Uniform Retirement System for Justices and Judges

Administered by the Oklahoma Public Employees Retirement System

Financial Statements

June 30, 2014 and 2013

(With Independent Auditors' Report Thereon)

COLE + REED P.C.
CERTIFIED PUBLIC ACCOUNTANTS

Independent Auditors' Report

Board of Trustees
Uniform Retirement System for Justices and Judges
Oklahoma City, Oklahoma

Report on the Financial Statements

We have audited the accompanying financial statements of the Uniform Retirement System for Justices and Judges (the Plan), a component unit of the state of Oklahoma, which comprise the statements of fiduciary net position as of June 30, 2014 and 2013, and the related statements of changes in fiduciary net position for the years then ended and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Uniform Retirement System for Justices and Judges as of June 30, 2014 and 2013, and the respective changes in its financial position for the years then ended in accordance with accounting principles generally accepted in the United States of America.

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Emphasis of Matter

As discussed in Note 7 of the financial statements, in 2014 the Plan adopted Governmental Accounting Standards Board (GASB) Statement No. 67, *Financial Reporting for Pension Plans*. Comparative information has not been presented for fiscal year 2013. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, beginning on page 3, and the information included in schedules 1 through 3 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The information included in schedules 4 through 6 is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information in schedules 4 through 6 is fairly stated in all material respects in relation to the financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 22, 2014, on our consideration of the Plan's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Plan's internal control over financial reporting and compliance.

Cole & Reed P.C.

Oklahoma City, Oklahoma
October 22, 2014

Management's Discussion and Analysis

As management of the Uniform Retirement System for Justices and Judges (the Plan) we offer readers of the Plan's financial statements this narrative overview and analysis of the financial activities of the Plan for the fiscal years ended June 30, 2014 and 2013.

Financial Highlights

- The net position restricted for pensions totaled approximately $301.5 million at June 30, 2014, compared to $263.2 million at June 30, 2013 and $243.8 million at June 30, 2012. The net position restricted for pensions is available for payment of monthly retirement benefits and other qualified distributions to the Plan's participants. The increases of $38.2 million and $19.4 million of the respective years have resulted primarily from the changes in the fair value of the Plan's investments due to volatile equity markets.
- At June 30, 2014, the total number of members participating in the Plan was 527, compared to 522 at June 30, 2013 and 512 at June 30, 2012. The total number of retirees was 235 and 230 at June 30, 2014 and 2013, showing a 2.2% increase and 1.3% decrease for each respective year. At June 30, 2012, the total number of retirees was 233.

Overview of the Financial Statements

The Plan is a single-employer, public employee retirement plan, which is a defined benefit pension plan. The Plan covers all Justices and Judges of the Oklahoma Supreme Court, Court of Criminal Appeals, Workers' Compensation Court, Court of Appeals, and District Courts. Benefits are determined at 4% of the average monthly compensation received as a justice or judge based on the highest thirty-six months of compensation multiplied by the number of years of credited service, not to exceed 100% of the retiree's average monthly salary received as a justice and judge for the highest thirty-six months of compensation. Normal retirement ages under the Plan are 62 with 10 years of judicial service, 67 with 8 years of judicial service, or when the sum of the member's age and years of credited service equals or exceeds 80 (Rule of 80). Members become eligible to vest fully upon termination of employment after attaining eight years of service as a justice or judge, or the members' contributions may be withdrawn upon termination of employment.

The Plan's financial statements are comprised of a Statement of Fiduciary Net Position, a Statement of Changes in Fiduciary Net Position, and Notes to Financial Statements. Also included is certain required supplementary and supplementary information.

The Plan is a component unit of the state of Oklahoma (the State) and is administered by the Oklahoma Public Employees Retirement System, a component unit of the State, which together with the Plan and other similar funds comprise the fiduciary-pension trust funds of the State.

The *statement of fiduciary net position* presents information on the Plan's assets, deferred outflows of resources, liabilities, deferred inflows of resources, and the resulting *net position restricted for pensions.* This statement reflects the Plan's investments, at fair value, along with cash and cash equivalents, receivables, and other assets and liabilities.

The *statement of changes in fiduciary net position* presents information showing how the Plan's net position restricted for pensions changed during the years ended June 30, 2014 and 2013. It reflects contributions by members and participating employers along with deductions for retirement benefits, refunds and withdrawals, and administrative expenses. Investment income during the period is also presented showing income from investing and securities lending activities.

Management's Discussion and Analysis (continued)

The *notes to financial statements* provide additional information that is essential to a full understanding of the data provided in the financial statements.

The *required supplementary information* presents a schedule of changes in the net pension liability, schedule of net pension liability, schedule of employer contributions, and schedule of investment returns. Schedules of certain expenses and fees paid are presented as *supplementary information*.

Financial Analysis

The following are the condensed Schedules of Fiduciary Net Position and Changes in Fiduciary Net Position for the Uniform Retirement System for Justices and Judges for the fiscal years ended June 30, 2014, 2013, and 2012.

Condensed Schedule of Fiducairy 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 Schedules 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	-	0.3
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)

For the year ended June 30, 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.

Fiscal year 2014 showed a $19.2 million increase in total additions and a $0.4 million increase in total deductions. Compared to the prior year, additions increased 56.2% due to an increase in the fair value of investments of $18.6 million. The 2.5% increase in total deductions was primarily due to a 2.3% increase in retirement benefits. Administrative costs were 3.3% more when compared to the prior year due to a 0.4% increase in the allocation percentage.

Management's Discussion and Analysis (continued)

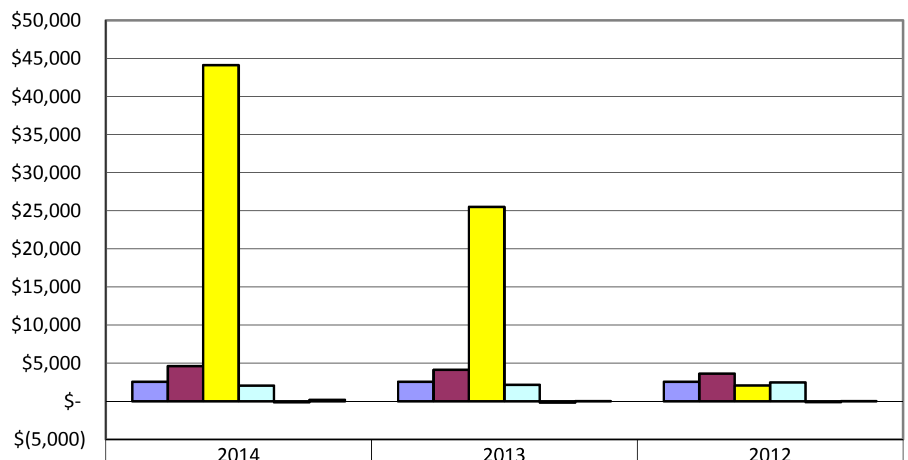
For the year ended June 30, 2013, fiduciary net position increased $19.4 million, or 8.0%. Total assets increased by $45.0 million, or 16.8%, due to increases of 7.5% in investments, 160.8% in pending sales of securities, and 146.1% in securities lending collateral. Total liabilities increased 109.3% primarily due to a 96.6% increase in pending purchases of securities.

Fiscal year 2013 showed a $23.6 million increase in total additions and a $0.2 million decrease in total deductions. Compared to the prior year, additions increased 222.6% due to an increase in the fair value of investments of $23.4 million. The 1.4% decrease in total deductions was primarily due to a 90.4% decrease refunds and withdrawals. Administrative costs were 17.2% less when compared to the prior year due to a 14.9% decrease in the allocation percentage.

Additions to Fiduciary Net Position

For the year ended June 30, 2014, additions to fiduciary net position increased $19.2 million, or 56.2%, from the prior year. The appreciation in the fair value of investments of $18.6 million is reflective of the improving market, particularly in domestic and international equities. Interest income decreased $0.1 million, or 4.6%, as a result of falling interest rates, and securities lending income increased 1,461.3% compared to the prior year due to a recoupment of securities lending income from BlackRock for the years 2002 through 2013 due to a review of the Plan's Most Favored Nations clause. Contributions increased $0.5 million, or 7.2%, because of the statutory increase in the contribution percentage for participating court employers.

Additions to Fiduciary Net Position
Comparative Data for Fiscal Years Ended June 30, 2014, 2013, and 2012
($ thousands)



	2014	2013	2012
Member contributions	$2,544	$2,544	$2,562
Court employer contributions	4,611	4,129	3,620
Net appreciation (depreciation)	44,118	25,514	2,068
Interest, dividends, and other investment income	2,044	2,143	2,458
Investment expenses	(137)	(171)	(124)
Securities lending income	188	12	10

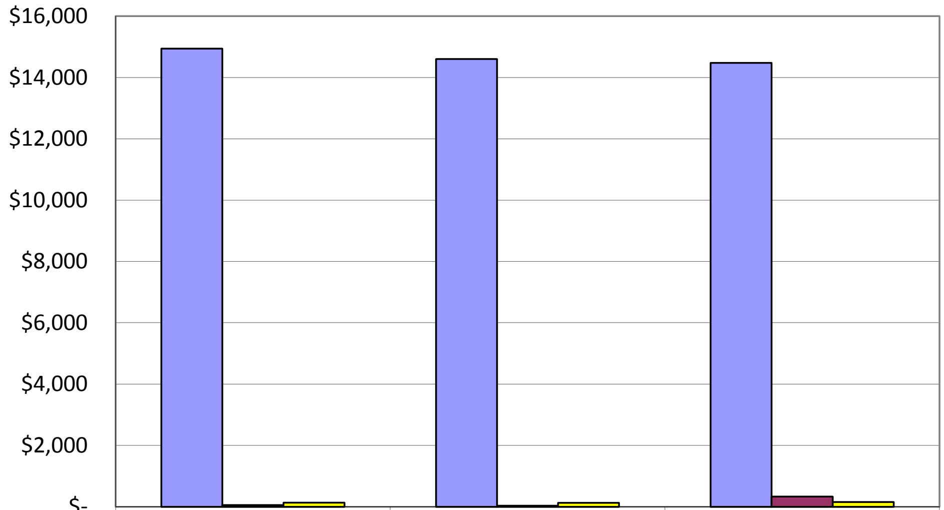
For the year ended June 30, 2013, additions to fiduciary net position increased $23.6 million, or 222.6%, from the prior year. The appreciation in the fair value of investments of $23.4 million is reflective of the improving market, particularly in domestic and international equities. Interest income decreased $0.3 million, or 12.8%, as a result of falling interest rates, and securities lending income increased 18.7% compared to the prior year due to an increase in the amount of securities lent during the year. Contributions increased $0.5 million, or 7.9%, because of the statutory increase in the contribution percentage for participating court employers.

Management's Discussion and Analysis (continued)

Deductions to Fiduciary Net Position

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 dependent 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 allocation rate of 0.4% and increases in personnel costs.

Deductions to Fiduciary Net Position
Comparative Data for Fiscal Years Ended June 30, 2014, 2013, and 2012
(in $000's)



	2014	2013	2012
Retirement, death, and survivor benefits	$14,939	$14,600	$14,478
Refunds and withdrawals	57	32	331
Administrative expenses	132	128	155

For the year ended June 30, 2013, total deductions decreased $0.2 million, or 1.4%, from the prior year. Retirement, death, and survivor benefits increased $0.1 million, or 0.8%, and the average benefit increased 0.4% despite a 1.3% decrease in the number of retirees. This was attributable to the number of retirees not decreasing until the second half of fiscal year 2013. Refunds and withdrawals decreased 90.4% 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 decreased 17.2% when compared to the prior year due to a decreased allocation rate of 14.9% and decreases in personnel costs.

Management's Discussion and Analysis (continued)

Investments

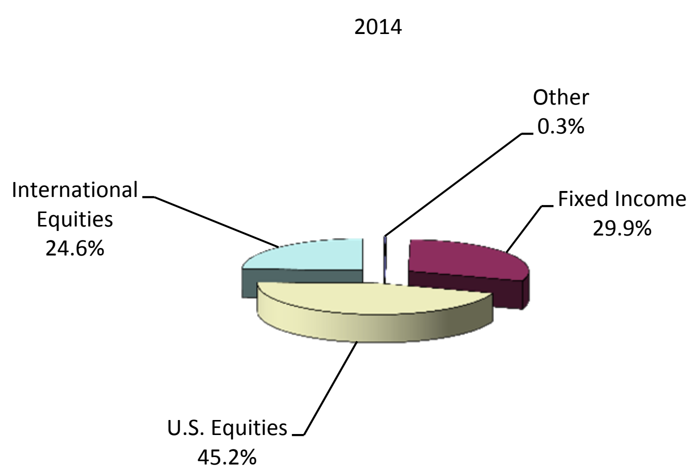
The investment portfolio is reported in the chart below by the asset class of the investment managers' portfolios which includes the cash equivalents in those portfolios. A summary of the Plan's cash equivalents and investments for fiscal years ended June 30, 2014, 2013, and 2012 is as follows:

Cash, Cash Equivalents, and Investment Portfolio
($ millions)

	June 30		
	2014	**2013**	**2012**
Fixed income	$ 94.5	$ 94.0	$ 95.1
U.S. equities	135.8	112.9	98.4
International equities	74.2	63.3	56.5
Other	0.9	0.8	0.4
Total managed investments	305.4	271.0	250.4
Cash equivalents on deposit with State	0.1	0.1	0.1
Securities lending collateral	13.9	14.8	6.0
Total cash, cash equivalents, and investments	$ 319.4	$ 285.9	$ 256.5

The increase in the Plan's managed investments is reflective of the increase in domestic and international equity markets for the year. The Plan's overall return for the year ended June 30, 2014 was 17.7%. A 5.1% return for the fixed income component exceeded the market trend for the asset class. Equity index funds correlated closely with market trends with U.S. and international equities showing returns of 25.1% and 22.0%, respectively. Amounts of $4.95 million of U.S. equity index funds and $2.95 million of international equities were used to supplement the cash requirements of monthly retiree benefit payments. The change in securities lending collateral is dependent on the securities loaned by the Plan's master custodian at year end.

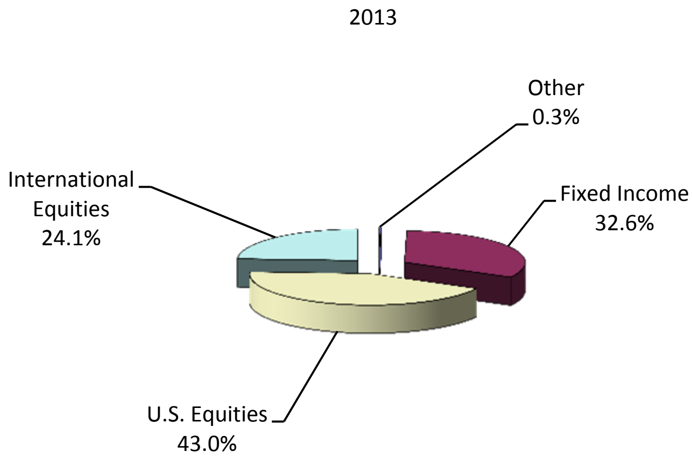
At June 30, 2014, the distribution of the Plan's investments including accrued income and pending trades was as follows:



The increase in the Plan's managed investments is reflective of the increase in domestic and international equity markets for the year. The Plan's overall return for the year ended June 30, 2013 was 11.5%. A negative 1.2% return for the fixed income component exceeded the market trend for the asset class. Equity index funds correlated closely with market trends with U.S. and international equities showing returns of 21.7% and 13.9%, respectively. Amounts of $6.3 million of U.S. equity index funds, $1.0 million of international equities, and $1.2 million of fixed income were used to supplement the cash requirements of monthly retiree benefit payments. The change in securities lending collateral is dependent on the securities loaned by the Plan's master custodian at year end.

Management's Discussion and Analysis (continued)

At June 30, 2013, the distribution of the Plan's investments including accrued income and pending trades was as follows:



Economic Factors

Ratio of Fiduciary Net Position to Total Pension Liability

The manner of calculating the funded ratio changed during fiscal year 2014 due to the adoption of GASB Statement No. 67, *Financial Reporting for Pension Plans.* For this reason, there is no comparative presentation for fiscal year 2013.

	June 30 2014
Total pension liability	$ 258,787,677
Plan fiduciary net position	$ 301,469,209
Ratio of fiduciary net position to total pension liability	116.49%

Plan Amendment

No Plan provision changes were enacted by the State Legislature during the session ended in May 2014.

Other

Other than changes in the fair value of Plan assets as may be impacted by the equity and bond markets and changes in the Plan provisions that may have an effect on the actuarial liability, no other matters are known by management to have a significant impact on the operations or financial position of the Plan.

Requests for Information

This financial report is designed to provide a general overview of the Plan's finances for all those with an interest. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Financial Reporting Division, OPERS, P.O. Box 53007, Oklahoma City, Oklahoma 73152-3007.

Statements of Fiduciary Net Position

June 30, 2014 and 2013

	2014	2013
Assets		
Cash equivalents	$ 1,642,161	$ 6,104,594
Receivables:		
Member contributions	199,920	204,004
State and local agency contributions	362,356	331,506
Due from brokers for securities sold	8,762,824	25,420,859
Accrued interest and dividends	327,358	330,054
Total receivables	9,652,458	26,286,423
Investments, at fair value:		
Short-term investments	2,814,805	584,905
Government obligations	61,840,456	60,298,984
Corporate bonds	29,217,685	27,813,286
Domestic equities	135,856,006	112,970,932
International equities	74,161,298	63,344,848
Securities lending collateral	13,871,786	14,788,916
Total investments	317,762,036	279,801,871
Total assets	329,056,655	312,192,888
Liabilities		
Due to brokers and investment managers	13,715,660	34,173,011
Securities lending collateral	13,871,786	14,788,916
Total liabilities	27,587,446	48,961,927
Net position restricted for pensions	$ 301,469,209	$ 263,230,961

See accompanying notes to financial statements.

Statements of Changes in Fiduciary Net Position

Years Ended June 30, 2014 and 2013

	2014	2013
Additions		
Contributions:		
Members	$ 2,543,885	$ 2,543,584
Participating court employers	4,610,812	4,129,300
Total contributions	7,154,697	6,672,884
Investment income:		
From investing activities:		
Net appreciation in fair value of investments	44,117,711	25,514,457
Interest	2,043,885	2,143,265
Total investment income	46,161,596	27,657,722
Less – Investment expenses	(137,441)	(171,391)
Income from investing activities	46,024,155	27,486,331
From securities lending activities:		
Securities lending income	188,377	22,498
Securities lending expenses:		
Borrower rebates	3,272	(8,346)
Management fees	(3,672)	(2,112)
Income from securities lending activities	187,977	12,040
Net investment income	46,212,132	27,498,371
Total additions	53,366,829	34,171,255
Deductions		
Retirement, death, and survivor benefits	14,939,499	14,599,877
Refunds and withdrawals	56,892	31,831
Administrative expenses	132,190	128,007
Total deductions	15,128,581	14,759,715
Net (decrease) increase in net position	38,238,248	19,411,540
Net position restricted for pensions		
Beginning of year	263,230,961	243,819,421
End of year	$ 301,469,209	$ 263,230,961

See accompanying notes to financial statements.

Notes to Financial Statements

June 30, 2014 and 2013

(1) Summary of Significant Accounting Policies

The following are the significant accounting policies followed by the Uniform Retirement System for Justices and Judges (the Plan).

(a) Basis of Accounting

The financial statements are prepared using the economic resources measurement focus and the accrual basis of accounting under which expenses are recorded when the liability is incurred, revenues are recorded in the accounting period in which they are earned and become measurable, and investment purchases and sales are recorded as of their trade dates. Member and employer contributions are established by statute as a percentage of salaries and are recognized when due, pursuant to formal commitments, as well as statutory or contractual requirements. Benefits and refunds are recognized when due and payable in accordance with the terms of the Plan.

The Plan, together with other similar fiduciary – pension trust funds of the state of Oklahoma (the State), is a component unit of the State. The Plan is administered by the Oklahoma Public Employees Retirement System (OPERS). As set forth in Title 20 of the Oklahoma Statutes, at Section 1108, a portion of the administrative overhead expenses, including personnel and other supporting services costs, which are paid for by a separate retirement fund also administered by OPERS, are allocated to the Plan. The allocation is based on OPERS' estimate of the cost of services provided to the Plan by the separate fund. Allocated costs are charged to the Plan and paid with funds provided through operations of the Plan.

(b) Investments

The Plan is authorized to invest in eligible investments as approved by the Board of Trustees of OPERS (the Board) as set forth in its investment policy.

Plan investments are reported at fair value. Short-term investments include bills and notes and commercial paper, valued at fair value.

Domestic debt and equity securities are reported at fair value, as determined by the Plan's custodial agent, generally based on pricing services or prices quoted by independent brokers. The fair value of the pro rata share of units owned by the Plan in index and commingled trust funds is determined by the respective fund trustees based on quoted sales prices of the underlying securities.

Net investment income (loss) includes net appreciation (depreciation) in the fair value of investments, interest income, securities lending income and expenses, dividend income, and investment expenses, which includes investment management and custodial fees and all other significant investment related costs.

The Plan's investment policy provides for investments in combinations of stocks, bonds, fixed income securities, and other investment securities, along with investments in commingled trust and index funds. Investment securities and investment securities underlying the trust and index fund investments are exposed to various risks, such as interest rate and credit risks. Due to the risks associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities may occur in the near term, and those changes could materially affect the amounts reported in the statements of fiduciary net position.

Notes to Financial Statements (continued)

(c) Use of Estimates

The preparation of the Plan's financial statements, in conformity with U.S. generally accepted accounting principles, requires the Plan administrator to make significant estimates and assumptions that affect the reported amounts of net position restricted for pensions at the date of the financial statements and the actuarial information included in Note (5) Net Pension Liability and Actuarial Information and the required supplementary information (RSI) as of the benefit information date, the changes in plan net position during the reporting period, and, when applicable, the disclosures of contingent assets and liabilities at the date of the financial statements. Actual results could differ from those estimates.

(d) Risk and Uncertainties

Contributions to the Plan and the actuarial information included in Note (5) Net Pension Liability and Actuarial Information and the RSI are reported based on certain assumptions pertaining to interest rates, inflation rates, and employee compensation and demographics. Due to the changing nature of these assumptions, it is at least reasonably possible that changes in these assumptions may occur in the near term and, due to the uncertainties inherent in setting assumptions, that the effect of such changes could be material to the financial statements.

(e) Composition of Board of Trustees

The Board of Trustees consists of thirteen appointed members, some by position and some by association. Those serving through position are a member of the Corporation Commission as selected by the Commission, a member of the Tax Commission as selected by the Tax Commission, the Administrator of the Office of Personnel Management or designee, the State Insurance Commissioner or designee, and the Director of State Finance or designee. Of the remaining members, three are appointed by the Governor, one is appointed by the Supreme Court, two are appointed by the Speaker of the House of Representatives and two are appointed by the President Pro Tempore of the Senate. Qualifications for certain of these appointees include a balance of individuals having experience in investment management, pension management, public fund management, the banking profession or a licensed attorney or a licensed accountant.

(2) Plan Descriptions and Contribution Information

The following brief description of the Plan is provided for general information purposes only. Participants should refer to Title 20 of the Oklahoma Statutes, Sections 1101 through 1111, for more complete information.

(a) General

The Plan is a single-employer public employee retirement plan, which is a defined benefit pension plan covering all justices and judges of the Oklahoma Supreme Court, Court of Criminal Appeals, Workers' Compensation Court, Court of Appeals, and District Courts. The supervisory authority for the management and operation of the Plan is the Board, which acts as a fiduciary for investment of the funds and the application of Plan interpretation.

At June 30, the Plan's membership consisted of:

	2014
Inactive members or their beneficiaries currently receiving benefits	235
Inactive members entitled to but not yet receiving benefits	18
Active members	274
Total	527

*The Plan includes 23 nonvested terminated members entitled to a refund of their member contribtuions.

(b) Benefits

Benefits are determined at 4% of the member's average monthly compensation for covered active service over the highest thirty-six months of compensation as a justice or judge times the total years of service in the Plan not to exceed 100% of the retiree's average monthly salary received as a justice or judge for the highest thirty-six months of compensation.

Normal retirement ages under the Plan are as follows:

For participants who became members prior to January 1, 2012:

- When the sum of at least 8 years of credited years and age equals or exceeds 80 (Rule of 80)
- Age 65 with 8 years of judicial service
- Age 60 with 10 years of judicial service

For participants who became members on or after January 1, 2012:

- Age 67 with 8 years of judicial service
- Age 62 with 10 years of judicial service

Members are eligible to vest fully upon termination of judicial service after accumulating eight years of judicial service, or the member's contributions may be withdrawn at the time such member ceases to be a justice or judge of a court within the Plan. Disability retirement benefits are available for members who have attained age 55 and have 15 years of continuous judicial service and are determined to be disabled by the Court of the Judiciary. The benefits are calculated in the same manner as the normal retirement benefit. The Court of the Judiciary may override these requirements if it is determined that any judge or justice is no longer capable of performing regular duties.

Upon the death of an active member, the Plan will pay to the designated beneficiary the active member's accumulated employee contributions. However, if the deceased member contributed to survivor benefits, an eligible spouse of the member may choose to vest the member's service (8 years required) until the spouse is eligible to receive monthly survivor benefits as defined by the Plan.

Upon the death of a retired member, the Plan will pay a $5,000 death benefit to the member's beneficiary or estate of the member if there is no living beneficiary. The death benefit will be paid in addition to any excess employee contributions or survivor benefits due to the estate or beneficiary. Death benefits paid for the years ended June 30, 2014 and 2013 totaled approximately $33,000 and $55,000, respectively.

Surviving spouse benefits are paid to a member's spouse, provided the member makes the required contributions and the spouse qualifies under the Plan provisions. These payments are made monthly over the remaining life of the spouse. If the member has ten years of service and the death is determined by the

Workers' Compensation Court to be employment related, the benefit is payable immediately to the spouse. Members must have eight years of credited service before their spouses are eligible for normal survivor benefits. The benefit payment is equal to 50% up to 65% of the normal retirement benefit if certain contributions and other criteria are met. Effective September 1, 2005, survivor benefits are also available to the retiree's designated joint annuitant according to the option elected by the member. The first option gives the member a reduced lifetime annuity with 50% of the amount paid to the member's survivor at the member's death. The second option pays the member an even further reduced annuity with the same amount paid to the survivor after the member's death.

(c) Contributions

The contribution requirements of the Plan are an established rate determined by the Oklahoma Legislature and are based on a comparison to an actuarial calculation which is performed to determine the adequacy of the contribution rate.

The contribution rate of all justices and judges is 8% of a member's monthly salary. The member may elect a maximum benefit with no survivor option or one of two types of actuarially reduced retirement benefits that provide for a lifetime benefit to be paid to the member's joint annuitant after the member's death. This election is available for any judge or justice without regard to marital status. Prior to September 2005, the basic member contributions were 5% of a member's monthly salary. Each member of the Plan who was married provided for spousal survivor benefits and contributed at the rate of 8% unless the member's spouse agreed to waive spousal benefits. Participating court employers are required to contribute monthly a percentage of the gross salaries of the active members of the Plan. The percentages established by the Oklahoma Legislature for the years ended June 30, 2014 and 2013 were 14.5% and 13.0%, respectively, of member payroll.

Effective for the fiscal year ended June 30, 2015, the employer contribution rate will increase to 16.0% of payroll and will increase 1.5% annually up to 22% for fiscal years ending June 30, 2019 and thereafter.

Prior to July 2009, the Board was authorized to adjust the contribution rate to prevent a funded ratio of the Plan of less than 100%. Effective July 1, 2009, the statutory responsibility of the Board was modified to adjust the employer contribution rate to prevent a funded ratio below the target of "at or near" ninety percent. In May 2010, legislation was enacted to remove the authority of the Board to adjust the employer contribution rate.

(3) Cash Equivalents

Cash equivalents represent short-term investment funds held by the Office of the State Treasurer (State Treasurer) and the Plan's custodial agent.

At June 30, cash equivalents were:

	2014	2013
Cash equivalents		
State Treasurer	$ 117,055	$ 108,184
Custodial agent	1,525,106	5,996,410
Total cash and cash equivalents	$ 1,642,161	$ 6,104,594

Cash is deposited to *OK INVEST*, an internal investment pool of the State Treasurer with holdings limited to obligations of the U.S. Government, its agencies and instrumentalities, agency senior debt and mortgage-backed pass-through securities, tri-party repurchase agreements, money market mutual funds, collateralized certificates of deposit, commercial paper, obligations of state and local governments, and State of Israel Bonds. Participants are limited to qualifying agencies and funds within the State's reporting entity, and each participant maintains an interest in the underlying investments of *OK INVEST* and shares the risk of loss on the funds in proportion to the respective investment in the funds. The custodial agent cash equivalents consist of temporary investments in commingled trust funds of the Plan's custodial agent. The funds are composed of high-grade money market instruments with short maturities. Each participant in the funds shares the risk of loss on the funds in proportion to the respective investment in the funds.

Deposits are exposed to custodial credit risk if they are not covered by depository insurance and the deposits are uncollateralized, collateralized with securities held by the pledging financial institution, or collateralized with securities held by the pledging financial institution's trust department or agency but not in the depositor-government's name. At June 30, 2014 and 2013, the cash equivalents in *OK INVEST* and the Plan's custodial agent cash equivalents were not exposed to custodial credit risk because their existence cannot be evidenced by securities that exist in physical or book entry form.

At June 30, 2014, as a result of outstanding checks, the Plan's carrying amount in *OK INVEST* totaled \$117,055, and the bank balances totaled \$239,987. At June 30, 2013, as a result of outstanding checks, the Plan's carrying amount in *OK INVEST* totaled \$108,184, and the bank balances totaled \$230,135. At June 30, 2014 and 2013, the carrying amounts of the Plan's custodial agent cash equivalents were the same as the bank balances, \$1,525,106 and \$5,996,410, respectively.

(4) Investments

(a) General

The OPERS Statement of Investment Policy states that the Board believes that Plan assets should be managed in a fashion that reflects the Plan's unique liabilities and funding resources, incorporating accepted investment theory and reliable empirical evidence. Specifically, the Board has adopted the following principles:

- Asset allocation is the key determinant of return, and therefore, commitments to asset allocation targets will be maintained through a disciplined rebalancing program.
- Diversification, both by and within asset classes, is the primary risk control element.
- Passive fund portfolios are suitable investment strategies, especially in highly efficient markets. These index funds, which are externally managed by professional investment management firms selected through due diligence of the Board, are deemed to be actively managed accounts within the meaning of Section 909.1(D) of Title 74 of the Oklahoma Statutes.

The investment policy, guidelines, and objectives which govern the investment of Plan assets shall be developed and adopted by the Board of Trustees at a regularly scheduled public Board meeting, at least annually, prior to August 1 of each year. Changes to the investment policy may be made, as necessary, at any public meeting of the Board of Trustees, in compliance with the Open Meeting Act.

At June 30, 2014, the asset allocation guidelines established by policy were U.S. equities – 44%, international equities – 24%, and domestic fixed income – 32%. At June 30, 2013, the asset allocation guidelines established by policy were U.S. equities – 40%, international equities – 24%, and domestic fixed income – 36%. The guidelines also establish minimum and maximum percentages for each asset class allocation, and when allocations move outside these limits, portfolios are rebalanced.

Notes to Financial Statements (continued)

The fair value of investments held by the Plan at June 30 was as follows:

	2014	2013
U.S. Treasury notes/bonds	$ 25,164,408	$ 22,903,283
U.S. Treasury strips	4,456,946	4,185,381
U.S. TIPS index fund	8,737,317	8,350,143
Government agencies	3,877,811	2,845,985
Government mortgage-backed securities	21,084,215	21,861,907
Municipal bonds	956,014	444,417
Corporate bonds	16,064,767	15,598,694
Asset-backed securities	8,724,160	7,412,855
Commercial mortgage-backed securities	4,021,131	3,661,668
Non government backed collateralized mortgage obligations	786,177	1,432,842
U.S. equity index fund	135,856,006	112,970,932
International equity index funds	74,161,298	63,344,848
Securities lending collateral	13,871,786	14,788,916
Total investments	$ 317,762,036	$ 279,801,871

The Plan participates in a fixed income and international and domestic equity index funds managed by BlackRock Institutional Trust Company, N.A. (BTC). BTC, a subsidiary of BlackRock, Inc., is a national banking association and operates as a limited purpose trust company. Its primary regulator is the Office of the Comptroller of the Currency (OCC), the agency of the U.S. Treasury Department that regulates United States national banks. Each fund is a collective fund which is a group trust and an entity separate from BTC, other funds, and the investing participants. BTC is trustee of each of the collective fund trusts and holds legal title to each trust's assets for the exclusive benefit of the Plan. The fair value of the Plan's position in the pool is the same as the value of the pool shares. In 2014 and 2013, the Plan invested in a fixed income index fund, two domestic equity index funds, and an international equity index fund. The Plan shares the risk of loss in these funds with other participants in proportion to its respective investment. Because the Plan does not own any specific identifiable investment securities of these funds, the risk associated with any derivative investments held in these funds is not apparent. The degree of risk depends on the underlying portfolios of the funds, which were selected by the Plan in accordance with its investment policy guidelines including risk assessment.

(b) Securities Lending

The Plan's investment policy provides for its participation in a securities lending program. The program is administered by the Plan's master custodian, and there are no restrictions on the amount of loans that can be made. During 2014 and 2013, the types of securities loaned were primarily U.S. Government and corporate bonds. Certain securities of the Plan are loaned to participating brokers, who must provide collateral in the form of cash, U.S. Treasury or Government Agency securities, or letters of credit issued by approved banks.

Under the terms of the securities lending agreement, collateral is required to be provided in the amount of 102% of the fair value of U.S. securities loaned and 105% of the fair value of non-U.S. securities loaned. At June 30, 2014 and 2013, the Plan has no credit risk exposure to borrowers because the amounts the Plan owes the borrowers exceed the amounts the borrowers owe the Plan. The securities on loan at June 30, 2014 and 2013 collateralized by cash collateral were $13,595,449 and $14,491,466, respectively, and the cash collateral received for those securities on loan was $13,871,786 and $14,788,916, respectively. In addition, the securities on loan at June 30, 2014 and 2013 collateralized by non-cash collateral were $4,253,771 and $3,532,032, respectively, and the market value of the non-cash collateral for those securities on loan was $4,338,168 and $3,605,903, respectively. The master custodian provides for full indemnification to the Plan for any losses that might occur in the program due to the failure of a broker to return a security that was borrowed (and if the collateral is inadequate to replace the securities lent) or failure to pay the Plan for income of the securities while on loan. The Plan cannot pledge or sell collateral securities unless the borrower defaults. The loan premium paid by the borrower of the securities is apportioned between the Plan and its custodial agent in accordance with the securities lending agreement. All securities loans can be terminated on demand by either the lender or the borrower.

The securities lending agreement provides that cash collateral be invested in the custodial agent's short-term investment pool and sets forth credit quality standards, acceptable investments, diversification standards, and maturity and liquidity constraints for the investment fund. The Plan's investment guidelines do not require a matching of investment maturities with loan maturities but do establish minimum levels of liquidity and other investment restrictions designed to minimize the interest rate risk associated with not matching the maturities of the investments with the loans. At June 30, 2014 and 2013, the cash collateral investments had an average weighted maturity of 19 and 17 days, respectively, and the relationship between the maturities of the custodial agent's investment pool and the Plan's loans is affected by the maturities of the securities loans made by other entities that use the agent's pool, which the Plan cannot determine. The Plan's non-cash collateral is represented by its allocated share of a pool administered by the agent for the Plan and other pool participants.

(c) Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will default or will otherwise not fulfill its obligations.

The Plan's investment guidelines provide for the domestic fixed income managers to follow one of four investment styles and specify quality guidelines for each style.

The *Constrained Core* manager will invest in a broadly diversified portfolio with characteristics similar to a broad fixed income market index, such as the Barclays Capital Aggregate Bond Index. The total portfolio minimum quality should be A as rated by Standard and Poor's (S&P). The portfolio should primarily consist of investment grade securities, with a minimum quality rating for any issue of BBB- (S&P) or its equivalent rating by at least one Nationally Recognized Statistical Rating Organization (NASRO). In the event that a credit rating is downgraded below this minimum, the investment manager shall immediately notify OPERS staff and provide an evaluation and recommended course of action.

The *Core Plus* manager will invest in a broadly diversified portfolio with characteristics similar to the Constrained Core manager and will add a "plus" of limited exposure to high yield bonds. The total portfolio minimum quality should be A as rated by S&P. No more than 20% of the portfolio shall consist of non-investment grade issues. The minimum quality rating for any issue is B (S&P) or its equivalent rating by at least one NASRO, and no more than 5% of a portfolio shall be invested in issues rated below BB (S&P) or its equivalent rating by at least one NASRO. In the event that a credit rating is downgraded below this minimum, the investment manager shall immediately notify OPERS staff and provide an evaluation and recommended course of action.

The *Interest Rate Anticipator* manager follows a style that seeks to correctly forecast the long term trend in interest rates and adjust the portfolio duration accordingly. The total portfolio minimum quality should be A as rated by S&P, and the portfolio should consist of investment grade securities only.

The *Passive* fixed income style consists of a TIPS index fund. TIPS are securities issued by the U.S. Government that are designed to protect the purchasing power of the investor.

At June 30, 2014, the domestic fixed income portfolio consisted of a constrained core fixed income portfolio, a core plus fixed income portfolio, a rate anticipator portfolio, and a passive U.S. TIPS index fund. All components met the stated policy restrictions, except the core fixed income portfolio, which held $98,595 of the portfolio in issues rated below BBB-, and the core plus fixed income portfolio, which held $114,456 of the portfolio in issues rated below B. At June 30, 2013, the domestic fixed income portfolio consisted of a constrained core fixed income portfolio, a core plus fixed income portfolio, a rate anticipator portfolio, and a passive U.S. TIPS index fund. All components met the stated policy restrictions, except the core fixed income portfolio, which held $285,480 of the portfolio in issues rated below BBB-, and the core plus fixed income portfolio, which held $684,968 of the portfolio in issues rated below B. The Plan's investment managers have advised retention of the securities after having assessed their risk/reward profiles.

Notes to Financial Statements (continued)

Investments issued by or explicitly guaranteed by the U.S. Government are not considered to have credit risk. At June 30, 2014, the Plan held 32.7% of fixed income investments that were not considered to have credit risk, 9.3% in a U.S. TIPS index fund made up of explicitly guaranteed U.S. Treasury Inflation-Protected Securities and 22.1% of fixed income investments that were implicitly guaranteed. Implicitly guaranteed investments primarily refer to bonds issued by a government sponsored entity (GSE) which is a government chartered corporation. This government charter implies that the government is unlikely to allow a GSE to default on its bond payments. At June 30, 2013, the Plan held 32.5% of fixed income investments that were not considered to have credit risk, 9.4% in a U.S. TIPS index fund made up of explicitly guaranteed U.S. Treasury Inflation-Protected Securities and 2.5% of fixed income investments that were implicitly guaranteed.

The Plan's exposure to credit risk at June 30, 2014 is presented below, in thousands, by investment category as rated by S&P or Moody's Investor Service.

	AAA/Aaa	AA/Aa	A/A	BBB/Baa	BB/Ba	B/B	CCC/Caa	Not Rated or Rating Not Available	Total
Government agencies	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 2,470	$ 2,470
Government mortgage-backed securities	-	-	-	-	-	-	-	701	701
Municipal bonds	189	400	367	-	-	-	-	-	956
Corporate bonds	1,012	1,764	7,208	5,272	178	-	-	631	16,065
Asset-backed securities	4,599	2,376	688	414	220	342	-	85	8,724
Commercial mortgage-backed securities	3,061	345	-	405	98	-	-	112	4,021
Non government backed collateralized mortgage obligations	201	240	182	162	-	-	-	1	786
Total fixed income securities exposed to credit risk	$ 9,062	$ 5,125	$ 8,445	$ 6,253	$ 496	$ 342	$ -	$ 4,000	$ 33,723
Percent of total fixed income portfolio	9.7%	5.5%	9.0%	6.7%	0.5%	0.4%	0.0%	4.3%	35.9%

The Plan's exposure to credit risk at June 30, 2013 is presented below, in thousands, by investment category as rated by S&P or Moody's Investor Service.

	AAA/Aaa	AA/Aa	A/A	BBB/Baa	BB/Ba	B/B	CCC/Caa	Not Rated or Rating Not Available	Total
Government agencies	$ 194	$ -	$ -	$ -	$ -	$ -	$ -	$ 380	$ 574
Government mortgage-backed securities	285	391	-	-	-	-	-	19,452	20,128
Municipal bonds	-	116	328	-	-	-	-		444
Corporate bonds	1,061	1,998	6,561	4,602	641	358	-	377	15,598
Asset-backed securities	4,135	1,596	817	382	71	328	-	84	7,413
Commercial mortgage-backed securities	2,574	330	268	22	121	79	-	268	3,662
Non government backed collateralized mortgage obligations	684	268	178	170	-	-	-	133	1,433
Total fixed income securities exposed to credit risk	$ 8,933	$ 4,699	$ 8,152	$ 5,176	$ 833	$ 765	$ -	$ 20,694	$ 49,252
Percent of total fixed income portfolio	10.1%	5.3%	9.2%	5.8%	0.9%	0.9%	0.0%	23.3%	55.5%

The exposure to credit risk of the underlying investments of the Plan's cash equivalents at June 30 is as follows:

	2014		2013	
Credit Rating	***OK INVEST***	**Custodial Agent**	***OK INVEST***	**Custodial Agent**
AAA	5.0 %	22.1 %	9.6 %	11.5 %
AA	89.3	67.5	84.6	85.8
A1	2.4	9.4	0.3	1.9
BBB	—	—	—	—
BB	—	—	—	—
NR	3.3	1.0	5.5	0.8
	100.0 %	100.0 %	100.0 %	100.0 %

(d) Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment or a deposit. Duration is a measure of a debt investment's exposure to fair value changes arising from changing interest rates based upon the present value of cash flows, weighted for those cash flows as a percentage of the investment's full price. Effective duration estimates the sensitivity of a bond's price to interest rate changes and makes assumptions regarding the most likely timing and amounts of variable cash flows arising from investments such as callable bonds, collateralized mortgage obligations, and other mortgage-backed securities.

The Plan does not have a formal investment policy on interest rate risk. Interest rate risk is controlled through diversification of portfolio management styles.

At June 30, the Plan's exposure to interest rate risk as measured by effective duration is listed below by investment category.

	2014		2013	
	Fair Value	**Effective duration in years**	**Fair Value**	**Effective duration in years**
U.S. Treasury notes/bonds	$ 25,164,408	7.8	$ 22,903,283	7.1
U.S. Treasury strips	4,456,946	23.7	4,185,381	24.4
U.S. TIPS index fund	8,737,317	7.7	8,350,143	7.7
Government agencies	3,877,811	1.2	2,845,985	2.0
Government mortgage-backed securities	21,084,215	4.4	21,861,907	4.9
Municipal bonds	956,014	9.8	444,417	8.3
Corporate bonds	16,064,767	5.7	15,598,694	4.6
Asset-backed securities	8,724,160	1.0	7,412,855	1.2
Commercial mortgage-backed securities	4,021,131	2.7	3,661,668	3.4
Non government backed collateralized mortgage obligations	786,177	0.7	1,432,842	1.2
Total fixed income	$ 93,872,946		$ 88,697,175	
Portfolio duration		6.3		6.1

Some investments' sensitivity to changing interest rates may derive from prepayment options embedded in an investment. Asset-backed securities, mortgage-backed securities, and collateralized mortgage obligations are pass-through securities that represent pooled debt obligations repackaged as securities that pass income and principal from debtors through the intermediary to investors.

Asset-backed securities are bonds or notes backed by loan paper or accounts receivable originated by banks, credit card companies, or other providers of credit and often enhanced by a bank letter of credit or by insurance coverage provided by an institution other than the issuer. At June 30, 2014 and 2013, the Plan held $8,724,160 and $7,412,855, respectively, in asset-backed securities.

Mortgage-backed securities are securities backed by mortgages issued by public and private institutions. At June 30, 2014 and 2013, the Plan held $21,084,215 and $21,861,907, respectively, in government mortgage-backed securities issued by the Federal Home Loan Mortgage Corporation (FHLMC), Government National Mortgage Association (GNMA), and Federal National Mortgage Association (FNMA) as well as $4,021,131 and $3,661,668, respectively, in commercial mortgage-backed securities.

Collateralized mortgage obligations (CMOs) are mortgage-backed bonds that allocate mortgage cash flows (interest and principal) into different maturity classes, called tranches. This is accomplished by dedicating mortgage cash flows to specific tranches and paying each tranch off, in turn by prespecified rules. In return for a lower yield, CMOs provide investors with increased security about the life of their investment compared to purchasing a pass-through mortgage-backed security. If mortgage rates drop (rise) sharply, prepayment rates will increase (decrease), and CMO tranches may be repaid before (after) the expected maturity. At June 30, 2014 and 2013, the Plan held $786,177 and $1,432,842, respectively, in non-government backed CMOs.

The exposure to interest rate risk of the underlying investments of the Plan's cash equivalents at June 30 is as follows:

	2014		2013	
Maturities (in days)	***OK INVEST***	**Custodial Agent**	***OK INVEST***	**Custodial Agent**
0 - 14	7.0 %	28.2 %	11.8 %	35.9 %
15 - 30	0.7	6.3	1.2	6.5
31 - 60	1.1	14.7	0.0	16.0
61 - 90	0.9	18.5	0.6	10.1
91 - 180	4.0	11.4	2.9	14.3
181 - 364	7.7	14.8	6.2	16.6
365 - 730	17.7	6.1	14.6	0.6
Over 730	60.9	0.0	62.7	0.0
	100.0 %	100.0 %	100.0 %	100.0 %

(e) Rate of Return

For the year ended June 30, 2014, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expenses, was 17.83%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

(5) Net Pension Liability and Actuarial Information

(a) Net Pension Liability (Asset) and Funding Progress

The Components of the net pension liability or asset of the employer at June 30, 2014, were as follows:

	2014
Total pension liability	$ 258,787,677
Plan fiduciary net position	$ (301,469,209)
Employer's net pension liability (asset)	$ (42,681,532)
Plan fiduciary net position as a percentage of the total pension liability	116.49%

(b) Actuarial Methods and Assumptions

The total pension liability as of June 30, 2014, was determined based on an actuarial valuation prepared as of July 1, 2014 using the following actuarial assumptions:

- Salary increases – 5.00% per year, including inflation
- Post-retirement benefit increases – No increases assumed
- Investment return – 7.5% compounded annually net of investment expense, and including inflation
- Assumed inflation rate – 3.0%
- Payroll growth – 4.0% per year
- Actuarial cost method—Entry age
- Mortality Rates – RP-2000 Combined Active/Retired Healthy Mortality Table projected to 2010 using scale AA, set back one year

The actuarial assumptions used in the July 1, 2014 valuation are based on the results of the most recent actuarial experience study, which cover the three-year period ending June 30, 2013. The experience study report is dated May 9, 2014

The long-term expected rate of return on pension plan investments was determined using a log-normal distribution analysis in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

The target asset allocation and best estimates of geometric real rates of return for each major asset class as of June 30, 2014, are summarized in the following table:

Asset Class	**Target Allocation**	**Long-Tern Expected Real Rate of Return**
U.S. Large Cap Equity	38.0%	5.3%
U.S. Small Cap Equity	6.0%	5.6%
U.S. Fixed Income	25.0%	0.7%
International Stock	18.0%	5.6%
Emerging Market Stock	6.0%	6.4%
TIPS	3.5%	0.7%
Rate Anticipation	3.5%	1.5%
Total	100.0%	

(c) Discount rate.

The discount rate used to measure the total pension liability was 7.50%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and the employer will be made at the current contribution rate as set out in state statute. Based on those assumptions, the pension plan's fiduciary net position was projected through 2113 to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability. The discount rate determined does not use a municipal bond rate.

Sensitivity of the net pension liability or (asset) to changes in the discount rate.

The following presents the net pension liability or asset of the employer calculated using the discount rate of 7.50%, as well as what the plan's net pension liability or asset would be if it were calculated using a discount rate that is one percentage point lower (6.50 percent) or one percentage point higher (8.50 percent) than the current rate:

	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
Net pension liability (asset)	$ (18,445,699)	$ (42,681,532)	$ (63,753,047)

(6) Federal Income Tax Status

Pursuant to a determination by the Internal Revenue Service, the Plan is qualified under the Internal Revenue Code of 1986, as amended, and therefore, is exempt from federal income taxes. The latest determination letter is dated October 9, 2012 and was a favorable determination for the Uniform Retirement System for Justices and Judges. The Plan has been amended since receiving the determination letter; however, the Plan administrator believes that the Plan is designed and is currently being operated in substantial compliance with the applicable requirements of the Internal Revenue Code and retains its status as a qualified plan.

(7) New Pronouncements

(a) New Accounting Pronouncements Adopted in Fiscal Year 2014

In April 2012, the GASB issued Statement No. 65, *Items Previously Reported as Assets and Liabilities* (GASB 65). GASB 65 provides further guidance on determining which balances currently reported as assets and liabilities should instead be reported as deferred outflows or deferred inflows of resources. The adoption of GASB 65 did not have a significant impact on the Plan's financial statements.

In June 2012, the GASB issued Statement No. 67, *Financial Reporting for Pension Plans* (GASB 67). GASB 67 replaces the requirements of Statement No. 25, *Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans,* and Statement 50, *Pension Disclosures*, as they relate to pension plans that are administered through trusts or similar arrangements meeting certain criteria. GASB 67 builds upon the existing framework for financial reports of defined benefit pension plans, which includes a statement of fiduciary net position (the amount held in a trust for paying retirement benefits) and a statement of changes in fiduciary net position. GASB 67 enhances note disclosures and required supplementary information (RSI) for both defined benefit and defined contribution pension plans. GASB 67 also requires the presentation of new information about annual money-weighted rates of return in the notes to the financial statements and in 10-year RSI schedules. Adoption of GASB 67 had no impact on the Plan's net position but did result in changes to the presentation of the financial statements, notes to the financial statements, and RSI. Comparative information has not been presented for disclosures required by GASB 67 as presentation of the information for prior years was not practical.

In April 2013, the GASB issued Statement No. 70, *Accounting and Financial Reporting for Nonexchange Financial Guarantees* (GASB 70). GASB 70 requires a government that extends a nonexchange financial guarantee to recognize a liability when qualitative factors and historical data, if any, indicate that it is more likely than not that the government will be required to make a payment on the guarantee. GASB 70 also provides additional guidance for intra-entity nonexchange financial guarantees involving blended component units and specifies information required to be disclosed by governments that extend and/or receive nonexchange financial guarantees. The adoption of GASB 70 did not have a significant impact on the Plan's financial statements.

(b) New Accounting Pronouncements Issued, Not Yet Adopted

In June 2012, the GASB issued Statement No. 68, *Accounting and Financial Reporting for Pensions* (GASB 68). GASB 68 replaces the requirements of Statement No. 27, *Accounting for Pensions by State and Local Governmental Employers,* and Statement No. 50 as they relate to governments that provide pensions through pension plans administered as trusts or similar arrangements that meet certain criteria. GASB 68 requires governments providing defined benefit pensions to recognize their long-term obligation for pension benefits as a liability for the first time and to more comprehensively and comparably measure the annual costs of pension benefits. GASB 68 also enhances accountability and transparency through revised and new note disclosures and RSI. The requirements of GASB 68 are effective for fiscal years beginning after June 15, 2014.

In January 2013, the GASB issued Statement No. 69, *Government Combinations and Disposals of Government Operations* (GASB 69). GASB 69 establishes guidance for 1) determining whether a specific government combination is a government merger, a government acquisition, or a transfer of operations; 2) using carrying values to measure the assets, deferred outflows of resources, liabilities, and deferred inflows of resources combined in a government merger or transfer of operations; 3) measuring acquired assets, deferred outflows of resources, liabilities, and deferred inflows of resources based upon their acquisition values in a government acquisition; and 4) reporting the disposal of government operations that have been transferred or sold. The requirements of GASB 69 are effective for fiscal years beginning after December 15, 2013.

In November 2013, the GASB issued Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an Amendment of GASB Statement No. 68* (GASB 71). GASB 71 addresses an issue regarding application of the transition provisions of GASB 68. Contributions to a defined benefit pension plan between the measurement date of the reported net pension liability and the end of the reporting period are required to be recognized as deferred outflows of resources. The requirements of GASB 71 are effective simultaneously with GASB 68.

The Plan is currently evaluating the effects the above GASB Pronouncements will have on its financial statements.

Required Supplementary Information

(Unaudited)
June 30, 2014
Schedule 1

Schedule of Changes in the Net Pension Liability (Asset) ($ in Thousands)

Year Ended June 30,		2014
Total Pension Liability		
Service cost	$	9,489
Interest		18,529
Benefit changes		-
Difference between expected and actual experience		(7,597)
Changes of assumptions		(1,046)
Benefit payments		(14,939)
Refunds of contributions		(57)
Net change in total pension liability		4,379
Total pension liability - beginning		254,409
Total pension liability - ending (a)	$	258,788
Plan Fiduciary Net Position		
Contributions - employer	$	4,611
Contributions - non-employer		-
Contributions - member		2,544
Net investment income		46,211
Benefit payments		(14,939)
Administrative expense		(132)
Refunds of contributions		(57)
Other		-
Net change in plan fiduciary net position		38,238
Plan fiduciary net position - beginning		263,231
Plan fiduciary net position - ending (b)		301,469
Net pension liability (asset) - ending (a) - (b)	$	(42,681)

Schedule of the Net Pension Liability (Asset) ($ in Thousands)

Year Ended June 30,		2014
Total pension liability	$	258,788
Plan fiduciary net position		301,469
Net pension liability (asset)	$	(42,681)
Ration of plan fiduciary net position to total pension liability		116.49%
Covered employee payroll	$	34,325
Net pension liability (asset) as a percentage of covered-employee payroll		-124.34%

Required Supplementary Information

Schedule of Employer Contributions ($ in Thousands)
(Unaudited)
June 30, 2014
Schedule 2

Year Ended June 30,		**2014**
Actuarially determined employer contribution	$	7,215
Actual employer contributions		4,611
Annul contribution deficiency (excess)	$	2,604
Covered employee payroll	$	34,325
Actual contributions as a percentage of covered-employee payroll		13.43%

Notes to Schedule

Valuation date:
Actuarially determined contributions are calculated as of the beginning of the fiscal year in which contributions are reported

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry age
Amortization method	Level percentage of payroll, closed
Remaining amortization period	13 years
Asset valuation method	5-year smoothed market
Inflation	3.00%
Salary increase	5.00 percent, including inflation
Investment rate of return	7.50%, compounded annually, net of investment expense and including inflation
Retirement age	Age 67 with eight years of judicial service or age 62 with 10 years of judicial service for judges taking office on or after January 1, 2012. Age 65 with eight years of judicial service or age 60 with 10 years of judicial service for judges taking office prior to January 1, 2012.
Mortality	RP-2000 Combined Active/Retired Healthy Mortality Table projected to 2010, set back one year

Required Supplementary Information

Schedule of Investment Returns

(Unaudited)

June 30, 2014

Schedule 3

Year Ended June 30,	2014
Annual money-weighted rate of return, net of investment expense	17.83%

Supplementary Information

Schedule of Investment Expenses

Years Ended June 30, 2014 and 2013

Schedule 4

	2014	2013
Investment management fees		
Fixed Income Managers:		
BlackRock Financial Management, Inc.	$ 41,077	$ 43,954
Hoisington Investment Management	11,988	13,244
Metropolitan West Asset Management, LLC	27,482	63,196
U.S. Equity Managers:		
BlackRock Institutional Trust Company, N.A.	14,217	11,983
International Equity Managers:		
BlackRock Institutional Trust Company, N.A.	34,760	31,077
Total investment management fees	129,524	163,454
Investment consultant fees		
Strategic Investment Solutions, Inc.	6,893	6,904
Investment custodial fees		
Northern Trust Company	1,024	1,033
Total investment expenses	$ 137,441	$ 171,391

See accompanying independent auditors' report.

Supplementary Information

Schedule of Administrative Expenses

Years Ended June 30, 2014 and 2013

Schedule 5

	2014	2013
Professional / consultant services	$ 5,757	$ 6,701
Allocated administrative expenses (see note below)	126,433	121,306
	$ 132,190	$ 128,007

Note to Schedule of Administrative Expenses

Administrative overhead expenses, including personnel and other supporting services costs, which are paid for by the Plan, are allocated to three other retirement funds also administered by OPERS. The allocation is based on OPERS' estimate of the cost of service provided by the Plan to the other funds.

See accompanying independent auditors' report.

Supplementary Information

Schedule of Professional/Consultant Fees

Years Ended June 30, 2014 and 2013

Schedule 6

		2014	2013
Professional/Consultant	**Service**		
Cavanaugh Macdonald Consulting, Inc.	Actuarial	$ 2,357	$ 2,136
Cole & Reed PC	External Auditor	1,896	1,839
Finley & Cook, PLLC	Internal Auditor	1,504	2,726
		$ 5,757	$ 6,701

See accompanying independent auditors' report.

COLE + REED P.C.
CERTIFIED PUBLIC ACCOUNTANTS

Independent Auditors' Report on
Internal Control Over Financial Reporting and on
Compliance and Other Matters Based on an Audit of Financial
Statements Performed in Accordance with *Government Auditing Standards*

The Board of Trustees
Uniform Retirement System for Justices and Judges

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Uniform Retirement System for Justices and Judges (the Plan), a component unit of the State of Oklahoma, which comprise the statement of fiduciary net position as of June 30, 2014, and the related statement of changes in fiduciary net position for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated October 22, 2014.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Plan's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Plan's internal control. Accordingly, we do not express an opinion on the effectiveness of the Plan's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Plan's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Cole & Reed P.C.

Oklahoma City, Oklahoma
October 22, 2014