
Corporate bonds	23,497,558	5.3
Asset-backed securities	4,833,024	1.0
Commercial mortgage-backed securities	2,193,400	4.6
Non government backed collateralized mortgage obligations	857,931	1.9
Total fixed income	$ 104,831,248	
Portfolio duration		7.0

Some investments' sensitivity to changing interest rates may derive from prepayment options embedded in an investment. Asset-backed securities, mortgage-backed securities, and collateralized mortgage obligations are pass-through securities that represent pooled debt obligations repackaged as securities that pass income and principal from debtors through the intermediary to investors.

Asset-backed securities are bonds or notes backed by loan paper or accounts receivable originated by banks, credit card companies, or other providers of credit and often enhanced by a bank letter of credit or by insurance coverage provided by an institution other than the issuer. At June 30, 2017, the System held $4,833,024 in asset-backed securities.

Mortgage-backed securities are securities backed by mortgages issued by public and private institutions. At June 30, 2017, the System held $23,279,385 in government mortgage-backed securities issued by the Federal Home Loan Mortgage Corporation (FHLMC), Government National Mortgage Association (GNMA), and Federal National Mortgage Association (FNMA) as well as $2,193,400 in commercial mortgage-backed securities.

Collateralized mortgage obligations (CMOs) are mortgage-backed bonds that allocate mortgage cash flows (interest and principal) into different maturity classes, called tranches. This is accomplished by dedicating mortgage cash flows to specific tranches and paying each tranche off, in turn by prespecified rules. In return for a lower yield, CMOs provide investors with increased security about the life of their investment compared to purchasing a pass-through mortgage-backed security. If mortgage rates drop (rise) sharply, prepayment rates will increase (decrease), and CMO tranches may be repaid before (after) the expected maturity. At June 30, 2017, the System held $857,931 in non-government backed CMOs.

Notes to Financial Statements (continued)

The exposure to interest rate risk of the underlying investments of the System's cash equivalents at June 30 is as follows:

Maturities (in days)	2017
0 - 14	37.8 %
15 - 30	2.6
31 - 60	12.3
61 - 90	19.9
91 - 180	9.3
181 - 364	16.5
365 - 730	1.6
	100.0 %

(f) Rate of Return

For the year ended June 30, 2017, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expenses, was 12.68%, and the annual money-weighted rate of return on OPEB plan investments, net of OPEB plan investment expenses, was 12.89%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

(g) Fair Value Measurement

The System categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The fair value hierarchy prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to quoted prices in active markets for identical assets (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The inputs to the three levels of the fair value hierarchy are described as follows:

Level 1: Quoted prices in active markets for identical assets or liabilities
Level 2: Significant other observable inputs, including quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets in markets that are not active and other market corroborated inputs
Level 3: Significant unobservable inputs

Debt securities classified in Level 2 are subject to pricing by an alternative pricing source due to lack of information available by the primary vendor.

Notes to Financial Statements (continued)

Assets measured at fair value and net asset value at June 30, 2017 are as follows:

		Fair Value Measurements Using		
Investments by Fair Value Level	**6/30/2017**	**Quoted Prices in Active Markets for Identical Assets (Level 1)**	**Significant Other Observable Inputs (Level 2)**	**Significant Unobservable Inputs (Level 3)**
Cash Equivalents by Fair Value Level				
Short-term investment fund	$ 5,968,349	$ -	$ 5,968,349	$ -
Investments by Fair Value Level				
U.S. Treasury notes/bonds	$ 39,015,245	$ -	$ 39,015,245	$ -
Government agencies	75,507	-	75,507	-
Government mortgage-backed securities	23,279,385	-	23,279,385	-
Foreign bonds	328,187	-	328,187	-
Municipal bonds	561,672	-	561,672	-
Corporate bonds	23,497,558	-	23,497,558	-
Asset-backed securities	4,833,024	-	4,833,024	-
Commercial mortgage-backed securities	2,193,400	-	2,193,400	-
Non government backed collateralized mortgage obligations	857,931	-	857,931	-
Total Investments by Fair Value Level	$ 94,641,909	$ -	$ 94,641,909	$ -
Investments Measured at the Net Asset Value (NAV)				
U.S. TIPS index fund	$ 10,189,339			
International equity index fund	88,573,229			
U.S. equity index funds	131,886,451			
Total Investments Measured at the NAV	230,649,019			
Securities lending collateral	16,330,922			
Total Investments	$ 341,621,850			

There have been no significant changes in valuation techniques during the fiscal year ended June 30, 2017.

Certain investments that do not have a readily determinable fair value are measured at NAV (or its equivalent), such as member units or an ownership interest. NAV per share is calculated as of the System's year-end in a manner consistent with the Financial Accounting Standards Board's measurement principles for investment companies. The valuation method for investments measured at the NAV per share (or its equivalent) is presented in the table below.

Investments Measured at the Net Asset Value	**6/30/2017**	**Redemption Frequency**	**Redemption Notice Period**
U.S. TIPS index fund (1)	$ 10,189,339	Daily	2 days
International equity index fund (2)	88,573,229	Daily	2 days
U.S. equity index funds (3)	131,886,451	Daily	1 day
	$ 230,649,019		

(1) **U.S. TIPS index fund** – The US Treasury Inflation Protected Securities fund is an index fund that establishes an objective of delivering investment performance approximating the rate of return for outstanding US Treasury inflation protected securities with a maturity of one year or greater. The investment is valued at the net asset value of units held at the end of the period based upon the fair value of the underlying investments

Notes to Financial Statements (continued)

(2) **International Equity Index Fund** – The International equity fund consists of an index fund that is designed to track various segments of non-US equity markets. That index fund is the ACWI ex-US Index Fund. The index fund is invested and reinvested in portfolios of non-US developed and emerging markets equity securities, with the objective of approximating the capitalization-weighted return of each respective market segment for publicly traded equity securities. The investment is valued at the net asset value of units held at the end of the period based upon the fair value of the underlying investments.

(3) **U.S. Equity Index Funds** – The US equity funds consist of index funds that are designed to track various segments of US equity markets. Those index funds include the Russell 1000 Index Fund and the Russell 2000 Index Fund. The index funds are invested and reinvested in portfolios of US equity securities, with the objective of approximating the capitalization-weighted return of each respective market segment for publicly traded equity securities. The investment is valued at the net asset value of units held at the end of the period based upon the fair value of the underlying investments.

The System had no unfunded commitments related to investments measured at NAV as of June 30, 2017.

(6) Net Pension Asset, Net HISP Asset and Actuarial Information

(a) Net Pension Asset and Net HISP Asset

The Components of the net pension asset of the employer at June 30 were as follows:

	2017
Total pension liability	$ 282,837,412
Plan fiduciary net position	$ 318,262,645
Employer's net pension asset	$ (35,425,233)
Plan fiduciary net position as a percentage of the total pension liability	112.52%

The Components of the net HISP asset of the employer at June 30 were as follows:

	2017
Total HISP liability	$ 2,699,494
HISP plan fiduciary net position	$ 2,891,232
Employer's net HISP asset	$ (191,738)
Plan fiduciary net position as a percentage of the total HISP liability	107.10%

(b) Actuarial Methods and Assumptions

The total pension liability and total OPEB liability as of June 30, 2017, were determined based on an actuarial valuation prepared as of July 1, 2017, using the following actuarial assumptions:

- Salary increases – 5.00% per year, including inflation
- Post-retirement benefit increases – No increases assumed
- Investment return – 7.00%, compounded annually net of investment expense, and including inflation
- Assumed inflation rate – 2.75%
- Payroll growth – 3.5% per year
- Actuarial cost method—Entry age
- Mortality Rates – RP-2000 Combined Active/Retired Healthy Mortality Table projected to 2010 using scale AA, set back one year

Notes to Financial Statements (continued)

The actuarial assumptions used in the July 1, 2017 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.

The long-term expected rate of return on pension plan investments and OPEB plan investments was determined using a log-normal distribution analysis in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The HISP represents a subsidy that is capped at $105 per month per retiree.

The target asset allocation and best estimates of geometric real rates of return for each major asset class as of June 30, 2017, are summarized in the following table:

Asset Class	Target Allocation	Long-Tern Expected Real Rate of Return
U.S. Large Cap Equity	38.0%	5.3%
U.S. Small Cap Equity	6.0%	5.6%
U.S. Fixed Income	25.0%	0.7%
International Stock	18.0%	5.6%
Emerging Market Stock	6.0%	6.4%
TIPS	3.5%	0.7%
Rate Anticipation	3.5%	1.5%
Total	100.0%	

(c) Discount rate.

The discount rate used to measure the total pension liability and the total OPEB liability was 7.00% for 2017. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and the employer will be made at the current contribution rate as set out in state statute. Based on those assumptions, the pension plan's fiduciary net position and the OPEB plan's fiduciary net position were to be available to make all projected future benefit payments of current System members. Therefore, the long-term expected rate of return on pension plan and OPEB plan investments was applied to all periods of projected benefit payments to determine the total pension liability and total OPEB liability. The discount rate determined does not use a municipal bond rate.

Sensitivity of the net pension asset and the net OPEB asset to changes in the discount rate

The following presents the net pension liability or asset of the employer calculated using the discount rate of 7.00% for 2017, as well as what the System's net pension liability or asset would be if it were calculated using a discount rate that is one percentage point lower or one percentage point higher than the current rate:

	June 30, 2017		
	1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
Net pension asset	$ (8,889,782)	$ (35,425,233)	$ (58,456,825)

Notes to Financial Statements (continued)

The following presents the net HISP liability or asset of the employer calculated using the discount rate of 7.00% for 2017, as well as what the System's net HISP liability or asset would be if it were calculated using a discount rate that is one percentage point lower or one percentage point higher than the current rate:

	June 30, 2017		
	1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
Net HISP liability (asset)	$ 34,375	$ (191,738)	$ (390,624)

Due to the structure of the HISP, healthcare cost trend rate sensitivity analysis is not meaningful.

(7) Federal Income Tax Status

Pursuant to a determination by the IRS, the System is qualified under the Internal Revenue Code of 1986, as amended and, therefore, is exempt from federal income taxes. The latest determination letter is dated October 28, 2014 and was a favorable determination for the Uniform Retirement System for Justices and Judges. The System has been amended since receiving the determination letter; however, the System administrator believes that the System is designed and is currently being operated in substantial compliance with the applicable requirements of the Internal Revenue Code and will retain its status as a qualified plan.

(8) Plan Amendments

During 2017, the State Legislature enacted a System provision during the session ended in May 2017 affecting URSJJ retirees returning to work. Amended language states that judges who return to work for a URSJJ employer must participate in URSJJ by paying retirement contributions. If the judge returns to work for at least 36 consecutive months of full-time service credit, he/she would be eligible to retire a second time and have his/her benefit recalculated. If the judge returns to work for less than the 36 consecutive months of full-time service credit, he/she would not be able to retire a second time but would have his/her benefits reinstated upon leaving office and receive service credit for the additional months.

(9) New Accounting Pronouncements

The following GASB statements were implemented during the fiscal year:

GASB Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pensions* improves the usefulness of information about OPEB to be included in general purpose external financial reports of OPEB plans. As previously discussed, the implementation of GASB 74 resulted in a restatement of restricted net position at the beginning of the year, disaggregating amounts.

GASB Statement No. 77, *Tax Abatement Disclosures* provides additional disclosure related to certain types of tax abatements. This statement had no effect on the System.

GASB Statement No. 78, *Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans* addresses practice issues regarding the scope of GASB-68, *Accounting and Financial Reporting for Pensions* and certain multiple-employer plans that are not state or local governmental pension plans and that may provide defined benefit pensions to both governmental and non-governmental employees. This statement had no effect on the System.

GASB Statement No. 80, *Blending Requirements for Certain Component Units* also addresses a practice issue regarding the presentation of not-for-profit corporations and similar component units where a primary government is the sole corporate member of the component unit. This statement had no effect on the plan.

Notes to Financial Statements (continued)

GASB Statement No. 82, *Pension Issues – An Amendment to GASB Statements No. 67, No. 68, and No. 73* (GASB 82). The objective of GASB 82 is to address certain issues that have been raised with respect to Statements No. 67, *Financial Reporting for Pension Plans*, No. 68, *Accounting and Financial Reporting for Pensions*, and No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*. Specifically, this Statement addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements. The System made certain clarifications in the Required Supplementary Information with regard to payroll-related measures to conform to the provisions of GASB 82.

In addition, the following accounting pronouncements have been issued by the GASB, but not yet adopted:

<u>Fiscal Year Ended June 30, 2018:</u>

For the fiscal year ended June 30, 2018, the System will assist employers of the State in their implementation of GASB Statement No. 75 (GASB 75), *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. GASB 75 requires employers to provide additional information regarding OPEB in their financial statements. The System will provide such information in the form of additional schedules.

GASB Statement No. 81 (GASB 81), *Irrevocable Split-Interest Agreements* provides additional accounting and financial reporting information for circumstances when a government is a beneficiary or and administrator of such agreements. As of the date of the financial statements, the System is currently evaluating the effects of this pronouncement.

GASB Statement No. 85 (GASB 85), *Omnibus 2017* addresses practice issues identified in the implementation and application of existing GASB Statements. The issues involve certain situations involving blending component units, goodwill, fair value measurement and application, pensions and OPEB. As of the date of the financial statements, the System is currently evaluating the effects of this pronouncement.

GASB Statement No. 86 (GASB 86), *Certain Debt Extinguishment Issues* improves consistency in accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired only with existing resources – resources other than the proceeds of refunding deb t- are placed in an irrevocable trust for the sole purpose of extinguishing debt. As of the date of the financial statements, the System is currently evaluating the effects of this pronouncement.

<u>Fiscal Year Ended June 30, 2019 (and beyond</u>):

GASB Statement No. 83 (GASB 83), *Certain Asset Retirement Obligations* addresses accounting and financial reporting for certain asset retirement obligations (AROs). An ARO is a legally enforceable liability associated with the retirement of a tangible capital asset. A government that has legal obligations to perform future asset retirement activities related to its tangible capital assets should recognize a liability based on the guidance. GASB 83 is effective for reporting periods beginning after June 15, 2018. As of the date of the financial statements, the System is currently evaluating the effects of this pronouncement.

GASB Statement No. 84 (GASB 84), *Fiduciary Activities* seeks to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. GASB-84 establishes criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component

Notes to Financial Statements (continued)

units and postemployment benefit arrangements that are fiduciary activities. GASB 84 is effective for reporting periods beginning after December 15, 2018. As of the date of the financial statements, the System is currently evaluating the effects of this pronouncement.

GASB Statement No. 87 (GASB 87), *Leases* increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this GASB 87, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. GASB 87 is effective for reporting periods beginning after December 15, 2019. As of the date of the financial statements, the System is currently evaluating the effects of this pronouncement.

Required Supplementary Information

(Unaudited)

June 30, 2017

Schedule 1

Schedule of Changes in the Net Pension Asset ($ in Thousands)

Year Ended June 30,	2017	2016	2015	2014
Total Pension Liability				
Service cost	$ 10,085	$ 9,689	$ 9,602	$ 9,489
Interest	19,229	19,341	18,812	18,529
Difference between expected and actual experience	(6,664)	(7,480)	(4,598)	(7,597)
Changes of assumptions	3,979	5,843	-	(1,046)
Benefit payments	(17,648)	(17,198)	(16,093)	(14,939)
Refunds of contributions	(89)	(161)	(111)	(57)
Net change in total pension liability	8,892	10,034	7,612	4,379
Total pension liability - beginning	276,434	266,400	258,788	254,409
Adoption of GASB 74	(2,488)	-	-	-
Total pension liability - ending (a)	$ 282,838	$ 276,434	$ 266,400	$ 258,788
Plan Fiduciary Net Position				
Contributions - employer	$ 6,013	$ 5,832	$ 5,295	$ 4,611
Contributions - member	2,664	2,666	2,706	2,544
Net investment income	36,312	1,441	8,174	46,212
Benefit payments	(17,648)	(17,198)	(16,093)	(14,939)
Administrative expense	(153)	(149)	(144)	(132)
Refunds of contributions	(89)	(161)	(111)	(57)
Net change in plan fiduciary net position	27,099	(7,569)	(173)	38,239
Plan fiduciary net position - beginning	293,727	301,296	301,469	263,231
Adoption of GASB 74	(2,563)	-	-	-
Plan fiduciary net position - ending (b)	318,263	293,727	301,296	301,470
Net pension asset - ending (a) - (b)	$ (35,425)	$ (17,293)	$ (34,896)	$ (42,682)

Schedule of the Net Pension Asset ($ in Thousands)

Year Ended June 30,	2017	2016	2015	2014
Total pension liability	$ 282,838	$ 276,434	$ 266,400	$ 258,788
Plan fiduciary net position	318,263	293,727	301,296	301,470
Net pension asset	$ (35,425)	$ (17,293)	$ (34,896)	$ (42,682)
Ratio of plan fiduciary net position to total pension liability	112.52%	106.26%	113.10%	116.49%
Covered payroll	$ 34,811	$ 34,537	$ 34,282	$ 34,326
Net pension asset as a % of covered payroll	-101.76%	-50.07%	-101.79%	-124.34%

This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, the information included is for those years for which information is available.

*2015 column has not been restated for the effect of the adoption of GASB Statement No. 74

Discount Rate as of 6/30/2017 was changed to 7.00% from 2016.

Required Supplementary Information

Schedule of Pension Employer Contributions ($ in Thousands)
(Unaudited)
June 30, 2017
Schedule 2

Year Ended June 30,	2017	2016	2015	2014
Actuarially determined employer contribution	$ 3,626	$ 3,454	$ 4,897	$ 7,215
Actual employer contributions	6,013	5,832	5,295	4,611
Annul contribution deficiency (excess)	$ (2,387)	$ (2,378)	$ (398)	$ 2,604
Covered payroll	$ 34,811	$ 34,537	$ 34,282	$ 34,325
Actual contributions as a % of covered payroll	17.27%	16.89%	15.45%	13.43%

* Covered payroll beginning in 2017 is for the defined benefit plan members only. Note: 2017 was the first year to exclude the health insurance subsidy.

Notes to Schedule

This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, the information included is for those years for which information is available.
Valuation date:

Actuarially determined contributions are calculated as of the beginning of the fiscal year in which contributions are reported

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry age
Amortization method	Level percentage of payroll, closed
Remaining amortization period	12 years
Asset valuation method	5-year smoothed market
Inflation	2.75% for 2017, 3.00% for 2016 and 2015
Salary increase	3.75% for 2017, 5.00% for 2016 and 2015, including inflation
Investment rate of return	7.00% for 2017, 7.25% for 2016 and 7.50% for 2015, compounded annually, net of investment expense and including inflation
Retirement age	Age 67 with eight years of judicial service or age 62 with 10 years of judicial service for judges taking office on or after January 1, 2012. Age 65 with eight years of judicial service or age 60 with 10 years of judicial service for judges taking office prior to January 1, 2012.
Mortality	For 2017, active participants and nondisabled pensioners – RP-2014 Mortality Table projected to 2025 by Scale MP-2016 (disabled pensioners set forward 12 years). For 2016 and 2015, RP-2000 Combined Active/Retired Healthy Mortality Table projected to 2010, set back one year.

Required Supplementary Information

Schedule of Money-Weighted Rate of Return on Pension Plan Investments

(Unaudited)

June 30, 2017

Schedule 3

Annual money-weighted rate of return, net of investment expense	
Year ended June 30, 2017	12.68%
Year ended June 30, 2016	0.49%
Year ended June 30, 2015	2.75%
Year ended June 30, 2014	17.83%

This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, the information included is for those years for which information is available.

Required Supplementary Information

(Unaudited)
June 30, 2017
Schedule 4

Schedule of Changes in the Net HISP Asset ($ in Thousands)

Year Ended June 30,	2017
Total HISP Liability	
Service cost	$ 122
Interest	174
Difference between expected and actual experience	(13)
Changes of assumptions	107
Benefit payments	(179)
Net change in total HISP liability	211
Total HISP liability - beginning	2,488
Total HISP liability - ending (a)	$ 2,699
Plan Fiduciary Net Position	
Contributions - employer	$ 178
Net investment income	330
Benefit payments	(179)
Administrative expense	(1)
Net change in plan fiduciary net position	328
Plan fiduciary net position - beginning	2,563
Plan fiduciary net position - ending (b)	2,891
Net HISP asset - ending (a) - (b)	$ (192)

Schedule of the Net HISP Asset ($ in Thousands)

Year Ended June 30,	2017
Total HISP liability	$ 2,699
Plan fiduciary net position	2,891
Net HISP asset	$ (192)
Ratio of plan fiduciary net position to total HISP liability	107.10%
Covered payroll*	N/A
Net HISP asset as a percentage of covered payroll	N/A

*Covered Payroll is not meaningful to formulate a ratio of net HISP liability as a percentage of covered payroll. Contributions are only received from employers.

Discount Rate as of 6/30/2017 was 7.00%.

Required Supplementary Information

Schedule of HISP Employer Contributions ($ in Thousands)
(Unaudited)
June 30, 2017
Schedule 5

Year Ended June 30,	2017
Actuarially determined employer contribution	$ 35
Actual employer contributions	178
Annul contribution deficiency (excess)	$ (143)
Covered payroll*	N/A
Actual contributions as a % of covered payroll	N/A

*Covered Payroll is not meaningful to formulate a ratio of net HISP liability as a percentage of covered payroll. Contributions are only received from employers.

Notes to Schedule

Valuation date:

Actuarially determined contributions are calculated as of the beginning of the fiscal year in which contributions are reported

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry age
Amortization method	Level percentage of payroll, closed
Remaining amortization period	12 years
Asset valuation method	5-year smoothed market
Inflation	2.75%
Salary increase	3.75%, including inflation
Investment rate of return	7.00%, compounded annually, net of investment expense and including inflation
Retirement age	Age 67 with eight years of judicial service or age 62 with 10 years of judicial service for judges taking office on or after January 1, 2012. Age 65 with eight years of judicial service or age 60 with 10 years of judicial service for judges taking office prior to January 1, 2012.
Mortality	Active participants and nondisabled pensioners – RP-2014 Mortality Table projected to 2025 by Scale MP-2016 (disabled pensioners set forward 12 years).

Required Supplementary Information

Schedule of Money-Weighted Rate of Return on HISP Investments

(Unaudited)

June 30, 2017

Schedule 6

	Annual money-weighted rate of return, net of investment expense
Year ended June 30, 2017	12.89%

Supplementary Information

Schedule of Investment Expenses

Year Ended June 30, 2017

Schedule 7

		2017
Investment management fees		
Fixed Income Managers:		
BlackRock Financial Management, Inc.	$	39,949
Hoisington Investment Management		15,530
Metropolitan West Asset Management, LLC		13,873
U.S. Equity Managers:		
BlackRock Institutional Trust Company, N.A.		15,870
International Equity Managers:		
BlackRock Institutional Trust Company, N.A.		35,453
Total investment management fees		120,675
Investment consultant fees		
Strategic Investment Solutions, Inc.		7,019
Investment custodial fees		
Northern Trust Company		1,087
Other investment related expenses		4,936
Total investment expenses	$	133,717

Supplementary Information
Schedule of Administrative Expenses
Year Ended June 30, 2017
Schedule 8

		2017
Professional / consultant services	$	10,183
Allocated administrative expenses (see note below)		144,476
	$	154,659

Note to Schedule of Administrative Expenses

Administrative overhead expenses, including personnel and other supporting services costs, which are paid for by the Oklahoma Public Employees Retirement System (OPERS), are allocated to the Uniform Retirement System for Justices and Judges and two other retirement funds also administered by OPERS. The allocation is based on OPERS' estimate of the cost of service provided by the Plan to all the funds it administers.

Supplementary Information

Schedule of Professional/Consultant Fees

Years Ended June 30, 2017

Schedule 9

Professional/Consultant	Service	2017
Cavanaugh Macdonald Consulting, Inc.	Actuarial	$ 3,615
McGladrey LLP / RSM	External Auditor	2,507
Arledge & Associates	External Auditor	376
Finley & Cook, PLLC	Internal Auditor	3,685
		$ 10,183

Investment

Investment Consultant's Report

Investment Objectives

The primary financial objective for Uniform Retirement System for Justices and Judges (URSJJ) is to earn a long-term return sufficient to avoid deterioration in funded status. The System's actuary estimates this return requirement to be 7.0% while its investment consultant estimates the portfolio's expected return to be 6.5% for the fiscal year ended June 30, 2017. Note that URSJJ's actuary uses 30-year estimates in its analysis whereas the System's investment consultant uses 10-year forecasts.

The secondary goals for URSJJ are to outperform the asset allocation-weighted benchmark and target a median ranking in the universe of large public pension funds.

Asset Allocation

The System's Investment Philosophy stresses the following key points:

1. Asset allocation is the key determinant of return. Therefore, commitments to asset allocation targets are maintained through a disciplined rebalancing program.
2. Diversification, both by and within asset classes, is the primary tool for risk control.
3. Passive instruments (index funds) are suitable strategies in highly efficient markets.

ASSET CLASS	6/30/17 ALLOCATION	LOW	TARGET	HIGH	% PASSIVE OR SEMI-PASSIVE
U.S. EQUITY	41.1%	34.4%	40.0%	45.6%	100.0%
FIXED INCOME	31.0%	27.5%	32.0%	36.5%	59.5%
INT'L EQUITY	27.6%	25.0%	28.0%	31.0%	100.0%
CASH	0.3%	0.0%	0.0%	0.0%	0.0%

Review of Fiscal Year 2017 Investment Environment

A coordinated uptick in global economic and earnings growth amid low market volatility were central themes during the 2017 fiscal year. For the first time in the recovery, GDP growth accelerated across regions, especially in the Eurozone and emerging markets. At the same time, corporate earnings growth experienced substantial improvements in the latter half of the fiscal year. This backdrop led to strong gains in global equities and other risk assets, led by emerging market equities in Asia. A shift in the U.S. political administration also played an important role in asset price movements. After the initial shock of President Trump's victory, U.S. equities rallied to end the calendar year, particularly in small cap stocks. Consumer and business sentiment measures improved significantly post-election. The increase in optimism was centered around promises of corporate tax reform, deregulation, and infrastructure spending. Much of this optimism faded, however, after the new administration ran into resistance on healthcare reform, which delayed progress on other important agenda items. In the fixed income market, U.S. rates rose modestly and the Treasury curve steepened. The Fed continued on the path of rate normalization, raising the federal funds rate by 25 bps in December, March, and June. Even with the three rate hikes, yields remain low relative to history. The Fed has indicated confidence in the economic environment, and based on its own forecasts a continued gradual pace of monetary tightening appears likely over the short-term. However, inflation is still below the Fed's 2% target, which has been noted as a concern. Developed central banks outside of the U.S remain accommodative, although improving economic conditions in the Eurozone have led to discussions about the possibility of monetary tightening. In currencies, the U.S dollar appreciated significantly in the first half of the fiscal year, but reversed course during the second half to end little changed over the period. Improving international economic conditions and political uncertainty in the U.S. may have been influential factors in the recent weakness.

The U.S. equity market experienced strong returns of 18.5% (Russell 3000) over the fiscal year. Small cap equities delivered especially good performance of 24.6% (Russell 2000) relative to large caps equities that returned 18.0% (Russell 1000). International equities outperformed U.S. markets as the MSCI ACWI ex U.S. Index returned 20.5%, driven by emerging markets. Performance was negative in the broad U.S. fixed income market with the Aggregate Bond Index returning -0.3%. U.S. high yield, however, delivered strong performance as spreads continued to tighten (12.7%).

Portfolio Review

As a diversified investor, URSJJ experienced a 12.7% return for the fiscal year ended June 30. This result was 8 basis points under URSJJ's policy benchmark of 12.8% for the period.

Verus

An Asset-Liability Study was performed during the 2017 fiscal year. Subsequent to the Asset-Liability study, the Board adopted a new asset allocation which lowered domestic equities by 4%, adding 4% to international equity. The fixed income allocation remained the same. During fiscal year 2017, the actuarial assumed rate of return was reduced from 7.25% to 7.0%.

Performance Review

At quarterly intervals, the System reviews performance at the total fund, asset class and individual manager levels. At each level, returns are evaluated versus appropriate indexes and peers. Index comparisons have as return objectives various after-fee return premiums with risk (standard deviation) not exceeding 125%-150% of the underlying index. URSJJ targets a median return within peer comparisons over longer periods of time.

Investment returns achieved through June 30, 2017 have been calculated using a time-weighted rate of return methodology based upon market values, as shown in the following table, for the 1, 3 and 5-year annualized time periods ended June 30, 2017. The U.S. Equity asset class, with its passive implementation, matched the return of its respective blended benchmark for the 1, 3 and 5-year time periods. The Non-U.S. Equity asset class, which also is implemented using passive managers, slightly lagged its benchmark for the 1, 3 and 5-year annualized time periods ended June 30, 2017. The Fixed Income asset class performed above the benchmark for the 1, 3 and 5-year annualized time periods for the fiscal year end.

The Domestic Equity asset class was ranked above median in its peer universe for 1, 3, and 5-year annualized periods ended June 30. The Non-U.S. Equity asset class was ranked below median in its universe for the 1, 3 and 5-year time periods. The System's passive exposure to non-U.S., while cost effective, tends to rank in the bottom half of an active manager universe. The Fixed Income asset class was ranked in the bottom decile of its universe for the 1-year period and in the third quartile for the 3 and 5-year time periods compared to its universe.

The total URSJJ Plan was slightly below its Policy Benchmark for the 1 and 3-year time periods ended June 30, 2017 and performed modestly above its Policy Benchmark for the annualized 5-year time period ended June 30. The ranking for the total URSJJ Plan was slightly below median for the 3-year period and above median for 1 and 5-year periods ended June 30, 2017 compared to the peer universe of Public Funds greater than $1 Billion.

Verus

PERIODS ENDED 6/30/17	ONE YEAR	THREE YEARS	FIVE YEARS
Domestic Equity	19.0%	9.1%	14.6%
85% Russell 1000 / 15% Russell 2000	19.0%	9.1%	14.6%
Rank*	44	36	39
Non-U.S. Equity	20.9%	1.1%	7.5%
MSCI ACWI ex-U.S.	21.0%	1.3%	7.7%
Rank*	53	80	79
Fixed Income	-0.8%	2.9%	2.5%
78% BB Agg./11% Citi 20+ Year Tsy./11% BB U.S. TIPS	-1.2%	2.7%	2.1%
Rank*	93	58	73
Total Fund	12.7%	5.2%	8.9%
*Policy Benchmark***	12.8%	5.3%	8.7%
Public Fund Defined Benefit Median*	12.3%	5.3%	8.7%
Rank*	40	57	47

* Ranking 1 is best, 100 is worst. Rankings source is InvestorForce.

** Policy Benchmark is:

40% Custom Domestic Equity Benchmark (85% Russell 1000/ 15% Russell 2000) /

32% Custom Fixed Income Benchmark (78% BB U.S. Aggregate / 11% Citi 20-Year+ Treasury / 11% BB U.S. TIPS) /

28% MSCI ACWI ex-U.S. Index.

In summary, Verus believes that URSJJ is managed in a prudent and extremely cost effective manner though the extensive use of passive management and fee benefits from its association with OPERS. The sound and disciplined policies implemented by URSJJ are evidenced by its competitive performance compared to relevant benchmarks over longer time periods.

Yours truly,

Margaret Jadallah

Margaret S. Jadallah

Managing Director

Verus

Chief Investment Officer's Report

Uniform Retirement System for Justices and Judges
P.O. Box 53007
Oklahoma City, Oklahoma 73152-3077

800.733.9008 toll-free
405.848.5946 fax

Dear Members:

The Fund's total return for fiscal year 2017 rebounded decidedly from last fiscal year. The broad equity market in the U.S. posted gains of 18.5% for the fiscal year, reaching all-time highs. Non-U.S. equity markets also registered very strong total returns in U.S. dollar terms for the period. The fixed income markets were the only area that detracted from the Fund's overall results. We endeavor to build a durable portfolio that will weather tumultuous market conditions. Maintaining diversification among asset classes and geographical regions is a critical component of that effort. We also de-emphasize active management in the portfolio, as demonstrated by our large holdings of index-related funds. This year's letter, which covers the 2017 fiscal year, will follow the same format as in years past. First, I will discuss the general economic environment and the performance of various markets throughout the fiscal year. Next, I will focus on the Fund by reviewing the investment performance and the asset allocation. Then, I will offer an investment outlook and discuss recent events at the Fund. Finally, I will review the Fund's investment philosophy and guiding principles, because both are critically important to the investment decision-making process.

Economic Environment

GDP growth, the primary gauge for economic activity in the U.S., entered the ninth year of expansion since the Great Recession ended in 2009. The rest of the developed world appears to have caught up to the U.S. in terms of economic growth rates, and perhaps even surpassed it. U.S. GDP posted an annual growth rate of 2.6% in the second quarter, which met the consensus expectations of economists. This was up from an annual rate of 1.4% in the first quarter of 2017. Spending by consumers on durable and non-durable goods continued to drive economic growth. Consumer spending is supported by a tighter labor market, rising wealth from stock market gains, and favorable consumer sentiment, according to the Chair of the Federal Reserve, Janet Yellen. The U.S. dollar reversed trends of the past several years and weakened relative to the rest of the developed world's currencies, as demand for dollars waned on increased optimism for economic expansion outside of the U.S. A weaker dollar bodes well for the U.S. economy in the form of increased export activity because it causes exports to become more competitive abroad and directly increases corporate profits derived outside of the U.S. Market consensus is for the Federal Reserve to continue to raise interest rates as the weakness in the rest of the world abates and global economic prospects continue to improve.

Economic activity in the European Union gained steam during the fiscal year. GDP growth for the Eurozone was 2% for the first quarter of 2017. Eurozone GDP growth benefited from the re-emerging manufacturing sector and very strong auto sales. The European Central Bank continued its stimulative measures, holding short-term rates at 0% and continuing to implement quantitative easing to lower long-term interest rates. One weak spot was in the United Kingdom, as apprehension from the so-called Brexit emerged. Outside of Europe, economic activity was even healthier. Japan's GDP grew at a 4% annual pace for the first quarter-- the strongest growth rate in the last several years and a possible indication of a period of improved GDP growth. Japan's economy was supported by strong domestic demand and elevated hopes of a sustainable recovery. In China, the official target for GDP growth was lowered to 6.5%. This is the lowest growth target for the country in the last 25 years. China's GDP growth exceeded expectations for second quarter, as it rose 6.9% on a year-over-year basis. The government's inflation goal remained unchanged at 3%, and with a plan to create 11 million new jobs, the unemployment rate target is 4.5%.

Chief Investment Officer's Report (continued)

U.S. and Global Stock Markets

The performance of the U.S. stock market, as measured by the Russell 3000 Index, was impressive during the fiscal year. The Russell 3000 Index is one of the broadest equity indices available and a good proxy for the U.S. equity market as a whole. Surging optimism in the U.S. and a fundamentally better outlook globally fueled the index returns for the period.

Change in the Russell 3000 Index during the fiscal year ended June 30, 2017
Value at 6/30/17 7339.0
Value at 6/30/16 6192.8

Source: FTSE Russell

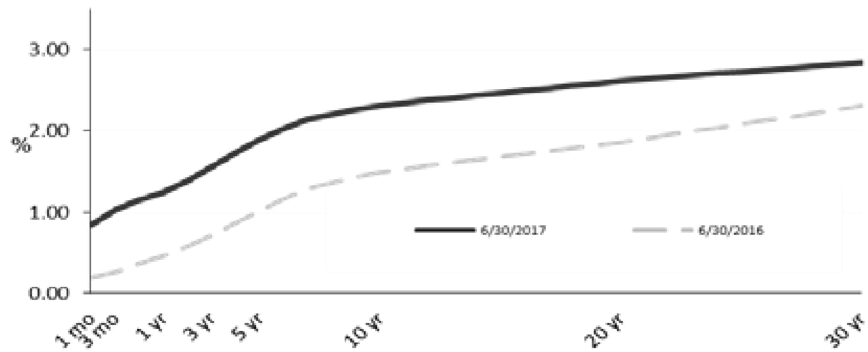
The Russell 3000 ended the one-year period through June 30, 2017 up 18.5%. Equity markets hit all-time highs during the period--the Dow Jones Industrial Average crossed the 22,000 milestone for the first time. The stock markets' remarkable returns were supported by several factors. Corporate profitability growth is as high as it has been in the last five years and remains strong. Inflation remains low and the Federal Reserve remains cautious, and the prospects for global economic growth have improved. Leading the U.S. equity markets were the stocks of the relatively smaller companies, as small capitalization stocks outperformed large capitalization stocks by almost 6% over the period. The market handsomely rewarded risk-taking during the period. Shares in the most economically sensitive sectors of the economy performed the best for the period. Financials, information technology, and industrials were the three best performing sectors in the universe of large-cap stocks of the Russell 1000 index. The rest of the developed world responded to vibrant markets in the U.S. and recorded sizable gains on a U.S. dollar basis. The MSCI All Country World Index ex-U.S. (ACWI ex-U.S. Index), which includes developed and emerging markets, gained 21% in U.S. dollar terms for the fiscal year. The U.S. dollar reversed strengthening trends of the past several years and weakened relative to many other foreign currencies, which fortified gains experienced by U.S. dollar investors in foreign markets. Emerging market returns in U.S. dollar terms were even stronger compared to developed markets.

Interest Rates

The chart on the next page depicts the U.S. Treasury term structure of interest rates. The yield curve is a graphical representation of yield levels across the spectrum of bond maturities. As shown, interest rate yield levels rose across the curve over the period. The Federal Reserve continued on the path towards interest rate normalization and raised the Federal Funds Rate target by a quarter of a percentage point three times during the fiscal year. The Fed Funds Rate stood at a range of 1%-1.25% at the end of the fiscal year. The Fed also announced its intention to begin unwinding the assets on its balance sheet accumulated during the quantitative easing efforts. Yields also rose as investors bet on faster growth and higher inflation as a result of a new administration perceived to be friendlier to businesses. Even though yields rose over the period, inflation remained subdued. The Federal Reserve cut its forecast of inflation to 1.6% from 1.9%. Outside of the U.S., yields continued to be low and even negative in Europe and Japan as those central banks continued policies designed to stimulate and foster the nascent recoveries and economic growth.

Chief Investment Officer's Report (continued)

U.S. Treasury Yield Curve



Source: U.S. Treasury

Investment Returns Through June 30, 2017

U.S. Equity	Style	1 Year	3 Years	5 Years
Russell 3000	Broad U.S. Equity	18.51%	9.10%	14.58%
S&P 500	Large Cap Equity	17.90%	9.61%	14.63%
Russell 1000	Large Cap Equity	18.03%	9.26%	14.67%
Russell 1000 Growth	Large Cap Growth	20.42%	11.11%	15.30%
Russell 1000 Value	Large Cap Value	15.53%	7.36%	13.94%
Russell 2000	Small Cap Equity	24.60%	7.36%	13.70%
Russell 2000 Growth	Small Cap Growth	24.40%	7.64%	13.98%
Russell 2000 Value	Small Cap Value	24.86%	7.02%	13.39%
Uniform Retirement System for Justices & Judges	**Broad U.S. Equity**	**19.01%**	**9.08%**	**14.59%**

U.S. Fixed Income	Style	1 Year	3 Years	5 Years
ML 3-Month T-Bill	Cash	0.44%	0.20%	0.14%
Barclays U.S. Aggregate	Core Bonds	-0.31%	2.48%	2.21%
Citigroup 20-year Treasury Average	Long Term Bonds	-7.63%	5.91%	2.80%
Barclays Corporate High Yield	High Yield Bonds	12.70%	4.48%	6.89%
Uniform Retirement System for Justices & Judges	**Domestic Fixed Income**	**-0.81%**	**2.89%**	**2.49%**

International Equity	Style	1 Year	3 Years	5 Years
MSCI ACWI Ex-US	Broad Non-US Equity	21.00%	1.27%	7.70%
MSCI EAFE	Developed Non-US Equity	20.27%	1.15%	6.72%
MSCI Emerging Market	Emerging Non-US Equity	23.75%	1.07%	3.96%
Uniform Retirement System for Justices & Judges	**Non-U.S. Equity**	**20.85%**	**1.10%**	**7.51%**

Uniform Retirement System for Justices & Judges	**Total Fund**	**12.71%**	**5.23%**	**8.87%**

Source: Various index providers, including FTSE Russell, S&P, Barclays, Citigroup, and MSCI. URSJJ returns were calculated using the BAI Iterative method (as such returns are time-weighted) and are gross of investment fees.

Chief Investment Officer's Report (continued)

Investment Performance

Bull market continued

The Fund produced a total return of 12.71% for the period gross of fees (12.67% net of fees) and underperformed the policy benchmark portfolio by 8 basis points for the period. While most of the Fund follows a passive management style, the contribution from active management was accretive to overall results. Active management is used in the fixed income asset class, but not in the domestic or international equity portfolios.

The Fund benefited from very strong absolute returns from two asset classes in which it is invested: U.S. and non-U.S. equity. These segments of the portfolio were the drivers of returns for the fiscal year, as both returned in excess of 19% for the period (in U.S. dollar terms). The fixed income segment of the portfolio lost 0.81%.

U.S. Equity

The Fund uses passive index investment management for the entire U.S. equity portfolio. Passive investment management is an efficient and cost effective way to manage the assets, while maintaining broad exposure to the desired asset class. Assuming risk in the U.S. equity markets was rewarded. The Fund's allocation dedicated to small capitalization stocks was the best performing asset class for the period, returning 24.96%. The large capitalization portion of the fund gained over 18% for the year. The overall U.S. equity portfolio returned 19.01% for the period.

Non-U.S. Equity

This portion of the Fund is also managed entirely in a passive style. The index consists of stocks from developed and emerging countries outside of the United States. International developed markets rebounded strongly compared to last fiscal year. The U.S. dollar reversed strengthening trends of the past several years and weakened relative to many other foreign currencies, which fortified gains experienced by U.S. dollar investors in foreign markets. The international portfolio gained 20.85% for the period on a U.S. dollar basis.

Fixed Income

The Fund's bond portfolio detracted from overall results for the fiscal year. As the market sought the riskier areas of the equity markets for enhanced return opportunities, the less risky parts of the market sold off, including the bond market. Yields increased on longer maturity bonds, which depressed the nominal total returns of the asset class. Unlike last year, the most interest-rate sensitive portion of the fixed income segment produced investment losses, which is a direct result of rising interest rates over the period. The two advisors who focus on the broader bond market both achieved superior benchmark-relative investment results. Bonds are maintained in the portfolio for the diversification of return patterns when combined with exposure to the equity markets. This fiscal year was not a great year for bonds.

Chief Investment Officer's Report (continued)

Asset Allocation

Diversification Reduces Volatility

Diversification is the most effective defense against the risks associated with any one individual security or asset class. Risks are controlled by allocating the Fund's assets across various asset classes and sectors within asset classes. There was a change to the asset allocation during the fiscal year. The Board reduced exposure to the U.S. equity markets by four percentage points and increased exposure to the non-U.S. equity markets by the same amount. For a discussion, please see the recent events section below.

Asset Class	Min	6/30/2017	Target	Max
Cash	0.0%	0.3%	0.0%	0.0%
Domestic Fixed Income	27.5%	31.0%	32.0%	36.5%
U.S. Equity	34.4%	41.1%	40.0%	45.6%
Non-U.S. Equity	25.0%	27.6%	28.0%	31.0%
Total Fund		**100%**	**100%**	

Outlook and Recent Events

Outlook

If you've read this report in previous years, you know that I usually begin this section on a cautionary note regarding the accuracy of forecasted market returns. Correctly and consistently forecasting the market's behavior is impossible, and taking any forecast as fact is sheer folly. We build the Fund according to the tenets set forth in our Investment Policy while making diversification, with respect to different asset classes and within each asset class, a priority. We endeavor to structure the Fund so it may benefit from strong returns in relatively riskier asset classes, but are ever mindful to maintain a level of diversification to dampen the return volatility that can result.

The current global economic environment continues to be driven by constrained economic activity in the U.S. and improvement in the European economies. We are starting to see signs that the accommodative policies that many global central banks have implemented are beginning to bear fruit. The Federal Reserve has started to move away from historically low yield levels and programs to lower long-term rates by increasing short-term rates and selling the securities accumulated during the quantitative easing programs. Geopolitical risk, especially as the U.K. moves to extricate itself from the European Union, will undoubtedly influence investor risk-taking appetite.

For 2018, our largest concern continues to be the prospect of generating and maintaining investment results that match or exceed the actuarial assumed rate of return of 7.00%. This will continue to be a challenging task going forward. Interest rates still remain low which pressures the long-term return generating capacity of a diversified portfolio. Additionally, with the stock market hitting record levels, equity market valuation levels appear stretched, which reduces prospective returns in the equity markets.

Fixed Income

Over a long period of time, the total return of the bond market ***tends*** to resemble the yield of years past. Over short periods, interest rate movements may have a profound impact on the capital gains (or losses) experienced by bond investors. The more quickly interest rates rise, the more pressure is exerted on the total return of the fixed income portfolio. Rates increased in the long end of the yield curve last year, which depressed fixed income total returns over the period. Our medium-term expectation for the total return of the broad U.S. fixed income market going forward would more closely reflect current yields, which are around 2%-2.5%. But we could see another year of poor returns if rates rise more quickly, with the decline in bond value offsetting the yield earned over the period.

Chief Investment Officer's Report (continued)

Equity

Equity markets are particularly difficult to predict with any type of precision. Over short periods of time, market sentiment and technical factors (buying and selling) have an overwhelming impact on returns experienced by investors. ***Over a long period of time***, the real return from the equity markets can be attributable to three main sources: dividends on stocks, the growth rate of corporate earnings, and changes in the valuation ratios. Generally, the growth rate of earnings depends on the economic environment. My forward-looking expectation on the economy has changed very little from last year. The U.S. economy continues to show modest but stable growth. Consumer spending, the biggest driver of the U.S. economy, remains stable, as the outlook for employment is satisfactory and consumers have more discretionary dollars to spend due to low commodity prices. In my opinion, the ability of policy makers to manage expectations around monetary and fiscal policy continues to be the key to the performance of the equity market (and most other "risk assets") for the next several quarters. In addition, potentially reduced corporate profitability at elevated market valuation levels or an increase in geopolitical events could put stress on the market. Market valuations are stretched, and unbridled optimism is a fuel that can quickly evaporate.

Recent Events

There was a change to the structure of the portfolio during the fiscal year. The Board revised the policy asset allocation in conjunction with the asset/liability study presented by the System's consultant. The total returns of the Fund are largely driven by our public equity exposure. Given the strong recent performance of the U.S. equity markets, we believe increasing the international equity portion of the Fund may boost the expected return and efficiency of the overall portfolio. Therefore, the new asset allocation was changed to 32% fixed income (no change), 40% US equity (down from 44%), and 28% non-US equity (up from 24%).

Investment Philosophy and Guiding Principles

The investment philosophy and the principles that guide the stewardship of the Fund have remained consistent and are listed below. A pension fund has the longest of investment horizons and, therefore, rightly focuses on factors impacting long-term results:

- Asset allocation is the key factor determining long-term results.
- Disciplined rebalancing toward the desired asset allocation maintains diversification and controls risk.
- Diversification within and across asset classes is the most effective tool for controlling risk.
- Passive investment management is commonly the most effective approach in efficient markets; active investment management can succeed in less efficient markets.

For a complete discussion of the investment portfolio and policies thereof, please see the Statement of Investment Policy. A copy of the policy is posted on the OPERS website, www.OPERS.OK.gov/Investment. If you have any questions about this report or the management of the Fund's investments, please contact me. Thank you.

Regards,

Brad Tillberg, CFA
Chief Investment Officer

Largest Holdings

The Plan's ten largest fixed income at June 30, 2017, are described in the following schedules. The Plan invests in four index funds which are separately presented.

Ten Largest Fixed Income Holdings (By Fair Value):

Security	Par	Fair Value
U.S. Treasury Notes 1.25% due 5-31-2019	4,925,000	$4,913,072
U.S. Treasury Notes 1.75% due 5-31-2022	2,991,000	2,973,476
U.S. Treasury Notes 1.25% due 4-30-2019	2,911,000	2,903,836
U.S. Treasury Bonds 2.5% due 5-15-2046	3,010,000	2,800,360
U.S. Treasury Bonds 2.5% due 2-15-2046	2,601,200	2,421,148
U.S. Treasury Bonds 2.5% due 2-15-2045	2,100,000	1,959,808
U.S. Treasury Notes 1.75% due 6-30-2022	1,795,000	1,783,361
U.S. Treasury Notes 1.25% due 3-31-2019	1,765,000	1,761,209
U.S. Treasury Bonds 2.375% due 5-15-2027	1,553,000	1,562,827
U.S. Treasury Notes 1.125% due 6-30-2021	1,475,000	1,439,566

Investments in Funds (By Net Asset Value):

Fund	Units	Net Asset Value
BlackRock Russell 1000 Index Fund	618,409	$111,668,699
BlackRock ACWI ex-U.S. Index Fund	3,443,445	88,572,350
BlackRock Russell 2000 Index Fund	427,178	20,217,752
BlackRock U.S. TIPS Index Fund	472,476	10,189,339

A complete list of portfolio holdings is available upon request from the OPERS Investment Accounting and Financial Reporting Department.

Schedule of Stock Brokerage Commissions Paid

Year Ended June 30, 2016

None

Investment Portfolio by Type and Manager

At June 30, 2017, the investment portfolio of URSJJ was allocated by type and style as follows:

Investment Type and Manager	**Style**	**Fair Value***	**Percent of Total Fair Value**
		(000's)	
Fixed Income:			
Blackrock Financial Management, Inc.	Constrained Core	$ 54,390	16.4%
Hoisington Investment Management	Interest Rate Anticipation	11,047	3.3%
BlackRock Institutional Trust Company	Index Fund – U.S. TIPS	10,189	3.1%
Metropolitan West Asset Management	Core Plus	34,346	10.4%
Total Fixed Income		109,972	33.2%
U.S. Equities:			
BlackRock Institutional Trust Company	Index Fund – Russell 2000	20,218	6.1%
BlackRock Institutional Trust Company	Index Fund – Russell 1000	111,670	33.7%
Total U.S. Equities		131,888	39.8%
International Equities:			
BlackRock Institutional Trust Company	Index Fund – ACWI ex-U.S.	88,572	26.7%
Short-term Investment Funds	Operating Cash	828	0.2%
Total Managed Investments		331,260	99.9%
Securities Lending Collateral		16,331	
Cash Equivalents on Deposit with State		64	
Total Investments and Cash Equivalents		$ 347,655	
Statement of Fiduciary Net Position			
Cash Equivalents		6,033	
Investments		341,622	
Total Investments and Cash Equivalents		$ 347,655	

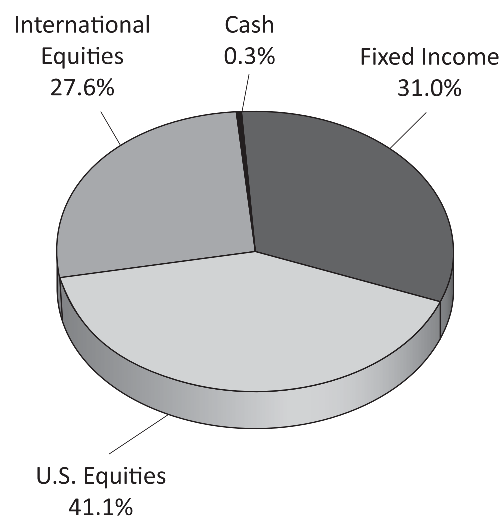
* *Manager fair values include their respective cash and cash equivalents.*

Asset Comparison

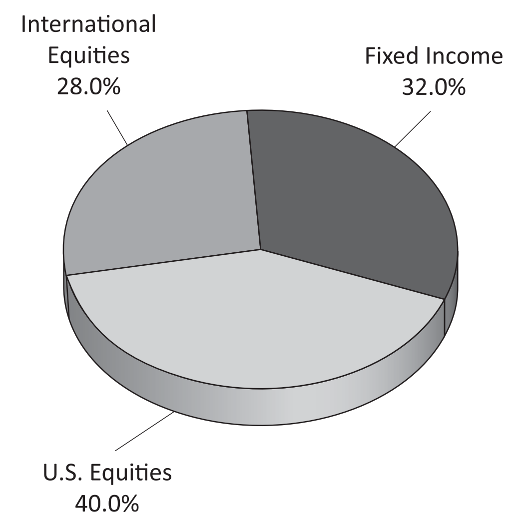
A comparison of the actual investment distribution at June 30, 2017 and 2016, based on the net investment manager holdings, including accrued income, payables and receivables, compared to the target allocations for each year is as follows:

2017

Asset Mix

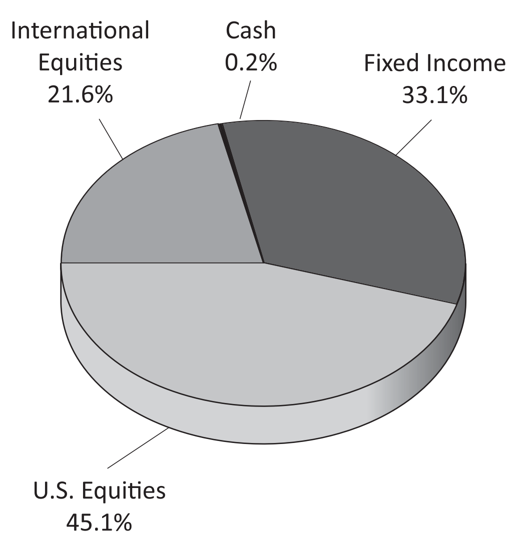


Target Policy Mix

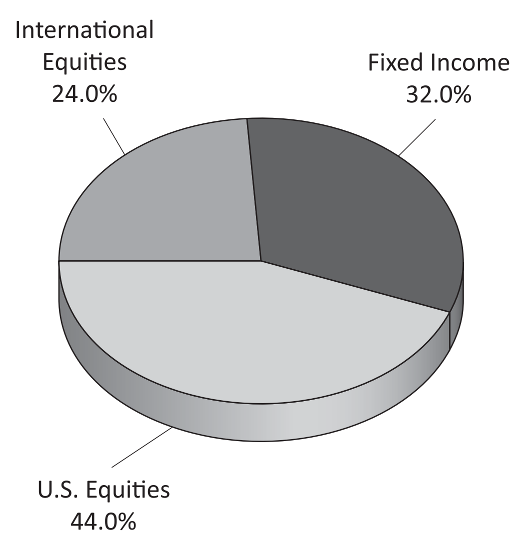


2016

Asset Mix



Target Policy Mix



Actuarial

Cavanaugh Macdonald
CONSULTING, LLC
The experience and dedication you deserve

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October 27, 2017

Board of Trustees
Oklahoma Public Employees Retirement
System 5801 N. Broadway Extension, Suite 200
P.O. Box 53007
Oklahoma City, OK 73152-3007

Members of the Board:

We have completed an actuarial valuation of the Oklahoma Uniform Retirement System for Justices and Judges as of July 1, 2017 for the purpose of determining the actuarial contribution rate and calculating and analyzing key financial measurements. Actuarial valuations are performed annually. This valuation reflects the benefit provisions and contribution rates in effect as of July 1, 2017.

In preparing the valuation, we, as the actuary, relied on the data provided by the System. As part of our work, we performed a limited review of the data for consistency and reasonableness and did not find material defects in the data.

All of the information and supporting schedules in the Actuarial Section have been provided by Cavanaugh Macdonald Consulting, LLC. We also prepared the *Schedule of Changes in the Net Pension Liability*, *Schedule of Pension Employer Contributions, Schedule of Changes in the Net HISP Liability,* and *Schedule of HISP Employer Contributions* 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 prior actuarial firm.

The assumptions recommended by the actuary and adopted by the Board are, in the aggregate, reasonably related to the experience under the System and to reasonable expectations of anticipated experience under the System and meet the parameters for the disclosures under statements issued by the Governmental Accounting Standards Board.

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. Since 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.

The actuary prepared the following supporting schedules for the Comprehensive Annual Financial Report:

Actuarial Section

Summary of Results
Analysis of Financial Experience
Solvency Test
Summary of Membership Data

This is to certify that the independent consulting actuaries, Alisa Bennett and Brent Banister, are Members of the American Academy of Actuaries and meet the qualification standards of the American Academy of Actuaries to render the actuarial opinion contained herein. They have experience in performing valuations for public retirement systems. The valuation was prepared in accordance with Actuarial Standards of Practice issued by the Actuarial Standards Board. 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.

Respectfully submitted,

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

Brent Banister, PhD, FSA, EA, FCA, MAAA
Chief Pension Actuary

Summary of Results

		7/1/2017 Valuation		7/1/2016 Valuation	% Change
1.	**PARTICIPANT DATA**				
	Number of:				
	Active Members	262		269	(2.6)
	Retired and Disabled Members and Beneficiaries	265		260	1.9
	Inactive Members	16		17	(5.9)
	Total members	543		546	(0.5)
	Projected Annual Salaries of Active Members	$ 33,359,101		$ 34,810,851	(4.2)
	Annual Retirement Payments for Retired Members and Beneficiaries	$ 17,845,148		$ 16,956,189	5.2
2.	**ASSETS AND LIABILITIES**				
	Total Actuarial Accrued Liability	$ 285,536,906		$ 276,433,541	3.3
	Market Value of Assets	$ 321,153,877		$ 293,726,797	9.3
	Actuarial Value of Assets	$ 321,405,873		$ 306,256,213	4.9
	Unfunded Actuarial Accrued Liability	$ (35,868,967)		$ (29,822,672)	20.3
	Funded Ratio	112.6%		110.8%	1.6
3.	**EMPLOYER CONTRIBUTION RATES AS A PERCENT OF PAYROLL**				
	Normal Cost Rate	25.24%		27.34%	
	Amortization of Unfunded Actuarial Accrued Liability	(12.86%)		(9.36%)	
	Budgeted Expenses	0.57%		0.54%	
	Total Actuarial Required Contribution Rate	12.95%		18.52%	
	Less Member Contribution Rate	8.00%		8.00%	
	Employer Actuarial Required Contribution Rate	4.95%		10.52%	
	Less Statutory State Employer contribution Rate	20.50%		19.00%	
	Contribution Shortfall/(Surplus)	(15.55%)		(8.48%)	

Analysis of Financial Experience

Gains & Losses in Actuarial Accrued Liability During the Year Ended June 30, 2017 Resulting from Differences Between Assumed Experience & Actual Experience

	Type of Activity	(Gain) or Loss for Year End 2017
1.	**Age & Service Retirements.** If members retire at older ages or with smaller benefits than assumed, there is a gain. If they retire at younger ages or have higher average pays, a loss occurs.	$ 579,000
2.	**Disability Retirements.** If disability claims are less than assumed, then there is a gain. If more claims, a loss.	0
3.	**Death Benefits.** If survivor claims are less than assumed, there is a gain. If more claims, there is a loss.	(807,000)
4.	**Withdrawal from Employment.** If more liabilities are released by withdrawals than assumed, there is a gain. If smaller releases, a loss.	(114,000)
5.	**Pay Increases.** If there are smaller pay increase than assumed, there is a gain. If greater increases, a loss.	(5,540,000)
6.	**New Entrants.** All new entrants to the System create a loss.	62,000
7.	**Other.** Miscellaneous gains and losses resulting from data adjustments, employee transfers, valuation methods, etc.	(858,000)
8.	**(Gain) or Loss During Year From Financial Experience.**	2,491,000
9.	**Composite (Gain) or Loss During Year.**	$ 9,169,000

Solvency Test

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

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

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

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

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

	Actuarial Accrued Liabilities[1] and Valuation Assets					Portion of Actuarial Accrued Liabilities Covered by Reported Assets			
Date	Active Member Contributions (Liability 1)	Retirees, Beneficiaries and Terminated Vested Members (Liability 2)	Employer Financed Portion of Active Members (Liability 3)	Total Liability (1 + 2 + 3)	Reported Assets[1]	(1)	(2)	(3)	Funded Ratio of Total Accrued Actuarial Liabilities
July 1, 2008	$19,206,749	$108,823,528	$116,032,044	$244,062,321	$235,297,077	100%	100%	96.2%	96.4%
July 1, 2009	20,120,183	119,470,132	121,805,707	261,396,022	221,576,179	100	100	67.3	84.8
July 1, 2010	20,768,871	138,619,902	123,376,632	282,765,405	230,010,299	100	100	57.2	81.3
July 1, 2011	20,060,127	134,336,252	92,395,853	246,792,232	237,626,663	100	100	90.1	96.3
July 1, 2012	21,278,738	137,448,040	90,652,122	249,378,900	238,553,638	100	100	88.1	95.7
July 1, 2013	23,130,164	136,834,202	94,444,597	254,408,963	247,531,035	100	100	92.7	97.3
July 1, 2014	24,434,587	140,084,348	94,268,742	258,787,677	274,070,696	100	100	100.0	105.9
July 1, 2015	23,390,700	158,199,138	84,810,188	266,400,026	295,355,061	100	100	100.0	110.9
July 1, 2016	25,199,268	159,092,241	92,142,032	276,433,541	306,256,213	100	100	100.0	110.8
July 1, 2017	25,438,215	172,934,885	87,163,806	285,536,906	321,405,873	100	100	100.0	112.6

[1] Actuarial value of assets based on the smoothing technique adopted by the Board.

Schedule of Active Member Valuation Data

Valuation Date	Number	Annual Payroll	Annual Average Pay	% Increase in Average Pay
July 1, 2017	262	$33,359,101	$127,325	(1.61%)
July 1, 2016	269	34,810,851	129,408	1.54
July 1, 2015	271	34,537,376	127,444	1.86
July 1, 2014	274	34,281,695	125,116	(0.49)
July 1, 2013	273	34,325,368	125,734	0.33
July 1, 2012	266	33,336,632	125,326	(2.13)
July 1, 2011	271	34,700,819	128,047	(0.92)
July 1, 2010	271	35,023,262	129,237	5.45
July 1, 2009	274	33,579,668	122,554	4.81
July 1, 2008	277	32,389,296	116,929	0.98

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

	Added to Rolls		Removed from Rolls		Rolls – End of Year			
Year Ended	No.	Annual Allowances	No.	Annual Allowances	No.	Annual Allowances	% Increase in Annual Allowances	Average Annual Allowances
June 30, 2017	16	$1,470,169	11	$581,210	265	$17,845,148	5.24%	$67,340
June 30, 2016	5	409,553	5	412,096	260	16,956,189	0.01	65,216
June 30, 2015	30	2,395,473	5	298,613	260	16,958,732	14.11	65,226
June 30, 2014	19	1,330,374	14	838,912	235	14,861,872	3.42	63,242
June 30, 2013	7	439,982	10	576,225	230	14,370,410	(0.94)	62,480
June 30, 2012	7	550,850	9	188,030	233	14,506,653	2.57	62,260
June 30, 2011	28	2,415,131	3	73,279	235	14,143,833	19.84	60,187
June 30, 2010	17	1,533,568	7	277,053	210	11,801,981	11.92	56,200
June 30, 2009	11	877,758	6	267,360	200	10,545,466	6.09	52,727
June 30, 2008	7	459,236	6	205,594	195	9,940,068	5.62	50,975

Summary of System Provisions

Employees Included:	All Justices and Judges of the Supreme Court, Court of Criminal Appeals, Workers Compensation Court, Courts of Appeals or District Court who serve in the State of Oklahoma participate in the Uniform Retirement System for Justices and Judges.
System Contributions:	The contributions are received from the employer agencies based on a percentage of salary of covered members. Effective for the fiscal year ending June 30, 2006, employer contributions increased to 3.0% of the member's salary and will increase annually up to 22.0% of member payroll for fiscal years ending June 30, 2019, and thereafter.
Member Contributions:	Before September 1, 2005, basic member contributions equal 5% of salary, while married members could have elected an 8% contribution rate in order to provide survivor coverage. After September 1, 2005, the member contribution rate for all members is 8% of salary.
Final Average Salary:	The average monthly salary received during the highest three (3) years of active service as a Justice or Judge in a court of record.
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:	General formula is 4% of average monthly salary multiplied by service, up to a maximum benefit of 100% of final average salary.
Disability Benefit:	After fifteen (15) years of service and age fifty-five (55), provided the member is ordered to retire by reason of disability and is eligible for disability retirement benefits. This benefit, payable for life, is calculated in the same manner as a normal retirement benefit but cannot exceed 100% of final average salary.

Summary of System Provisions (continued)

Survivor Benefit:	The spouse of a deceased active member who had met normal or vested retirement provisions may elect a spouse's benefit. The spouse's benefit is the benefit that would have been paid if the member had retired and elected the joint and 100% survivor option (Option B), or a 50% unreduced benefit for certain married participants making 8% of pay contributions prior to September 1, 2005. If the member has ten (10) years of service and the death is determined to be employment related, this benefit is payable immediately to the spouse. In order to be eligible for this survivor coverage, members must be married to their spouse for three (3) years preceding death and they must be married ninety (90) days prior to the member's termination of employment as a Justice or Judge. Effective October 1, 2004, the benefit for surviving spouses may be higher than 50% of the member's benefit, up to 65% for certain members who made additional voluntary survivor benefit contributions of 3% of salary prior to July 1, 1999, and who die or retire after July 1, 1999.
Optional Forms of Retirement Benefits:	The normal form of benefit for a single member is a single life monthly annuity with a guaranteed refund of the contribution accumulation. The normal form for a married member is a 50% joint and survivor annuity benefit. Optional forms of payment with actuarial reduction (if applicable) are available to all members retiring under the normal retirement or vested retirement provisions. After September 1, 2005, the options providing post-retirement death benefits are: Option A -- Joint and 50% survivor annuity with a return to the unreduced amount if the joint annuitant dies. Option B -- Joint and 100% survivor annuity with a return to the unreduced amount if the joint annuitant dies. For married members, spousal consent is required for any option other than Option A.
Participant Death Benefit:	$5,000 lump sum.
Supplemental Medical Insurance Premium:	The System contributes the lesser of $105 per month or the Medicare Supplement Premium to the Oklahoma State and Education Employee's Group Health Insurance Program for members receiving retirement benefits.

Summary of Actuarial Assumptions and Methods

1. The investment return rate used in the valuation was 7.00 percent per year, net of investment expenses, compounded annually. This rate of return is not the assumed real rate of return. The real rate of return is the rate of return in excess of the inflation rate. Considering other financial assumptions, the 7.00 percent investment return rate translates to an assumed real rate of return of 4.25 percent.

2. The RP-2024 Mortality Table projected to 2025 using Scale MP-2016 with male rates multiplied by 95% under age 70 and 105% over age 70, while female rates are multiplied by 90% and 115%. After all adjustments, ages are set back one year.

3. The probability of withdrawal from service is 2% for all years of service. The individual pay increase assumption is 3.75% per year.

4. The probabilities of retirement are shown in Schedule 1.

5. Because of the passage of House Bill 2132, benefits are not assumed to increase due to future ad hoc cost-of-living increases.

6. The individual entry-age normal actuarial cost method of valuation was used in determining actuarial accrued liability and normal cost. Actuarial gains and losses reduce or increase the unfunded actuarial accrued liability and are amortized over the remaining amortization period (10 years as of July 1, 2017).

7. The actuarial value of assets is based on a five-year moving average of expected actuarial values and market values. A preliminary expected value is determined equal to the prior year's actuarial value of assets plus net cash flow for the year ending on the valuation date, assuming the valuation investment return. The expected actuarial asset value is equal to the preliminary expected actuarial value plus the unrecognized investment gains and losses as of the beginning of the previous fiscal year. Twenty percent (20%) of the gain/loss as measured by the difference between the expected actuarial value and the market value at the valuation date is added to the preliminary expected actuarial value plus twenty percent (20%) of the unrecognized gains or losses for the four preceding fiscal years. The final result is constrained to a value no less than 80% and no more than 120% of the market value at the valuation date.

8. The actuarial assumptions and methods used in the valuation were adopted by the Board on based on System experience from July 1, 2013 through June 30, 2016.

Summary of Actuarial Assumptions and Methods (continued)

Schedule 1
Percent of Eligible Active Members Retiring Within Next Year

Retirement Ages	Percent	Retirement Ages	Percent
Below 59	7%	67	20%
59	10%	68	20%
60	10%	69	25%
61	10%	70	25%
62	15%	71	25%
63	15%	72	25%
64	15%	73	25%
65	15%	74	25%
66	15%	75	100%

Statistical

The Statistical Section provides additional historical perspective, context, and detail to assist the reader in using the information in the financial statements, notes to financial statements and required supplementary information to understand and assess the economic condition of the Uniform Retirement System for Justices and Judges (URSJJ) on a combined basis, including both the Defined Benefit Pension Plan and the Health Insurance Subsidy Plan.

Financial trend information is intended to assist users in understanding and assessing the changes in the financial position over time. Schedules presenting financial trend information are *Schedule of Changes in Fiduciary Net Position, Schedule of Revenue by Source, Schedule of Expenses by Type, Schedule of Benefit Payments and Refunds by Type*, and *Funded Ratio Chart*.

Revenue capacity information is intended to assist users in understanding and assessing the factors affecting the ability of URSJJ to generate own-source revenue, specifically investment income. The schedule presenting revenue capacity information is the *Rate of Return by Type of Investment.*

Operating information is intended to provide contextual information about the operations and resources of URSJJ to assist readers in using financial statement information to understand and assess the economic condition. Schedules and charts presenting operating information are *Schedule of Retired Members by Type of Benefit, Schedule of Average Benefit Payments, Principal Employer, Demographics Chart, Member Statistics*, Distribution of Retirees and Beneficiaries*, Summary of Active Members*.*

Schedules and information are derived from URSJJ internal sources unless otherwise noted.
*Schedules and data are provided by actuarial consultant Cavanaugh MacDonald Consulting, LLC.

Schedule of Changes in Fiduciary Net Position

Year Ended June 30,	Additions			Deductions			Total Changes in Fiduciary Net Position
	Member Contributions	Employer Contributions	Investment Income (Loss)	Benefit Payments	Administrative Expenses	Refunds	
2017	$ 2,663,717	$ 6,190,796	$ 36,643,672	$ 17,827,148	$ 154,659	$ 89,298	$ 27,427,080
2016	2,666,001	5,831,884	1,441,579	17,198,048	149,149	161,575	(7,569,308)
2015	2,706,406	5,295,012	8,173,421	16,093,317	143,582	111,044	(173,104)
2014	2,543,885	4,610,812	46,212,132	14,939,499	132,190	56,892	19,411,540
2013	2,543,584	4,129,300	27,498,371	14,599,877	128,007	31,831	(4,369,589)
2012	2,562,347	3,619,677	4,411,958	14,478,117	154,623	330,831	37,008,455
2011	2,667,908	3,193,277	44,556,035	13,117,911	118,765	172,089	26,533,739
2010	2,599,341	8,704,232	27,116,482	11,705,265	114,663	66,388	(41,277,853)
2009	2,774,837	2,243,701	(35,739,688)	10,430,301	117,081	9,321	(14,325,973)
2008	2,486,481	1,688,673	(8,735,864)	9,650,446	112,484	2,333	26,533,121

Schedule of Revenue by Source

		Employer Contributions			
Year Ended June 30,	**Member Contributions**	**Dollars**	**% of Annual Covered Payroll**	**Investment Income (Loss)**	**Total**
2017	$ 2,663,717	$ 6,190,796	18.56 %	$ 36,643,672	$ 45,498,185
2016	2,666,001	5,831,884	16.75	1,441,579	9,939,464
2015	2,706,406	5,295,012	15.33	8,173,421	16,174,839
2014	2,543,885	4,610,812	13.45	46,212,132	53,366,829
2013	2,543,584	4,129,300	12.03	4,411,958	10,593,982
2012	2,562,347	3,619,677	10.86	44,556,035	50,417,220
2011	2,667,908	3,193,277	9.20	27,116,482	38,420,055
2010	2,599,341	8,704,232	24.85	(35,739,688)	(30,721,150)
2009	2,774,837	2,243,701	6.68	(8,735,864)	(4,560,710)
2008	2,486,481	1,688,673	5.21	31,881,175	35,704,236

The employer contribution rate was raised to 5.5% effective July 1, 2007, 7.0% effective July 1, 2008, 8.5% effective July 1, 2009, 10.0% effective July 1, 2010, 11.5% effective July 1, 2011, 13.0% effective July 1, 2012, 14.5% effective July 1, 2013, 16.0% effective July 1, 2014, 17.5% effective July 1, 2015, and 19.0% effective July 1, 2016. In May 2009 the State Legislature designated an additional $6.0 million as employer contributions effective July 1, 2009.

Schedule of Expenses by Type

Year Ended June 30,	**Benefit Payments**	**Administrative Expenses**	**Withdrawals**	**Total**
2017	$ 17,827,148	$ 154,659	$ 89,298	$ 18,071,105
2016	17,198,048	149,149	161,575	17,508,772
2015	16,093,317	143,582	111,044	16,347,943
2014	14,939,499	132,190	56,892	15,128,581
2013	14,599,877	128,007	31,831	14,759,715
2012	14,478,117	154,623	330,831	14,963,571
2011	13,117,911	118,765	172,089	13,408,765
2010	11,705,265	114,663	66,388	11,886,316
2009	10,430,301	117,081	9,321	10,556,703
2008	9,650,446	112,484	2,333	9,765,263

Schedule of Benefit Payments and Refunds by Type

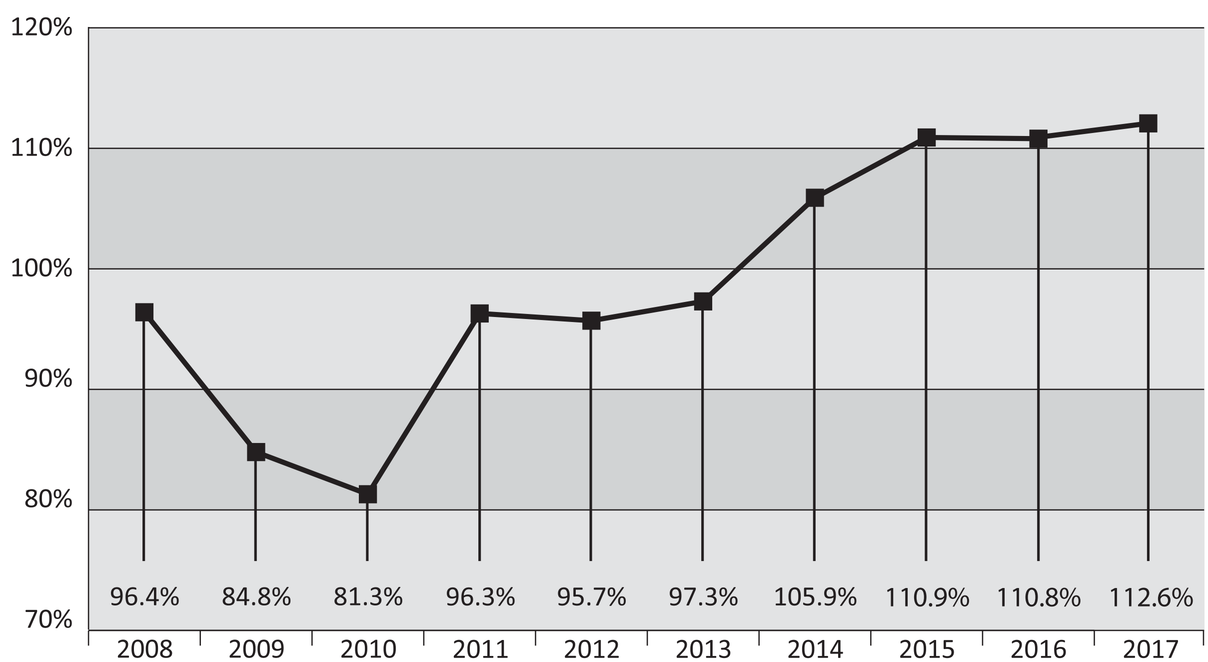
The following schedule provides information as to the type of benefit expenses incurred by the Plan as reflected in the "Benefit Payment" and "Refunds" columns of the **Schedule of Expenses by Type** included elsewhere in this Statistical Section.

Year	Benefits			Refunds				Total Benefit
Ended June 30,	Age and Service	Disability	Beneficiary Death	Withdrawals	Transfers to Other Systems	Member Death	Other	Payments and Refunds
2017	$17,471,154	$ 323,494	$ 32,500	$ 42,418	$ -	$ 46,479	$ 401	$17,916,446
2016	16,877,693	295,355	25,000	161,575	-	-	-	17,359,623
2015	15,811,374	246,943	35,000	111,044	-	-	-	16,204,361
2014	14,748,689	157,476	33,334	56,892	-	-	-	14,996,391
2013	14,387,401	157,476	55,000	(46,560)	-	78,391	-	14,631,708
2012	14,290,643	157,476	30,000	234,514	-	96,317	-	14,808,950
2011	12,925,436	157,475	35,000	3,744	-	168,345	-	13,290,000
2010	11,507,789	157,476	40,000	66,389	-	-	-	11,771,654
2009	10,248,035	157,266	25,000	9,321	-	-	-	10,439,622
2008	9,478,930	151,516	20,000	2,333	-	-	-	9,652,779

Negative withdrawal amounts represent the cancellation of a withdrawal issued in a prior fiscal year. This occurs very infrequently.

Funded Ratio Chart

As of July 1



Rate of Return by Type of Investment

Year Ended June 30,	Fixed Income	U.S. Equity	International Equity	Total
2017	(0.8) %	19.0 %	20.9 %	12.7 %
2016	7.2	1.6	(10.0)	0.6
2015	2.4	7.4	(5.0)	2.8
2014	5.1	25.1	22.0	17.7
2013	(1.2)	21.7	13.9	11.5
2012	12.1	3.4	(14.3)	1.9
2011	4.3	32.8	30.1	21.4
2010	13.5	16.4	10.5	14.3
2009	3.8	(26.4)	(31.0)	(15.7)
2008	8.7	(12.6)	(10.2)	(3.7)

Schedule of Retired Members by Type of Benefit

June 30, 2017

Amount of Monthly Benefit			Number of Retirees	Type of Retirement*				Option Selected #			
				1	2	3	4	1	2	3	4
$1	–	1,000	5	1	4	-	-	-	4	1	-
1,001	–	2,000	21	7	14	-	-	-	18	1	2
2,001	–	3,000	29	13	16	-	-	1	22	2	4
3,001	–	4,000	33	20	12	-	1	4	23	1	5
4,001	–	5,000	41	29	10	2	-	4	30	1	6
Over		5,000	136	129	6	1	-	16	94	7	19
		Totals	**265**	**199**	**62**	**3**	**1**	**25**	**191**	**13**	**36**

***Type of Retirement**

Type 1 – *Normal retirement for age and service:* For participants who became members prior to January 1, 2012, they are eligible at (1) when the sum of the member's age plus years of service equals 80 points and has judicial service of at least 8 years, or (2) age 65 with 8 years of judicial service, or (3) age 60 with 10 years of judicial service. For participants who became members on or after January 1, 2012, they are eligible at (1) age 67 with 8 years of judicial service, or (2) age 62 with 10 years of judicial service.

Type 2 – *Survivor payment:* Normal.

Type 3 – *Disability:* Available for members who have attained age 55 and have 15 years of credited service and are determined to be disabled by the Court of the Judiciary.

Type 4 – *Survivor payment:* Disability retirement.

 # Option Selected

Option 1 – *Single-life annuity:* The maximum benefit is paid for the member's lifetime.

Option 2 – *50% to 65% Survivor Annuity:* Paid to surviving spouse for his or her lifetime if certain contributions were paid by the justice or judge while actively participating and if other criteria are met.

Option 3 – *Option A – ½ Joint and Survivor Annuity:* The member will receive a reduced retirement benefit for life and ½ of the reduced retirement benefit will be paid to the surviving joint annuitant for their lifetime. This option became available September 1, 2005.

Option 4 – *Option B – 100% Joint and Survivor Annuity:* A reduced benefit is paid to the member for life and the same benefit is paid to a surviving joint annuitant for their lifetime. This option became available September 1, 2005.

Deferred Members

At June 30, 2017, there are 16 former members with deferred future benefits.

Schedule of Average Benefit Payments

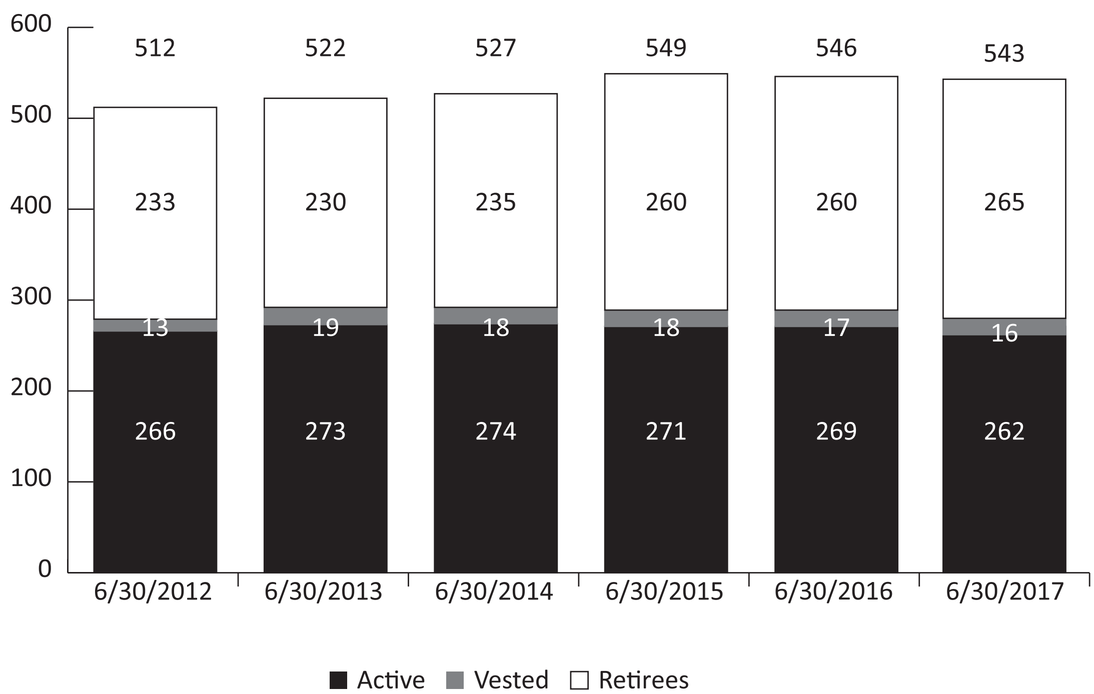
Retirement Effective Dates July 1, 2007 to June 30, 2017	Years of Credited Service 0 to 5	6 to 10	11 to 15	16 to 20	21 to 25	26 to 30	31+
Period 7/1/07 to 6/30/08							
Average Monthly Benefit	$ -	$ 2,918	$ 4,695	$ 4,968	$ 7,610	$ -	$ 9,827
Average Final Average Salary	$ -	$ 7,296	$ 7,825	$ 8,015	$ 7,610	$ -	$ 9,827
Number of Active Retirees	-	1	1	2	1	-	1
Period 7/1/08 to 6/30/09							
Average Monthly Benefit	$ -	$ -	$ 4,248	$ 4,003	$ 7,993	$ -	$ -
Average Final Average Salary	$ -	$ -	$ 8,579	$ 8,920	$ 9,016	$ -	$ -
Number of Active Retirees	-	-	4	2	5	-	-
Period 7/1/09 to 6/30/10							
Average Monthly Benefit	$ -	$ -	$ 3,522	$ 6,916	$ 9,197	$ 10,077	$ -
Average Final Average Salary	$ -	$ -	$ 6,845	$ 9,504	$ 9,459	$ 10,076	$ -
Number of Active Retirees	-	-	4	3	8	2	-
Period 7/1/10 to 6/30/11							
Average Monthly Benefit	$ -	$ 2,346	$ 4,059	$ 6,367	$ 8,054	$ 9,602	$ 8,666
Average Final Average Salary	$ -	$ 8,662	$ 8,259	$ 9,881	$ 9,384	$ 10,106	$ 10,182
Number of Active Retirees	-	1	5	6	5	6	5
Period 7/1/11 to 6/30/12							
Average Monthly Benefit	$ -	$ 3,731	$ -	$ -	$ 9,456	$ 10,868	$ -
Average Final Average Salary	$ -	$ 10,364	$ -	$ -	$ 9,828	$ 10,868	$ -
Number of Active Retirees	-	1	-	-	3	1	-
Period 7/1/12 to 6/30/13							
Average Monthly Benefit	$ -	$ 3,064	$ 4,495	$ 5,036	$ 8,486	$ -	$ -
Average Final Average Salary	$ -	$ 9,157	$ 9,601	$ 7,405	$ 9,962	$ -	$ -
Number of Active Retirees	-	2	2	2	2	-	-
Period 7/1/13 to 6/30/14							
Average Monthly Benefit	$ -	$ 3,441	$ -	$ 5,911	$ 8,031	$ 10,364	$ 10,364
Average Final Average Salary	$ -	$ 9,559	$ -	$ 8,663	$ 9,828	$ 10,364	$ 10,364
Number of Active Retirees	-	1	-	5	3	1	1
Period 7/1/14 to 6/30/15							
Average Monthly Benefit	$ -	$ 2,959	$ 5,181	$ 7,868	$ 9,557	$ 9,077	$ 9,756
Average Final Average Salary	$ -	$ 9,614	$ 10,010	$ 10,309	$ 10,301	$ 9,655	$ 10,197
Number of Active Retirees	-	5	4	5	7	2	3
Period 7/1/15 to 6/30/16							
Average Monthly Benefit	$ -	$ 4,350	$ -	$ 6,132	$ 7,883	$ -	$ -
Average Final Average Salary	$ -	$ 10,874	$ -	$ 9,017	$ 9,272	$ -	$ -
Number of Active Retirees	-	1	-	1	3	-	-
Period 7/1/16 to 6/30/17							
Average Monthly Benefit	$ -	$ 3,169	$ 4,072	$ 7,044	$ 10,041	$ 10,615	$ 12,220
Average Final Average Salary	$ -	$ 8,848	$ 9,119	$ 10,266	$ 10,780	$ 10,615	$ 12,220
Number of Active Retirees	-	3	2	3	6	2	1

Principal Employer

The Uniform Retirement System of Justices and Judges is a single-employer public employee retirement plan. 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. The Plan also covers the Administrative Director of the Courts.

Year Ended June 30,	Covered Employees of the State
2017	262
2016	269
2015	271
2014	274
2013	273
2012	266
2011	271
2010	271
2009	274
2008	277

Demographics Chart



Member Statistics

Earnings tabulated are average rates of pay as of July 1, 2017	Number	Amount of Annual Benefit
Members receiving benefits		
Retired	199	$ 15,397,039
Surviving spouses	63	2,258,578
Disabled	3	189,531
Total	**265**	**$ 17,845,148**
Members with deferred benefits		
Vested terminated	12	$ 518,819
Assumed deferred vested members (estimated benefits)	4	93,970
Total	**16**	**$ 612,789**

		Average		
Statistics for	**Number**	**Age**	**Service**	**Earnings**
Active members as of July 1, 2016				
Continuing	262	58.3	11.9	$ 129,552
New	7	48.4	1.7	124,036
Total	**269**	**58.1**	**11.6**	**$ 129,408**
Active members as of July 1, 2017				
Continuing	251	58.6	12.1	$ 127,779
New	11	44.6	0.0	116,970
Total	**262**	**58.0**	**11.8**	**$ 127,325**

Distribution of Retirees and Beneficiaries

	Number			Annual Benefits		
Age	**Male**	**Female**	**Total**	**Male**	**Female**	**Total**
Under 50	-	1	1	$ -	$ 70,322	$ 70,322
50-55	-	2	2	-	119,475	119,475
55-60	2	-	2	187,953	-	187,953
60-65	18	7	25	1,798,850	581,422	2,380,272
65-70	41	10	51	3,322,520	625,278	3,947,798
70-75	51	21	72	4,041,066	1,237,107	5,278,173
75-80	37	7	44	2,386,151	288,164	2,674,315
80-85	12	10	22	795,936	382,789	1,178,725
85-90	11	14	25	609,666	515,066	1,124,732
90-95	8	11	19	577,313	269,981	847,294
95-100	1	-	1	28,260	-	28,260
Over 100	-	1	1	-	7,831	7,831
Total	**181**	**84**	**265**	**$ 13,747,715**	**$ 4,097,435**	**$ 17,845,150**

Summary of Active Members

Age and years of credited service
Earnings tabulated are average rates of pay as of July 1, 2017

	Years of Service									
Age	**0 to 4**	**5 to 9**	**10 to 14**	**15 to 19**	**20 to 24**	**25 to 29**	**30 to 34**	**35 to 39**	**40 & Up**	**Total**
Under 35	1									**1**
Average Pay	$15,735									**$15,735**
35 to 39	8	2								**10**
Average Pay	$93,952	$116,476								**$98,457**
40 to 44	9	4	3							**16**
Average Pay	$107,612	$121,596	$121,596							**$113,730**
45 to 49	6	7	3	2						**18**
Average Pay	$104,321	$118,848	$114,769	$121,596						**$113,631**
50 to 54	18	15	12	4	2					**51**
Average Pay	$119,659	$119,547	$124,689	$124,156	$84,431					**$119,781**
55 to 59	9	17	11	6	5	1	1			**50**
Average Pay	$122,733	$123,403	$121,596	$125,009	$126,652	$145,914	$131,835			**$124,021**
60 to 64	3	14	8	9	9	3	1			**47**
Average Pay	$129,702	$120,791	$120,316	$118,467	$122,733	$129,702	$111,356			**$121,574**
65 to 69	6	6	9	8	7	1	4	2		**43**
Average Pay	$113,063	$121,596	$125,720	$125,915	$131,381	$111,356	$135,355	$135,819		**$125,368**
70 & up	1	2	8	4	5		3	1	2	**26**
Average Pay	$131,835	$111,355	$127,195	$126,716	$127,739		$143,354	$148,474	$142,074	**$130,013**
Total	**61**	**67**	**54**	**33**	**28**	**5**	**9**	**3**	**2**	**262**
Average Pay	**$111,796**	**$120,682**	**$123,231**	**$123,341**	**$123,753**	**$129,275**	**$134,964**	**$140,037**	**$142,075**	**$120,841**

URSJJ

Uniform Retirement System for Justices and Judges

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