



# SEASONS

**POPULAR ANNUAL FINANCIAL REPORT FOR THE  
FISCAL YEAR ENDED JUNE 30, 2019**

## **UNIFORM RETIREMENT SYSTEM FOR JUSTICES AND JUDGES OKLAHOMA**

### **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, 2019. This report contains summary financial information from the 2019 Comprehensive Annual Financial Report (CAFR) written in layman's terms. The theme of this year's CAFR is "Seasons."

This year's theme illustrates how changes in our life impact our final years in retirement and how your retirement system is an integral part of the investment years of our members. Like the seasons of the year, people and organizations transform to improve and to be ready for the next phase. Changing seasons illustrate the undeniable transition from one stage of life to another. It is a call to alter our perspectives.

This report is our call to reflect on the past seasons and shows we are working toward a financially secure retirement system that will allow our members to feel confident in each season of their lives.

We hope you find this report informative.

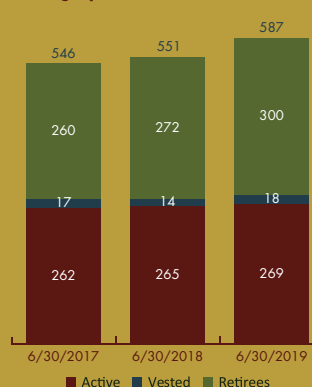
Sincerely,

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, 2019, the Plan's membership includes 269 active members, 18 inactive members, and 300 retirees and beneficiaries.

**Demographic Chart**



### **COMPREHENSIVE ANNUAL FINANCIAL REPORT ONLINE**

The 2019 Popular Annual Financial Report of the Uniform Retirement System for Justices and Judges (URSJJ) contains summary financial information from the 2019 Comprehensive Annual Financial Report. The full report may be viewed, in its entirety online, at [www.opers.ok.gov/publications](http://www.opers.ok.gov/publications).

**URSJJ**

## NET POSITION

The net position restricted for pension and health insurance subsidy plan (HISP) totaled approximately \$347.5 million at June 30, 2019, compared to \$338.0 million at June 30, 2018. 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 \$9.5 million and increase of \$16.8 million of the respective years have resulted primarily from the changes in the fair value of the System's investments.

## CHANGES IN FIDUCIARY NET POSITION

For the year ended June 30, 2019, fiduciary net position increased \$9.5 million, or 2.8 percent. Total assets increased by \$1.2 million, or 0.3 percent, due to an increase of 1.3 percent in investments, an increase of 33.3 percent in receivables partially offset by a decrease of 13.2 percent in securities lending collateral. The System achieved a money-weighted rate of return of 6.1 percent

compared to the prior year of 8.4 percent resulting in the majority of the increase in fiduciary net position. Total liabilities decreased 24.8 percent primarily due to an 33.7 percent decrease in pending purchases of securities and a 13.2 percent decrease in securities lending collateral.

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, 2019, total deductions increased \$1.9 million, or 10.1 percent, from the prior year. Retirement, death, and survivor benefits increased \$1.9 million, or 10.2 percent, and the average benefit increased 5.5 percent compared to the prior year due to a 10.3 percent increase in the number of retirees. Refunds and withdrawals decreased 26.9 percent 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 9.3 percent when compared to the prior year due to IT consulting cost for Fiscal Year 2019.

### Condensed Schedules of Fiduciary Net Position

(\$ millions)	2019			2018			2017		
	Pension	HISP	Combined	Pension	HISP	Combined	Pension	HISP	Combined
<b>Assets:</b>									
Cash and cash equivalents	\$ 4.3	\$ —	\$ 4.3	\$ 8.1	\$ 0.1	\$ 8.2	\$ 5.9	\$ 0.1	\$ 6.0
Receivables	10.3	0.1	10.4	7.7	0.1	7.8	10.9	0.1	11.0
Investments	342.2	3.3	345.5	338.0	3.1	341.1	322.4	2.9	325.3
Securities lending collateral	12.4	0.1	12.5	14.3	0.1	14.4	16.2	0.1	16.3
<b>Total assets</b>	<b>369.2</b>	<b>3.5</b>	<b>372.7</b>	<b>368.1</b>	<b>3.4</b>	<b>371.5</b>	<b>355.4</b>	<b>3.2</b>	<b>358.6</b>
<b>Liabilities:</b>									
Other liabilities	12.6	0.1	12.7	18.9	0.2	19.1	20.9	0.2	21.1
Securities lending collateral	12.4	0.1	12.5	14.3	0.1	14.4	16.2	0.1	16.3
<b>Total liabilities</b>	<b>25.0</b>	<b>0.2</b>	<b>25.2</b>	<b>33.2</b>	<b>0.3</b>	<b>33.5</b>	<b>37.1</b>	<b>0.3</b>	<b>37.4</b>
<b>Ending fiduciary net position</b>	<b>\$ 344.2</b>	<b>\$ 3.3</b>	<b>\$ 347.5</b>	<b>\$ 334.9</b>	<b>\$ 3.1</b>	<b>\$ 338.0</b>	<b>\$ 318.3</b>	<b>\$ 2.9</b>	<b>\$ 321.2</b>

### Condensed Schedules of Changes in Fiduciary Net Position

(\$ millions)	2019			2018			2017		
	Pension	HISP	Combined	Pension	HISP	Combined	Pension	HISP	Combined
Member contributions	\$ 2.7	\$ —	\$ 2.7	\$ 2.6	\$ —	\$ 2.6	\$ 2.7	\$ —	\$ 2.7
Participating court employers	7.1	0.2	7.3	6.5	0.2	6.7	6.0	0.2	6.2
Net investment income	20.1	0.2	20.3	26.2	0.2	26.4	36.3	0.3	36.6
<b>Total additions</b>	<b>29.9</b>	<b>0.4</b>	<b>30.3</b>	<b>35.3</b>	<b>0.4</b>	<b>35.7</b>	<b>45.0</b>	<b>0.5</b>	<b>45.5</b>
Retirement, death and survivor benefits	20.4	0.2	20.6	18.5	0.2	18.7	17.6	0.2	17.8
Refunds and withdrawals	—	—	—	—	—	—	0.1	—	0.1
Administrative expenses	0.2	—	0.2	0.2	—	0.2	0.2	—	0.2
<b>Total deductions</b>	<b>20.6</b>	<b>0.2</b>	<b>20.8</b>	<b>18.7</b>	<b>0.2</b>	<b>18.9</b>	<b>17.9</b>	<b>0.2</b>	<b>18.1</b>
<b>Net increase in fiduciary net position</b>	<b>9.3</b>	<b>0.2</b>	<b>9.5</b>	<b>16.6</b>	<b>0.2</b>	<b>16.8</b>	<b>27.1</b>	<b>0.3</b>	<b>27.4</b>
Beginning of year	334.9	3.1	338.0	318.3	2.9	321.2	291.2	2.6	293.8
<b>End of year</b>	<b>\$ 344.2</b>	<b>\$ 3.3</b>	<b>\$ 347.5</b>	<b>\$ 334.9</b>	<b>\$ 3.1</b>	<b>\$ 338.0</b>	<b>\$ 318.3</b>	<b>\$ 2.9</b>	<b>\$ 321.2</b>

## 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* provides information on the total benefit expenses incurred by the Plan consisting of age and service, disability, and beneficiary death benefits.

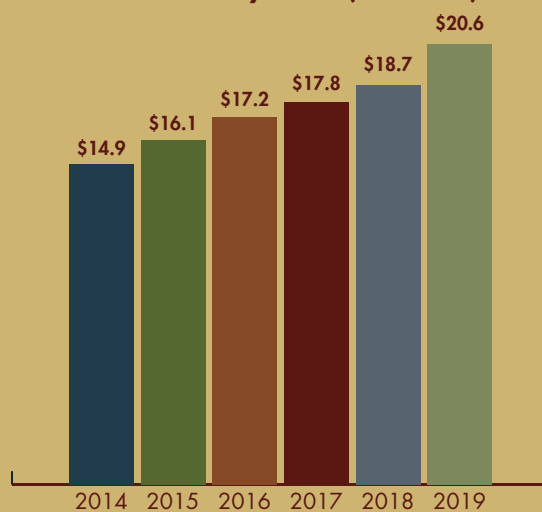
## INVESTMENTS

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 2019 decrease in the System’s managed investments is due mainly in the decrease in securities lending collateral. The System’s overall return for the year ended June 30, 2019 was 6.2 percent. The *Rate of Return* table 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 2019, investments provided a 6.2 percent rate of return. The annualized rate of return for URSJJ was 9.1 percent over the last three years and 6.0 percent over the last five years. At June 30, 2019, the allocation of the investment portfolio is shown in the *Asset Mix* chart.

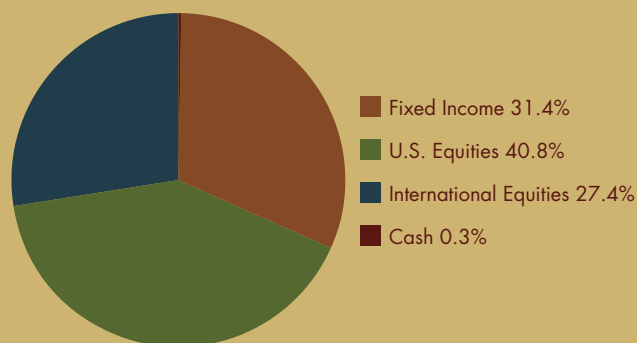
### Schedule of Benefit Payments (\$millions)



### Rate of Return

Year Ended June 30,	Total
2019	6.2 %
2018	8.3 %
2017	12.7 %
2016	0.6 %
2015	2.8 %
2014	17.7 %

### Asset Mix



# OKLAHOMA PUBLIC EMPLOYEES RETIREMENT SYSTEM

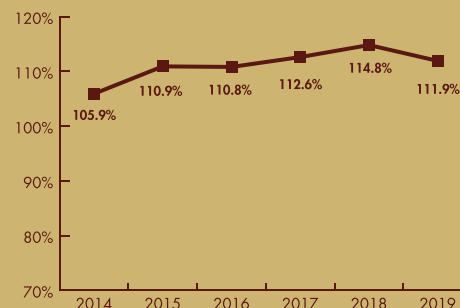
## FUNDING

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, 2019 amounted to \$308.6 million and \$345.2 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.

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

**Funded Ratio**



## 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, 2018. 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 sixth 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.

