UNIFORM RETIREMENT SYSTEM FOR JUSTICES AND JUDGES

PERSPECTIVE

Comprehensive Annual Financial Report
for the Fiscal Years ended June 30, 2018 and June 30, 2017
A Component Unit of the State of Oklahoma

UNIFORM RETIREMENT SYSTEM FOR JUSTICES AND JUDGES

PERSPECTIVE

per·spec·tive

noun

"A particular attitude toward or way of regarding something; a point of view."

Perspective isn't just an art term. It's also the way we view what we do in an effort to gain a broader understanding of our mission.

The health and stability of this retirement plan and helping Oklahoma's public employees achieve a secure and lasting retirement is what guides our actions. Each opportunity to serve our members is done with the perspective of providing comprehensive, accountable and financially sound retirement services.

We are here to help people in their pursuit of a meaningful and well-earned retirement. This viewpoint motivates each interaction we have and is fundamental to our broader vision of ensuring all members are served in a professional, efficient and courteous manner.

The Comprehensive Annual Financial Report (CAFR) is published every year to provide transparency and inform our stakeholders on the health of this retirement system. This CAFR explores our retirement perspective by highlighting our values and behaviors and how they guide the way we serve others.

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

This report was prepared by the staff of the Oklahoma Public Employees Retirement System.

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.

2018 Comprehensive Annual Financial Report

Table of Contents

Introductory Section

Financial Section

Investment Section

Actuarial Section

Statistical Section

INTRODUCTION

HONESTY AND INTEGRITY

We recognize our fiduciary responsibility as stewards to conduct our business under the highest ethical standards. We are committed to a culture of accountability and transparency and operating in a trustworthy manner to prove we are acting in the best interest of our members and their participating employers.

Letter of Transmittal

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, 2018

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, 2018.

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 unmodified opinion on the Uniform Retirement System for Justices and Judges' statement of fiduciary net position as of June 30, 2018, 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 and integrity; excellence in customer experience; quality in service delivery; collaboration and community; and strategic perspective. The summary of goals and objectives outlined in the strategic plan are:

- Create an excellent customer experience for members
- Improve the stability, reliability and security of agency resources and data
- Empower employees and members through knowledge and resources
- Foster a culture of employee development and success

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.

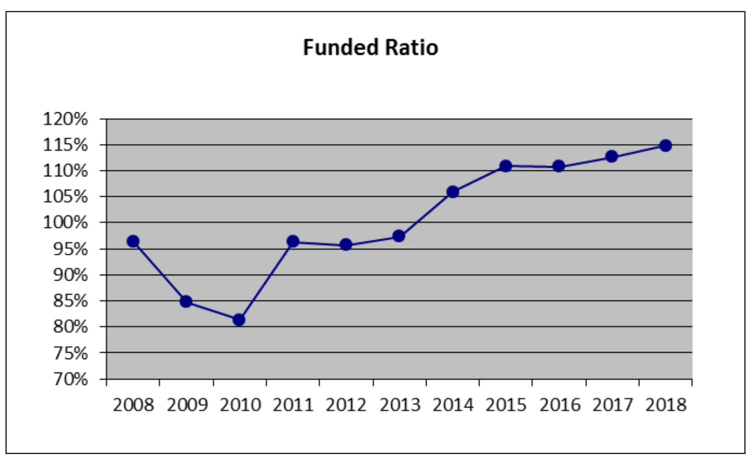
The Board engages outside investment managers to manage the various asset classes where URSJJ has exposure. At fiscal year end, the investment portfolio of URSJJ was actively managed by three fixed income managers and passively managed by another investment manager with holdings in one fixed income index 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 2018, investments provided an 8.3 percent rate of return. The annualized rate of return for URSJJ was 7.1 percent over the last three years and 8.2 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, 2018 amounted to $293.1 million and $336.4 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 114.8 as of July 1, 2018. 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



Letter of Transmittal (continued)

contains adequate funding 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, 2017. This was the twentieth 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

Brian Wolf
Brian Wolf
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, 2018

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, 2018.

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).

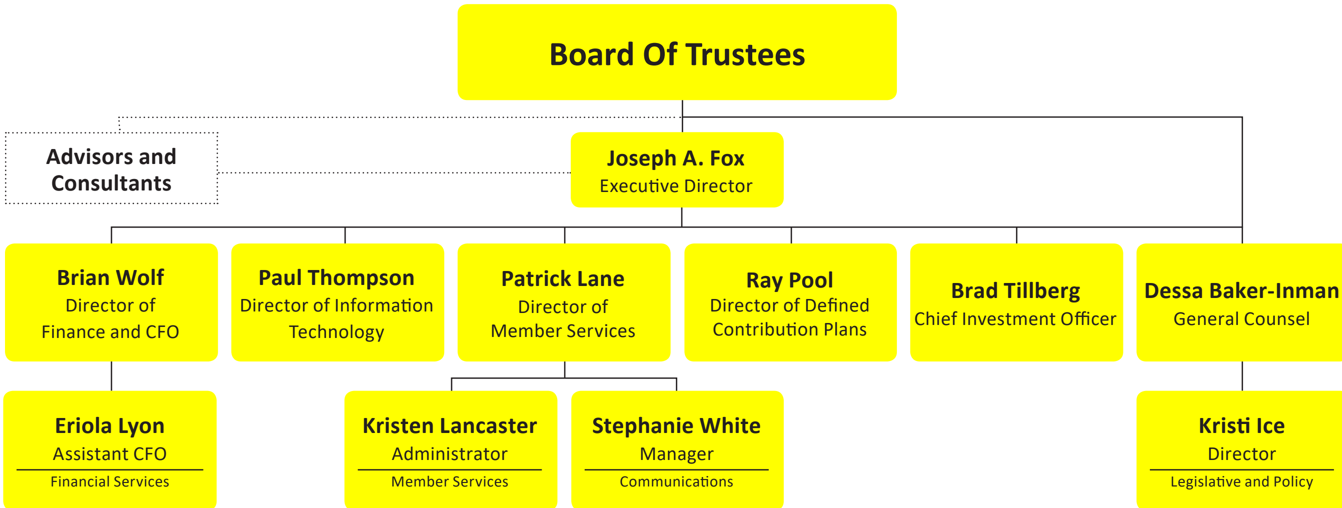
I also want to thank the staff for their diligent work in preparing this report and their commitment to continually improve the administrative operations necessary to operate your retirement system.

Sincerely,

DeWayne McAnally
Chairman

Board of Trustees

Organizational Structure



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

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 45 and 47, 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, 2017

Christopher P. Morrill

Executive Director/CEO

FINANCIAL

EXCELLENCE IN CUSTOMER SERVICE

We view our members as partners who rely on us as a trusted source to provide education and information to make sound retirement decisions. We are committed to creating remarkable experiences for our members and seek to exceed expectations in every interaction.

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 statements of fiduciary net position as of June 30, 2018 and 2017, and the related statements of changes in fiduciary net position, for the years 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 audits. We conducted our audits 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 from 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.

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, 2018 and 2017, and the respective statements of changes in fiduciary net position thereof for the years 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, 2018 and 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.

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 other supplementary information is presented for purposes of additional analysis and is not a required part of the financial statements.

The other 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 information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Eide Bailly LLP

October 12, 2018
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, 2018, 2017 and 2016.

Financial Highlights

- The net position restricted for pension and health insurance subsidy plan (HISP) totaled approximately $338.0 million at June 30, 2018 compared to $321.2 million at June 30, 2017, and $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 $16.8 million and increase of $27.5 million of the respective years have resulted primarily from the changes in the fair value of the System's investments due to volatile equity markets.
- At June 30, 2018, the total number of members participating in the System was 551, compared to 543 at June 30, 2017 and 546 at June 30, 2016. The total number of retirees increased to 272 for June 30, 2018 compared to 265 at June 30, 2017 and 260 at June 30, 2016.
- During the year ended June 30, 2017, 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.

The *Statements of Fiduciary Net Position* present 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* present information showing how the System's net position restricted for pensions and HISP changed during the years ended June 30, 2018 and 2017. 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 changes in the net HISP liability, schedule of net pension liability, schedule of net HISP liability, schedule of pension employer contributions, schedule of HISP employer contributions, and schedules 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, 2018, 2017 and 2016.

Condensed Schedules of Fiduciary Net Position
($ millions)

	2018			2017			
	Pension	**HISP**	**Combined**	**Pension**	**HISP**	**Combined**	**2016***
Assets:							
Cash and cash equivalents	$ 8.1	$ 0.1	$ 8.2	$ 5.9	$ 0.1	$ 6.0	$ 3.9
Receivables	7.7	0.1	7.8	10.9	0.1	11.0	9.8
Investments	338.0	3.1	341.1	322.4	2.9	325.3	295.7
Securities lending collateral	14.3	0.1	14.4	16.2	0.1	16.3	8.7
Total assets	368.1	3.4	371.5	355.4	3.2	358.6	318.1
Liabilities:							
Other liabilities	18.9	0.2	19.1	20.9	0.2	21.1	15.7
Securities lending collateral	14.3	0.1	14.4	16.2	0.1	16.3	8.7
Total liabilities	33.2	0.3	33.5	37.1	0.3	37.4	24.4
Ending fiduciary net position	$ 334.9	$ 3.1	$ 338.0	$ 318.3	$ 2.9	$ 321.2	$ 293.7

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

	2018			2017			
	Pension	**HISP**	**Combined**	**Pension**	**HISP**	**Combined**	**2016***
Member contributions	$ 2.6	$ -	$ 2.6	$ 2.7	$ -	$ 2.7	$ 2.7
Participating court employers	6.5	0.2	6.7	6.0	0.2	6.2	5.8
Net investment income	26.2	0.2	26.4	36.3	0.3	36.6	1.4
Total additions	35.3	0.4	35.7	45.0	0.5	45.5	9.9
Retirement, death and survivor benefits	18.5	0.2	18.7	17.6	0.2	17.8	17.2
Refunds and withdrawals	-	-	-	0.1	-	0.1	0.2
Administrative expenses	0.2	-	0.2	0.2	-	0.2	0.1
Total deductions	18.7	0.2	18.9	17.9	0.2	18.1	17.5
Net increase (decrease) in fiduciary net position	16.6	0.2	16.8	27.1	0.3	27.4	(7.6)
Beginning of year	318.3	2.9	321.2	291.2	2.6	293.8	301.4
End of year	$ 334.9	$ 3.1	$ 338.0	$ 318.3	$ 2.9	$ 321.2	$ 293.8

*Prior year column for 2016 has not been restated for the effect of the adoption of GASB Statement No. 74

For the year ended June 30, 2018, fiduciary net position increased $16.8 million, or 5.2%. Total assets increased by $12.9 million, or 3.6%, due to an increase of 4.9% in investments, an increase of 36.7% in cash and cash equivalents partially offset by a decrease of 11.7% in securities lending collateral. The System achieved a money-weighted rate of return of 8.4% compared to the prior year of 12.7% resulting in the majority of the increase in fiduciary net position. Total liabilities decreased 10.4% primarily due to an 11.7% decrease in securities lending collateral and a 9.6% decrease in pending purchases of securities.

Fiscal year 2018 showed a $9.8 million decrease in total additions and a $0.8 million increase in total deductions. Compared to the prior year, additions decreased 21.5% due to a decrease in the fair value of investments of $10.4 million. The 4.4% increase in total deductions was primarily due to a 5.1% increase in retirement benefits. Administrative costs were 0.7% more when compared to the prior year due to a 2.0% increase in the allocation percentage.

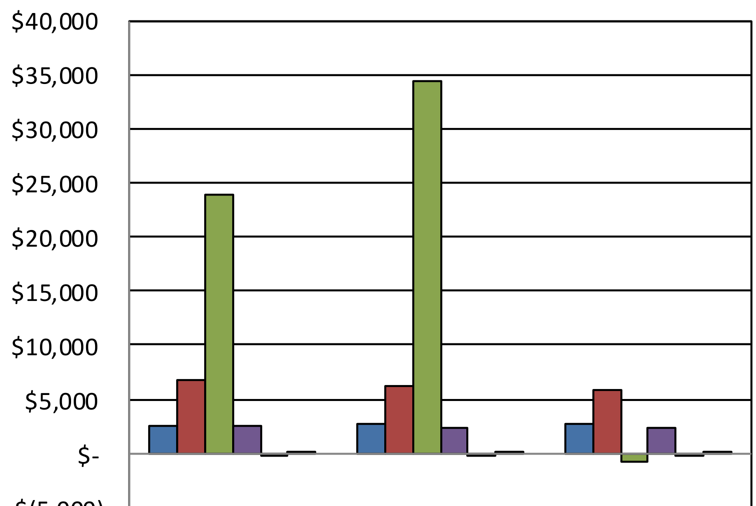
For the year ended June 30, 2017, fiduciary net position increased $27.4 million, or 9.3%. Total assets increased by $40.5 million, or 12.7%, due to an increase of 10.0% in investments, an increase of 87.7% in securities lending collateral and an increase of 53.8% in cash and cash equivalents. The System achieved a money-weighted rate of return of 12.7% compared to the prior year of 0.5% 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, 2018, additions to fiduciary net position decreased $9.8 million, or 21.5%, from the prior year. The significant decrease in the appreciation in the fair value of investments from prior year of $10.4 million is reflective of the softening market, compared to fiscal year 2017. Interest income increased $0.2 million and securities lending income decreased 8.2%. Contributions increased $0.4 million, or 4.9%, because of the statutory increase in the contribution percentage for participating court employers.

Additions to Fiduciary Net Position
Comparative Data for Fiscal Years Ended June 30, 2018, 2017 and 2016
($ thousands)



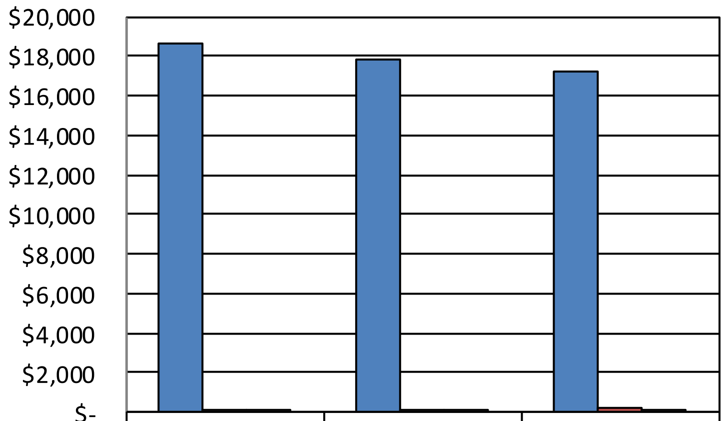
	2018	2017	2016
Member contributions	$2,608	$2,664	$2,666
Court employer contributions	6,684	6,191	5,832
Net appreciation (depreciation)	23,989	34,368	(834)
Interest, dividends, and other investment income	2,556	2,355	2,378
Investment expenses	(155)	(134)	(127)
Securities lending income	50	55	20

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.

Deductions to Fiduciary Net Position

For the year ended June 30, 2018, total deductions increased $0.8 million, or 4.4%, from the prior year. Retirement, death, and survivor benefits increased $0.8 million, or 4.6%, and the average benefit increased 1.2% compared to the prior year due to a 2.6% increase in the number of retirees. Refunds and withdrawals decreased 41.6% 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 0.6% when compared to the prior year due to an increase in the allocation rate of 2.0%.

Deductions to Fiduciary Net Position
Comparative Data for Fiscal Years Ended June 30, 2018, 2017 and 2016
($ thousands)



	2018	2017	2016
Retirement, death and survivor benefits	$18,643	$17,827	$17,198
Refunds and withdrawals	52	89	162
Administrative expenses	156	155	145

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%.

Investments

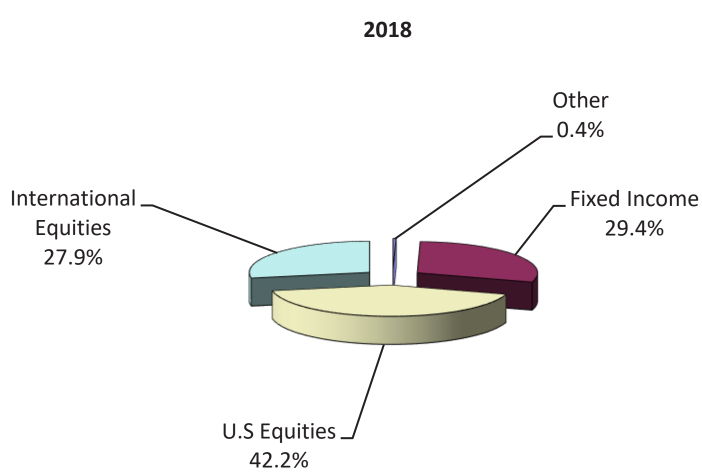
The investment portfolio is reported in the chart below by the asset class of the investment managers' portfolios which includes the cash equivalents in those portfolios. In April 2017, the System's Board voted to modify the policy asset allocation to increase exposure to international equity and reduce exposure to U.S. equity. A summary of the System's cash equivalents and investments for fiscal years ended June 30, 2018, 2017 and 2016 is as follows:

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

	June 30,		
	2018	2017	2016
Fixed income	$ 110.7	$ 110.0	$ 103.3
U.S. equities	142.7	131.9	132.1
International equities	94.4	88.6	63.4
Other	1.4	0.8	0.7
Total managed investments	349.2	331.3	299.5
Cash equivalents on deposit with State	0.1	0.1	0.1
Securities lending collateral	14.4	16.3	8.7
Total cash, cash equivalents, and investments	$ 363.7	$ 347.7	$ 308.3

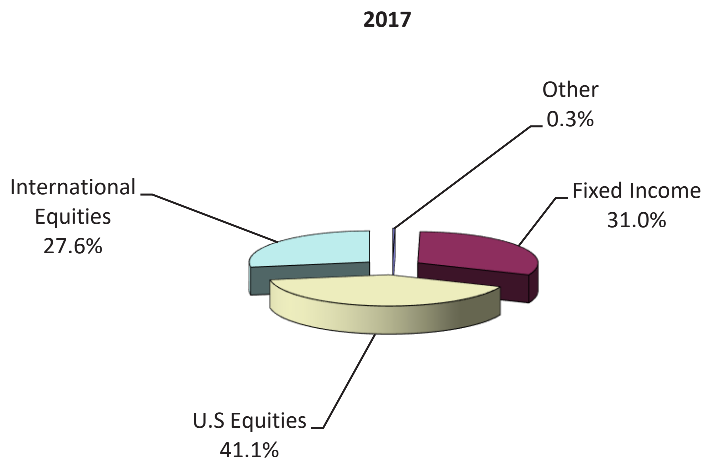
The 2018 increase in the System's managed investments is reflective of the increase in domestic and international equity markets for the year. The System's overall return for the year ended June 30, 2018 was 8.4%. Equity index funds correlated closely with market trends with U.S. and international equities showing returns of 15.1% and 7.6%, respectively. Fixed income showed a return of 0.3%. An amount of $8.7 million of U.S. equities and $0.9 million of international 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.

At June 30, 2018, the distribution of the System's investments including accrued income and pending trades was as follows:



The 2017 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.

At June 30, 2017, 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,	
	2018	2017
Total pension liability	$ 290,379,164	$ 282,837,412
Plan fiduciary net position	$ 334,896,669	$ 318,262,645
Ratio of fiduciary net position to total pension liability	115.33%	112.52%

*Because GASB Statement 74 was adopted in the year ended June 30, 2017, there is no comparable data for the year ended June 30, 2016.

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

	June 30,	
	2018	2017
Total HISP liability	$ 2,724,325	$ 2,699,494
Plan fiduciary net position	$ 3,138,717	$ 2,891,232
Ratio of fiduciary net position to total HISP liability	115.21%	107.10%

*Because GASB Statement 74 was adopted in the year ended June 30, 2017, there is no comparable data for the year ended June 30, 2016.

Plan Amendment

No System provision changes were enacted by the State Legislature during the session ended in May 2018.

Other

The actuarial assumptions used in the July 1, 2018, valuation are based on the results of the most recent actuarial experience study, which covered the three-year period ending June 30, 2016.

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, 2018

	Pension Plan	Health Insurance Subsidy Plan	Combined
Assets			
Cash equivalents	$ 8,112,907	$ 54,986	$ 8,167,893
Receivables:			
Member contributions	4,898	-	4,898
State and local agency contributions	12,433	118	12,551
Due from brokers for securities sold	7,236,037	68,285	7,304,322
Accrued interest and dividends	485,589	4,582	490,171
Total receivables	7,738,957	72,985	7,811,942
Investments, at fair value:			
Short-term investments	2,342,531	22,106	2,364,637
Government obligations	70,548,283	665,746	71,214,029
Corporate bonds	30,229,519	285,269	30,514,788
Domestic equities	141,342,979	1,333,818	142,676,797
International equities	93,534,206	882,659	94,416,865
Securities lending collateral	14,266,150	134,626	14,400,776
Total investments	352,263,668	3,324,224	355,587,892
Total assets	368,115,532	3,452,195	371,567,727
Liabilities			
Due to brokers and investment managers	18,952,713	178,852	19,131,565
Securities lending collateral	14,266,150	134,626	14,400,776
Total liabilities	33,218,863	313,478	33,532,341
Net position restricted for pension/HISP benefits	$ 334,896,669	$ 3,138,717	$ 338,035,386

See accompanying notes to financial statements.

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, 2018

	Pension Plan	Health Insurance Subsidy Plan	Combined
Additions			
Contributions:			
Members	$ 2,608,284	$ -	$ 2,608,284
Participating court employers	6,504,275	180,000	6,684,275
Total contributions	9,112,559	180,000	9,292,559
Investment income:			
From investing activities:			
Net appreciation in fair value of investments	23,761,714	226,790	23,988,504
Interest	2,531,114	25,021	2,556,135
Total investment income	26,292,828	251,811	26,544,639
Less – Investment expenses	(153,748)	(1,467)	(155,215)
Income from investing activities	26,139,080	250,344	26,389,424
From securities lending activities:			
Securities lending income	318,225	3,037	321,262
Securities lending expenses:			
Borrower rebates	(260,544)	(2,487)	(263,031)
Management fees	(8,024)	(77)	(8,101)
Income from securities lending activities	49,657	473	50,130
Net investment income	26,188,737	250,817	26,439,554
Total additions	35,301,296	430,817	35,732,113
Deductions			
Retirement, death and survivor benefits	18,461,040	181,860	18,642,900
Refunds and withdrawals	52,038	-	52,038
Administrative expenses	154,194	1,472	155,666
Total deductions	18,667,272	183,332	18,850,604
Net increase in net position	16,634,024	247,485	16,881,509
Net position restricted for pension/HISP benefits			
Beginning of year	318,262,645	2,891,232	321,153,877
End of year	$ 334,896,669	$ 3,138,717	$ 338,035,386

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	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, 2018 and 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 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.

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.

Notes to Financial Statements (continued)

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.

(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.

Notes to Financial Statements (continued)

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

	2018	2017
Inactive members or their beneficiaries currently receiving benefits	272	265
Inactive members entitled to but not yet receiving benefits	14	16
Active members	265	262
Total	551	543

*Of the inactive members or their beneficiaries currently receiving benefits, 144 are retirees and beneficiaries in the HISP as of June 30, 2018 and 2017. The Plan also includes 19 and 18 nonvested terminated members entitled to a refund of their member contributions as of June 30, 2018 and 2017, respectively.

(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.

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, 2018 and 2017 totaled approximately $47,500 and $33,000, respectively.

Notes to Financial Statements (continued)

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.

(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 increased 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.

Notes to Financial Statements (continued)

(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:

	2018	2017
Cash equivalents		
State Treasurer	$ 114,374	$ 64,477
Custodial agent	8,053,519	5,968,348
Total cash and cash equivalents	$ 8,167,893	$ 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.

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, 2018 and 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

Notes to Financial Statements (continued)

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, 2018 and 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:

	2018	2017
U.S. Treasury notes/bonds	$ 36,773,789	$ 39,015,245
U.S. TIPS index fund	10,428,399	10,189,339
Government agencies	169,933	75,507
Government mortgage-backed securities	22,692,854	23,279,385
Foreign bonds	723,306	328,187
Municipal bonds	551,016	561,672
Corporate bonds	26,186,899	23,497,558
Asset-backed securities	4,406,250	4,833,024
Commercial mortgage-backed securities	1,502,655	2,193,400
Non government backed collateralized mortgage obligations	658,353	857,931
U.S. equity index funds	142,676,797	131,886,451
International equity index fund	94,416,865	88,573,229
Securities lending collateral	14,400,776	16,330,922
Total investments	$ 355,587,892	$ 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 2018 and 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 2018 and 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, 2018 and 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, 2018 and 2017 collateralized by cash collateral were $14,075,861 and $15,968,666, respectively, and the cash collateral received for those securities on loan was $14,400,776 and $16,330,922, respectively. In addition, the securities on loan at June 30, 2018 and 2017 collateralized by non-cash collateral were $2,908,106 and

Notes to Financial Statements (continued)

$4,703,094, respectively, and the market value of the non-cash collateral for those securities on loan was $2,990,026 and $4,801,812, respectively. 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, 2018 and 2017, the cash collateral investments had an average weighted maturity of 18 and 17 days, respectively, 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.

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 Treasury Inflation-Protection Securities (TIPS) index fund. TIPS are securities issued by the U.S. Government that are designed to protect the purchasing power of the investor.

Notes to Financial Statements (continued)

At June 30, 2018, 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 $194,437 of the portfolio in issues rated below triple-B minus, and the core plus fixed income portfolio, which held $27,370 in issues rated below single-B. 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, 2018, the System held 36.9% of fixed income investments that were not considered to have credit risk and 10.0% in a U.S. TIPS index fund made up of explicitly guaranteed U.S. Treasury Inflation-Protected Securities. 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.

The System's exposure to credit risk at June 30, 2018 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
Foreign government bonds	$ -	$ -	$ 229	$ 494	$ -	$ -	$ -	$ -	$ 723
Municipal bonds	144	307	-	100	-	-	-	-	551
Corporate bonds	157	1,905	8,973	12,006	1,260	328	27	1,531	26,187
Asset-backed securities	3,601	185	232	352	36	-	-	-	4,406
Commercial mortgage-backed securities	1,404	-	-	99	-	-	-	-	1,503
Non government backed collateralized mortgage obligations	312	96	64	108	78	-	-	-	658
Total fixed income securities exposed to credit risk	$ 5,618	$ 2,493	$ 9,498	$ 13,159	$ 1,374	$ 328	$ 27	$ 1,531	$ 34,028
Percent of total fixed income portfolio	5.4%	2.4%	9.1%	12.6%	1.3%	0.3%	0.0%	1.5%	32.6%

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%

Notes to Financial Statements (continued)

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

Credit Rating	2018	2017
Triple-A	- %	0.1 %
Double-A	100.0	95.8
Single-A	-	4.1
	100.0 %	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, 2018 and 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.

	2018		2017	
	Fair Value	Effective duration in years	Fair Value	Effective duration in years
U.S. Treasury notes/bonds	$ 36,773,789	11.7	$ 39,015,245	10.8
U.S. TIPS index fund	10,428,399	7.7	10,189,339	7.8
Government agencies	169,933	3.0	75,507	11.8
Government mortgage-backed securities	22,692,854	5.2	23,279,385	4.5
Foreign bonds	723,306	9.5	328,187	7.1
Municipal bonds	551,016	5.6	561,672	7.1
Corporate bonds	26,186,899	5.4	23,497,558	5.3
Asset-backed securities	4,406,250	1.1	4,833,024	1.0
Commercial mortgage-backed securities	1,502,655	4.3	2,193,400	4.6
Non government backed collateralized mortgage obligations	658,353	2.0	857,931	1.9
Total fixed income	$ 104,093,454		$ 104,831,248	
Portfolio duration		7.6		7.2

Notes to Financial Statements (continued)

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, 2018 and 2017, the System held $4,406,250 and $4,833,024, respectively, in asset-backed securities.

Mortgage-backed securities are securities backed by mortgages issued by public and private institutions. At June 30, 2018 and 2017, the System held $22,692,854 and $23,279,385, respectively, 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 $1,502,655 and $2,193,400, respectively, 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, 2018 and 2017, the System held $658,353 and $857,931, respectively in non-government backed CMOs.

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)	2018	2017
0 - 14	29.1 %	37.8 %
15 - 30	12.5	2.6
31 - 60	15.2	12.3
61 - 90	17.0	19.9
91 - 180	11.9	9.3
181 - 364	11.1	16.5
365 - 730	3.2	1.6
	100.0 %	100.0 %

(f) Rate of Return

For the year ended June 30, 2018 and 2017, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expenses, was 8.35% and 12.68%, respectively, and the annual money-weighted rate of return on OPEB plan investments, net of OPEB plan investment expenses, was 8.68% and 12.89%, respectively. 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

Notes to Financial Statements (continued)

(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.

Assets measured at fair value and net asset value at June 30, 2018 are as follows:

		Fair Value Measurements Using		
Investments by Fair Value Level	**6/30/2018**	**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	$ 8,053,519	$ -	$ 8,053,519	$ -
Investments by Fair Value Level				
U.S. Treasury notes/bonds	$ 36,773,789	$ -	$ 36,773,789	$ -
Government agencies	169,933	-	169,933	-
Government mortgage-backed securities	22,692,854	-	22,692,854	-
Foreign bonds	723,306	-	723,306	-
Municipal bonds	551,016	-	551,016	-
Corporate bonds	26,186,899	-	26,186,899	-
Asset-backed securities	4,406,250	-	4,406,250	-
Commercial mortgage-backed securities	1,502,655	-	1,502,655	-
Non government backed collateralized mortgage obligations	658,353	-	658,353	-
Total Investments by Fair Value Level	$ 93,665,055	$ -	$ 93,665,055	$ -
Investments Measured at the Net Asset Value (NAV)				
U.S. TIPS index fund	$ 10,428,399			
International equity index fund	94,416,865			
U.S. index funds	142,676,797			
Total Investments Measured at the NAV	247,522,061			
Securities lending collateral	14,400,776			
Total Investments	$ 355,587,892			

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 years ended June 30, 2018 and 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	6/30/2018	6/30/2017	Redemption Frequency	Redemption Notice Period
U.S. TIPS index fund (1)	$ 10,428,399	$ 10,189,339	Daily	2 days
International equity index fund (2)	94,416,865	88,573,229	Daily	2 days
U.S. equity index funds (3)	142,676,797	131,886,451	Daily	1 day
	$ 247,522,061	$ 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.

(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

Notes to Financial Statements (continued)

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, 2018 and 2017.

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

(a) Net Pension Asset and Net OPEB Asset

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

	2018	2017
Total pension liability	$ 290,379,164	$ 282,837,412
Plan fiduciary net position	$ 334,896,669	$ 318,262,645
Employer's net pension asset	$ (44,517,505)	$ (35,425,233)
Plan fiduciary net position as a percentage of the total pension liability	115.33%	112.52%

The components of the net OPEB asset of the employer at June 30 were as follows:

	2018	2017
Total OPEB liability	$ 2,724,325	$ 2,699,494
OPEB plan fiduciary net position	$ 3,138,717	$ 2,891,232
Employer's net OPEB asset	$ (414,392)	$ (191,738)
Plan fiduciary net position as a percentage of the total OPEB liability	115.21%	107.10%

(b) Actuarial Methods and Assumptions

The total pension liability and total OPEB liability as of June 30, 2018 and 2017, were determined based on actuarial valuations prepared as of July 1, 2018 and July 1, 2017, using the following actuarial assumptions:

- Salary increases – 3.75% 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-2014 Blue Collar Active/Retiree Healthy Mortality Table with base rates projected to 2025 using scale MP-2016, set back one year

Notes to Financial Statements (continued)

The actuarial assumptions used in the July 1, 2018 and July 1, 2017 valuations 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, 2018 and 2017, are summarized in the following table:

Asset Class	Target Allocation	Long-Term 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 2018 and 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 2018 and 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, 2018			June 30, 2017		
	1% Decrease (6.00%)	Current Discount Rate (7.00%)	1% Increase (8.00%)	1% Decrease (6.00%)	Current Discount Rate (7.00%)	1% Increase (8.00%)
Net pension asset	$ (17,603,364)	$ (44,517,505)	$ (67,901,821)	$ (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 2018 and 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, 2018			June 30, 2017		
	1% Decrease (6.00%)	Current Discount Rate (7.00%)	1% Increase (8.00%)	1% Decrease (6.00%)	Current Discount Rate (7.00%)	1% Increase (8.00%)
Net HISP liability (asset)	$ (188,240)	$ (414,392)	$ (613,498)	$ 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) New Accounting Pronouncements

The following GASB statements were implemented during the fiscal year:

For the fiscal year ended June 30, 2018, the System assisted employers of the State in their implementation of GASB Statement No. 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.

GASB Statement No. 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. This statement had no effect on the System.

GASB Statement No. 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.

GASB Statement No. 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 debt – are placed in an irrevocable trust for the sole purpose of extinguishing debt. This statement had no effect on the System.

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

<u>Fiscal Year Ended June 30, 2019:</u>

GASB Statement No. 83, *Asset Retirement Obligations*, will require a liability to be recognized if a government is subjected to a law, regulation, court judgment or similar requiring a liability, or funding of a liability. It is unlikely the provisions of the Standard apply to the System.

GASB Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements* redefines the word 'debt' for disclosure purposes and requires recognition of direct borrowings and direct

Notes to Financial Statements (continued)

placements. It is unlikely the provisions of the Standard will have a material effect on the System's current disclosure.

Fiscal Year Ended June 30, 2020 (and beyond):

GASB Statement No. 84, *Fiduciary Activities*, clarifies fiduciary relationships and reporting. The System is analyzing the effect of this Statement.

GASB Statement No. 87, *Leases*, changes reporting of nearly all leasing arrangements for lessors and lessees. The System is analyzing the effect of this Statement.

GASB Statement No. 89, *Accounting for Interest Cost before the End of a Construction Period*, removes the GAAP related to capitalization of interest costs. The Standard will likely not apply as the System has not issued in the past, and currently does not issue debt for construction of capital assets.

GASB Statement No. 90, *Majority Equity Interests*, clarifies reporting of when a government has a majority equity position in another entity, which may result in the equity method of reporting or a component unit relationship. The System has analyzed this Statement and determined it not applicable.

Required Supplementary Information

(Unaudited)

June 30, 2018

Schedule 1

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

Year Ended June 30,	2018	2017	2016	2015	2014
Total Pension Liability					
Service cost	$ 8,897	$ 10,085	$ 9,689	$ 9,602	$ 9,489
Interest	19,162	19,229	19,341	18,812	18,529
Difference between expected and actual experience	(2,004)	(6,664)	(7,480)	(4,598)	(7,597)
Changes of assumptions	-	3,979	5,843	-	(1,046)
Benefit payments	(18,461)	(17,648)	(17,198)	(16,093)	(14,939)
Refunds of contributions	(52)	(89)	(161)	(111)	(57)
Net change in total pension liability	7,542	8,892	10,034	7,612	4,379
Total pension liability - beginning	282,838	276,434	266,400	258,788	254,409
Adoption of GASB 74	-	(2,488)	-	-	-
Total pension liability - ending (a)	$ 290,380	$ 282,838	$ 276,434	$ 266,400	$ 258,788
Plan Fiduciary Net Position					
Contributions - employer	$ 6,504	$ 6,013	$ 5,832	$ 5,295	$ 4,611
Contributions - member	2,608	2,664	2,666	2,706	2,544
Net investment income	26,189	36,312	1,441	8,174	46,212
Benefit payments	(18,461)	(17,648)	(17,198)	(16,093)	(14,939)
Administrative expense	(154)	(153)	(149)	(144)	(132)
Refunds of contributions	(52)	(89)	(161)	(111)	(57)
Net change in plan fiduciary net position	16,634	27,099	(7,569)	(173)	38,239
Plan fiduciary net position - beginning	318,263	293,727	301,296	301,469	263,231
Adoption of GASB 74	-	(2,563)	-	-	-
Plan fiduciary net position - ending (b)	334,897	318,263	293,727	301,296	301,470
Net pension asset - ending (a) - (b)	$ (44,517)	$ (35,425)	$ (17,293)	$ (34,896)	$ (42,682)

Schedule of the Net Pension Asset ($ in Thousands)

Year Ended June 30,	2018	2017	2016	2015	2014
Total pension liability	$ 290,380	$ 282,838	$ 276,434	$ 266,400	$ 258,788
Plan fiduciary net position	334,897	318,263	293,727	301,296	301,470
Net pension asset	$ (44,517)	$ (35,425)	$ (17,293)	$ (34,896)	$ (42,682)
total pension liability	115.33%	112.52%	106.26%	113.10%	116.49%
Covered payroll	$ 33,359	$ 34,811	$ 34,537	$ 34,282	$ 34,326
Net pension asset as a % of covered payroll	-133.45%	-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.

*2016 and prior columns have not been restated for the effect of the adoption of GASB Statement No. 74

Discount Rate as of 2018 and 2017 was 7.00%

Required Supplementary Information

Schedule of Pension Employer Contributions ($ in Thousands)

(Unaudited)

June 30, 2018

Schedule 2

Year Ended June 30,	2018	2017	2016	2015	2014
Actuarially determined employer contribution	$ 1,638	$ 3,626	$ 3,454	$ 4,897	$ 7,215
Actual employer contributions	6,504	6,013	5,832	5,295	4,611
Annul contribution deficiency (excess)	$ (4,866)	$ (2,387)	$ (2,378)	$ (398)	$ 2,604
Covered payroll	$ 33,359	$ 34,811	$ 34,537	$ 34,282	$ 34,325
Actual contributions as a % of covered payroll	19.50%	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.

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.

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	9 years
Asset valuation method	5-year smoothed market
Inflation	2.75% for 2018 and 2017, 3.00% for 2016 and 2015
Salary increase	3.75% for 2018 and 2017, 5.00% for 2016 and 2015, including inflation
Investment rate of return	7.00% for 2018 and 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 2018 and 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, 2018

Schedule 3

Annual money-weighted rate of return, net of investment expense	
Year ended June 30, 2018	8.35%
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, 2018

Schedule 4

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

Year Ended June 30,	2018	2017
Total HISP Liability		
Service cost	$ 112	$ 122
Interest	183	174
Difference between expected and actual experience	(88)	(13)
Changes of assumptions	-	107
Benefit payments	(182)	(179)
Net change in total HISP liability	25	211
Total HISP liability - beginning	2,699	2,488
Total HISP liability - ending (a)	$ 2,724	$ 2,699
Plan Fiduciary Net Position		
Contributions - employer	$ 180	$ 178
Net investment income	251	330
Benefit payments	(182)	(179)
Administrative expense	(1)	(1)
Net change in plan fiduciary net position	248	328
Plan fiduciary net position - beginning	2,891	2,563
Plan fiduciary net position - ending (b)	3,139	2,891
Net HISP asset - ending (a) - (b)	$ (415)	$ (192)

Schedule of the Net HISP Asset ($ in Thousands)

Year Ended June 30,	2018	2017
Total HISP liability	$ 2,724	$ 2,699
Plan fiduciary net position	3,139	2,891
Net HISP asset	$ (415)	$ (192)
Ratio of plan fiduciary net position to total HISP liability	115.21%	107.10%
Covered payroll*	N/A	N/A
Net HISP asset as a percentage of covered payroll	N/A	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 June 30, 2018 and 2017 was 7.00%

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

Schedule of HISP Employer Contributions ($ in Thousands)

(Unaudited)

June 30, 2018

Schedule 5

Year Ended June 30,	2018	2017
Actuarially determined employer contribution	$ 15	$ 35
Actual employer contributions	180	178
Annul contribution deficiency (excess)	$ (165)	$ (143)
Covered payroll*	N/A	N/A
Actual contributions as a % of covered payroll	N/A	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.

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.

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	9 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.

Required Supplementary Information

Schedule of Money-Weighted Rate of Return on HISP Investments

(Unaudited)

June 30, 2018

Schedule 6

Annual money-weighted rate of return, net of investment expense	
Year ended June 30, 2018	8.68%
Year ended June 30, 2017	12.89%

Supplementary Information

Schedule of Investment Expenses

Year Ended June 30, 2018 and 2017

Schedule 7

	2018	2017
Investment management fees		
Fixed Income Managers:		
BlackRock Financial Management, Inc.	$ 40,319	$ 39,949
Hoisington Investment Management	15,671	15,530
Metropolitan West Asset Management, LLC	27,867	13,873
U.S. Equity Managers:		
BlackRock Institutional Trust Company, N.A.	16,378	15,870
International Equity Managers:		
BlackRock Institutional Trust Company, N.A.	40,892	35,453
Total investment management fees	141,127	120,675
Investment consultant fees		
Verus Advisory, Inc.	7,161	7,019
Investment custodial fees		
Northern Trust Company	1,345	1,087
Other investment related expenses	5,582	4,936
Total investment expenses	$ 155,215	$ 133,717

Supplementary Information

Schedule of Administrative Expenses

Year Ended June 30, 2018 and 2017

Schedule 8

		2018		2017
Professional / consultant services	$	8,623	$	10,183
Allocated administrative expenses (see note below)		147,043		144,476
	$	155,666	$	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, 2018 and 2017

Schedule 9

Professional/Consultant	Service	2018	2017
Cavanaugh Macdonald Consulting, Inc.	Actuarial	$ 2,294	$ 3,615
McGladrey LLP / RSM	External Auditor	-	2,507
Eide Bailly LLP	External Auditor	1,788	-
Arledge & Associates	External Auditor	901	376
Finley & Cook, PLLC	Internal Auditor	3,640	3,685
		$ 8,623	$ 10,183

INVESTMENT

QUALITY IN SERVICE DELIVERY

We approach our work with consistency, efficiency, and sustainability to provide the highest quality service possible to our members. We embrace opportunities to change and improve ourselves and our services by being agile and adaptable.

Verus

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 7.00% while its investment consultant estimates the return requirement to be 6.35% for the fiscal year ended June 30, 2018. It is important to note that Verus uses a 10-year investment horizon whereas actuarial consultants use a much longer time horizon in developing forecasts, typically 30 years.

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	6/30/18 ALLOCATION	LOW	TARGET	HIGH	% PASSIVE OR SEMI-PASSIVE
U.S. EQUITY	42.2%	34.4%	40.0%	45.6%	100.0%
FIXED INCOME	29.4%	27.5%	32.0%	36.5%	59.3%
INT'L EQUITY	27.9%	25.0%	28.0%	31.0%	100.0%
CASH	0.4%	0.0%	0.0%	0.0%	0.0%

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Review of Fiscal Year 2018 Investment Environment

Important events during fiscal year 2018 included significant U.S. corporate tax reform, the beginnings of an unwind of quantitative easing, and the potential for meaningful changes to U.S. trade policy. Gains in equities were impacted by historically strong earnings growth, driven by both net margin expansion due to corporate tax cuts and top-line revenue growth. U.S. equities posted strong returns over the 12-month period ending in June even after experiencing a 10% drawdown and corresponding spike in volatility in February. International equities underperformed domestic equities, particularly after the sell-off in February. Compared to the second half of 2017, a stronger U.S. dollar, more moderate economic and earnings growth, and uncertainty surrounding U.S. trade policy weighed on both international developed and emerging market equities in the first half of 2018. The European Central Bank signaled it will cut asset purchases to zero by year-end, but also communicated it plans on keeping interest rates unchanged until the latter half of 2019. Short-term Treasury yields rose steadily over the fiscal year and outpaced increases in long-term yields, resulting in a flattening of the yield curve. At the end of the period, the spread between the 10- and 2-year Treasury yields was 33 basis points. The Fed tightened monetary policy further with two rate hikes in March and June of 2018 along with the balance sheet unwind continuing as planned. Fed policy makers indicated the central bank will raise interest rates two more times this year.

The S&P 500 Index returned 14.4% over the period. Equity market appreciation continued to be fueled by growth and momentum factors based mainly in large technology companies, including Apple, Amazon, and Alphabet – the S&P 500 technology sector returned 31.3% over the year. The MSCI EAFE USD and MSCI Emerging Markets USD Indexes returned 6.8% (6.6% local currency) and 8.2% (10.9% local currency), respectively. USD strength during the first half of 2018 and concerns over potential changes to U.S. trade policy weighed on non-U.S. market returns. The BBgBarc U.S. Treasury Index returned -0.6% over the fiscal year as price declines more than offset income returns. Global ex U.S. sovereign yields remained relatively low and the spread between U.S. interest rates and the rest of the developed world widened.

Portfolio Review

The Board adopted a new asset allocation in fiscal year 2017, pursuant to an asset/liability study. In fiscal year 2018, the Board maintained the strategic asset allocation that was created in the prior year.

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, 2018 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, 2018. 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, 2018. 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 above median in its universe for the 1-year time period, and below median in the 3 and 5-year time periods. The Fixed Income asset class was ranked in the second quartile 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. OPERS' fixed income asset class structure is more conservative than many of its large plan peers.

The total URSJJ Plan was above its Policy Benchmark for the 1-year time period ended June 30, 2018 and performed in line with its Policy Benchmark for the annualized 3 and 5-year time period ended June 30. The ranking for the total URSJJ Plan was in the second quartile for the 1, 3, and 5-year periods ended June 30, 2018 compared to the peer universe of Public Funds.

	ONE YEAR	**THREE YEARS**	**FIVE YEARS**
PERIODS ENDED 6/30/18			
Domestic Equity	15.1%	11.6%	13.3%
85% Russell 1000 / 15% Russell 2000	15.0%	11.6%	13.3%
Rank*	44	35	36
Non-U.S. Equity	7.6%	5.4%	6.3%
MSCI ACWI ex-U.S.	7.8%	5.6%	6.5%
Rank*	46	60	72
Fixed Income	0.3%	2.2%	2.8%
78% BC Agg./11% Citi 20+ Year Tsy./11% BC U.S. TIPS	-0.1%	2.0%	2.5%
Rank*	48	65	60
Total Fund	8.3%	7.1%	8.2%
*Policy Benchmark***	8.1%	7.1%	8.2%
Public Fund Defined Benefit Median*	8.0%	6.8%	7.8%
Rank*	38	37	33

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

Verus

** Policy Benchmark is:

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

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

Chief Investment Officer's Report

Uniform Retirement System for Justices and Judges
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Dear Members:

The Fund's total return for fiscal year 2018 was comfortably ahead of the 7% long-term return target. The equity market in the U.S. again posted strong gains for the fiscal year, reaching new all-time highs during the period. Non-U.S. equity markets registered more modest returns in U.S. dollar terms for the period compared to last fiscal year. The fixed income markets lagged, but the fund managers produced an overall positive nominal return for the asset class. 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 2018 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 tenth year of expansion since the Great Recession ended in 2009. U.S. GDP posted an annual growth rate of 4.1% in the second quarter. While this was the fastest growth rate since 2014, it was just below the consensus expectations of economists. GDP growth was up from an annual rate of 2.2% in the first quarter of 2018 (revised up from 2.0%). Spending by consumers on new cars, healthcare, housing and utilities, and food services drove economic growth. Consumer spending continued to be supported by an even tighter labor market, rising wealth from stock market gains, and favorable consumer sentiment. Business investment rose at a 7.3% annual rate, as spending on structures rose over 13% and spending on equipment and intellectual property remained strong. Housing remained a weak spot in the economy; residential investment contracted for the fourth time in the last five quarters. Economists expect the robust growth to slow in the coming year as the effects from the corporate tax cuts wane, and companies potentially reduce spending based on the expectation of higher tariffs. The U.S. dollar strengthened modestly relative to the rest of the developed world's currencies. Note that a stronger dollar makes U.S. exports more expensive in other countries. Jerome Powell became the new Chair of the Federal Reserve in February. The Federal Reserve raised the Fed Funds rate three times during the fiscal year, and signaled more increases to come as economic activity approached a "normal" level that allows the Fed to play a less active role in stimulating the economy.

Economic activity in the European Union slowed on a year-over-year and quarter-over-quarter basis during the fiscal year. GDP growth for the Eurozone was 0.4% for the second quarter of 2018. Eurozone GDP growth suffered on the potential for a global trade war and reduced exports. Germany was a particular bright spot, as consumer and government spending showed strong gains. 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. However, The ECB announced its intention to end the quantitative easing program by the end of 2018. The United Kingdom showed weaker economic activity on Brexit uncertainty and a spike in inflation. Outside of Europe, economic activity was steady, but generally below expectations. Japan's GDP contracted at a 0.6% annual pace for the first quarter on a slowdown in factory output and

Chief Investment Officer's Report (continued)

exports, ending eight straight quarters of economic growth. In China, GDP growth was 6.7% annualized for the second quarter, which was just above the official target for GDP growth of 6.5%. The government is on a campaign to deleverage the economy and reign-in local government debt, which has resulted in a slowdown of growth in infrastructure spending and tighter monetary policy. Concerns exist of economic headwinds created by a potential trade war with the U.S. continue to build.

U.S. and Global Stock Markets

The U.S. stock market, as measured by the Russell 3000 Index, continued to perform surprisingly well 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 profitability by companies in the U.S. and corporate tax cuts supported the equity market index returns for the period.

Change in the Russell 3000 Index during the fiscal year ended June 30, 2018

Value at 6/30/17	7,339.0
Value at 6/30/18	8,423.6

Source: FTSE Russell

The Russell 3000 ended the one-year period through June 30, 2018 up 14.8%. Equity markets hit all-time highs during the period. The stock markets' strong returns were buoyed by several factors. Corporate profitability growth remained strong. Inflation has ticked up somewhat but remains low and the Federal Reserve seems to have adequately set market expectations for future potential interest rate moves. Leading the U.S. equity market were the stocks within the technology sector, as companies like Apple, Amazon, and Alphabet (Google) drove the tech sector up over 31% for the fiscal year. Small capitalization stocks outperformed large capitalization stocks by almost 3% over the period. The market again rewarded risk-taking during the period. Shares in the most economically sensitive sectors of the economy performed the best for the period. The rest of the developed world registered more modest equity market 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 7.3% in U.S. dollar terms for the fiscal year. The U.S. dollar strengthened modestly relative to many other foreign currencies, which detracted from gains experienced by U.S. dollar investors in foreign markets. Emerging market returns in U.S. dollar terms were comparable to non-U.S. developed market returns.

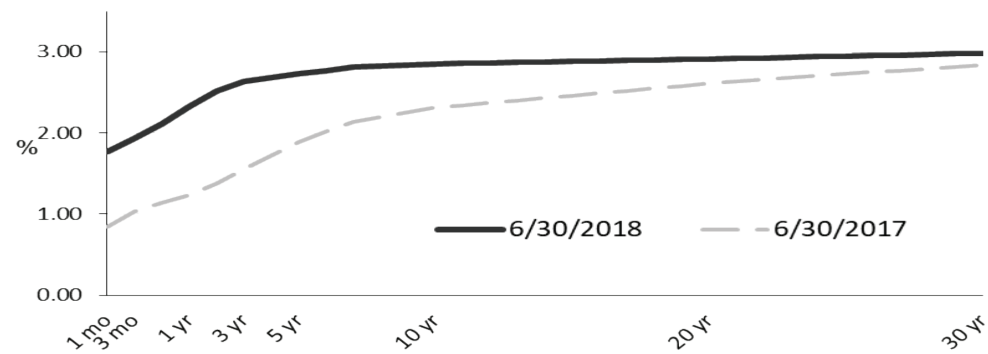
Interest Rates

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 1.75%- 2.0% at the end of the fiscal year. The yield curve flattened over the period, and concerns arose that an inversion of the yield curve (short-term rates are greater than long-term rates) could foreshadow an economic slowdown in the U.S. Jerome Powell succeeded Janet Yellen as Fed Chair in February 2018. Chairman Powell signaled continued Fed

Chief Investment Officer's Report (continued)

actions to normalize the Fed Funds rate, noting that the U.S. economy has been rising "at a solid rate." Unemployment remained low (4.0% for June) and inflation ticked up to 2.1%. Wage growth, however, remained stagnant. Outside of the U.S., yields continued to be low, and even negative in Japan, as central banks continued policies designed to stimulate economic growth. The European Central Bank recently announced plans to curtail its quantitative easing program. However, recent trade tensions with the U.S. have Central Bank officials concerned.

U.S. Treasury Yield Curve



Source: U.S. Treasury

Investment Returns Through June 30, 2018

U.S. Equity	Style	1 Year	3 Years	5 Years
Russell 3000	Broad U.S. Equity	14.78%	11.58%	13.29%
S&P 500	Large Cap Equity	14.37%	11.93%	13.42%
Russell 1000	Large Cap Equity	14.54%	11.64%	13.37%
Russell 1000 Growth	Large Cap Growth	22.51%	14.98%	16.36%
Russell 1000 Value	Large Cap Value	6.77%	8.26%	10.34%
Russell 2000	Small Cap Equity	17.57%	10.96%	12.46%
Russell 2000 Growth	Small Cap Growth	21.86%	10.60%	13.65%
Russell 2000 Value	Small Cap Value	13.10%	11.22%	1.18%
Uniform Retirement System for Justices & Judges	**Broad U.S. Equity**	**15.08%**	**11.63%**	**13.32%**

U.S. Fixed Income	Style	1 Year	3 Years	5 Years
ML 3-Month T-Bill	Cash	1.29%	0.62%	0.38%
Barclays U.S. Aggregate	Core Bonds	-0.40%	1.72%	2.27%
Citigroup 20-year Treasury Average	Long Term Bonds	0.08%	3.67%	4.84%
Barclays Corporate High Yield	High Yield Bonds	0.40%	5.53%	5.51%
Uniform Retirement System for Justices & Judges	**Domestic Fixed Income**	**0.26%**	**2.16%**	**2.80%**

International Equity	Style	1 Year	3 Years	5 Years
MSCI ACWI Ex-US	Broad Non-US Equity	7.28%	5.07%	5.99%
MSCI EAFE	Developed Non-US Equity	6.84%	4.90%	6.44%
MSCI Emerging Market	Emerging Non-US Equity	8.20%	5.60%	5.01%
Uniform Retirement System for Justices & Judges	**Non-U.S. Equity**	**7.62%**	**5.40%**	**6.30%**

Uniform Retirement System for Justices & Judges	**Total Fund**	**8.33%**	**7.09%**	**8.25%**

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 8.33% for the period gross of fees (8.28% net of fees) and out-performed the policy benchmark portfolio by 20 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 robust absolute returns from the U.S. market exposures, and good returns from the non-U.S. equity exposure. These two equity segments of the portfolio returned 12% for the period, and were the primary drivers of the Fund's overall favorable results. The fixed income asset class produced a small nominal gain that did not contribute meaningfully to overall returns.

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 17.8%. The large capitalization portion of the fund gained 14.6% for the year. The overall U.S. equity portfolio returned over 15% for the period.

Fixed Income

The Fund's bond portfolio did not contribute meaningfully to overall results for the fiscal year. As investors sought out the riskier areas of the markets (particularly equities) for enhanced return opportunities, the less risky parts of the markets sold off, including the bond market. Yields increased along the bond maturity curve, which depressed the nominal total returns of the asset class. The Fund's inflation-sensitive portion of the fixed income portfolio produced the greatest nominal returns for the period, as inflation rose from a low level. The two advisors who focus on the broader bond market both out-performed the benchmark. Bonds are maintained in the portfolio for their diversified return pattern when compared with exposure to the equity markets. This fiscal year was once again a challenging performance year for bonds.

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. Emerging markets performed better than non-U.S. developed markets for the period, as risk seeking behavior was rewarded in markets outside the U.S. as well. The U.S. dollar strengthened modestly relative to many other foreign currencies, which detracted from gains experienced by U.S. dollar investors in foreign markets. The non-U.S. equity portfolio contributed positively to the total return of the fund, having gained over 7% in U.S. dollar terms for the period.

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 were no changes to the asset allocation during the fiscal year.

Asset Class	Min	6/30/2018	Target	Max
Cash	0.0%	0.4%	0.0%	0.0%
Domestic Fixed Income	27.5%	29.4%	32.0%	36.5%
U.S. Equity	34.4%	42.2%	40.0%	45.6%
Non-U.S. Equity	25.0%	27.9%	28.0%	31.0%
Total Fund		**100%**	**100%**	

Chief Investment Officer's Report (continued)

Outlook and Recent Events

Outlook

If you've read this report in previous years, you know that I 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 economic activity in the U.S. and improvement in the European economies. We are seeing signs that the accommodative policies that many global central banks have implemented are bearing fruit. The Federal Reserve has moved away from actions designed to suppress interest rates by raising short-term rates. Geopolitical risk, especially as the U.K. moves to extricate itself from the European Union, will undoubtedly influence investor risk-taking appetite. More recently, trade tensions have the potential to add to economic uncertainty.

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. 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 experience another year of poor returns if rates rise more quickly, with the decline in bond value offsetting the yield earned over the period.

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. The U.S. economy continues to exhibit relatively stable growth. Consumer spending, the biggest driver of the U.S. economy, remains stable as the outlook for employment is satisfactory but wage growth is stagnant. Market sentiment has been buttressed by strong corporate earnings and tax cuts. This year we have a renewed focus on Geopolitical risks, specifically in the form of trade tensions between the U.S. and rest of the world. Should these tensions escalate into full blown trade wars, economic activity will be negatively impacted. Market valuations are stretched, and unbridled optimism is a fuel that can quickly evaporate.

Recent Events

There were no changes to the Fund structure or the managers within the Fund during the year.

Chief Investment Officer's Report (continued)

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, 2018, 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 2.625% due 6-30-2023	3,780,000	$3,761,542
U.S. Treasury Bonds 2.25% due 8-15-2046	3,520,000	3,031,600
U.S. Treasury Bonds 2.5% due 5-15-2046	3,155,000	2,866,860
U.S. Treasury Bonds 3.125% due 5-15-2048	2,245,000	2,307,350
U.S. Treasury Bonds 2.5% due 2-15-2046	2,500,000	2,272,950
U.S. Treasury Notes 2.5% due 5-31-2020	2,100,000	2,099,015
U.S. Treasury Notes 2.75% due 4-30-2023	2,060,000	2,062,013
U.S. Treasury Notes 2.875% due 5-15-2028	1,995,000	1,998,974
U.S. Treasury Notes 2.625% due 3-31-2025	1,660,000	1,641,066
U.S. Treasury Notes 2.625% due 5-15-2021	1,480,000	1,480,115

Investments in Funds (By Fair Value):

Fund	Units	Fair Value
BlackRock Russell 1000 Index Fund	574,472	$118,848,971
BlackRock ACWI ex-U.S. Index Fund	3,410,663	94,416,844
BlackRock Russell 2000 Index Fund	427,346	23,827,826
BlackRock U.S. TIPS Index Fund	472,669	10,428,399

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, 2018

None

Investment Portfolio by Type and Manager

At June 30, 2018, 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	$ 53,521	15.3%
Hoisington Investment Management	Interest Rate Anticipation	11,117	3.2%
BlackRock Institutional Trust Company	Index Fund – U.S. TIPS	10,428	3.0%
Metropolitan West Asset Management	Core Plus	35,661	10.2%
Total Fixed Income		110,727	31.7%
U.S. Equities:			
BlackRock Institutional Trust Company	Index Fund – Russell 2000	23,828	6.8%
BlackRock Institutional Trust Company	Index Fund – Russell 1000	118,849	34.0%
Total U.S. Equities		142,677	40.8%
International Equities:			
BlackRock Institutional Trust Company	Index Fund – ACWI ex-U.S.	94,417	27.0%
Short-term Investment Funds	Operating Cash	1,420	0.4%
Total Managed Investments		349,241	99.9%
Securities Lending Collateral		14,401	
Cash Equivalents on Deposit with State		114	
Total Investments and Cash Equivalents		$ 363,756	
Statement of Fiduciary Net Position			
Cash Equivalents		8,168	
Investments		355,588	
Total Investments and Cash Equivalents		$ 363,756	

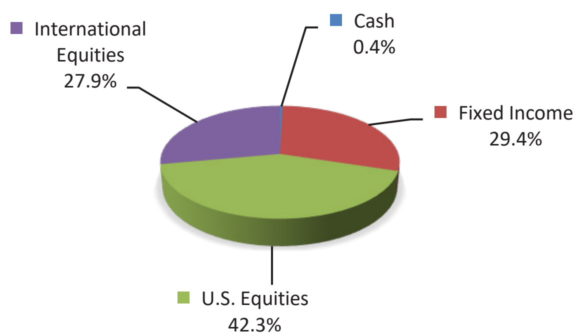
* *Manager fair values include their respective cash and cash equivalents.*

Asset Comparison

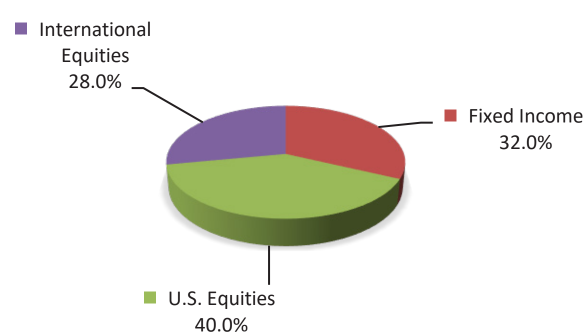
A comparison of the actual investment distribution at June 30, 2018 and 2017, based on the net investment manager holdings, including accrued income, payables and receivables, compared to the target allocation for each year is as follows:

2018

Asset Mix

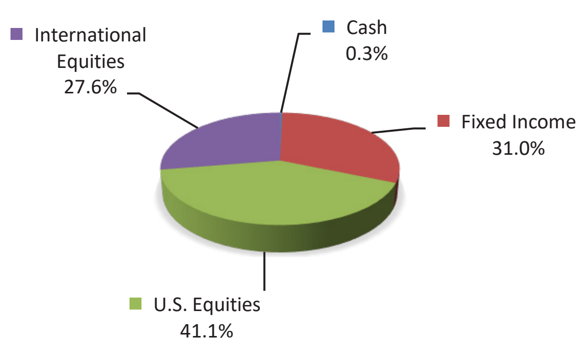


Target Policy Mix

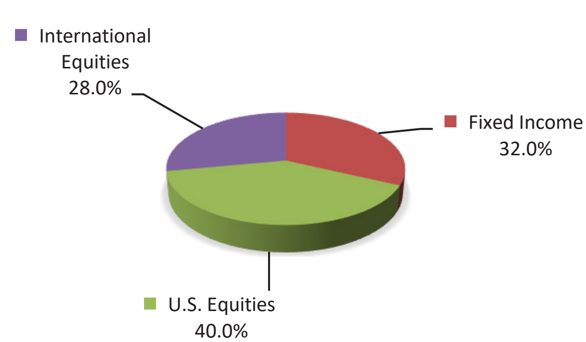


2017

Asset Mix



Target Policy Mix



ACTUARIAL

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November 12, 2018

Board of Trustees
Oklahoma Public Employees Retirement System
5400 N Grand Boulevard, Suite 400
P.O. Box 53007
Oklahoma City, OK 73112-5625

Members of the Board:

In this report are submitted the results of the annual valuation of the assets and liabilities of the State of Oklahoma Public Employees Retirement System (OPERS), prepared as of July 1, 2018.

The purpose of this report is to provide a summary of the funded status of the System as of July 1, 2018 and to provide the actuarially determined rate. While not verifying the data at the source, the actuary performed tests for consistency and reasonability. There have been no changes to the actuarial assumptions or methods since the last valuation.

The promised benefits of the System are included in the actuarially calculated contribution rates which are developed using the Entry Age Normal cost method. A five-year market related value of assets is used for actuarial valuation purposes. Gains and losses are reflected in the unfunded actuarial accrued liability (UAAL) that is being amortized by regular annual contributions as a level percentage of payroll, on the assumption that payroll will increase by 3.50% annually.

As in the last valuation, liabilities have been calculated without considering future cost of living adjustments (COLAs) in keeping with House Bill 2132 (2011). In addition, House Bill 2630 (2014) closes the plan to most new employees hired after November 1, 2015.

House Bill 1340 (2018) provides a stipend for members of each system who have been retired for five years as of October 1, 2018. The stipend amount is based on the funding level of the system and will be funded by the system. OPERS members will receive the lesser of 2% of the gross annual retirement amount or $1,200. The bill also provides a minimum payment of $350 for members with 20 years of service. The effective date of the stipend is October 1, 2018.

Should funding of future COLAs and/or stipends be provided by the System, the COLAs and/or stipends should be included in the actuarial valuation.

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

Future actuarial results may differ significantly from the current results presented in this report due to factors such as the following: plan experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period or additional cost or contribution requirements based on the plan's funded status); and changes in plan provisions or applicable law. Because the potential impact of such factors is outside the scope of a normal annual actuarial valuation, an analysis of the range of results is not presented herein.

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

In our opinion, in order for the System to meet all the benefit obligations of the plan for current active and retired members, contributions equal to at least the actuarially determined rate are necessary for future fiscal years. Assuming these contributions are made to the System, from year to year in the future at the rates recommended on the basis of the successive actuarial valuations, the continued sufficiency of the retirement fund to provide the benefits called for under the System may be safely anticipated. Because the statutory contribution exceeds the actuarially determined rate in this valuation, we recommend the statutory contribution be used to pay the UAAL down faster than under the current schedule and to protect against future investment and experience losses.

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

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

	7/1/2018 Valuation	7/1/2017 Valuation	% Change
1. PARTICIPANT DATA			
Number of:			
Active Members	36,329	38,873	(6.5)
Retired and Disabled Members and Beneficiaries	35,260	34,579	2.0
Inactive Members	6,024	5,951	1.2
Total Members	77,613	79,403	(2.3)
Projected Annual Salaries of Active Members	$ 1,601,074,591	$ 1,688,543,856	(5.2)
Annual Retirement Payments for Retired Members and Beneficiaries	$ 595,301,608	$ 576,548,059	3.3
2. ASSETS AND LIABILITIES			
Total Actuarial Accrued Liability	$ 9,884,133,615	$ 9,781,617,070	1.0
Market Value of Assets	$ 9,702,031,567	$ 9,229,499,873	5.1
Actuarial Value of Assets	$ 9,658,126,021	$ 9,241,292,469	4.5
Unfunded Actuarial Accrued Liability	$ 226,007,594	$ 540,324,601	(58.2)
Funded Ratio	97.7%	94.5%	3.4
3. EMPLOYER CONTRIBUTION RATES AS A PERCENT OF PAYROLL			
Normal Cost Rate	10.27%	10.24%	
Amortization of Unfunded Actuarial Accrued Liability	1.66%	3.57%	
Budgeted Expenses	0.43%	0.40%	
Total Actuarially Determined Contribution Rate	12.36%	14.21%	
Less Estimated Member Contribution Rate	4.18%	4.14%	
Employer Actuarially Determined Contribution Rate	8.18%	10.07%	
Less Statutory State Employer Contribution Rate	16.50%	16.50%	
Contribution Shortfall/(Surplus)	(8.32%)	(6.43%)	

Analysis of Financial Experience

Gains & Losses in Actuarial Accrued Liability During the Year Ended June 30, 2018
Resulting from Differences Between Assumed Experience & Actual Experience

Type of Activity	(Gain) or Loss for Year End 2018
1. **Age & Service Retirements.** Generally, 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.	$ (4,100,000)
2. **Disability Retirements.** If disability claims are less than assumed, there is a gain. If more claims, a loss.	1,000,000
3. **Deaths.** If more deaths occur than assumed, there is a gain. If fewer, there is a loss.	(18,700,000)
4. **Withdrawal from Employment.** If more liabilities are released by withdrawals than assumed, there is a gain. If smaller releases, a loss.	(11,700,000)
5. **Pay Increases.** If there are smaller pay increase than assumed, there is a gain. If greater increases, a loss.	(85,400,000)
6. **New Entrants.** All new entrants to the System create a loss.	16,400,000
7. **Other.** Miscellaneous gains and losses resulting from data adjustments, employee transfers, valuation methods, etc.	(18,400,000)
8. **(Gain) or Loss During Year From Financial Experience.**	(67,800,000)
9. **Composite (Gain) or Loss During Year.**	$ (188,700,000)

Solvency Test

The OPERS 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 OPERS 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 monitoring OPERS 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 of OPERS.

	Actuarial Accrued Liability and Valuation Assets (in thousands)					Portion of Actuarial Accrued Liability 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 Liability**
July 1, 2009	$466,880	$4,913,032	$3,911,546	$9,291,458	$6,208,245	100%	100%	21.2%	66.8%
July 1, 2010	487,980	5,252,862	3,881,786	9,622,628	6,348,416	100	100	15.8	66.0
July 1, 2011	488,418	4,677,760	3,013,590	8,179,768	6,598,628	100	100	47.5	80.7
July 1, 2012	505,373	4,832,068	2,997,197	8,334,638	6,682,200	100	100	44.9	80.2
July 1, 2013	517,653	5,032,769	3,005,700	8,556,122	6,978,873	100	100	47.5	81.6
July 1, 2014	534,081	5,184,818	3,034,770	8,753,669	7,759,258	100	100	67.2	88.6
July 1, 2015	537,046	5,417,604	3,041,476	8,996,126	8,420,307	100	100	81.1	93.6
July 1, 2016	545,020	5,757,019	3,125,771	9,427,810	8,790,886	100	100	79.6	93.2
July 1, 2017	549,211	6,131,997	3,100,409	9,781,617	9,241,292	100	100	82.6	94.5
July 1, 2018	550,806	6,312,792	3,020,536	9,884,134	9,658,126	100	100	92.5	97.7

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

Schedule of Active Member Valuation Data

Valuation Date	Number	Annual Payroll	Annual Average Pay	% Increase in Average Pay
July 1, 2018	36,329	$1,601,074,591	$44,072	1.46
July 1, 2017	38,873	1,688,543,856	43,437	1.40
July 1, 2016	41,806	1,790,809,603	42,836	3.82
July 1, 2015	43,843	1,808,972,785	41,260	3.97
July 1, 2014	43,947	1,744,041,536	39,685	1.29
July 1, 2013	43,273	1,695,347,809	39,178	2.08
July 1, 2012	42,569	1,633,837,374	38,381	(0.90)
July 1, 2011	40,551	1,570,500,148	38,729	1.06
July 1, 2010	43,934	1,683,697,139	38,323	1.01
July 1, 2009	45,683	1,732,975,532	37,935	1.72
July 1, 2008	45,120	1,682,663,413	37,293	2.50

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	Number	Annual Allowances	Number	Annual Allowances	Number	Annual Allowances	% Increase in Annual Allowances	Average Annual Allowances
June 30, 2018	1,692	$31,763,873	1,011	$ 13,010,324	35,260	$ 595,301,608	3.25	$16,883
June 30, 2017	1,846	35,653,217	1,016	12,736,245	34,579	576,548,059	4.14	16,673
June 30, 2016	1,986	37,356,248	991	12,505,069	33,749	553,631,087	4.70	16,404
June 30, 2015	1,898	35,731,879	977	11,895,298	32,754	528,779,908	4.72	16,144
June 30, 2014	1,667	28,477,713	969	11,707,809	31,833	504,943,327	3.44	15,862
June 30, 2013	1,767	31,633,122	895	10,184,240	31,135	488,173,423	4.60	15,679
June 30, 2012	1,703	29,234,998	858	10,430,214	30,263	466,724,541	4.20	15,422
June 30, 2011	2,232	40,890,700	823	9,670,100	29,418	447,919,757	7.49	15,226
June 30, 2010	1,867	32,394,848	807	9,942,962	28,009	416,699,157	5.69	14,877
June 30, 2009	1,595	27,216,987	679	9,117,210	26,949	394,247,271	4.81	14,629

Summary of System Provisions

Effective Date:

The System became effective January 1, 1964. The fiscal year is July 1 to June 30.

Employees Included:

All permanent employees of the State of Oklahoma, and any other employer such as a county, county hospital, city or town, conservation districts, circuit engineering districts, and any trust in which a county, city, or town participates and is the primary beneficiary, are eligible to join if:

- the employee is not eligible for or participating in another retirement system authorized under Oklahoma law, is covered by Social Security and not participating in the U.S. Civil Service Retirement System,
- the employee is scheduled for 1,000 hours per year and salary is not less than the hourly rate of the monthly minimum wage for State employees (for employees of local government employers, not less than the hourly rate of the monthly minimum wage for such employees).

Membership is mandatory for new eligible employees on the first of the month following employment. Beginning November 1, 2015, most new state employees are excluded from participating in the defined benefit plan.

Employee and Employer Contributions:

3.5% of pay for most State employees and 16.5% for employers. Local employees, elected officials, members covered by the Department of Corrections Hazardous Duty provisions, and members who elect the step up provision contribute at varying rates.

Final Average Compensation:

Generally the highest annual average of any thirty-six months within the last ten years of participating service. For members hired on or after July 1, 2013, the highest annual average of any sixty months within the last ten years of participating service.

Retirement Date:

Normal:

Age 62 (age 60 for elected officials), 80 age/service points if hired before July 1, 1992, 90 age/service points if hired on or after July 1, 1992.

For non-elected employees hired on or after November 1, 2011, the retirement age is age 65 or 90 age/service points if at least 60. For elected officials hired on or after November 1, 2011, age 65 with 8 years of service or 62 with 10 years of service.

Summary of System Provisions (continued)

	20 years of service for certain members covered by the Department of Corrections Hazardous Duty provisions and certain Oklahoma Military Department Firefighters.
Early:	Age 55 with 10 years of service.
Normal Retirement Benefit:	General formula is 2% of final average compensation multiplied by years of credited service.
Disability Benefit:	After eight years of service, provided the member qualifies for disability benefits as certified either by the Social Security Administration or the Railroad Retirement Board. Benefit is determined by the normal retirement formula based on service and salary history at date of disability. The benefit is payable immediately without actuarial reduction.
In-service Death Benefit:	If the deceased member was vested, the benefit that would have been paid the member had he retired and elected the joint and 100% survivor option (Option B). For elected officials, it is 50% of the benefit that would have been paid the member had he retired.
Postretirement Death Benefit:	$5,000 lump-sum.
Forms of Payment:	Life annuity, joint and 50% survivor, joint and 100% survivor annuity, life annuity with a minimum of 120 monthly payments, and Medicare Gap Benefit option.
Supplemental Medical Insurance Premium:	The System will contribute the lesser of $105 per month or the Medicare Supplement Premium to the Office of Management and Enterprise Services, Employees Group Insurance Division (or other eligible employer health plans) 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-2014 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%.

3. The probabilities of withdrawal from service, together with individual pay increase assumptions, are shown in Schedule 1.

4. The probabilities of retirement with an age and service allowance are shown in Schedules 2A, 2B and 2C.

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 (nine years as of July 1, 2018).

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 based on System experience from July 1, 2013 through June 30, 2016.

Summary of Actuarial Assumptions and Methods (continued)

Schedule 1

Withdrawal From Active Employment Before Age & Service Retirement and Individual Pay Increase Assumptions

Sample Service Values	Withdrawal	Sample Ages	Percent Increase in Individual's Pay During Next Year
1	22.00%	25	7.80%
5	10.50	30	6.30
10	6.00	35	5.50
15	4.25	40	5.20
20	3.00	45	4.80
25	1.75	50	4.50
		55	4.30

Schedule 2A

Percent of Eligible Regular Non-Elected Active Members Retiring Within Next Year

Those Eligible for Unreduced Retirement and Hired Before November 1, 2011

Retirement Ages	Percent
50	15%
51	15%
52	15%
53	15%
54	15%
55	10%
56	10%
57	11%
58	12%
59	13%
60	14%

Retirement Ages	Percent
61	20%
62	25%
63	15%
64	15%
65	30%
66	25%
67	25%
68	25%
69	25%
70	100%

STATISTICAL

STRATEGIC PERSPECTIVE

We are committed to a strategic planning process that embraces and drives change to benefit our members. We focus on the future and actively seek opportunities for innovation in the services we provide.

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	
2018	$ 2,608,284	$ 6,684,275	$ 26,439,554	$ 18,642,900	$ 155,666	$ 52,038	$ 16,881,509
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)

Schedule of Revenue by Source

Year Ended June 30,	Member Contributions	Employer Contributions: Dollars	Employer Contributions: % of Annual Covered Payroll	Investment Income (Loss)	Total
2018	$ 2,608,284	$ 6,684,275	19.75 %	$ 26,439,554	$ 35,732,113
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)

The employer contribution rate was raised to 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, 19.0% effective July 1, 2016 and 20.5% effective July 1, 2017. 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
2018	$ 18,642,900	$ 155,666	$ 52,038	$ 18,850,604
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

Schedule of Benefit Payments and Refunds by Type

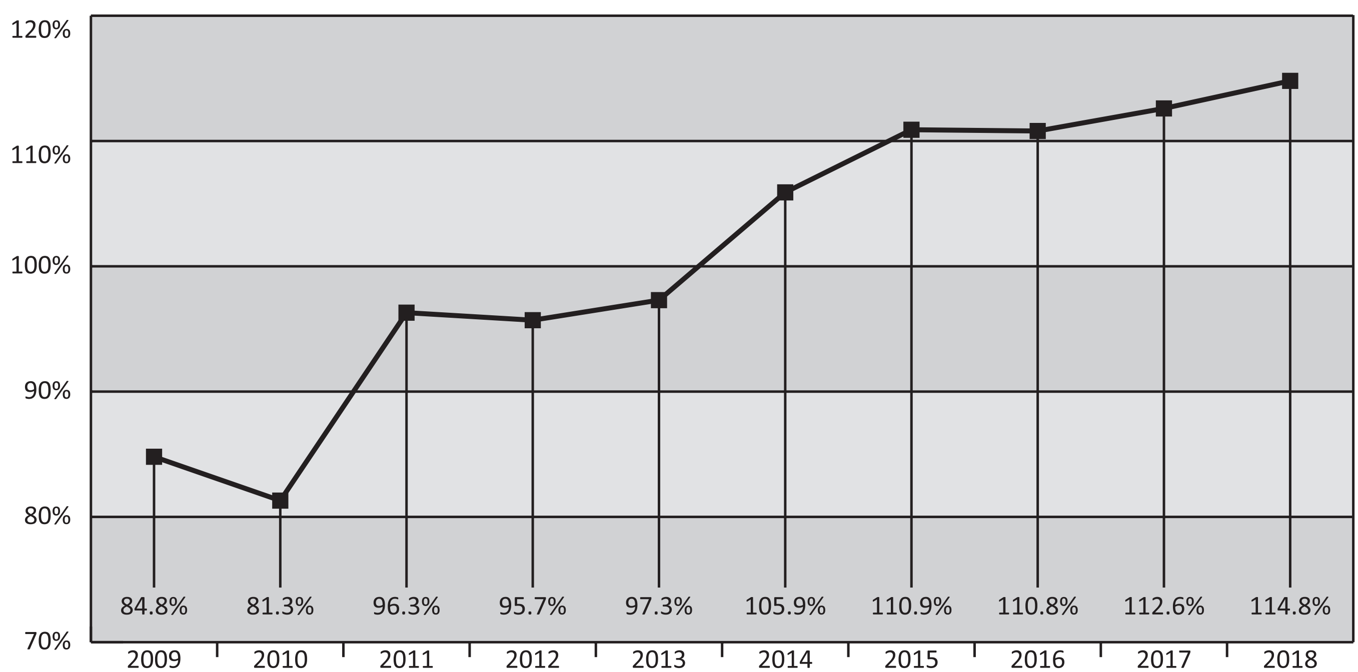
The following schedule provides information as to the type of benefit expenses incurred by the Plan as reflected in the "Benefit Payment" and "Refunds" columns of the **Schedule of Expenses by Type** included elsewhere in this Statistical Section.

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**
2018	$18,364,345	$ 231,055	$ 47,500	$ -	$ -	$ 52,038	$ -	$18,694,938
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

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
2018	0.3 %	15.1 %	7.6 %	8.3 %
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)

Schedule of Retired Members by Type of Benefit

June 30, 2018

Amount of Monthly Benefit	Number of Retirees	Type of Retirement* 1	2	3	4	Option Selected # 1	2	3	4
$1 – 1,000	6	1	5	-	-	1	5	-	-
1,001 – 2,000	20	5	15	-	-	-	17	1	2
2,001 – 3,000	30	13	17	-	-	2	22	2	4
3,001 – 4,000	32	19	12	-	1	4	22	1	5
4,001 – 5,000	43	29	12	2	-	3	32	1	7
Over 5,000	141	133	7	1	-	19	92	9	21
Totals	**272**	**200**	**68**	**3**	**1**	**29**	**190**	**14**	**39**

***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, 2018, there are 14 former members with deferred future benefits.

Schedule of Average Benefit Payments

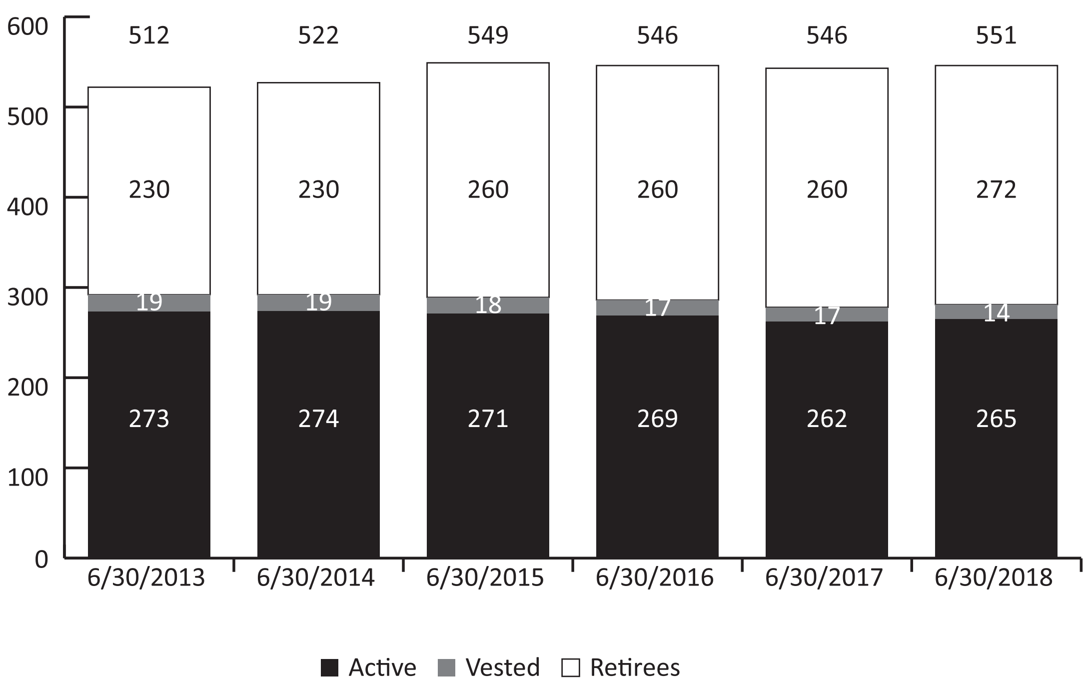
Retirement Effective Dates	**Years of Credited Service**						
July 1, 2008 to June 30, 2018	**0 to 5**	**6 to 10**	**11 to 15**	**16 to 20**	**21 to 25**	**26 to 30**	**31+**
Period 7/1/08 to 6/30/09							
Average Monthly Benefit	$ -	$ -	$ 4,248	$ 4,003	$ 7,993	$ -	$ -
Average Final Average Salary	$ -	$ -	$ 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
Period 7/1/17 to 6/30/18							
Average Monthly Benefit	$ -	$ -	$ 4,244	$ 4,540	$ 9,240	$ 8,009	$ 10,691
Average Final Average Salary	$ -	$ -	$ 8,974	$ 6,722	$ 10,133	$ 9,280	$ 11,500
Number of Active Retirees	-	-	3	1	4	1	2

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
2018	265
2017	262
2016	269
2015	271
2014	274
2013	273
2012	266
2011	271
2010	271
2009	274

Demographics Chart



Member Statistics

Earnings tabulated are average rates of pay as of July 1, 2018	Number	Amount of Annual Benefit
Members receiving benefits		
Retired	200	$ 15,837,104
Surviving spouses	69	2,507,566
Disabled	3	189,531
Total	**272**	**$ 18,534,201**
Members with deferred benefits		
Vested terminated	10	$ 464,602
Assumed deferred vested members (estimated benefits)	4	93,970
Total	**14**	**$ 558,572**

		Average		
Statistics for	**Number**	**Age**	**Service**	**Earnings**
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**	**11.9**	**$ 127,325**
Active members as of July 1, 2018				
Continuing	252	58.7	12.3	$ 127,856
New	13	44.4	0.0	124,524
Total	**265**	**58.0**	**11.9**	**$ 127,693**

Distribution of Retirees and Beneficiaries

	Number			Annual Benefits		
Age	**Male**	**Female**	**Total**	**Male**	**Female**	**Total**
Under 50	-	-	-	$ -	$ -	$ -
50-55	-	3	3	-	189,796	189,796
55-60	4	-	4	352,314	-	352,314
60-65	10	7	17	1,060,909	441,635	1,502,544
65-70	47	8	55	4,126,119	654,493	4,780,612
70-75	48	23	71	3,853,056	1,258,366	5,111,422
75-80	39	11	50	2,549,029	665,844	3,214,873
80-85	14	12	26	975,555	430,154	1,405,709
85-90	10	11	21	549,671	433,624	983,295
90-95	6	15	21	460,175	386,751	846,926
95-100	3	-	3	138,879	-	138,879
Over 100	-	1	1	-	7,831	7,831
Total	**181**	**91**	**272**	**$ 14,065,707**	**$ 4,468,494**	**$ 18,534,201**

Summary of Active Members

Age and years of credited service
Earnings tabulated are average rates of pay as of July 1, 2018

	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										
Average Pay										
35 to 39	11	1								**12**
Average Pay	$114,105	$131,835								**$115,583**
40 to 44	8	7	1							**16**
Average Pay	$105,830	$120,377	$111,356							**$112,540**
45 to 49	11	6	6	2						**25**
Average Pay	$106,420	$118,182	$120,885	$121,596						**$113,929**
50 to 54	17	12	7	6	1					**43**
Average Pay	$112,808	$122,982	$122,510	$126,716	$105,469					**$118,997**
55 to 59	8	17	13	7	4					**49**
Average Pay	$125,436	$123,402	$120,808	$124,521	$125,756					**$123,398**
60 to 64	4	14	9	7	8	3	2			**47**
Average Pay	$121,596	$123,333	$118,183	$123,424	$121,596	$129,702	$123,048			**$122,311**
65 to 69	3	9	10	11	8		3	2	1	**47**
Average Pay	$111,356	$119,320	$129,019	$121,945	$129,394		$141,221	$138,875	$121,596	**$125,483**
70 & up	1	4	6	5	5		1	2	2	**26**
Average Pay	$131,835	$113,915	$125,009	$125,692	$129,787		$145,914	$144,635	$142,074	**$128,241**
Total	**63**	**70**	**52**	**38**	**26**	**3**	**6**	**4**	**3**	**265**
Average Pay	**$113,427**	**$121,620**	**$122,474**	**$123,920**	**$125,590**	**$129,702**	**$135,946**	**$141,755**	**$135,248**	**$121,433**

URSJJ

Uniform Retirement System for Justices and Judges

P.O. Box 53007
Oklahoma City, Oklahoma 73152-3007
1.800.733.9008