

Active and Retiree Edition **Winter 2016**

Estate Planning At a Glance

"Estate" may sound like a fancy word, but everyone has one. Your estate is made up of everything you own – your car, home, bank accounts, investments, life insurance, furniture, and your prized baseball card collection. To ensure what you have is given to the people or organizations you care about most, you will need to provide instructions on how to handle your estate after your death. Below are elements everyone should consider to guarantee your wishes are carried out.

Make a Will

A will designates who will inherit your assets, who will be the executor of your estate, and who will care for any minor children you leave behind.

Consider a Trust

Holding property in a living trust can shield your survivors from the time and expense of probate court. A trust may also make it easier to transfer assets to a minor.

Consider Your Health Care Directives

A living will outlines your healthcare instructions and a medical power of attorney names one person who will make decisions for you if you cannot.

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Director's Corner Investing in Oklahoma

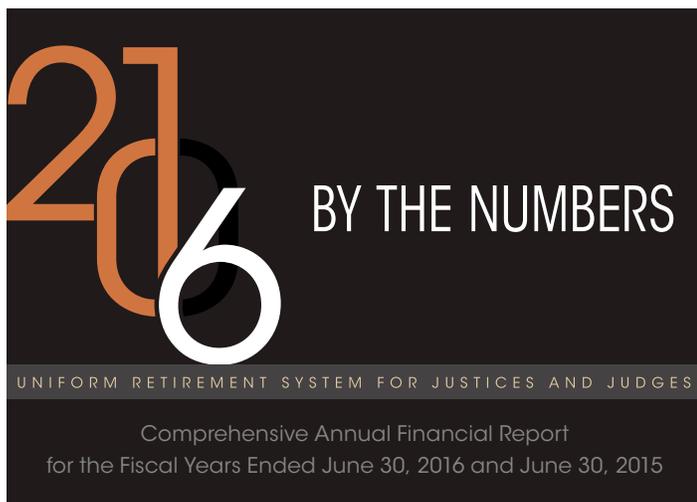
Joseph A. Fox, Executive Director

This newsletter is all "by the numbers" as we present our Popular Annual Financial Report for fiscal year 2016. Many people find numbers to be boring, but if you take a deeper look there is often a compelling story to be found. One such story is the investment our retirees are making in Oklahoma. In fiscal year 2016, OPERS paid out \$565 million and URSJJ paid out \$17 million in benefits, and did you know almost 95% of these benefits stay in Oklahoma?

A recent study by the National Institute on Retirement Security found that state and local pension plans like OPERS and URSJJ help drive economic activity within communities all across Oklahoma. According to the study, expenditures originating from state and local pensions in Oklahoma contribute nearly \$3 billion in economic activity; support more than 20,000 jobs that pay \$900 million in wages and salaries; and contribute \$244 million in state and local tax revenue. Of the nearly \$3 billion in economic impact, \$1.3 billion resulted from retiree spending, and the remainder from businesses employing more workers and purchasing additional goods and services.

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RETIREMENT 101

Required Minimum Distributions: What It Is and Why You Should Care

Most save for retirement in tax-deferred retirement accounts; meaning we delay paying taxes on those dollars until we take distributions in retirement. These dollars accumulate and grow, but they can't stay tax-deferred forever. At a certain point, you must start making withdrawals. This is called the required minimum distribution (RMD).

Roughly 2.1 million Baby Boomers reached the age of 70 in 2016 and are starting to take required distributions from tax-deferred retirement accounts. The RMD is a portion of a pre-tax account that must be distributed to the account holder starting the year he/she has reached age 70½, and is no longer employed by the Plan's sponsor.

When Does the RMD Start?

You must take your first RMD the year in which you turn age 70½. However, the first payment can be delayed until April 1st of the following year. Delaying until April 1st of the following year will result in two RMDs in the same calendar year and potentially increase your tax liability. For all subsequent years you must take the RMD by December 31st.

For state employees participating in SoonerSave, the RMD for SoonerSave may be delayed until the member retires or terminates from a SoonerSave-participating employer, whichever occurs last. If you are working at a SoonerSave-participating employer past age 70½, RMDs will begin the year you retire.

How is the RMD Calculated?

The RMD calculation can be broken down into three steps.

1. Find the balance of your pre-tax account as of December 31st of the previous year.
2. Determine the distribution factor listed on the IRS website which corresponds to your age on your birthday of the current year.
3. The final step is to divide the account balance by the distribution factor to find the RMD.

For example, a member had a balance of \$100,000 in their tax-deferred retirement savings on December 31, 2016. This member will turn 75 later this year in 2017. The distribution period for age 75 is 22.9. As you can see in the example to the right, the RMD for 2017 is \$4,366.81, which will need to be

withdrawn from this retirement account before December 31, 2017 to avoid a penalty.

EXAMPLE

1. Plan balance as of December 31, 2016 (previous year)	<u>\$ 100,000.00</u>
2. Distribution period for your age on your birthday this year in 2017.	<u>22.9</u>
3. Line 1 divided by number entered on line 2. This is your RMD for 2017.	<u>\$4,366.81</u>

Pay Attention to Avoid a Tax Penalty

There is a hefty penalty for not meeting the RMD by the deadline. The penalty is 50% of the amount not distributed! In the example above, the RMD is \$4,366.81. If the member, for whatever reason, did not take the distribution, a penalty of over \$2,100 would be assessed. Avoid this penalty by meeting the required distribution deadline.

What's Next?

If you have more than one pre-tax retirement saving account, you must calculate the RMD for each account individually. All plan administrators, including SoonerSave, will send reminders and communication about the RMD, but it is the member's responsibility to take the distribution. Most plans, SoonerSave included, offer automated minimum distributions to help avoid the RMD penalty.

Saving for retirement involves long-term planning, discipline and dedication. Take some time to review your retirement plan and safeguard your nest egg by staying informed of the rules regarding required minimum distributions.

For more information, visit www.irs.gov.

2016

UNIFORM RETIREMENT SYSTEM FOR JUSTICES AND JUDGES

BY THE NUMBERS

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

COMPREHENSIVE ANNUAL FINANCIAL REPORT ONLINE

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

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

Dear Esteemed Member:

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

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

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

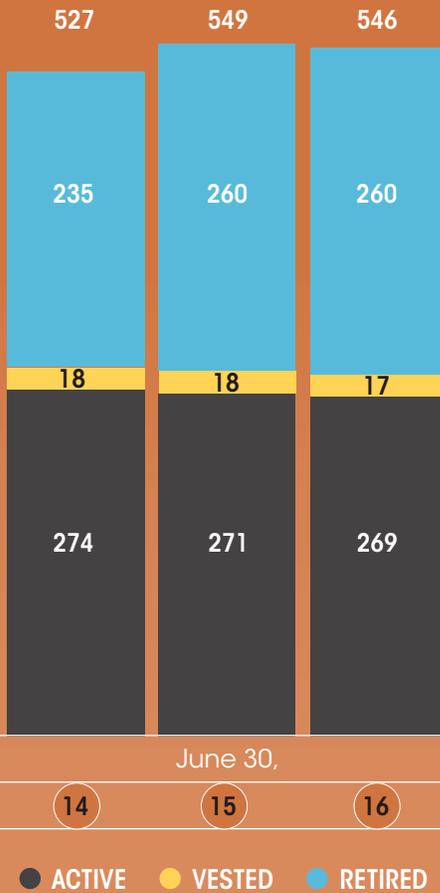
Through prudent management and effective decision-making by our legislature and the Board of Trustees, these numbers illustrate the tremendous growth of our system.

We hope you find this report informative.

Sincerely,

Joseph A. Fox
Executive Director

DEMOGRAPHICS CHART



ABOUT URSJJ

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

NET POSITION

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

Condensed Schedules of Fiduciary Net Position

(\$ millions)

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

CHANGES IN FIDUCIARY NET POSITION

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

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

Condensed Schedules of Changes in Fiduciary Net Position

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

BENEFITS PAID TO MEMBERS

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

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

INVESTMENTS

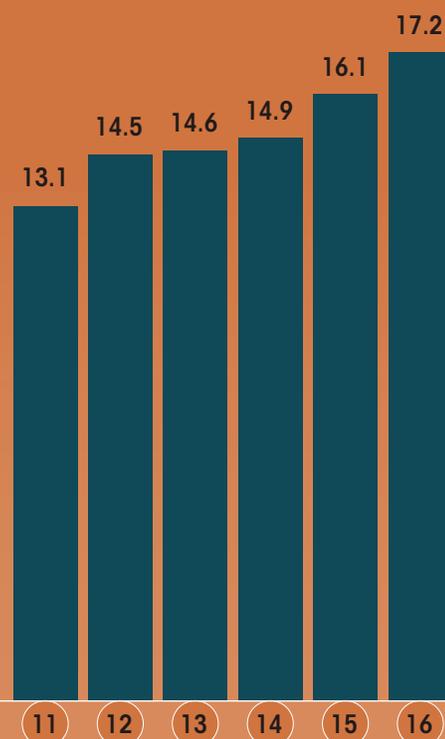
The Board of Trustees adheres to the highest standard in making investment decisions for the Plan – the Prudent Investor Rule. The Board and its advisors invest the Plan’s assets for the sole interest of our membership and their beneficiaries. In addition, funds are to be diversified to minimize the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

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

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

SCHEDULE OF BENEFIT PAYMENTS

(\$ millions)

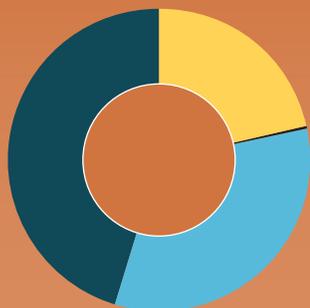


RATE OF RETURN

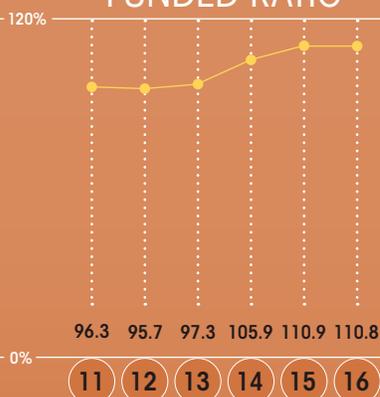
Year Ended June 30,	Total
2016	0.6 %
2015	2.8
2014	17.7
2013	11.5
2012	1.9

ASSET MIX

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



FUNDED RATIO



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

FUNDING

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

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

THE URSJJ AWARDED FOR EXCELLENCE IN FINANCIAL REPORTING

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

To receive an Award for Outstanding Achievement in Popular Annual Financial Reporting, a government unit must publish a Popular Annual Financial Report, whose

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

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

Healthful *hints*

Four Ways to Show Your Brain Some Love

The brain is the most complex organ, and it's also one of the most important. That's why keeping it healthy is critical—especially as you get older. Early in adulthood our brains reach maturity and begin a slow decline. The shrinking of neurons (brain cells) eventually leads to a loss of memory sharpness and slowing down of cognitive speed. However, there is good news. No matter our age, we can make lifestyle and behavior choices to improve brain health. The following four actions promote neuroplasticity, the brain's ability to change, by encouraging neuron creation and supporting and building connections between neurons. These are a few ways to show your brain some love.

Mental Stimulation

Challenging your mind positively boosts brain plasticity. Hobbies, crossword puzzles, or artistic diversions promote communication between your neurons. Learning a new instrument or taking a class builds new connections in the brain. Keep in mind that neuroplasticity works both ways. Connections that go unused are eventually torn down. This 'use it or lose it' nature of the brain makes staying mentally engaged important.

Take Care of Your Heart

Steps we take to reduce risk of cardiovascular disease increase brain health and aid in retaining mental sharpness. Regular exercise and a healthy balanced diet increase blood flow to your brain, delivering nutrients crucial to a healthy neurochemical environment. Avoiding unhealthy, processed or refined foods is also important as these promote inflammation and brain damaging free radicals.

Smoking has neurological consequences beyond the risk of heart disease, stroke and cancer. Nicotine speeds up cortical thinning which leads to problems with memory and thinking. Putting out that cigarette butt for good can return your levels nearly to that of a non-smoker.

Manage Your Stress

Chronic stress can have a long-lasting negative impact on your brain. Some common tools for fighting stress have added brain health benefits. Meditation has been found to positively change the structure of the brain increasing learning, cognition, and memory. Getting the recommended seven to eight hours of sleep a night can help with stress and supports memory and cognitive functions of the brain.

Social Engagement

Though not fully understood why, those who stay socially involved have a lower risk of mental decline. It could be that social engagement adds diversity to types of mental function allowing one area to compensate for declines in other functions. Or, it may be that social people all share other lifestyle factors that boost brain health. Whatever the reason, it is important to take part in your local community. Volunteer at a charity or school, join a choir or regularly meet with a group of friends. If you prefer animals, volunteering at a local shelter or zoo can provide the same social benefits.

Estate Planning At a Glance

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Name a Financial Power of Attorney

Gives a trusted person authority to handle your finances and property, should you become incapacitated.

File Beneficiary Forms

OPERS, SoonerSave, and EGID each have specific beneficiary forms. Always keep these forms current.

Look into Life Insurance

Life insurance is a good idea for those who may leave dependents or significant financial obligations behind.

Plan Final Arrangements

Making final arrangements provides an opportunity to let your intentions be known regarding difficult topics such as organ donation, burial/cremation, and type of service/memorial. These arrangements can also lighten the burden of loved ones who are coping with your loss.

Safeguard Documents

Keep important documents, such as wills, trusts, insurance policies, copies of beneficiary forms and bank information, in a safe place where your executor (the person you choose to administer your estate) will be able to access them.

Take time today to set up your estate plan, your loved ones will be glad you did.

Helpful Resources

- www.estateplanning.com
- www.360financialliteracy.org
- www.plannersearch.org

Director's Corner Investing in Oklahoma

(Continued from page 1)

These are big numbers and vital to the state. Our retirees provide a strong economic base for Oklahoma. As the state struggles through another difficult economic year, it is more important than ever that your retirement system stays strong and healthy for decades to come. Your retirement system is worth fighting for.

This report also highlights the URSJJ actuarial funded ratio remained steady at 110.8% for fiscal year 2016 even with a volatile market. The funded ratio represents the percentage of assets available to cover accrued benefit payments to retirees. Contributions continue at levels to keep the URSJJ fully funded and it is our hope contributions will remain on track to preserve this movement in the right direction.

Finally, please note in this newsletter the awards received by OPERS. The OPERS Board of Trustees and I are very proud to be nationally recognized for our work in keeping your retirement system true to its mission. Happy New Year!

Contact URSJJ

Mailing Address:

Uniform Retirement System for Justices and Judges
Post Office Box 53007
Oklahoma City, Oklahoma 73152-3007

Local Phone:

(405) 858-6737

Outside Local Calling Area:

(800) 733-9008

Website:

www.opers.ok.gov

Article Idea? Comments?

We want to hear from you!

newsletter@opers.ok.gov

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