

2017 Cultivating a Healthy Retirement

Popular Annual Financial Report for the Fiscal Year Ended June 30, 2017

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, 2017. This report contains summary financial information from the 2017 Comprehensive Annual Financial Report (CAFR) written in layman's terms. The theme of this year's CAFR is "Cultivating a Healthy Retirement".

Since 1968, our staff has embraced the responsibility of nurturing and cultivating the pensions for Oklahoma's public servants. Our staff works diligently to ensure the growth of the retirement plans under our care, not only for today's members, but also for those who will serve the people of Oklahoma well into the future.

Compiling and publishing the Comprehensive Annual Financial Report is another opportunity to prove to our members and stakeholders that they are a part of a successful and healthy retirement plan.

We hope you find this report informative.

Sincerely,

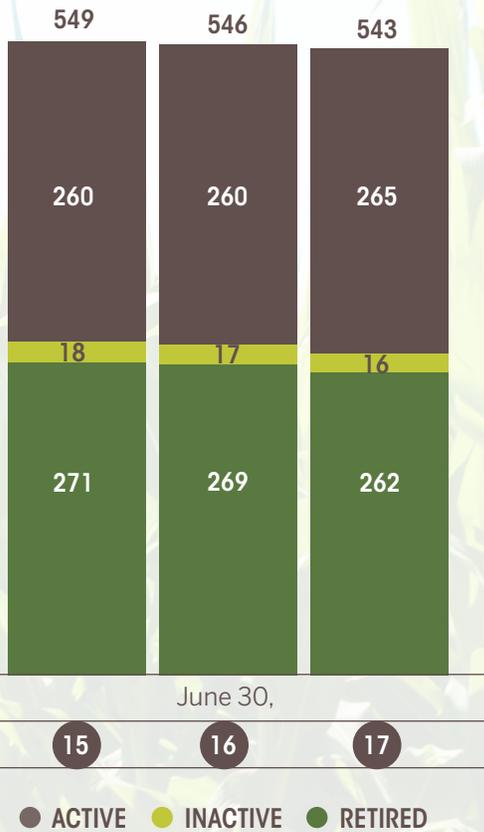
Joseph A. Fox
Executive Director

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

COMPREHENSIVE ANNUAL FINANCIAL REPORT ONLINE

The 2017 Popular Annual Financial Report of the Uniform Retirement System for Justices and Judges (URSJJ) contains summary financial information from the 2017 Comprehensive Annual Financial Report. The full report may be viewed, in its entirety online, at www.opers.ok.gov/publications.

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, 2017, the Plan's membership includes 262 active members, 16 inactive members, and 265 retirees and beneficiaries.

NET POSITION

The net position restricted for pensions and health insurance subsidy plan (HISP) totaled approximately \$321.2 million at June 30, 2017, compared to \$293.7 million at June 30, 2016. The net position restricted for pension/HISP benefits is available for payment of monthly retirement benefits and other qualified distributions to the System's participants. The increase of \$27.4 million has resulted primarily from the changes in the fair value of the System's investments due to volatile equity markets.

Condensed Schedules of Fiduciary Net Position

(\$ millions)

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

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

CHANGES IN FIDUCIARY NET POSITION

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

Deductions to fiduciary net position are incurred primarily for the purpose for which the URSJJ was created, namely the payment of benefits to retirees. 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%.

Condensed Schedules of Changes in Fiduciary Net Position

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

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

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.

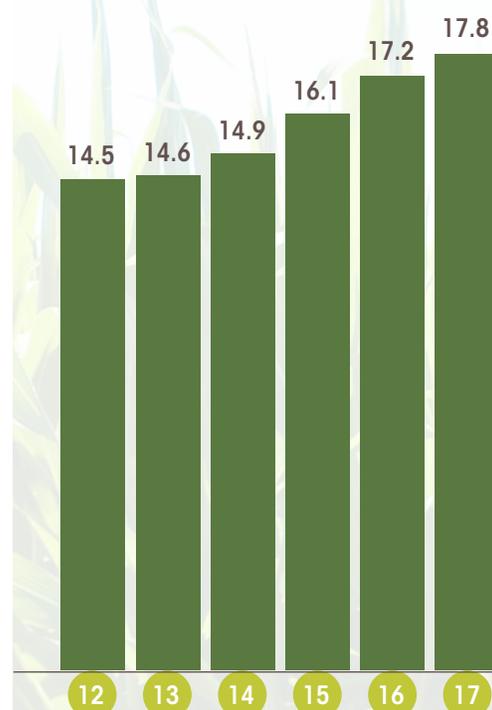
INVESTMENTS

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, 2017, was 12.7 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 six 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.

SCHEDULE OF BENEFIT PAYMENTS

(\$ millions)



RATE OF RETURN

Year Ended June 30,	Total
2017	12.7 %
2016	0.6
2015	2.8
2014	17.7
2013	11.5
2012	1.9

ASSET MIX

- 27.6% ● International Equities
- 0.3% ● Cash
- 31.0% ● Fixed Income
- 41.1% ● U.S. Equities



FUNDED RATIO



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 2017, investments provided a 12.7 percent rate of return. The annualized rate of return for URSJJ was 5.2 percent over the last three years and 8.9 percent over the last five years. At June 30, 2017, 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, 2017 amounted to \$285.5 million and \$321.4 million, respectively.

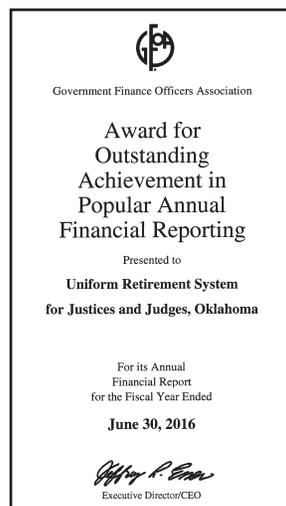
The URSJJ funded ratio had been steadily declining from 2002 to 2010, falling below 100 percent for the first time at July 1, 2007 and declining further to 81.3 percent at July 1, 2010 before rebounding significantly to 96.3 percent at July 1, 2011 due to the removal of the cost-of-living-adjustment (COLA) assumption, and increased further to 112.6 as of July 1, 2017. 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.

URSJJ AWARDED FOR EXCELLENCE IN FINANCIAL REPORTING

The Government Finance Officers Association of the United States and Canada (GFOA) has given an *Award for Outstanding Achievement in Popular Annual Financial Reporting* to the Uniform Retirement System for Justices and Judges for its Popular Annual Financial Report for the fiscal year ended June 30, 2016. 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 fourth 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.