

October 2005

State of Oklahoma
Uniform Retirement System
for Justices and Judges

Actuarial Valuation Report as of July 1, 2005

MERCER

Human Resource Consulting

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Report Highlights

This report has been prepared by Mercer Human Resource Consulting, Incorporated for the State of Oklahoma Uniform Retirement System for Justices and Judges to:

- Present the results of the valuation of the System as of July 1, 2005;
- Review experience under the System for the year ended June 30, 2005;
- Provide reporting and disclosure information for auditors' reports, governmental agencies and other interested parties.

The main financial highlights are:

- The funded ratio of the System has decreased since the prior valuation as indicated by the table below.

Funded Status (\$000,000)	Actuarial Valuation as of	
	July 1, 2005	July 1, 2004
Accrued liability	\$187.6	\$166.3
Actuarial value of assets	204.0	201.1
Unfunded accrued liability	(\$ 16.4)	(\$ 34.9)
Funded ratio	108.7%	121.0%

- The key changes which are responsible for significant changes in funded status are described below.
 - A. There were System and assumption changes. The effect of these changes was to increase the actuarial accrued liability by \$10,784,000. The Effects of Changes section of this report describes these changes.
 - B. Liability gains occurred, decreasing the actuarial accrued liability to a value \$1,478,000 less than expected (0.8% of expected liability). The components of this gain are summarized in the Effects of Changes section of this report.
 - C. The return on the market value of assets was approximately 10.3% during the past 12 months. The actuarial value of assets is determined using a method to smooth gains and losses to result in more stable costs. The return on the actuarial value was approximately 4.2% during the past 12 months. Compared to the expected return of 7.50%, there was a loss of \$6.6 million.
- The required employer contribution (from an actuarial perspective) increased to 17.9% of covered payroll:

Contribution Summary (\$000,000)	Actuarial Valuation as of	
	July 1, 2005	July 1, 2004
Total required contribution	\$6.4	\$4.2
Estimated employee contributions	2.0	2.0
Required employer contribution (not less than \$0)	4.4	2.2

The statutory contribution rate for employers is 2% of salary for the fiscal years beginning July 1, 2004, and 3% for the fiscal year beginning July 1, 2005.

Principal Valuation Results

A summary of principal valuation results from the current valuation and the prior valuation follows. Any changes in actuarial assumptions, methods or System provisions between the two valuations are described in the section titled "Effects of Changes."

	Actuarial Valuation as of		Change Between Years	
	July 1, 2005	July 1, 2004	Amount	Percent
Summary of Costs				
Required state contribution for current year (not less than \$0)	\$ 4,441,184	\$ 2,234,175	\$ 2,207,009	N/A
Actual employer contributions received in prior year	475,019	485,793	(10,774)	(2.2%)
GASB No. 25 Funded Status				
Actuarial accrued liability	\$ 187,556,845	\$ 166,275,941	\$ 21,280,904	12.8%
Actuarial value of assets	203,951,085	201,141,649	2,809,436	1.4%
Unfunded actuarial accrued liability	\$ (16,394,240)	\$ (34,865,708)	\$ 18,471,468	(53.0%)
Market Value of Assets and Additional Liabilities				
Market value of assets	\$ 205,705,354	\$ 191,779,689	\$ 13,925,665	7.3%
Actuarial present value of accumulated plan benefits (FAS No. 35)	140,497,981	123,800,392	16,697,589	13.5%
Present value of projected System benefits	254,218,407	226,507,858	27,710,549	12.2%
Summary of Data				
Number of participants in valuation				
Active participants	266	270	(4)	(1.5%)
Participants with deferred benefits	9	8	1	12.5%
Retired participants	126	117	9	7.7%
Surviving spouses	47	49	(2)	(4.1%)
Disabled participants	2	2	0	0.0%
Total	450	446	4	0.9%
Active Participant Statistics				
Total annual compensation ¹	\$ 24,814,338	\$ 25,715,005	\$ (900,667)	(3.5%)
Average compensation ¹	\$ 93,287	\$ 95,241	\$ (1,954)	(2.1%)
Average age	55.2	55.1	0.1	0.2%
Average service	11.7	12.0	(0.3)	(2.5%)

¹ Compensation is projected one year based on the salary increase assumption.

Effects of Changes

Changes in Plan Provisions

House Bill 1858 provides that members who are single as of September 1, 2005, and made the additional 3% spousal contributions could apply for a transfer of their additional contributions.

House Bill 1858 also added a 100% actuarially reduced joint and survivor benefit for members who are eligible for a benefit and die prior to retirement.

House Bill 1858 also increased the contribution rate for all members, married and single, to 8% of pay. The total effect of these changes was to increase the accrued liability by \$1,118,950.

Changes in Actuarial Assumptions

The investment return assumption was changed from 7.50% to 7.25%. The mortality assumption was changed from the 1983 Group Annuity Mortality Table for active and nondisabled pensioners to the RP-2000 Mortality Table projected to 2010 by Scale AA. The mortality assumption for disabled pensioners was changed from the 1983 Group Annuity Mortality Table set forward five years to the RP-2000 Mortality Table projected to 2010 by Scale AA set forward 15 years. The total effect of these changes was to increase the accrued liability by \$9,665,121.

Changes in Actuarial Methods

There have been no changes in actuarial methods since the prior valuation.

Actuarial Experience During the Fiscal Year

The System experienced a liability gain of \$1,478,000 and an asset loss of \$6,618,000 during the year ending June 30, 2005. The significant items are developed as follows:

Liability Sources	Impact on Actuarial Liability	
Salary increases	\$	5,746,000
Deaths		(1,046,000)
Terminations		556,000
Retirements		(3,294,000)
Disabilities		0
New entrants and rehires		(335,000)
Miscellaneous/data		(149,000)
Actuarial gain/(loss)	\$	1,478,000
Asset Sources	Impact on Actuarial Value of Assets	
Expected investment return	\$	14,881,000
Investment return on actuarial value of assets		8,263,000
Actuarial gain/(loss)	\$	(6,618,000)
Net actuarial gain/(loss)	\$	(5,140,000)

Certification

We have prepared an actuarial valuation of the State of Oklahoma Uniform Retirement System for Justices and Judges as of July 1, 2005, for the fiscal year ending June 30, 2006. The results of the valuation are set forth in this report, which reflects the legislation effective on July 1, 2005.

The valuation is based on employee and financial data which were provided by the State of Oklahoma Uniform Retirement System for Justices and Judges and the independent auditor, respectively, and which are summarized in this report.

All costs, liabilities and other factors under the System were determined in accordance with generally accepted actuarial principles and procedures, in accordance with the provisions of current State statutes and regulations issued thereunder, using an actuarial cost method which we believe is appropriate. In our opinion, the actuarial assumptions (which are set by the Board) are a reasonable estimate of the anticipated experience under the System. This report fully and fairly discloses the actuarial position of the System on an ongoing basis.

In the course of this valuation, we have examined the relative magnitude of medical benefits provided under Section 401(h) of the Internal Revenue Code. We have determined that these medical benefits are subordinate to the retirement benefits, as required.

We are available to answer any questions on the material contained in the report, or to provide explanations or further details as may be appropriate.

The information contained in this document (including any attachments) is not intended by Mercer to be used, and it cannot be used, for the purpose of avoiding penalties under the Internal Revenue Code that may be imposed on the taxpayer.

The undersigned credentialed actuaries meet the Qualification Standards of the American Academy of Actuaries to render the actuarial opinion contained in this report.

	<u>10/7/2005</u>
Brent A. Hradek, FSA, EA	Date
	<u>10/7/2005</u>
Stephen T. McElhaney, FSA, EA	Date
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Report Details

The remainder of the report includes information supporting the results presented in the previous sections.

- **Funding results** shows the liabilities for System benefits and the derivation of the various contribution amounts.
- **Accounting results** shows the information required for the System's accounting and disclosure.
- **System assets** presents information about the System's assets as reported by the System administrator or trustee. The System assets represent the portion of total System liabilities that has been funded.
- **Participant data** presents and describes the participant data used in the valuation.
- **Actuarial basis** describes the System provisions, as well as the methods and assumptions used to value the System. The valuation is based on the premise that the System is ongoing.
- **Addendum** provides actuarial results based on assumptions prescribed in 11 O.S. 2001, Section 50-105.4, Section H.

Funding Results

Comparative Summary of Principal Valuation Results

Summary of Data	Actuarial Valuation as of		Percent Change
	July 1, 2005	July 1, 2004	
1. Active members			
a. Number			
i) Active members	263	266	(1.1%)
ii) Members without applications	3	4	(25.0%)
iii) Total	266	270	(1.5%)
b. Annual compensation	\$ 24,814,338	\$ 25,715,005	(3.5%)
c. Average annual compensation	\$ 93,287	\$ 95,241	(2.1%)
d. Average age	55.2	55.1	0.2%
e. Average service	11.7	12.0	(2.5%)
2. Accumulated member contributions			
a. Active members	\$ 15,426,649	\$ 15,571,939	(0.9%)
b. Unclaimed contribution account	443,653	366,870	20.9%
c. Members without applications	13,369	9,181	45.6%
d. Total	\$ 15,883,671	\$ 15,947,990	(0.4%)
3. Vested terminated members			
a. Number	9	8	12.5%
b. Annual deferred benefits	\$ 263,063	\$ 233,142	12.8%
c. Average annual deferred benefit	\$ 29,229	\$ 29,143	0.3%
d. Supplemental medical insurance premiums deferred	11,340	10,080	12.5%
4. Retired members			
a. Number	126	117	7.7%
b. Annual retirement benefits	\$ 6,662,880	\$ 5,676,755	17.4%
c. Average annual retirement benefit	\$ 52,880	\$ 48,519	9.0%
d. Supplemental medical insurance premiums	128,520	120,960	6.3%
5. Surviving spouses			
a. Number	47	49	(4.1%)
b. Annual retirement benefits	\$ 877,906	\$ 804,463	9.1%
c. Average annual retirement benefit	\$ 18,679	\$ 16,418	13.8%
6. Disabled members			
a. Number	2	2	0.0%
b. Annual retirement benefits	\$ 107,204	\$ 110,204	(2.7%)
c. Average annual retirement benefit	\$ 53,602	\$ 55,102	(2.7%)
d. Supplemental medical insurance premiums	2,520	2,520	0.0%
7. Total members included in valuation	450	446	0.9%

Funding Results

Comparative Summary of Principal Valuation Results *(continued)*

	Actuarial Valuation as of		Percent
	July 1, 2005	July 1, 2004	Change
Summary of Assets, Liabilities and Funded Status			
1. System assets on valuation date			
a. Actuarial value	\$ 203,951,085	\$ 201,141,649	1.4%
b. Market value	205,705,354	191,779,689	7.3%
2. Actuarial accrued liability ²	\$ 187,556,845	\$ 166,275,941	12.8%
a. Funded ratio - actuarial value ²	108.7%	121.0%	(10.2%)
b. Funded ratio - market value	109.7%	115.3%	(4.9%)
3. Unfunded actuarial accrued liability (based on actuarial value of assets)	\$ (16,394,240)	\$ (34,865,708)	(53.0%)
4. Present value of accumulated benefits (FASB No. 35)	\$ 140,497,981	\$ 123,800,392	13.5%
a. Funded ratio - actuarial value	145.2%	162.5%	(10.7%)
b. Funded ratio - market value	146.4%	154.9%	(5.5%)

² GASB No. 25 Basis

Funding Results

Comparative Summary of Principal Valuation Results (continued)

	Actuarial Valuation as of		July 1, 2004		Percent Change in Amount
	July 1, 2005		Amount	% of Active Covered Comp.	
	Amount	% of Active Covered Comp.	Amount	% of Active Covered Comp.	
Summary of Contribution Requirements					
1. Annual compensation for members included in valuation	\$ 24,814,338	N/A	\$ 25,715,005	N/A	(3.5%)
2. Total normal cost mid-year	7,640,400	30.8%	7,089,338	27.6%	7.8%
3. Unfunded actuarial accrued liability	(16,394,240)	(66.1%)	(34,865,708)	(135.6%)	(53.0%)
4. Amortization of unfunded actuarial accrued liability over 40 years from July 1, 1987 mid-year	(1,461,856)	(5.9%)	(3,113,762)	(12.1%)	(53.1%)
5. Budgeted expenses provided by the System	247,787	1.0%	214,640	0.8%	15.4%
6. Total required contribution (2. + 4. + 5.)	\$ 6,426,331	25.9%	\$ 4,190,216	16.3%	53.4%
7. Estimated member contributions	1,985,147	8.0%	1,956,041	7.6%	1.5%
8. Required employer contributions (not less than \$0) (6. - 7.)	\$ 4,441,184	17.9%	\$ 2,234,175	8.7%	98.8%
9. Actual member contributions during previous year	1,716,996	6.7% ³	1,772,673	6.9% ³	(3.1%)
10. Actual employer contributions during previous year	475,019	1.8% ³	485,793	1.9% ³	(2.2%)

³ Percentage of previous years' annual compensation for active members (\$25,715,005 in 2004 and \$25,652,805 in 2003).

Funding Results

Unfunded Actuarial Accrued Liability

The actuarial accrued liability is the present value of projected System benefits allocated to past service by the actuarial funding method being used beginning on July 1, 2005. Results as of July 1, 2004, are shown for comparison but were not used to calculate the July 1, 2005, required contribution.

	July 1, 2005	July 1, 2004
1. Actuarial present value of benefits		
a. Active members	\$ 172,060,260	\$ 162,150,534
b. Terminated vested members	2,998,775	2,588,021
c. Retirees, disableds, and joint annuitants/surviving spouses	79,159,372	61,769,303
d. Total (a. + b. +c.)	\$ 254,218,407	\$ 226,507,858
2. Actuarial present value of future normal costs	66,661,562	60,231,917
3. Total actuarial accrued liability (1 - 2)	\$ 187,556,845	\$ 166,275,941
4. Actuarial value of assets	203,951,085	201,141,649
5. Unfunded actuarial accrued liability (3. - 4.)	\$ (16,394,240)	\$ (34,865,708)

Funding Results

Actuarial Gain/(Loss)

The actuarial gain/(loss) is comprised of both the liability gain/(loss) and the actuarial asset gain/(loss). Each of these represents the difference between the expected and actual values as of July 1, 2005.

1. Expected actuarial accrued liability		
a. Actuarial accrued liability at July 1, 2004	\$	166,275,941
b. Normal cost at July 1, 2004		6,833,097
c. Interest on a. + b. to end of year		12,983,178
d. Benefit payments for fiscal year ending June 30, 2005, with interest to end of year		(7,841,016)
e. Expected actuarial accrued liability before changes (a. + b. + c. + d.)	\$	178,251,200
f. Change in actuarial accrued liability at July 1, 2005, due to change in plan provisions and assumptions		10,784,071
g. Expected actuarial accrued liability at July 1, 2005 (e. + f.)	\$	189,035,271
2. Actuarial accrued liability at July 1, 2005		187,556,845
3. Actuarial liability gain/(loss) (1.g. - 2)	\$	1,478,426
4. Expected actuarial value of assets		
a. Actuarial value of assets at July 1, 2004		201,141,649
b. Interest on a. to end of year		15,085,624
c. Contributions made for fiscal year ending June 30, 2005		2,192,015
d. Interest on c. to end of year		82,201
e. Benefit payments and administrative expenses for fiscal year ending June 30, 2005, with interest to end of year		(7,932,051)
f. Expected actuarial value of assets at July 1, 2005 (a. + b. + c. + d. + e.)	\$	210,569,438
5. Actuarial value of assets as of July 1, 2005		203,951,085
6. Actuarial asset gain/(loss) (5. - 4f.)	\$	(6,618,353)
7. Net actuarial gain/(loss) (3. + 6.)	\$	(5,139,927)

COLA Reserve

1. Reserve as of July 1, 2004		0
2. Interest at 7.5%		0
3. Reserve increment		1,527,376
4. Expected reserve as of July 1, 2005 (1. + 2. + 3.)		1,527,376
5. Ad hoc cost of living increase during 2004/2005		0
6. Actual reserve on July 1, 2005 (4. less 5., not less than \$0)		1,527,376

Funding Results

Normal Cost

The components of normal cost under the entry age normal funding method are shown below. Normal cost under the entry age normal funding method is shown for July 1, 2004, for comparison.

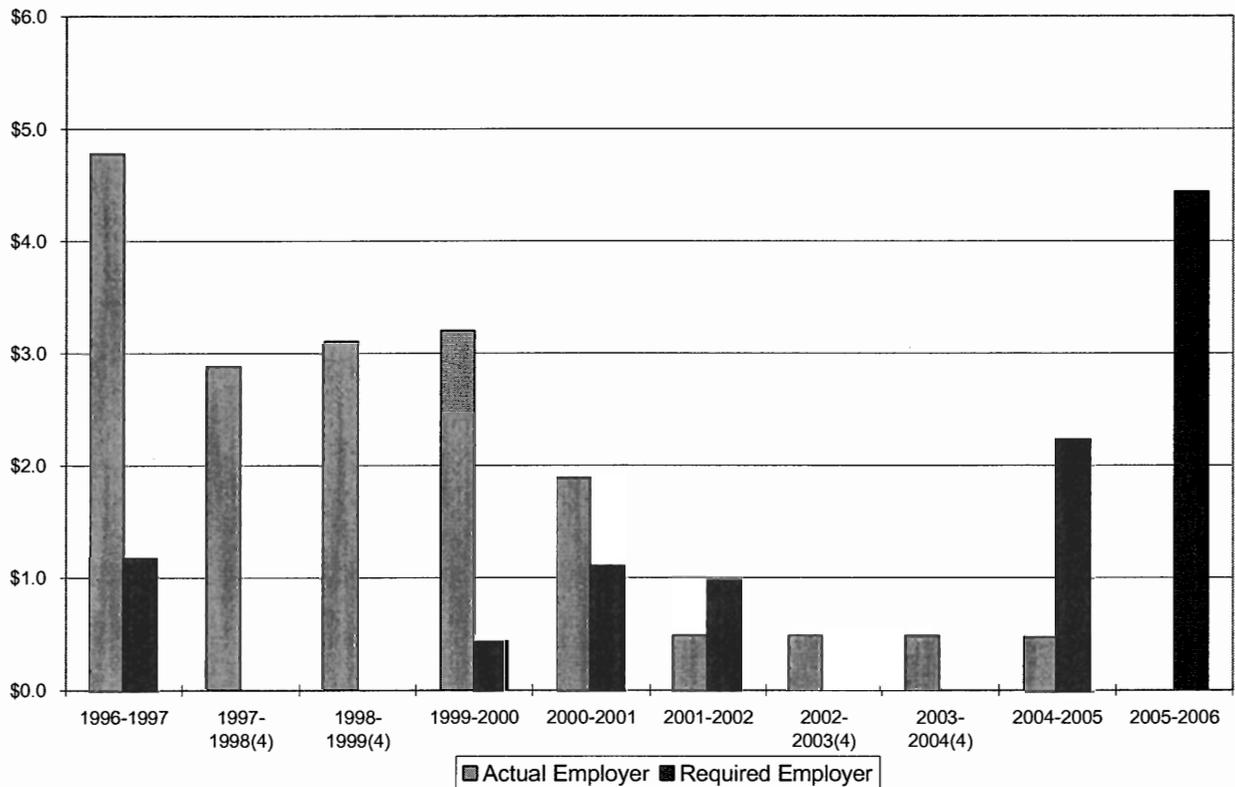
Component	July 1, 2005		July 1, 2004	
Retirement benefits	\$	5,800,521	\$	5,281,157
Death benefits		851,190		844,319
Withdrawal benefits		563,402		542,693
Supplemental medical insurance premiums		81,663		72,749
Normal cost for people who have not submitted an application		76,348		92,179
Total normal cost at beginning of year	\$	7,373,124	\$	6,833,097
Total normal cost at mid year	\$	7,640,400	\$	7,089,338
Normal cost rate at mid year		30.79%		27.57%
Annual covered payroll	\$	24,814,338	\$	25,715,005

Funding Results

Contributions

Contributions to the Retirement System are made by the members and their employers. Before September 1, 2005, basic member contributions equal 5% of base salary, while married members have an 8% contribution rate in order to provide survivor coverage. After September 1, 2005, the member contribution rate for all members will be 8% of member's salary. Before July 1, 1997, the fund received an amount equal to 10% of the Court Fund receipts. After July 1, 1997, employer contributions were based on members' salary and a yearly schedule and, effective January 1, 2001, were changed to 2.0% of the members' salary. Effective for the fiscal year ending June 30, 2006, employer contributions will increase to 3.0% of the members' salary and will increase annually up to 22.0% for fiscal years ending June 30, 2019, and thereafter. The Board is authorized to adjust the contribution rates to prevent a funded ratio of the System of less than 100%.

**Employer Contributions Received versus
Contributions Required Under GASB 25
(\$000,000)**



⁽⁴⁾ The Required Employer Contribution is \$0 for 1997-1998, 1998-1999, 2002-2003, and 2003-2004.

Funding Results

Ten-Year Projected Cash Flow (Retirement Benefit Payments) ⁵

The chart below shows estimated benefits expected to be paid over the next ten years, based on the assumptions used in this valuation. The "Actives" column shows benefits expected to be paid to members currently active on July 1, 2005. The "Retirees" column shows benefits expected to be paid to all other members. This includes those who, as of July 1, 2005, are receiving benefit payments or who terminated employment and are entitled to a deferred vested benefit.

Fiscal Year Ending	Actives	Retirees ⁶	Total
6/30/2006	\$ 2,041,348	\$ 7,776,313	\$ 9,817,661
6/30/2007	3,300,885	7,774,994	11,075,879
6/30/2008	3,976,686	7,741,431	11,718,117
6/30/2009	4,993,478	7,644,744	12,638,222
6/30/2010	6,108,153	7,545,429	13,653,582
6/30/2011	7,002,495	7,429,751	14,432,246
6/30/2012	8,750,120	7,283,933	16,034,053
6/30/2013	10,442,132	7,120,933	17,563,065
6/30/2014	11,848,140	6,960,957	18,809,097
6/30/2015	13,726,872	6,785,175	20,512,047

Expected Three-Year Cash Flow on Medical Insurance Premium to Retirees

Fiscal Year Ending	Actives	Retirees	Total
6/30/2006	\$ 20,458	\$ 129,444	\$ 149,902
6/30/2007	32,971	126,182	159,153
6/30/2008	42,751	121,545	164,296

⁵ Includes medical insurance premium to retirees.

⁶ Includes disabled members, surviving spouses and terminated vested members.

Funding Results

Liability Detail

Results are shown under the entry age normal funding method for July 1, 2005, and July 1, 2004, for comparison.

	July 1, 2005	July 1, 2004
Total Present Value of Benefits	\$ 254,218,407	\$ 226,507,858
Accrued Liability	187,556,845	166,275,941
Normal Cost Mid-Year	7,640,400	7,089,338
Actuarial Accrued Liability		
1. Actives		
a. Retirement benefits	\$ 89,416,555	\$ 84,958,168
b. Death benefits	12,968,647	13,962,770
c. Withdrawal benefits	2,006,653	2,000,517
d. Medical insurance premiums	957,370	900,876
e. Liability for people who have not submitted an application	49,473	96,286
f. Total	\$ 105,398,698	\$ 101,918,617
2. Inactive		
a. Retired members	68,269,875	52,619,284
b. Disabled members	1,212,722	1,371,559
c. Surviving spouses	7,181,963	6,952,630
d. Terminated vested members	2,478,061	2,157,813
e. Unclaimed contributions	443,653	366,870
f. Supplemental medical insurance premiums	1,044,497	889,168
g. COLA reserve	1,527,376	0
h. Total	\$ 82,158,147	\$ 64,357,324
3. Actuarial accrued liability (1.f. + 2.h.)	\$ 187,556,845	\$ 166,275,941
Normal Cost		
1. Retirement benefits	\$ 5,800,521	\$ 5,281,157
2. Death benefits	851,190	844,319
3. Withdrawal benefits	563,402	542,693
4. Supplemental medical insurance premiums	81,663	72,749
5. Normal cost for people who have not submitted an application	76,348	92,179
6. Total	\$ 7,373,124	\$ 6,833,097

Accounting Results

FASB No. 35 Information

Actuarial Present Value of Accumulated System Benefits

The actuarial present value of vested and nonvested accumulated System benefits was computed on an ongoing System basis in order to provide required information under Financial Accounting Standards Board Statement No. 35. In this calculation, a determination is made of all benefits earned by current participants as of the valuation date; the actuarial present value is then computed using demographic assumptions and an assumed interest rate. Assumptions regarding future salary and accrual of future benefit service are not necessary for this purpose. *Assumption of 2% future ad hoc cost-of-living increases is not reflected in this liability. Only System liabilities accrued (and in statute) as of the valuation date are included.*

Accumulated System Benefits	July, 1, 2005	July, 1, 2004
Vested benefits		
▪ Active members	\$ 63,100,374	\$ 59,884,993
▪ Members with deferred benefits ⁷	2,579,985	2,226,789
▪ Members and beneficiaries receiving benefits	67,283,223	54,083,252
Total vested benefits	\$ 132,963,582	\$ 116,195,034
Nonvested benefits	7,534,399	7,605,358
Total accumulated System benefits	\$ 140,497,981	\$ 123,800,392
Assumed rate of interest	7.25%	7.50%
Market value of assets available for benefits	\$ 205,705,354	\$ 191,779,689
Funded ratio	146.4%	154.9%
Change in accumulated System benefits due to:		
▪ Assumption changes	\$ 6,857,157	\$ 0
▪ Plan provision changes	\$ 965,314	\$ 8,181,926
Number of members	July, 1, 2005	July, 1, 2004
Vested members		
▪ Active members	173	178
▪ Members with deferred benefits	9	8
▪ Members and beneficiaries receiving benefits	175	168
Total vested members	357	354
Nonvested members	93	92
Total members	450	446

⁷ Unclaimed contributions include \$443,653 for July 1, 2005, and \$366,870 for July 1, 2004.

Accounting Results

FASB No. 35 Information *(continued)*

Statement of Changes in Accumulated System Benefits

A statement of changes in the actuarial present value of accumulated System benefits follows. This statement shows the effect of certain events on the actuarial present value shown on the previous page.

Actuarial present value of accumulated System benefits as of July 1, 2004	\$	123,800,392
Increase/(decrease) during year attributable to:		
▪ Normal cost and (gains)/losses		7,431,105
▪ Increase for interest due to decrease in discount period		9,001,619
▪ Benefits paid		(7,557,606)
▪ Plan provision change		965,314
▪ Assumption change		6,857,157
Net increase/(decrease)	\$	16,697,589
Actuarial present value of accumulated System benefits as of July 1, 2005	\$	140,497,981

The benefits valued include all benefits (retirement, preretirement death, vested termination, and refund of contributions) payable from the System for member service prior to the valuation date. Benefits are assumed to accrue/(accumulate) in accordance with the System provisions.

Accounting Results

GASB No. 25 Information

Supplementary Schedules

Financial Reporting for Defined Benefit and Note Disclosures for Defined Contribution Plans (GASB Statement No. 25), became effective for periods beginning after June 15, 1996, and requires funded status to be measured based upon the actuarial funding method adopted by the Board of Retirement.

Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Liability (AAL) Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
7/1/2000	\$ 169,693,888	\$ 128,020,480	\$ (41,673,408)	132.6%	\$ 22,295,354	(186.9%)
7/1/2001	184,909,669	139,157,241	(45,752,428)	132.9%	23,808,429	(192.2%)
7/1/2002	193,010,895	130,227,043	(62,783,852)	148.2%	25,744,427	(243.9%)
7/1/2003	196,989,778	140,856,203	(56,133,575)	139.9%	25,652,805	(218.8%)
7/1/2004	201,141,649	166,275,941	(34,865,708)	121.0%	25,715,005	(135.6%)
7/1/2005	203,951,085	187,556,845	(16,394,240)	108.7%	24,814,338	(66.1%)

Schedule of Employer Contributions

The GASB Statement No. 25 required and actual contributions are as follows:

Year Ended June 30	Annual Required Contribution	Percentage Contributed
2000	\$ 435,693	734.7%
2001	1,109,744	170.0%
2002	977,570	50.3%
2003	0	N/A
2004	0	N/A
2005	2,234,175	21.3%

Accounting Results

GASB No. 27 Information

Annual Pension Cost

	Fiscal Year Ended June 30, 2006	Fiscal Year Ended June 30, 2005
Annual required contribution	\$ 4,441,184	\$ 2,234,175
Interest on net pension obligation	(1,053,215)	(1,239,199)
Adjustment to annual required contribution	1,295,362	1,475,592
Annual pension cost	4,683,331	2,470,568
Actual contribution	⁸	475,019
Increase in net pension obligation	⁸	1,995,549
Beginning of year net pension obligation	(14,527,099)	(16,522,648)
End of year net pension obligation	⁸	(14,527,099)
Interest rate	7.25%	7.50%
Amortization period	22	23
Amortization factor	11.2147	11.1973

⁸ Not available until the end of the year.

System Assets

Summary of Assets

Asset Category	Market Value as of June 30, 2005	Market Value as of June 30, 2004
1. Cash and short-term investments		
a. Cash and short-term investments	\$ 4,403,495	\$ 8,667,611
2. Receivables		
a. Interest and dividends	801,802	833,650
b. Member contributions	139,987	135,961
c. Employer contributions	36,511	37,705
d. Due from brokers	17,073,223	8,834,184
e. Other receivables	1,228	60,931
f. Total receivables	\$ 18,052,751	\$ 9,902,431
3. Investments at fair value		
a. Government bonds	61,919,334	64,077,469
b. Corporate bonds	35,666,844	25,335,022
c. Domestic stocks	78,469,633	74,888,246
d. International stocks	27,190,773	25,195,838
e. Total	\$ 203,246,584	\$ 189,496,575
4. Total assets	\$ 225,702,830	\$ 208,066,617
5. Liabilities		
a. Due to brokers and investment managers	(19,997,476)	(16,286,928)
b. Accounts payable/accrued expenses	0	0
c. Benefits payable	0	0
d. Total liabilities	\$ (19,997,476)	\$ (16,286,928)
6. Net assets available for pension benefits	\$ 205,705,354	\$ 191,779,689

System Assets

Reconciliation of Assets

Transactions	Fiscal Year Ended June 30, 2005	Fiscal Year Ended June 30, 2004
Additions		
1. Contributions		
a. Employer contributions	\$ 475,019	\$ 485,793
b. Member contributions	1,716,996	1,772,673
c. Total	\$ 2,192,015	\$ 2,258,466
2. Net investment income		
a. Interest	\$ 4,055,172	\$ 3,803,566
b. Dividends	0	0
c. Realized and unrealized gain	15,385,282	16,782,541
d. Security lending activity	45,682	29,228
e. Other	0	35
f. Total investment income	\$ 19,486,136	\$ 20,615,370
g. Investment expense	(107,136)	(98,926)
h. Net investment income	\$ 19,379,000	\$ 20,516,444
3. Total additions	\$ 21,571,015	\$ 22,774,910
Deductions		
4. Retirement benefits	(7,393,588)	(6,476,146)
5. Refund of contributions	(164,018)	(83,112)
6. Administrative expenses	(87,744)	(82,832)
7. Total deductions	\$ (7,645,350)	\$ (6,642,090)
8. Net increase	\$ 13,925,665	\$ 16,132,820
9. Net assets held in trust for pension benefits		
a. Beginning of year	191,779,689	175,646,869
b. End of year	\$ 205,705,354	\$ 191,779,689
Reconciliation of actuarial value and market value		
Actuarial asset value	\$ 203,951,085	\$ 201,141,649
Deferred gains/(losses)	1,754,269	(9,361,960)
Market value	\$ 205,705,354	\$ 191,779,689

System Assets

Actuarial Value of Assets

Schedule of Asset Gain/(Loss)

Year	Original Amount	Recognized in Prior Years	Recognized This Year	Recognized in Future Years
2000/2001	\$ (20,069,649)	\$ (16,055,720)	\$ (4,013,929)	\$ 0
2001/2002	(19,913,213)	(11,947,929)	(3,982,643)	(3,982,641)
2002/2003	(3,513,375)	(1,405,350)	(702,675)	(1,405,350)
2003/2004	5,906,597	1,181,319	1,181,319	3,543,959
2004/2005	4,497,876	0	899,575	3,598,301
Total	\$ (33,091,764)	\$ (28,227,680)	\$ (6,618,353)	\$ 1,754,269

Development of Actuarial Value of Assets

1. Actuarial value as of July 1, 2004	\$ 201,141,649
2. Contributions	
a. Member	1,716,996
b. Employer	475,019
c. Total (a. + b.)	\$ 2,192,015
3. Decreases during year	
a. Benefit payments	(7,393,588)
b. Return of member contributions	(164,018)
c. Noninvestment expenses	(87,744)
d. Total (a. + b. + c.)	\$ (7,645,350)
4. Expected return at 7.5% on:	
a. Item 1	15,085,624
b. Item 2 (one-half year)	82,201
c. Item 3 (one-half year)	(286,701)
d. Total (a. + b. + c.)	\$ 14,881,124
5. Expected actuarial value of assets June 30, 2005 (1. + 2. + 3. + 4.)	\$ 210,569,438
6. Unrecognized asset gain/(loss) as of June 30, 2004	(9,361,960)
7. Expected actuarial value June 30, 2005, plus previous year's unrecognized asset gain/(loss) (5. + 6.)	\$ 201,207,478
8. Market value June 30, 2005	205,705,354
9. 2004/2005 asset gain/(loss) (8. - 7.)	\$ 4,497,876
10. Asset gain/(loss) to be recognized as of June 30, 2005	(6,618,353)
11. Initial actuarial value July 1, 2005 (5. + 10.)	\$ 203,951,085
12. Constraining values:	
a. 80% of market value (8. x .8)	\$ 164,564,283
b. 120% of market value (8. x 1.2)	\$ 246,846,425
13. Actuarial value as of July 1, 2005 <i>(11.), but not less than (12a.), nor greater than (12b.)</i>	\$ 203,951,085

System Assets

Average Annual Rates of Investment Return

The annual return on market value shown below is the return on the actual value of System assets during the year. The actuarial value of assets amortizes the difference between each year's actual return on assets and the investment return assumption used for the valuation. The annual return on actuarial value reflects this amortization.

The Average Return Since Fiscal Year columns show the average annual return after that fiscal year. For instance, the average return of market value shown for the year 2001 is 4.0%. This is the average annual return for the five years beginning with the fiscal year ended June 30, 2001 and ending with the fiscal year ended June 30, 2005. Over time, the average return on actuarial value and the average return on market value should converge.

Fiscal Year Ending June 30	Actuarial Value		Market Value	
	Annual	Average Return Since Fiscal Year	Annual	Average Return Since Fiscal Year
1996	12.4%	9.8%	15.9%	9.2%
1997	13.9%	9.5%	19.0%	8.4%
1998	14.9%	9.0%	18.9%	7.2%
1999	15.1%	8.2%	8.7%	5.6%
2000	14.1%	7.1%	10.9%	5.1%
2001	9.9%	5.7%	(4.0%)	4.0%
2002	6.1%	4.7%	(3.5%)	6.1%
2003	4.1%	4.2%	6.5%	9.5%
2004	4.4%	4.3%	11.8%	11.0%
2005	4.2%	4.2%	10.3%	10.3%

Participant Data

Member Data Reconciliation

	Active Members	With Deferred Benefits	Receiving Benefits			Total
			Retired Members	Disabled Members	Surviving Spouses	
As of July 1, 2004	270	8	117	2	49	446
Age retirements	(15)	(1)	16	0	0	0
Disability retirements	0	0	0	0	0	0
Deaths without surviving spouse	(1)	0	(4)	0	(5)	(10)
Deaths with surviving spouse	0	0	(3)	0	3	0
Nonvested terminations	(3)	0	0	0	0	(3)
Vested terminations	(2)	2	0	0	0	0
Return to participation	0	0	0	0	0	0
Expiration of benefits	0	0	0	0	0	0
Data corrections	0	0	0	0	0	0
Transfers	0	0	0	0	0	0
Net	(21)	1	9	0	(2)	(13)
New entrants during the year	15	0	0	0	0	15
No applications	2	0	0	0	0	2
Net change	(4)	1	9	0	(2)	4
As of July 1, 2005	266	9	126	2	47	450

Participant Data

Count of Paid Active Members

Age	Years of Service									Total
	0 - 4	5 - 9	10 -14	15 -19	20 - 24	25 - 29	30 - 34	35 - 39	40+	
Under 20	0	0	0	0	0	0	0	0	0	0
20 - 24	0	0	0	0	0	0	0	0	0	0
25 - 29	0	0	0	0	0	0	0	0	0	0
30 - 34	3	0	0	0	0	0	0	0	0	3
35 - 39	5	3	1	0	0	0	0	0	0	9
40 - 44	11	5	4	0	0	0	0	0	0	20
45 - 49	9	10	8	3	0	0	0	0	0	30
50 - 54	10	18	16	16	9	1	0	0	0	70
55 - 59	9	14	12	9	16	4	1	0	0	65
60 - 64	9	6	12	3	3	0	1	0	0	34
65 - 69	2	3	8	3	2	0	0	1	0	19
70 - 74	0	0	1	2	2	0	0	1	1	7
75+	0	1	0	2	0	0	0	0	3	6
Total	58	60	62	38	32	5	2	2	4	263
										3 ⁹
										266

Average Compensation of Paid Active Members ¹⁰

Age	Years of Service									Total
	0 - 4	5 - 9	10 -14	15 -19	20 - 24	25 - 29	30 - 34	35 - 39	40+	
Under 20	0	0	0	0	0	0	0	0	0	0
20 - 24	0	0	0	0	0	0	0	0	0	0
25 - 29	0	0	0	0	0	0	0	0	0	0
30 - 34	85,662	0	0	0	0	0	0	0	0	85,662
35 - 39	88,049	90,488	85,174	0	0	0	0	0	0	88,542
40 - 44	90,188	88,371	94,802	0	0	0	0	0	0	90,656
45 - 49	78,822	93,913	93,218	93,024	0	0	0	0	0	89,111
50 - 54	90,242	93,120	93,668	93,852	97,098	92,708	0	0	0	93,507
55 - 59	88,617	95,043	93,430	98,370	94,945	104,371	101,172	0	0	94,960
60 - 64	90,539	98,496	92,441	97,499	104,948	0	92,708	0	0	94,564
65 - 69	87,679	85,184	92,755	95,834	106,861	0	0	90,203	0	92,862
70 - 74	0	0	101,172	102,336	96,220	0	0	101,154	101,170	100,087
75+	0	85,191	0	104,218	0	0	0	0	112,540	105,208
Total	87,739	93,182	93,266	96,293	97,313	102,039	96,940	95,678	109,698	93,421¹⁰

⁹ Members without applications

¹⁰ Average compensation for members without application is \$81,566. The average for all members including members without applications is \$93,287.

Participant Data

Members in Pay Status - Annual Benefits ¹¹

Age	Retired Members		Surviving Spouses		Disabled Members		Total	
	No.	Benefit	No.	Benefit	No.	Benefit	No.	Benefit
Under 51	0	\$ 0	0	\$ 0	0	\$ 0	0	\$ 0
51	0	0	0	0	0	0	0	0
52	0	0	0	0	0	0	0	0
53	0	0	0	0	0	0	0	0
54	0	0	0	0	0	0	0	0
55	0	0	1	17,970	0	0	1	17,970
56	0	0	0	0	0	0	0	0
57	2	155,419	2	58,401	0	0	4	213,820
58	2	195,498	0	0	1	55,062	3	250,560
59	2	170,297	0	0	0	0	2	170,297
60	3	203,212	1	34,691	1	52,142	5	290,045
61	3	225,835	1	15,939	0	0	4	241,774
62	7	379,965	1	15,632	0	0	8	395,597
63	5	304,493	0	0	0	0	5	304,493
64	3	158,920	0	0	0	0	3	158,920
65	5	326,337	1	36,176	0	0	6	362,513
66	5	251,528	0	0	0	0	5	251,528
67	4	239,921	1	33,489	0	0	5	273,410
68	3	188,860	1	9,301	0	0	4	198,161
69	5	242,983	0	0	0	0	5	242,983
70	1	62,171	2	43,481	0	0	3	105,652
71	1	78,863	0	0	0	0	1	78,863
72	5	231,703	2	61,595	0	0	7	293,298
73	6	324,557	1	25,676	0	0	7	350,233
74	7	405,017	1	9,942	0	0	8	414,959
75	5	258,525	0	0	0	0	5	258,525
76	5	219,862	1	27,440	0	0	6	247,302
77	6	273,794	1	23,262	0	0	7	297,056
78	2	96,507	4	76,281	0	0	6	172,788
79	11	493,409	4	79,661	0	0	15	573,070
80	3	145,941	4	69,994	0	0	7	215,935
81	4	151,715	0	0	0	0	4	151,715
82	5	236,208	1	15,430	0	0	6	251,638
83	4	177,919	1	26,987	0	0	5	204,906
84	1	42,241	1	7,609	0	0	2	49,850
85	2	64,774	3	44,256	0	0	5	109,030
86	2	86,682	2	23,980	0	0	4	110,662
87	1	46,271	2	18,858	0	0	3	65,129
88	1	38,135	1	7,240	0	0	2	45,375
89	1	34,982	0	0	0	0	1	34,982
90	0	0	2	17,893	0	0	2	17,893
Over 90	4	150,336	5	76,722	0	0	9	227,058
Total	126	\$ 6,662,880	47	\$ 877,906	2	\$ 107,204	175	\$ 7,647,990

¹¹ Benefit amounts do not include the supplemental medical insurance premium.

Participant Data

Terminated Vested Members - Deferred Annual Benefits¹²

Age	Members With Deferred Benefits	
	No.	Benefit
Under 40	0	\$ 0
40	0	0
41	0	0
42	0	0
43	0	0
44	0	0
45	0	0
46	0	0
47	0	0
48	1	29,232
49	0	0
50	1	24,985
51	0	0
52	1	14,062
53	0	0
54	1	25,358
55	1	46,542
56	1	38,615
57	1	48,690
58	0	0
59	0	0
60	0	0
61	0	0
62	0	0
63	1	21,708
64	1	13,871
65 + over	0	0
Total	9	263,063

¹² Benefit amounts do not include the supplemental medical insurance premium.

Participant Data

Member Statistics

Inactive Members as of July 1, 2005	No.	Amount of Annual Benefit	
Members Receiving Benefits			
▪ Retired	126	\$	6,662,880
▪ Surviving spouses	47		877,906
▪ Disabled	2		107,204
Total	175	\$	7,647,990
Members with Deferred Benefits			
▪ Vested terminated	9	\$	263,063
▪ Surviving spouses	0		0
▪ Disabled	0		0
Total	9	\$	263,063

Statistics for	No.	Average		
		Age	Service	Earnings
Active members as of July 1, 2004				
▪ Continuing	261	55.2	12.4	\$ 95,536
▪ New	9	50.9	0.7	\$ 86,691
Total	270	55.1	12.0	\$ 95,241
Active members as of July 1, 2005				
• Continuing	248	55.7	12.5	\$ 94,138
• New	18	48.0	0.7	\$ 81,566
Total	266	55.2	11.7	\$ 93,287

Participant Data

Data Tape Reconciliation

	July 1, 2005	July 1, 2004
1. Active records		
a. Active records submitted	263	266
b. Corrections	0	0
c. Reported on retired tape	0	0
d. Non-vested terminations	0	0
e. People who have not yet submitted at application	3	4
f. Total	266	270
2. Inactive records		
a. Retirees		
i. Retired records submitted and included in valuation	308	292
ii. On active tape	0	0
iii. Deaths without beneficiary	(133)	(124)
iv. Total	175	168
b. Terminated vested		
i. Terminated vested records submitted	10	8
ii. Zero data record	0	0
iii. Terminated vested member began receiving benefits	(1)	0
c. Total	9	8
3. Total records		
a. Inactive members	184	176
b. Active members	266	270
Total valued	450	446

Actuarial Basis

Actuarial Cost Method

Cost Method Used for Funding

Entry Age Actuarial Cost Method

Liabilities and contributions shown in this report are computed using the Individual Entry Age method of funding.

Sometimes called "funding method," this is a particular technique used by actuaries for establishing the amount of the annual actuarial cost of pension System benefits, or normal cost, and the related unfunded actuarial accrued liability. Ordinarily the annual contribution to the System is comprised of (1) the normal cost and (2) an amortization payment on the unfunded actuarial accrued liability.

Under the Entry Age Actuarial Cost Method, the **Normal Cost** is computed as the level percentage of pay which, if paid from the earliest time each member would have been eligible to join the System if it then existed (thus, entry age) until his retirement or termination, would accumulate with interest at the rate assumed in the valuation to a fund sufficient to pay all benefits under the System.

The **Actuarial Accrued Liability** under this method at any point in time is the theoretical amount of the fund that would have accumulated had annual contributions equal to the normal cost been made in prior years (it does not represent the liability for benefits accrued to the valuation date). The **Unfunded Actuarial Accrued Liability** is the excess of the actuarial accrued liability over the actuarial value of System assets actually on hand on the valuation date.

Under this method experience gains or losses, i.e. decreases or increases in accrued liabilities attributable to deviations in experience from the actuarial assumptions, adjust the unfunded actuarial accrued liability.

Present Value of Accrued System Benefit (FASB #35)

The present value of accrued System benefits represents the actuarial present value of benefits which are accrued based on service and salary information as of the valuation date.

Actuarial Basis

Asset Valuation Method

The actuarial value of assets is based on a five-year moving average of expected and market values determined as follows:

- at the beginning of each fiscal year, a preliminary expected actuarial asset value is calculated as the sum of the previous year's actuarial value increased with a year's interest at the System valuation rate plus net cash flow adjusted for interest (at the same rate) to the end of the previous fiscal year;
- the expected actuarial asset value is set equal to the preliminary expected actuarial value plus the unrecognized investment gains and losses as of the beginning of the previous fiscal year;
- the difference between the expected actuarial asset value and the market value is the investment gain or loss for the previous fiscal year;
- the (final) actuarial asset value is the preliminary value plus 20% of the investment gains and losses for each of the five previous fiscal years, but in no case more than 120% of the market value or less than 80% of the market value.

Actuarial Basis

Valuation Procedures

No actuarial accrued liability in excess of the unclaimed contributions is held for nonvested, inactive members who have a break in service, or for nonvested members who have quit or been terminated, even if a break in service has not occurred as of the valuation date.

The wages used in the projection of benefits and liabilities are rates of pay as of June 30, 2005.

In computing accrued benefits, average earnings are determined using actual pay history provided for valuation purposes.

The wages used in the projection of benefits and liabilities are considered earnings for the year ending June 30, 2005 increased by the salary scale to develop expected earnings for the current valuation year. Earnings are annualized for members with less than twelve months of reported earnings.

Benefits above the projected 415 limit for active participants are assumed to be immaterial for the valuation.

The compensation limitation under IRC Section 401(a)(17) is considered in this valuation. On a projected basis, the impact of this limitation is insignificant.

The calculations for the required employer contribution are determined as of mid-year. This is a reasonable assumption since contributions are made on a monthly basis throughout the year, and mid-year represents an average weighting of the contributions.

The expected member contribution amounts are determined based on total payroll, not limited to payroll for members below normal retirement age. This is a more realistic estimate based on the historical pattern of contributions.

Included in the valuation are "members without applications." These members are contributing to the System but have not yet filled out an enrollment application. For these members, amounts are added to the active liability and normal cost based on the average liability and normal cost for a new member. They are also assigned the average compensation for new members. Additional compensation equal to the average for new members is added to total earnings so that these members would be reflected in the normal cost contribution.

In computing accrued benefits, average earnings are determined using actual pay history provided for valuation purposes.

An amount has been included in the accrued liability to account for cost of living adjustments to the benefits of retired participants that have not been granted by the valuation date. Any ad hoc increase granted will decrease the reserve amount by the cost of the increase. When the cost of an ad hoc increase is greater than the amount of the reserve, the reserve is set to zero and the period for calculating ungranted increases is set to the valuation date.

Actuarial Basis

Summary of Actuarial Assumptions

Economic Assumptions		
<i>Investment return</i>	7.25% net of investment expenses per annum, compounded annually	
<i>Earnings progression</i>	5.5% per year.	
<i>Ad hoc benefit increase assumption</i>		
<i>Monthly benefits</i>	2% per year.	
<i>Medical supplement</i>	No increases assumed	
<i>Projection of 401(a)(17) compensation limit</i>	Projected with inflation at 2.5%	
Demographic Assumptions		
<i>Retirement age</i>		
<i>Active members</i>	<u>Attained Age</u>	<u>Annual Rates of Retirement per 100 Eligible Members</u>
	Below 62	5
	62	30
	63 - 64	10
	65	40
	66 - 67	10
	68	30
	69	10
	70	50
	71 - 74	30
	75 +	100
<i>Deferred vested members</i>	Participants with deferred benefits are assumed to commence benefits on a date provided by OPERS. Actives expected to terminate with a vested benefit are expected to commence benefits at age 60.	
<i>Mortality rates</i>		
<i>Active participants and nondisabled pensioners</i>	RP-2000 Combined Active/Retired Healthy Mortality Table projected to 2010 using Scale AA	
<i>Disabled pensioners</i>	RP-2000 Combined Active/Retired Healthy Mortality Table projected to 2010 using Scale AA set forward 15 years	
<i>Separation rates</i>		
<i>Separation for all reasons other than death</i>	2% for all years of service	
<i>Disability rates</i>	0%	
<i>Marital status</i>		
<i>Age difference</i>	Males are assumed to be four years older than spouses	
<i>Percentage married</i>	85%	

Actuarial Basis

Summary of Actuarial Assumptions *(continued)*

Other Assumptions

Actuarial value of assets

An expected actuarial value is determined equal to the prior year's actuarial value of assets plus cash flow (excluding realized and unrealized gains and losses) for the year ended on the valuation date and assuming the valuation investment return. Twenty percent (20%) of any (gain)/loss as measured by the difference between the expected actuarial value and the market value at the valuation date is added to the expected actuarial value. The (gain)/loss is amortized over five years. The result is constrained to a value of 80% to 120% of the market value at the valuation date.

Provision for expenses

Administrative expenses budgeted for the Oklahoma Uniform Retirement System for Justices and Judges.

Form of payments

Active members who were contributing 8% of pay as of August 31, 2005, are assumed to retire with a 50% joint and survivor annuity. All other members are assumed to retire with a life-only annuity.

Actuarial Basis

Summary of System Provisions

Following is a summary of the major System provisions used to determine the System's financial position. It should not be used in determining System benefits.

<i>Effective date and authority</i>	Laws 1968, c.128. The System is provided for under Chapter 16, Sections 1101-1112 of Title 20 of the Oklahoma Statutes.
<i>Administration</i>	The State Judicial Retirement Fund is administered by the Board of Trustees of the Oklahoma Public Employees Retirement System. The Board acts as the fiduciary for investment and application of the System.
<i>Employees included</i>	All Justices and Judges of the Supreme Court, Court of Criminal Appeals, Workers Compensation Court, Courts of Appeals or District Court who serve in the State of Oklahoma participate in the Uniform Retirement System for Justices and Judges.
<i>Member contributions</i>	Before September 1, 2005, basic member contributions equal 5% of salary, while married members could have elected an 8% contribution rate in order to provide survivor coverage. After September 1, 2005, the member contribution rate for all members is 8% of salary.
<i>Employer contributions</i>	Before July 1, 1997, the fund received an amount equal to 10% of the Court Fund receipts. After July 1, 1997, employer contributions were based on members' salaries and a yearly schedule and, effective January 1, 2001, were changed to 2% of the member's salary. Effective for the fiscal year ending June 30, 2006, employer contributions will increase to 3.0% of the member's salary and will increase annually up to 22.0% for fiscal years ending June 30, 2019, and thereafter. The Board is authorized to adjust the contribution rates to prevent a funded ratio of the System of less than 100%.
<i>Service considered</i>	Any Justice or Judge who becomes a member of the System when first eligible will receive credit for all years of service in any court of record.
<i>Compensation considered</i>	Salary received by the Justice or Judge while serving in a court of record.
<i>Final average salary</i>	The average monthly salary received during the thirty-six highest months of active service as a Justice or Judge in a court of record.

Actuarial Basis

Summary of System Provisions *(continued)*

Eligibility for benefits

A Justice or Judge must complete eight years of service to be eligible for any benefit from the System. A member who leaves the System, for any reason, prior to the completion of eight years of service is entitled only to a transfer of his/her accumulated contributions without interest. Divorced or widowed members as of September 1, 2005, that did not receive a transfer of excess contributions upon becoming single may elect on or before December 1, 2005, to receive a transfer of excess contributions.

Normal retirement

A member who completes eight years of service and attains age 65, or completes ten years of service and attains age 60, or completes eight years of service and whose sum of years of service and age equals or exceeds 80, may begin receiving retirement benefits at his/her request.

The benefit, payable monthly for the life of the member, is equal to 4% of average monthly salary multiplied by the number of years of service. In no event, however, will the benefit exceed 100% of final average salary.

Disability retirement

A member who completes fifteen years of service, attains age 55, and is ordered to retire by reason of disability is eligible for disability retirement benefits. The benefit, payable for life, is calculated in the same manner as a normal retirement benefit but cannot exceed 100% of final average salary.

Survivor coverage

The spouse of a deceased active member who had met normal or vested retirement provisions may elect a spouse's benefit. The spouse's benefit is the benefit that would have been paid if the member had retired and elected the joint and 100% survivor option (Option B), or a 50% unreduced benefit for certain married participants making 8% of pay contributions prior to September 1, 2005. If the member has ten years of service and the death is determined to be employment related, this benefit is payable immediately to the spouse. A benefit is payable to the surviving spouse of a member and they must be married 90 days prior to the member's termination of employment as a Justice or Judge.

The normal form of payment for married members is a 50% Joint and Survivor benefit. Effective October 1, 2004, the benefit for surviving spouses may be higher than 50% of the member's benefit, up to 65% for certain members who made additional voluntary survivor benefit contributions of 3% of salary prior to July 1, 1999, and who die or retire after July 1, 1999.

Actuarial Basis

Summary of System Provisions *(continued)*

<i>Optional forms of retirement benefits</i>	<p>The normal form of benefit for a single member is a single life monthly annuity with a guaranteed refund of the contribution accumulation. The normal form for a married member is a 50% joint and survivor annuity benefit. Optional forms of payment with actuarial reduction (if applicable) are available to all members retiring under the normal retirement or vested retirement provisions. These options providing post-retirement death benefits are:</p> <p>Option A--Joint and 50% survivor annuity with a return to the unreduced amount if the joint annuitant dies.</p> <p>Option B--Joint and 100% survivor annuity with a return to the unreduced amount if the joint annuitant dies.</p> <p>Option C--Life annuity with a minimum of 120 monthly payments.</p> <p>For married members, spousal consent is required for any option other than Option A.</p>
<i>Participant death benefit</i>	<p>In addition, upon the death of any retired member, a \$5,000 lump-sum death benefit will be paid to the member's beneficiary. If there is no beneficiary, then the benefit will be paid to the estate.</p>
<i>Minimum benefits</i>	<p>In no event will a member, or the estate of a member, receive an amount or amounts less than the member's accumulated contributions without interest.</p> <p>If a former member is not eligible for any other benefit from the System, the member will receive a transfer of these contributions. Similarly, if a member dies while having no spousal coverage, or upon the death of a spouse receiving survivor benefits, the member's beneficiary will receive the excess of the accumulated contributions over all benefits received by either the member, or the member and spouse combined.</p>
<i>Supplemental medical insurance premium</i>	<p>The System contributes the lesser of \$105 per month or the Medicare Supplement Premium to the Oklahoma State and Education Employee's Group Health Insurance Program for members receiving retirement benefits.</p>
<i>Expenses</i>	<p>The expenses of administering the retirement system are paid from the retirement trust fund.</p>

Addendum

Certification

We have prepared an actuarial valuation of the State of Oklahoma Uniform Retirement System for Justices and Judges as of July 1, 2005, for the fiscal year ending June 30, 2006. The results of the valuation are set forth in this report, which reflects the legislation effective on July 1, 2005.

The valuation is based on employee and financial data which were provided by the State of Oklahoma Uniform Retirement System for Justices and Judges and the independent auditor, respectively, and which are summarized in this report.

The results in this Addendum have been prepared for the sole purpose of meeting the Retirement Board's requirement to submit this information to the Oklahoma State Pension Commission, based on the following prescribed assumptions (11 O.S. 2001, Section 50-105.4, Section H):

- Interest rate: 7.50%
- COLA assumption: 2.00%
- Mortality: RP-2000 Mortality Table for Employees, Healthy Retirees and Disabled Retirees with Mortality Projected Forward from 2000 using Scale AA.
- Amortization period: 30 years, open period
- Sources of all contributions and revenues, including dedicated tax fee revenue and federal monies

All other assumptions, methodologies, and System provisions used are consistent with those used in the July 1, 2005 valuation.

The results shown in this Addendum are not consistent with those in the July 1, 2005, valuation. The July 1, 2005, valuation results were determined in accordance with generally accepted actuarial principles and procedures, and are in compliance with the Actuarial Standards Board Actuarial Standard of Practice No. 27-Selection of Economic Assumptions for Measuring Pension Obligations. The results shown in this Addendum are not based on the assumptions and methodologies adopted by the Retirement Board. For those results, see the July 1, 2005, actuarial valuation.

We are available to answer any questions on the material contained in the report, or to provide explanations or further details as may be appropriate.

The information contained in this document (including any attachments) is not intended by Mercer to be used, and it cannot be used, for the purpose of avoiding penalties under the Internal Revenue Code that may be imposed on the taxpayer.

The undersigned credentialed actuaries meet the Qualification Standards of the American Academy of Actuaries to render the actuarial opinion contained in this report.

Brent A. Hradek, FSA, EA

10/7/2005

Date

Stephen T. McElhaney, FSA, EA

10/7/2005

Date

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Addendum

Summary of Valuation Results under Prescribed Assumptions

This supplemental report has been prepared by Mercer Human Resource Consulting to present the results of a valuation of the State of Oklahoma Uniform Retirement System for Justices and Judges as of July 1, 2005, based on the prescribed assumptions under 11 O.S. 2001, Section 50-105.4, Section H of current State Statutes and regulations issued thereunder.

A summary of principal valuation results from the current valuation and the prior valuation follows.

	Actuarial Valuation as of		Change Between Years	
	July 1, 2005	July 1, 2004	Amount	Percent
Summary of Costs				
Required employer contribution for current year (not less than \$0)	\$ 4,294,588	\$ 3,756,037	\$ 538,551	14.3%
Actual employer contributions received in prior year	475,019	485,793	(10,774)	(2.2%)
Funded Status				
Actuarial accrued liability	\$ 185,905,668	\$ 174,767,932	\$ 11,137,736	6.4%
Actuarial value of assets	203,951,085	201,141,649	2,809,436	1.4%
Unfunded actuarial accrued liability	\$ (18,045,417)	\$ (26,373,717)	\$ 8,328,300	(31.6%)
Market Value of Assets and Additional Liabilities				
Market value of assets	\$ 205,705,354	\$ 191,779,689	\$ 13,925,665	7.3%
Present value of projected System benefits	251,091,089	241,293,164	9,797,925	4.1%

Addendum

Summary of Valuation Results under Prescribed Assumptions *(continued)*

	Actuarial Valuation as of		Actuarial Valuation as of		Percent Change in Amount
	July 1, 2005		July 1, 2004		
	Amount	% of Active Covered Comp.	Amount	% of Active Covered Comp.	
Summary of Contribution Requirements					
1. Annual compensation for members included in valuation	\$ 24,814,338	N/A	\$ 25,715,005	N/A	(3.5%)
2. Total normal cost mid-year	7,506,576	30.3%	7,652,635	29.8%	(1.9%)
3. Unfunded actuarial accrued liability	(18,045,417)	(72.7%)	(26,373,717)	(102.6%)	(31.6%)
4. Amortization of unfunded actuarial accrued liability over 30 years	(1,474,628)	(5.9%)	(2,155,197)	(8.4%)	(31.6%)
5. Budgeted expenses provided by the System	247,787	1.0%	214,640	0.8%	15.4%
6. Total required contribution (2. + 4. + 5.)	\$ 6,279,735	25.3%	\$ 5,712,078	22.2%	9.9%
7. Estimated member contributions	1,985,147	8.0%	1,956,041	7.6%	1.5%
8. Required employer contributions (not less than \$0) (6. - 7.)	\$ 4,294,588	17.3%	\$ 3,756,037	14.6%	14.3%
9. Actual member contributions during previous year	1,716,996	6.7% ¹³	1,772,673	6.9%	(3.1%)
10. Actual employer contributions during previous year	475,019	1.8% ¹³	485,793	1.9%	(2.2%)

¹³ Percentage of previous years' annual compensation for active members (\$25,715,005 in 2004 and \$25,652,805 in 2003).

Addendum

Unfunded Actuarial Accrued Liability

The actuarial accrued liability is the present value of projected System benefits allocated to past service by the actuarial funding method being used beginning on July 1, 2005.

	July 1, 2005	July 1, 2004
1. Actuarial present value of benefits		
a. Active members	\$ 170,103,342	\$ 175,106,282
b. Terminated vested members	2,945,978	2,645,873
c. Retirees, disableds and joint annuitants/surviving spouses	78,041,769	63,541,009
d. Total (a. + b. +c.)	\$ 251,091,089	\$ 241,293,164
2. Actuarial present value of future normal costs	65,185,421	66,525,232
3. Total actuarial accrued liability (1. - 2.)	\$ 185,905,668	\$ 174,767,932
4. Actuarial value of assets	203,951,085	201,141,649
5. Unfunded actuarial accrued liability (3. - 4.)	\$ (18,045,417)	\$ (26,373,717)

Addendum

Normal Cost

The components of normal cost under the entry age normal funding method are shown below.

Component	July 1, 2005		July 1, 2004	
Retirement benefits	\$	5,827,515	\$	5,991,892
Death benefits		716,118		638,699
Withdrawal benefits		542,604		565,705
Supplemental medical insurance premiums		80,976		80,604
Normal cost for people who have not submitted an application		76,769		99,134
Total normal cost at beginning of year	\$	7,243,982	\$	7,376,034
Total normal cost at mid year	\$	7,506,576	\$	7,652,635
Normal cost rate at mid year		30.25%		29.76%
Annual covered payroll	\$	24,814,338	\$	25,715,005

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