

URSJJ Edition Winter 2017

## Taxes and Your Retirement Benefit

### How your monthly benefit amount may change in 2018

Your URSJJ retirement benefit is considered income for tax purposes. The tax rates applied to your benefit are based on withholding tables provided by the Internal Revenue Service and the Oklahoma Tax Commission. The Oklahoma tax withholding tables will not change for 2018; however, recently signed federal legislation will change the federal tax withholding beginning with your deposit on January 31, 2018.

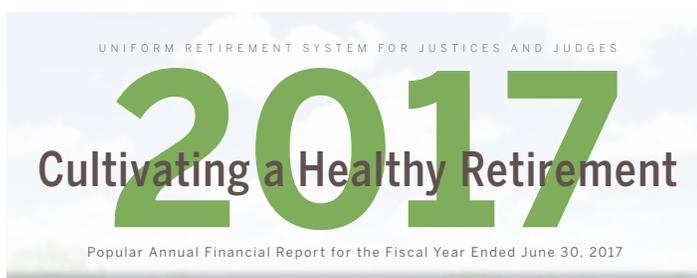
Your withholding will not change if you elected to withhold a flat dollar amount. You should seek advice from your tax accountant and submit a new Tax Withholding *Preference Certificate* if appropriate. This form can be found at [www.opers.ok.gov/taxes](http://www.opers.ok.gov/taxes) and must be received by URSJJ before the 5th of the month for the change to be in effect for the deposit on the last working day of that month.

### 2018 Retiree Health Insurance Rates (Employees Group Insurance Division)

If you have retiree health insurance premiums through the Employees Group Insurance Division (EGID) deducted from your URSJJ benefit, be aware that EGID has adopted a change in 2018 health insurance premium rates. For more information on the 2018 rate changes, visit the EGID website at [www.ok.gov/sib/Member/Premiums](http://www.ok.gov/sib/Member/Premiums). URSJJ cannot answer questions related to 2018 rate changes or coverage. If you have specific questions about your coverage, please contact EGID at 1-800-752-9475.

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### See Inside:



### Director's Corner

## Cultivating a Healthy Retirement

Joseph A. Fox, Executive Director

In keeping with the theme of our Popular Annual Financial Report in this newsletter, the URSJJ continues to cultivate a healthy retirement for those who serve Oklahoma. Your retirement system remains on a strong financial path so that we can be a major contributor to your secure and lasting retirement.

It starts with the number 112.6. That is the percentage of assets we have today to pay the pension benefits you have been promised. This number is high because of the long-term commitment our Board of Trustees and staff have made to ensure that the system maintains a strong foundation, operates efficiently, and invests for the future.

Our Board of Trustees decided long ago that trendy or flashy investments were not essential in determining our success. Instead, they took a more traditional "steady as she goes approach" that has resulted in competitive returns at a low cost. This approach is the key to our long-term success which continues today. This year, a review of the financial condition of the URSJJ was completed, including the strategic investment and liability structures. Several factors and assumptions we rely on to determine the status of our Plan were adjusted to reflect

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# RETIREMENT 101

## Five Medicare Mistakes to Avoid

Many retirees expect Medicare to cover the majority of health care expenses after age 65, but the rules can be confusing. Choosing the correct plan for your needs, being aware of important deadlines, and annually comparing options can help you avoid costly mistakes. Here are five common Medicare mistakes you should avoid making.

### Forgetting to Sign Up for Medicare at 65

You will automatically be enrolled in Medicare Part A and Part B when you turn 65 if you are already receiving Social Security benefits. Otherwise, you will need to take action before your Medicare benefits begin. Signing up online is easy, and you have a three-month window both before and after your 65th birthday to enroll. If you or your spouse has coverage through a current employer, you may choose to delay Part B. You will need to sign up within eight months of retiring, or you may have to wait until the next enrollment period. This could mean several months without coverage or a 10% lifetime late-enrollment penalty.

### Buying the Same Part D Plan as Your Spouse

Most spouses don't take the same medications, so it may not make sense to be on the same Medicare Part D prescription-drug plan. Be careful if you and your spouse sign up for plans with different preferred pharmacies since some plans only offer the best rates at certain pharmacies. To compare available drug and health plan options, use the Medicare Plan Finder tool, [www.medicare.gov/find-a-plan](http://www.medicare.gov/find-a-plan). This tool allows you to search by drug type and dosage to see how much you will pay for premiums and co-pays in your area.

### Keeping Your Part D Plan on Autopilot

Plan costs and coverages can vary significantly from year-to-year. Additionally, if you are prescribed a new medication or a current prescription releases a generic version, another Part D plan may better suit your needs. Open enrollment for Medicare Part D and Medicare Advantage plans runs from October 15 to December 7 every year and is a great time to review your options.

### Going Out-of-Network in Your Medicare Advantage Plan

Medicare Advantage plans cover both medical expenses and prescription drugs but require you to use the plan's network of doctors, hospitals, and other providers to get the lowest co-pays. Each option period you should verify your providers are still considered "in-network".

### Assuming You Cannot Contribute to an Health Savings Account After 65

You cannot contribute to a Health Savings Account (HSA) after you sign up for Medicare. However, if you or your spouse have health insurance through your current job, you may delay signing up for Part A and Part B. You will then be able to keep contributing to an HSA, but be mindful of HSA contributions in the year you sign up for Medicare.

## MEDICARE 101

### PART A

#### HOSPITAL INSURANCE

Covers most medically necessary hospital, skilled nursing facility, home health, and hospice care. It is free if you have worked and paid Social Security taxes for at least 10 years. You will pay a monthly premium if you have worked and paid taxes for less time.

### PART B

#### MEDICAL INSURANCE

Covers most medically necessary doctors' services, preventive care, durable medical equipment, hospital outpatient services, laboratory tests, x-rays, mental health care, and some home health and ambulance services. You pay a monthly premium for this coverage.

### PART C

#### MEDICARE ADVANTAGE PLAN

Alternative coverage provided by private health insurance companies. Covers the same benefits as Part A and Part B, but can do so with different rules, costs, and coverage restrictions. Medicare Advantage Plans typically include a prescription Part D plan. You pay a monthly premium for this coverage, in addition to your Part B premium.

### PART D

#### OUTPATIENT PRESCRIPTION DRUG INSURANCE

Provides outpatient prescription drug coverage. Provided through private insurance companies that have contracts with the government.

# 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,

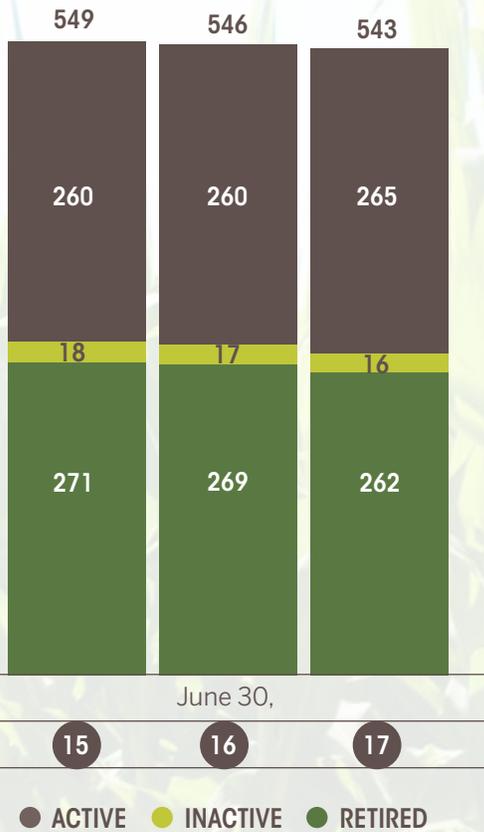
Joseph A. Fox  
*Executive Director*



## 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](http://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	
<b>Assets:</b>				
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
<b>Total assets</b>	<b>355.4</b>	<b>3.2</b>	<b>358.6</b>	<b>318.1</b>
<b>Liabilities:</b>				
Other liabilities	20.9	0.2	21.1	15.7
Securities lending collateral	16.2	0.1	16.3	8.7
<b>Total liabilities</b>	<b>37.1</b>	<b>0.3</b>	<b>37.4</b>	<b>24.4</b>
<b>Ending fiduciary net position</b>	<b>\$ 318.3</b>	<b>\$ 2.9</b>	<b>\$ 321.2</b>	<b>\$ 293.7</b>

\*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)

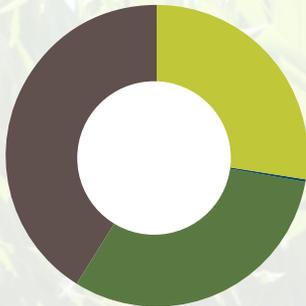


## RATE OF RETURN

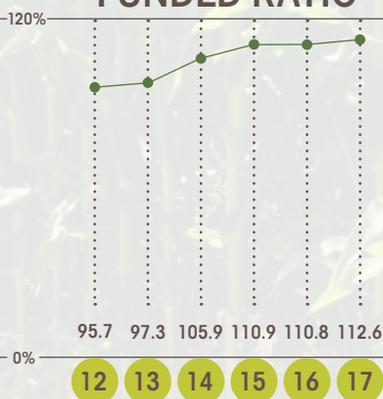
Year Ended June 30,	Total
2017	12.7 %
2016	0.6
2015	2.8
2014	17.7
2013	11.5
2012	1.9

## 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.

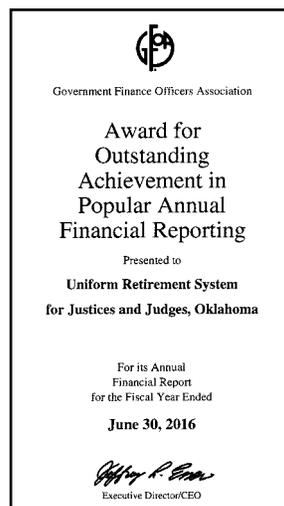
The URSJJ funded ratio had been steadily declining from 2002 to 2010, falling below 100 percent for the first time at July 1, 2007 and declining further to 81.3 percent at July 1, 2010 before rebounding significantly to 96.3 percent at July 1, 2011 due to the removal of the cost-of-living-adjustment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

# Healthful *hints*

## Armchair Aerobics

Do you find yourself sitting for long periods of time? Studies have linked sitting to cardiovascular diseases, weight gain, diabetes, cancers, depression and premature death. The good news is even just two minutes of light-intensity activity such as walking every hour can reverse the negative impacts of sitting.<sup>1</sup> Having trouble finding time in your busy schedule? Try squeezing in one or more of the stretches and exercises listed below. Hold each of these slow movements for about 30 seconds before releasing and repeating on the other side, if necessary.

**Shoulder Stretch** – Extend one arm in front of you. Place your other hand under the elbow. Pull your arm across your chest without rotating your body. You should feel the stretch across your back shoulder.

**Upper Arm Stretch** – Bend one arm up and over your shoulder with your palm on your back. Use your other hand to gently push the elbow back, stretching your triceps and shoulder.

**Chest Stretch** – With both hands behind your head or behind your back, move your elbows back. You'll feel your shoulder blades squeeze together and a stretch across your chest.

**Neck Stretch** – Stretch the muscles in the neck with the following movements:

- Tuck your chin to your chest and hold.
- Turn your head to look over your shoulder without rotating your body and hold.
- Tilt your head, bringing your ear down to your shoulder. Keep your shoulders in place and hold.

**Lower Back Stretch** – Sit near the edge of your chair; bend the knee of one leg up and use your hands to pull it towards your chest. Keep sitting straight without leaning to feel this stretch in your lower back through your glutes.

**Upper Back Stretch** – Give yourself a hug with each hand placed on the opposite back shoulder. Deep breathes help open up your shoulder blades and maximize the stretch.

**Hand Stretch** – Make ten circles in each direction with your clinched hands stretched out in front of you.

**Stand-ups** – Move from sitting to standing and back again. If possible, do this without using your hands to strengthen your legs.

**Heel Raises** – Plant your feet flat on the floor with your knees bent. Slowly lift your heels, leaving your toes on the ground and tightening your calves. Hold and then release.

**Leg Extensions** – You'll feel this in both your abs and legs. Grab your chair to brace yourself and slowly raise your legs straight out, parallel to the floor. Hold for 5 seconds, then slowly release.

**Push-ups anywhere** – No need to drop to the floor. Use a wall, the edge of your desk or the back of a couch. If your chair doesn't have wheels, you can even stay seated at a table or desk. A great work out for your chest and arms.

## Taxes and Your Retirement Benefit

*(Continued from page 1)*

**Ready to do your taxes? You will need your 1099-R form.**

URSJJ will mail each retiree a Form 1099-R at the end of January of every year. This form will show: 1) the gross amount of your retirement benefit for the previous calendar year; 2) the amount of state and federal income tax withheld from your retirement benefit; and, 3) the federal taxable amount of your retirement benefit for the year. The information contained in your Form 1099-R should be used in completing your state and federal income tax return.

Please allow for normal delivery time. You should allow 10-15 business days to receive your 1099-R, but if you have not received your form by February 15th you may request a duplicate in writing or by calling URSJJ. Your current mailing address must match our records before a 1099-R will be mailed to you. All requests must include your name, URSJJ member ID, tax year requested, mailing address, the benefit type, daytime telephone number, and signature.

Frequently asked questions about the 1099-R can be found on the OPERS website at [www.opers.ok.gov/1099](http://www.opers.ok.gov/1099).

## Director's Corner — The Power of Tradition and Consistency

(Continued from page 1)

the actual experience we encountered and the expectations we have looking forward. This included reducing the assumed investment rate of return to 7%, which is the investment rate of return we believe may be achieved by your \$338.7 million Plan in future years. The Board's appreciation of market conditions is prudent, and will help to keep the Plan well-funded and strong into the future provided the system continues to receive adequate contributions.

Our URSJJ retirees continue to be a significant part of the Oklahoma economy. The URSJJ paid over \$17.8 million in benefits in FY2017, and more than \$80 million in benefits over the past five fiscal years. The majority of these benefits stay in Oklahoma going directly back into the local economy.

We are staying on track and our mission is true: to provide comprehensive, accountable and financially sound retirement services to those who serve Oklahoma. 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](http://www.opers.ok.gov)

### Article Idea? Comments?

**We want to hear from you!**

[newsletter@opers.ok.gov](mailto:newsletter@opers.ok.gov)

*This publication, printed by the University of Oklahoma Printing Services, 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 \$85.80. An electronic version of this publication has been deposited with the Publications Clearinghouse of the Oklahoma Department of Libraries.*

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