

PERSPECTIVE

Popular Annual Financial Report
for the Fiscal Year Ended June 30, 2018

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, 2018. This report contains summary financial information from the 2018 Comprehensive Annual Financial Report (CAFR) written in layman's terms. The theme of this year's CAFR is "Perspective."

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 with the perspective of providing comprehensive, accountable and financially sound retirement services.

We hope you find this report informative.

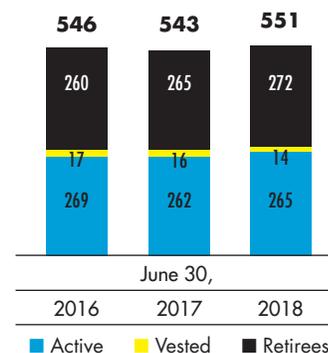
Sincerely,

Joseph A. Fox
Executive Director

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, 2018, the Plan's membership includes 265 active members, 14 inactive members, and 272 retirees and beneficiaries.

Demographics Chart



COMPREHENSIVE ANNUAL FINANCIAL REPORT ONLINE

The 2018 Popular Annual Financial Report of the Uniform Retirement System for Justices and Judges (URSJJ) contains summary financial information from the 2018 Comprehensive Annual Financial Report. The full report may be viewed, in its entirety online, at www.opers.ok.gov/publications.

NET POSITION

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.

CHANGES IN FIDUCIARY NET POSITION

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.

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, 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%.

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.

Condensed Schedules of Fiduciary Net Position

(\$ millions)	2018			2017			2016*
	Pension	HISP	Combined	Pension	HISP	Combined	
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

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

Condensed Schedules of Changes in Fiduciary Net Position

(\$ millions)	2018			2017			2016*
	Pension	HISP	Combined	Pension	HISP	Combined	
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

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 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 8.3%. The *Rate of Return* table to the right reflects overall investment returns 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.

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 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. At June 30, 2018, the allocation of the investment portfolio is shown in the *Asset Mix* chart to the right.

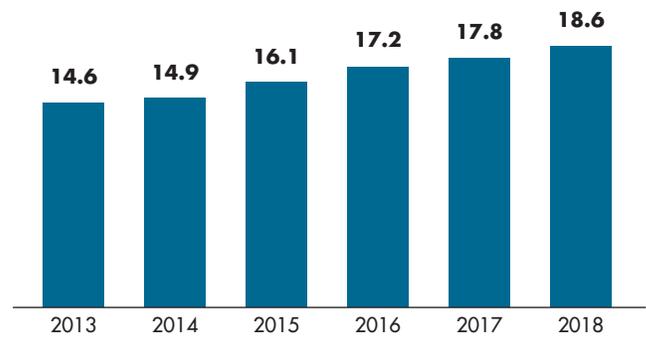
FUNDING

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 percent 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.

The *Funded Ratio* chart to the right shows the change in funded status over the past six fiscal years.

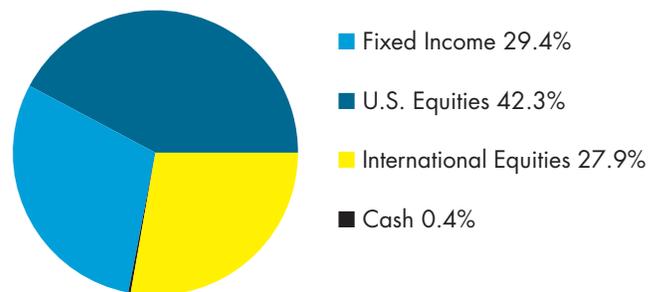
Schedule of Benefit Payments (\$ millions)



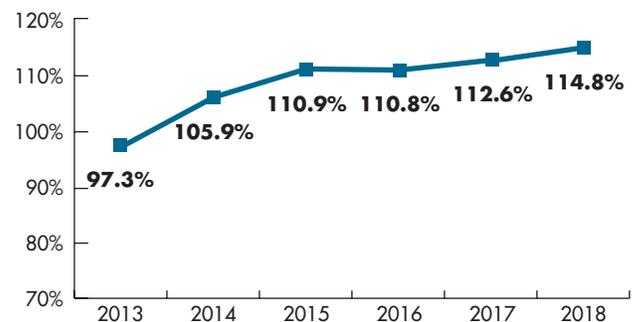
Rate of Return

Year Ended June 30,	Total
2018	8.3 %
2017	12.7 %
2016	0.6 %
2015	2.8 %
2014	17.7 %
2013	11.5 %

Asset Mix

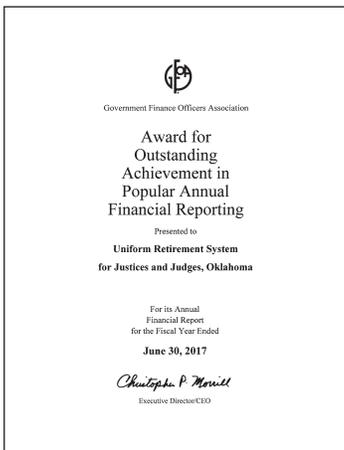


Funded Ratio



UNIFORM RETIREMENT SYSTEM FOR JUSTICES AND JUDGES

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* to the Uniform Retirement System for Justices and Judges for its Popular Annual Financial Report for the fiscal year ended June 30, 2017.

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 fifth 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.