2014 URSJJ

POPULAR ANNUAL FINANCIAL REPORT

for the Fiscal Year Ended June 30, 2014

ABOUT URSJJ

The URSJJ is a single-employer public employer 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, 2014, the Plan's membership includes 274 active members, 18 inactive members, and 235 retirees and beneficiaries.

Comprehensive Annual Financial Report online

The 2014 Popular Annual Financial Report of the Uniform Retirement System for Justices and Judges (URSJJ) contains summary financial information from the 2014 Comprehensive Annual Financial Report. The 2014 Comprehensive Annual Financial Report can be viewed in full online at **www.opers.ok.gov/publications**.

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, 2014.

The 2014 Popular Annual Financial Report contains summary financial information from the 2014 Comprehensive Annual Financial Report. This is the second year OPERS has published this summary report for members of the URSJJ.

This year also marks the second year OPERS has gone completely paperless in the production of the URSJJ Comprehensive Annual Financial Report, which provides significant cost savings and a positive environmental impact. The full report can be viewed in its entirety online at www.opers.ok.gov/publications.

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 agency operations are honesty, integrity, accountability, excellence in service, and commitment to teamwork. We believe these pillars help ensure we manage assets of the Plan in a fiscally responsible manner and maintain a well-funded retirement system.

We hope you find this report informative.

Sincerely,

Joseph A. Fox
Executive Director

Net Position Net position represents assets less liabilities restricted for payment of monthly retirement benefits and other qualified distributions to URSJJ members. A summary of net position restricted for pension benefits on June 30, 2014, 2013, and 2012, is shown to the right. As of June 30, 2014, URSJJ net position was approximately $301 million.

Changes in Fiduciary Net Position The URSJJ is funded through a combination of member contributions, employer contributions and investment earnings. For fiscal year 2014, fiduciary net position increased $38.2 million or 14.5%. Total assets increased by $16.9 million, or 5.4%, due to an increase of 14.7% in investments, partially offset by decreases of 65.5% in pending sales of securities, and 6.2% in securities lending collateral. Total liabilities decreased 43.7% primarily due to a 59.9% 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, 2014, total deductions increased $0.4 million, or 2.5%, from the prior year. Retirement, death and survivor benefits increased $0.3 million, or 2.3%, and the average benefit increased 1.2% due to a 2.2% increase in the number of retirees. Refunds and withdrawals increased 78.7% from the prior year because the total amount withdrawn is depended on contribution amounts of the specific members electing to withdraw contributions each year. Administrative costs increased 3.3% when compared to the prior year due to an increased allocations rate of 0.4% and increases in personnel costs.

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.

CONDENSED SCHEDULE OF FIDUCIARY NET POSITION

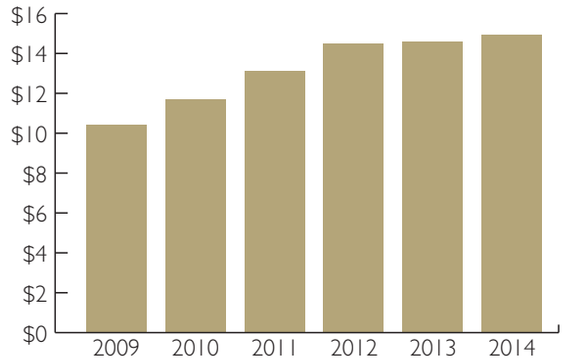
($ millions)	June 30,		
	2014	2013	2012
Assets:			
Cash and cash equivalents	$ 1.6	$ 6.1	$ 3.9
Receivables	9.7	26.3	10.7
Investments	303.9	265.0	246.6
Securities lending collateral	13.9	14.8	6.0
Total assets	329.1	312.2	267.2
Liabilities:			
Other liabilities	13.7	34.2	17.4
Securities lending collateral	13.9	14.8	6.0
Total liabilities	27.6	49.0	23.4
Ending net position restricted for pensions	$ 301.5	$ 263.2	$ 243.8

CONDENSED SCHEDULE OF CHANGES IN FIDUCIARY NET POSITION

($ millions)	June 30,		
	2014	2013	2012
Member contributions	$ 2.5	$ 2.5	$ 2.6
State and local agency contributions	4.6	4.1	3.6
Net investment income	46.2	27.5	4.4
Total additions	53.3	34.1	10.6
Retirement, death and survivor benefits	14.9	14.6	14.5
Refunds and withdrawals	0.1	0.0	0.3
Administrative expenses	0.1	0.1	0.2
Total deductions	15.1	14.7	15.0
Net (decrease) increase in net position	$ 38.2	$ 19.4	$ (4.4)

SCHEDULE OF BENEFIT PAYMENTS

($ millions)



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, 2014, was 17.7 percent. The increase in the Plan's managed investments is reflective of the increase in global capital 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; diversification of the asset base as the primary risk control element; and, controlling costs through passive investment management where most appropriate. Outside investment advisors are engaged to manage the investment portfolio. The advisors are required to adhere to the investment policy and their respective mandates, but may use full discretion within the policy and guidelines. At fiscal year end, the investment portfolio of the URSJJ was managed by three investment management firms. The URSJJ employs one firm to manage passive mandates in several asset classes; otherwise, the remaining investment management firms each have a unique area of focus and expertise. For fiscal year 2014, investments provided a 17.7 percent rate of return. The annualized rate of return for the URSJJ was 10.2 percent over the last three years and 13.2 percent over the last five years. At June 30, 2014, 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 the 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 of the URSJJ as of June 30, 2014, amounted to $258.8 million and $274.1 million, respectively.

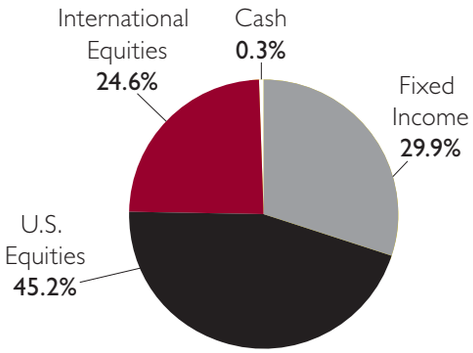
The URSJJ funded ratio had been steadily declining from 2002 to 2010, falling below 100 percent for the first time at June 30, 2007 and declining further to 81.3 percent at June 30, 2010 before rebounding significantly to 96.3 percent at June 30, 2011 due to the removal of the cost of living adjustment (COLA) assumption, and increased further to 105.9 as of June 30, 2014. 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.

RATE OF RETURN

Year Ending June 30,	Total
2014	17.7 %
2013	11.5
2012	1.9
2011	21.4
2010	14.3

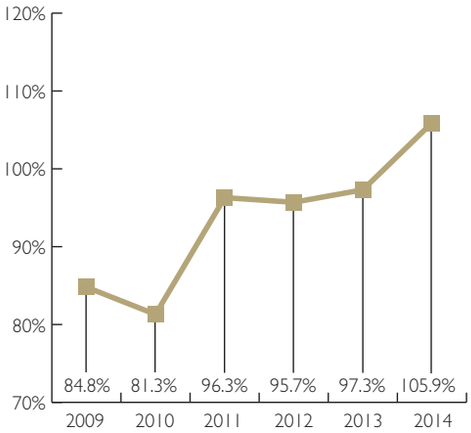
ASSET MIX

June 30, 2014



FUNDED RATIO

As of July 1,



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, 2013. 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.

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

This publication, printed by the Division of Capital Assets Management, Central Printing, is issued by the Uniform Retirement System for Justices and Judges (URSJJ) as authorized by its Executive Director. Six hundred fifty (650) copies have been prepared and distributed at a cost of $923.00. An electronic version of this publication has been deposited with the Publications Clearinghouse of the Oklahoma Department of Libraries.

URSJJ

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