State of Oklahoma
Uniform Retirement System
For Justices & Judges

Actuarial Valuation Report
as of July 1, 2006

Prepared: October 2006

A MILLIMAN GLOBAL FIRM
Milliman
Consultants and Actuaries

Uniform Retirement System
For Justices & Judges
Actuarial Valuation Report

Table of Contents

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Milliman
Consultants and Actuaries

1120 South 101st Street, Suite 400
Omaha, NE 68124-1088
Phone: (402) 393-9400
Fax: (402) 393-1037
www.milliman.com

October 9, 2006

Board of Trustees
Uniform Retirement System
For Justices & Judges
5801 N. Broadway Extension, Suite 400
P.O. Box 53007
Oklahoma City, OK 73152-3007

Dear Members of Board:

At your request, we have completed an actuarial valuation of the Uniform Retirement System For Justices & Judges (URSJJ) as of July 1, 2006 for the purpose of determining the actuarial contribution rate for the fiscal year ending June 30, 2007 and calculating and analyzing key financial measurements. The major findings of the valuation are contained in this report. There was no change in the actuarial assumptions or methods from the prior valuation. There was only one change in the benefit provisions, a 4% ad hoc COLA granted by the 2006 Legislature.

In preparing our report, we relied, without audit, on information (some oral and some written) supplied by the System's staff. This information includes, but is not limited to, statutory provisions, member data and financial information. In our examination of these data, we have found them to be reasonably consistent and comparable with data used for other purposes. Since the valuation results are dependent on the integrity of the data supplied, the results can be expected to differ if the underlying data is incomplete or missing. It should be noted that if any data or other information is inaccurate or incomplete, our calculations may need to be revised.

On the basis of the foregoing, we hereby certify that, to the best of our knowledge and belief, this report is complete and accurate and has been prepared in accordance with generally recognized and accepted actuarial principles and practices which are consistent with the Actuarial Standards of Practice promulgated by the Actuarial Standards Board (ASB) and the applicable Guides to Professional Conduct, amplifying Opinions, and supporting recommendations of the American Academy of Actuaries.

We hereby further certify that, in our opinion, each actuarial assumption used is reasonably related to the experience of the System and to reasonable expectations which, in combination, represent our best estimate of anticipated experience under the System. Nevertheless, the emerging costs will vary from those presented in this report to the extent actual experience differs from that projected by the actuarial assumptions. The Board of Trustees has the final decision regarding the appropriateness of the assumptions and has adopted them as indicated in Appendix C.

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.

Actuarial computations presented in this report are for purposes of determining the recommended funding amounts for the System. Actuarial computations under GASB Statements No. 25 and 27 are for purposes of fulfilling financial accounting requirements. The computations prepared for these two purposes may differ as disclosed in our report. The calculations in this report have been made on a basis consistent with our understanding of the System's funding requirements and goals, and of GASB Statements No. 25 and 27. Determinations for purposes other than meeting these requirements may be significantly different from the results contained in this report. Accordingly, additional determinations may be needed for other purposes.

Milliman's work product was prepared exclusively for URSJJ for a specific and limited purpose. It is a complex, technical analysis that assumes a high level of knowledge concerning URSJJ operations, and uses URSJJ data, which Milliman has not audited. It is not for the use or benefit of any third party for any purpose. Any third party recipient of Milliman's work product who desires professional guidance should not rely upon Milliman's work product, but should engage qualified professionals for advice appropriate to its own specific needs.

We would like to express our appreciation to OPERS staff, who gave substantial assistance in supplying the data on which this report is based.

We respectfully submit the following report and look forward to discussing it with you.

I, Patrice A. Beckham F.S.A., am a member of the American Academy of Actuaries and a Fellow of the Society of Actuaries, and meet the Qualification Standards of the American Academy of Actuaries to render the actuarial opinion contained herein.

I, Brent A. Banister F.S.A., am a member of the American Academy of Actuaries and a Fellow of the Society of Actuaries, and meet the Qualification Standards of the American Academy of Actuaries to render the actuarial opinion contained herein.

MILLIMAN, Inc.

Sincerely,

Patrice Beckham

Patrice A. Beckham, F.S.A.
Consulting Actuary

Brent A. Banister, F.S.A.
Actuary

SECTION I
BOARD SUMMARY

OVERVIEW

The Uniform Retirement System For Justices & Judges (URSJJ) provides retirement benefits for all Justices and Judges of the Oklahoma Supreme Court, Court of Criminal Appeals, Workers' Compensation Court, Court of Appeals, and District Courts. URSJJ is administered by the Oklahoma Public Employees Retirement System and its Board of Trustees.

This report presents the results of the July 1, 2006 actuarial valuation for the System. The primary purposes of performing an actuarial valuation are to:

- determine the employer contribution rates required to fund each System on an actuarial basis,
- disclose asset and liability measures as of the valuation date,
- determine the experience of the System since the last valuation date, and
- analyze and report on trends in System contributions, assets, and liabilities over the past several years.

There were no changes in actuarial assumptions or methods from the prior valuation. The only change in the benefit structure was a 4% ad hoc COLA granted by the 2006 Legislature.

OPERS engaged Milliman, Inc. as the new retained actuary effective with the 2006 valuation. As part of the transition process, we reproduced the 2005 valuation results prepared by the prior actuary. In general, replication results are considered acceptable if they are within 2% on the total Present Value of Future Benefits and within 5% of the total Normal Cost and Actuarial Accrued Liability. The reason for the larger tolerance range for Normal Cost and Actuarial Accrued Liability is that various proprietary valuation software systems approach some of the technical aspects of the valuation calculations differently, yet within accepted practices and methods. The prior actuary developed costs as a dollar amount rather than as a percentage of payroll. On a consistent basis, Milliman's calculations of all key measurements for the July 1, 2005 actuarial valuation were within an acceptable range.

Given that the System's funding is based on member and employer contributions that are payroll related, Milliman's preferred approach is to develop an appropriate contribution rate, rather than a pure dollar amount of required contributions. The total contribution rate is the sum of the normal cost rate and the contribution rate for the payment on the Unfunded Actuarial Accrued Liability (UAAL). The normal cost rate is calculated by dividing the dollar amount of normal cost by the expected payroll of current active members for the plan year, reflecting expected exits from the System. The amortization payment of the UAAL is allocated over the total expected payroll for the year (reflecting new entrants replacing current active members who leave). The reader should recognize that this change in approach may impact certain comparisons to the prior valuation report.

The valuation results provide a "snapshot" view of the System's financial condition on July 1, 2006. The surplus for the System decreased by $11.3 million due to various factors. A detailed analysis of the change in the unfunded actuarial accrued liability from July 1, 2005 to July 1, 2006 is shown on page 4.

The highlights of the valuation are:

	Actuarial Valuation	
Funded Status ($M)	**July 1, 2006**	**July 1, 2005**
Actuarial Accrued Liability	$205.3	$187.6
Actuarial Value of Assets	210.4	204.0
Unfunded Actuarial Accrued Liability/(Surplus)	(5.1)	(16.4)
Funded Ratio	102.5%	108.7%

There was a liability loss, which increased the actuarial accrued liability by $6.1 million more than expected (3.1% of expected liability). The components of this liability loss are identified on page 4 of this report.

The return on the market value of assets was approximately 6.6% for the year ended June 30, 2006. The actuarial value of assets is determined using a method to smooth gains and losses in order to result in more stable contribution rates. The return on the actuarial value of assets was approximately 5.8%, which resulted in an actuarial loss of $2.9 million.

The actuarial contribution rate for the employer increased to 22.96% of payroll:

	Actuarial Valuation	
Contribution Rate	**July 1, 2006**	**July 1, 2005**
Normal Cost	31.88%	30.80%
Amortization of UAAL/(Surplus)	(1.68%)	(5.90%)
Budgeted Expenses	0.76%	1.00%
Actuarial Contribution Rate	30.96%	25.90%
Less Estimated Member Contribution Rate	8.00%	8.00%
Employer Contribution Rate	22.96%	17.90%
Less Statutory Contribution Rate	4.00%	3.00%
Shortfall	18.96%	14.90%

Additional detail on the valuation results follows in the remainder of this section of the report.

EXPERIENCE

July 1, 2005 – June 30, 2006

In many respects, an actuarial valuation can be thought of as an inventory process. The inventory is taken as of the actuarial valuation date, which for this valuation is July 1, 2006. On that date, the assets available for the payment of benefits are appraised. The assets are compared with the liabilities of the System, which are generally in excess of assets. The actuarial process leads to a method of determining the contributions needed by members and employers in the future to balance the System assets and liabilities.

Changes in the System's assets and liabilities impacted the change in the actuarial contribution rates between the July 1, 2005 and July 1, 2006 actuarial valuations. On the following pages each component is discussed.

ASSETS

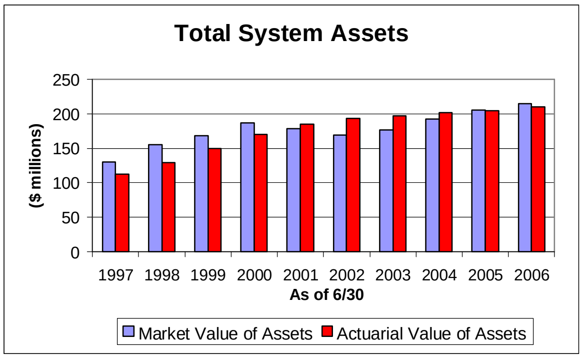
As of July 1, 2006, the System had total funds when measured on a market value basis, of $214 million. This was an increase of $8 million from the July 1, 2005 figure of $206 million. The components of the change in the market value of assets for the Retirement System (in millions) are set forth below.

	Market Value $(millions)	Actuarial Value $(millions)
Net Assets, July 1, 2005	206	204
• Employer and Member Contributions	3	3
• Benefit Payments and Expenses	(8)	(8)
• Investment Income	13	11
Net Assets, July 1, 2006	$214	$210

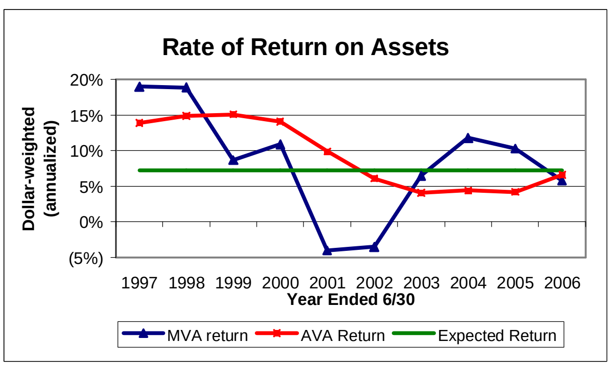
The market value of assets is not used directly in the calculation of contribution rates. An asset valuation method is used to smooth the effect of market fluctuations. See Table 3 on page 13 for the detailed development of the actuarial value of assets as of July 1, 2006.

The actuarial value of assets as of July 1, 2006, was $210 million. The annualized dollar-weighted rate of return for 2006 measured on the actuarial value of assets was approximately 6.6% and measured on the market value of assets, was 5.8%, net of investment expenses.

Due to the use of an asset smoothing method, there is $4 million of net deferred investment gain experience that has not yet been recognized. This deferred investment gain will gradually be reflected in the actuarial value of assets over the next few years.



In the early part of the last decade, the market value of assets exceeded the actuarial value. Investment experience in the middle part of the decade reversed the situation. As the negative investment experience was recognized in the smoothing process and favorable experience occurred, the market value is again slightly larger than the actuarial value.



Rates of return on the market value of assets have been very volatile. The return on the actuarial value of assets illustrates the advantage of using an asset smoothing method.

LIABILITIES

The actuarial accrued liability is that portion of the present value of future benefits that will not be paid by future employer normal costs or member contributions. The difference between this liability and asset values at the same date is referred to as the unfunded actuarial accrued liability (UAAL). The unfunded actuarial accrued liability will be reduced if the employer's contributions exceed the employer's normal cost for the year, after allowing for interest earned on the previous balance of the unfunded actuarial accrued liability. Benefit improvements, experience gains and losses, and changes in actuarial assumptions and methods will also impact the total actuarial accrued liability (AAL) and the unfunded portion thereof.

The unfunded actuarial accrued liability is summarized below:

Actuarial Accrued Liability	$ 205,305,048
Actuarial Value of Assets	210,376,209
Unfunded Actuarial Accrued Liability/(Surplus)	$ (5,071,161)

See Table 5 on page 16 for the detailed development of the Actuarial Accrued Liability. The calculation of the Unfunded Actuarial Accrued Liability is shown in Table 7 on page 19.

Other factors influencing the UAAL from year to year include actual experience versus that expected based on the actuarial assumptions (both asset and liability), changes in actuarial assumptions, procedures or methods and changes in benefit provisions. The actual experience measured in this valuation is that which occurred during the prior plan year (fiscal year 2006). There was an experience loss from both the experience of the actuarial value of assets and the actuarial accrued liability.

Between July 1, 2005 and July 1, 2006 the change in the unfunded actuarial accrued liability for the System was as follows (in millions):

	$millions
Unfunded Actuarial Accrued Liability, July 1, 2005	$(16)
• effect of contributions less than actuarial rate	3
• expected decrease due to amortization method	1
• investment experience	3
• liability experience[1]	6
• adjustment from replication of 2005 valuation[2]	(2)
• change in actuarial assumptions	0
Unfunded Actuarial Accrued Liability, July 1, 2006	$(5)

[1] Liability gain is about 3% of total actuarial accrued liability.
[2] Reflects difference in the actuarial accrued liability based on Milliman's replication of Mercer's July 1, 2005 valuation.

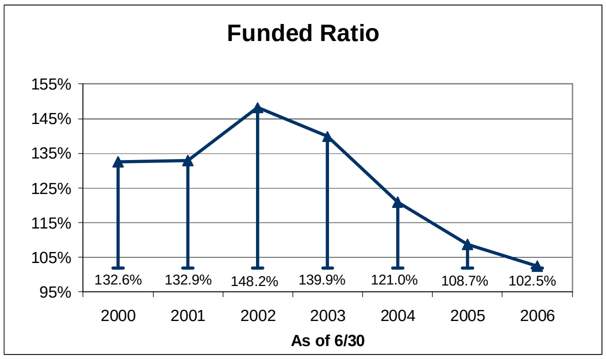
The liability loss for the System can be allocated to experience related to each actuarial assumption as follows:

Liability Source	**Impact on AAL**	**% of Expected Liability**
Salary increase	(1,100,000)	(0.55%)
Deaths	(500,000)	(0.25%)
Termination of employment	(500,000)	(0.25%)
Retirements	(1,100,000)	(0.55%)
New entrants and rehires	(300,000)	(0.15%)
Miscellaneous/Data changes	(2,600,000)	(1.31%)
Total gain/(loss)	(6,100,000)	(3.06%)

A detailed summary of the change in the unfunded actuarial accrued liability is shown in Table 9.

An evaluation of the unfunded actuarial accrued liability on a pure dollar basis may not provide a complete analysis since only the difference between the assets and liabilities (which are both very large numbers) is reflected. Another way to evaluate the unfunded actuarial accrued liability and the progress made in its funding is to track the funded status, the ratio of the actuarial value of assets to the actuarial accrued liability. The funded status information is shown below (in millions).

	7/1/03	7/1/04	7/1/05	7/1/06
Funded Ratio	139.9%	121.0%	108.7%	102.5%
Unfunded Actuarial Accrued Liability(UAAL)	$(56)	$(35)	$(16)	$(5)
Expected UAAL	$(64)	$(37)	$(21)	$(14)



The funded ratio has been above 100% during this period but has been declining. Several factors have contributed to the decline in the funded ratio including changes in benefit provisions, contributions less than the actuarial rate,changes in actuarial assumptions, demographic experience and investment experience from 2001 – 03.

Given the current funded status of the System, the amortization method, the amortization period, and the scheduled increases in employer contribution rates, the surplus (assets in excess of actuarial accrued liability) is expected to decline, absent the occurrence of favorable experience. As a result, the funded ratio is also expected to decline.

CONTRIBUTION RATES

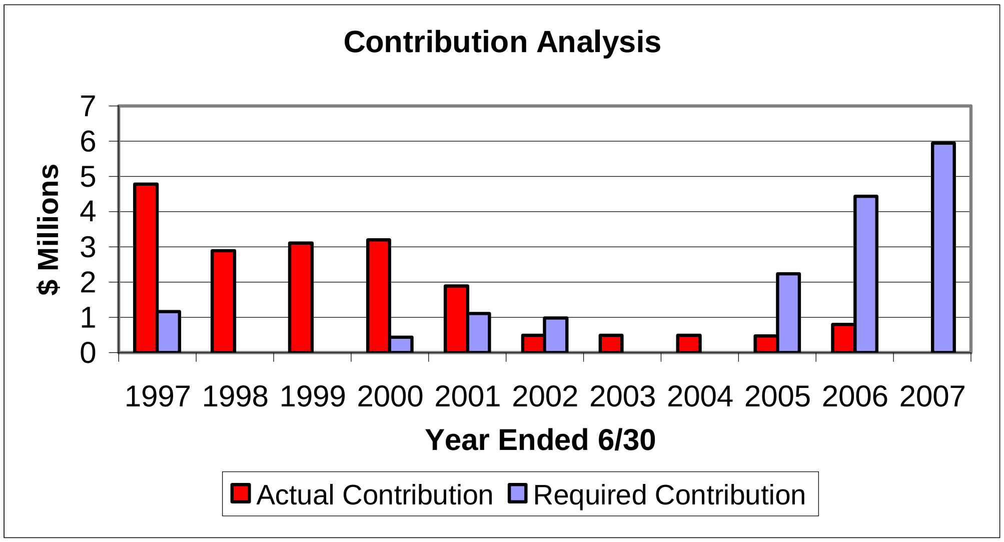
The funding objective of the System is to pay the normal cost rate plus an amount which will pay off the unfunded actuarial accrued liability over a 40 year period commencing July 1, 1987.

Under the Entry Age Normal cost method, the actuarial contribution rate consists of:

- a "normal cost" for the portion of projected liabilities allocated by the actuarial cost method to service of members during the year following the valuation date,
- an "unfunded actuarial accrued liability contribution" for the excess of the portion of projected liabilities allocated to service to date over the actuarial value of assets on hand.

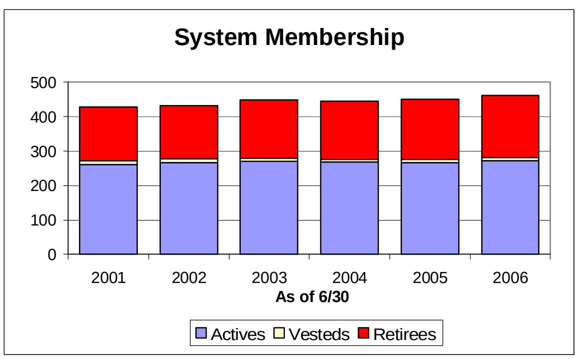
Contributions to the Retirement System are made by the members and their employers. Members pay 8% of salary. The employer contribution rate is scheduled to increase 1.0% per year until it reaches 22.0% for the fiscal year ending June 30, 2019. The Board is authorized to adjust the contribution rates to prevent a funded ratio of less than 100%. The actuarial employer contribution rate in the 2006 valuation is 22.96%. Future experience will determine if the ultimate employer contribution rate of 22% is sufficient to meet the System's funding requirement. In the next few months, Milliman will be preparing a projection model, based on the July 1, 2006 valuation, which will allow analysis of the sufficiency of the statutory contribution rate.

The graph below represents the total required employer contribution compared to the amount actually received in the year. The funding policy contribution equals the System's normal cost, budgeted expenses and an amortization of the unfunded actuarial accrued liability. For the July 1, 1999 valuation, the amortization period was changed to 40 years from July 1, 1987 (21 years remaining as of July 1, 2006).

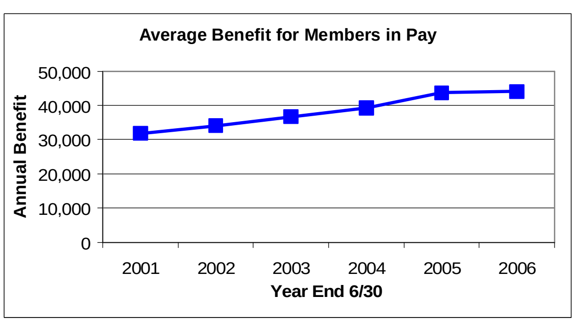


MEMBER INFORMATION

The number of active members included in the valuation remained relatively stable from 2005 to 2006. Retired member counts and average retirement benefit amounts continue to increase. There were 180 retirees and beneficiaries in the 2006 valuation with an average benefit of $3,670 per month. This represents a 1% increase in the average monthly benefit.



The number of active members has remained relatively level over this time period. The number of retirees has increased slightly.



The average benefit for retirees has climbed steadily over the past 10 years as new retirees retire with higher salaries and therefore higher benefits than those already retired. In addition, effective July 1, 2004, the maximum benefit was increased from 72.5% to 100% of pay. Ad hoc COLAs have also increased the average benefit during this period.

SUMMARY

At the current contribution levels, the combined member and employer contributions are significantly less than the normal cost for the year. For example, for FY06 contributions received were $2.8 million, about 40% of the normal cost dollar amount of $7.6 million. As a result, the surplus of assets over the actuarial accrued liability is reduced by the difference with interest, about $5 million for this year. Even with the increasing schedule of employer contributions in future years, the funded ratio of the System is expected to decline absent favorable experience.

A summary of key data elements and valuation results as of July 1, 2006 and July 1, 2005 are presented on the following page. More detail on each of these elements can be found in the following sections of the report.

SUMMARY OF PRINCIPAL RESULTS

UNIFORM RETIREMENT SYSTEM FOR JUSTICES & JUDGES

		7/1/2006 Valuation	7/1/2005 Valuation	% Change
1.	**PARTICIPANT DATA**			
	Number of:			
	Active Members*	272	266	2.3
	Retired Members and Beneficiaries	180	175	2.9
	Inactive Members	10	9	11.1
	Total Members	462	450	2.7
	Projected Annual Salaries* of Active Members	$ 27,488,381	$ 24,814,338	10.8
	Annual Retirement Payments for Retired Members and Beneficiaries	$ 8,365,205	$ 7,540,786	10.9
	* Includes "No Application" members			
2.	**ASSETS AND LIABILITIES**			
	Total Actuarial Accrued Liability	$ 205,305,048	$ 187,556,845	9.5
	Actuarial Value of Assets	210,376,209	203,951,085	3.2
	Unfunded Actuarial Accrued Liability	(5,071,161)	(16,394,240)	(69.1)
	Funded Ratio	102.5%	108.7%	(5.8)
3.	**EMPLOYER CONTRIBUTION RATES AS A PERCENT OF PAYROLL**			
	Normal Cost Rate	31.88%	30.80%	3.5
	Amortization of Unfunded Actuarial Accrued Liability	(1.68%)	(5.90%)	(71.5)
	Budgeted Expenses	0.76%	1.00%	(24.0)
	Actuarial Contribution Rate	30.96%	25.90%	19.5
	Less Estimated Member Contribution Rate	8.00%	8.00%	0.0
	Employer Actuarial Required Contribution Rate	22.96%	17.90%	28.3
	Less Statutory Employer Contribution Rate	4.00%	3.00%	33.3
	Shortfall	18.96%	14.90%	27.2

SECTION 2

SCOPE OF THE REPORT

This report presents the actuarial valuation of the Uniform Retirement System (URSJJ) as of July 1, 2006. This valuation was prepared at the request of the System's Board of Trustees.

The reader is encouraged to review the actuarial certification letter, where the guidelines employed in the preparation of this report are outlined. Also included in this letter are comments on the sources and reliability of both the data and the actuarial assumptions upon which our findings are based. Those comments are the basis for our certification that this report is complete and accurate to the best of our knowledge and belief.

A summary of the findings resulting from this valuation is presented in the previous section. Section 3 describes the assets and investment experience of the System. Sections 4 and 5 describe how the obligations of the System are to be met under the actuarial cost method in use.

This report includes several Appendices and an Addendum:

- Appendix A — Schedules of valuation data classified by various categories of members.
- Appendix B — A summary of the current benefit structure, as determined by the provisions of governing law on July 1, 2006, as amended by changes enacted by the 2006 Legislature.
- Appendix C — A summary of the actuarial methods and assumptions used to estimate liabilities and determine contribution rates.
- Appendix D — A glossary of actuarial terms.
- Addendum — Provides required information for the Oklahoma State Pension Commission using a prescribed set of actuarial assumptions and methods under 20 Okla.Stat, Section 1108(D).

SECTION 3

ASSETS

Market Value of Assets

The current market value represents the "snapshot" or "cash-out" value of System assets as of the valuation date. In addition, market values of assets provide a basis for measuring investment performance from time to time. At July 1, 2006 the market value of assets for the Retirement System was $213.7 million. Table 1 on page 11 is a comparison, at market values, of System assets as of July 1, 2006, and July 1, 2005, in total and by investment category. Table 2 on page 12 summarizes the change in the market value of assets from July 1, 2005 to June 30, 2006.

Actuarial Value of Assets

Neither the market value of assets, representing a "cash-out" value of System assets, nor the book value of assets, representing the cost of investments, may be the best measure of the System's ongoing ability to meet its obligations.

To arrive at a suitable value for the actuarial valuation, a technique for determining the actuarial value of assets is used which dampens swings in the market value while still indirectly recognizing market values.

The actuarial value of assets is based on a five-year moving average of expected and actual 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.

Table 3 on page 13 shows the development of the actuarial value of assets (AVA) as of the valuation date.

TABLE 1

UNIFORM RETIREMENT SYSTEM FOR JUSTICES & JUDGES
STATEMENT OF NET ASSETS AT MARKET VALUE

	June 30, 2006			June 30, 2005		
		Amount ($ Millions)	% of Total		Amount ($ Millions)	% of Total
Cash & Equivalents	$	0.5	0.2	$	0.6	0.3
Short-term Investments		0.9	0.4		3.8	1.8
Government Obligations		61.0	27.0		61.9	29.8
Corporate Bonds		45.6	20.2		35.7	17.2
Domestic Equity		81.1	35.9		78.5	37.8
International Equity		36.9	16.3		27.2	13.1
Subtotal	$	226.0	100.0	$	207.7	100.0
Net Receivables/(Payables)		(12.3)			(2.0)	
Net Assets	$	213.7		$	205.7	

TABLE 2
UNIFORM RETIREMENT SYSTEM FOR JUSTICES & JUDGES
SUMMARY OF CHANGES IN NET ASSETS

(Market Value)

	Fiscal Year Ended June 30	
	2006	**2005**
1. Market Value of Net Assets at Beginning of Year	$ 205,705,354	$ 191,779,689
2. Contributions:		
a. Members	2,058,456	1,716,996
b. State and Local Agencies	791,343	475,019
c. Total Contributions (2a) + (2b)	2,849,799	2,192,015
3. Net Investment Income:		
a. Net appreciation in fair value of investments	9,093,971	15,385,282
b. Interest	4,324,819	4,055,172
c. Security lending activities	48,312	45,682
d. Other	0	0
e. Total investment income (3a) + (3b) + (3c) + (3d)	13,467,102	19,486,136
f. Investment expenses	(141,612)	(107,136)
g. Net investment income (3e) + (3f)	13,325,490	19,379,000
h. Total additions (2c) + (3g)	16,175,289	21,571,015
4. Deductions:		
a. Retirement, death, and survivor benefits	8,009,684	7,393,588
b. Refunds and withdrawals	55,220	164,018
c. Administration expenses	98,218	87,744
d. Total deductions (4a) + (4b) + (4c)	8,163,122	7,645,350
5. Net Change in Assets (3h) - (4d)	8,012,167	13,925,665
6. Market Value of Net Assets at End of Year (1) + (5)	$ 213,717,521	$ 205,705,354

TABLE 3
UNIFORM RETIREMENT SYSTEM FOR JUSTICES & JUDGES
ACTUARIAL VALUE OF ASSETS

Schedule Of Asset Gains/(Losses)

Year End	Original Amount	Recognized in Prior Years	Recognized in This Year	Recognized in Future Years
2002	$ (19,913,213)	$ (15,930,570)	$ (3,982,643)	$ -
2003	(3,513,375)	(2,108,025)	(702,675)	(702,675)
2004	5,906,597	2,362,638	1,181,319	2,362,640
2005	4,497,876	899,575	899,575	2,698,726
2006	(1,271,724)	0	(254,345)	(1,017,379)
Total	$ (14,293,839)	$ (14,776,382)	$ (2,858,769)	$ 3,341,312

Development of Actuarial Value of Assets

1. Actuarial value as of July 1, 2005	$	203,951,085
2. Contributions		
a. Member	$	2,058,456
b. Employer		791,343
c. Total (a) + (b)	$	2,849,799
3. Decreases during year		
a. Benefit payments	$	(8,009,684)
b. Return of member contributions		(55,220)
c. Noninvestment expenses		(98,218)
d. Total (a) + (b) + (c)	$	(8,163,122)
4. Expected return at 7.25% on:		
a. Item 1	$	14,786,454
b. Item 2 (one-half year)		101,498
c. Item 3 (one-half year)		(290,736)
d. Total (a) + (b) + (c)	$	14,597,216
5. Expected actuarial value as of June 30, 2006 (1) + (2) + (3) + (4)	$	213,234,978
6. Unrecognized asset gain/(loss) as of June 30, 2005	$	1,754,267
7. Expected actuarial value June 30, 2006, plus previous year's unrecognized asset gain/(loss) (5) + (6)	$	214,989,245
8. Market value June 30, 2006	$	213,717,521
9. Year end 2006 asset gain/(loss) (8) – (7)	$	(1,271,724)
10. Asset gain/(loss) to be recognized as of June 30, 2006	$	(2,858,769)
11. Initial actuarial value July 1, 2006 (5) + (10)	$	210,376,209
12. Constraining values:		
a. 80% of market value (8) x 0.8	$	170,974,017
b. 120% of market value (8) x 1.2	$	256,461,025
13. Actuarial value as of July 1, 2006 (11), but no less than (12a), nor greater than (12b)	$	210,376,209

SECTION 4

SYSTEM LIABILITIES

In the previous section, an actuarial valuation was compared with an inventory process, and an analysis was given of the inventory of assets of the System as of the valuation date, July 1, 2006. In this section, the discussion will focus on the commitments of the System, which are referred to as its liabilities.

Table 4 on page 15 contains an analysis of the actuarial present value of all future benefits (PVFB) for contributing members, inactive members, retirees and their beneficiaries. The analysis is provided for each group.

The liabilities summarized in Table 4 include the actuarial present value of all future benefits expected to be paid with respect to each member. For an active member, this value includes measures of both benefits already earned and future benefits to be earned. For all members, active and retired, the value extends over benefits earnable and payable for the rest of their lives and, if an optional benefit is chosen, for the lives of the surviving beneficiaries.

The actuarial assumptions used to determine liabilities are based on the results of an Experience Study based on the three year period ended June 30, 2004. This set of assumptions, as shown in Appendix C, was first used for the July 1, 2005 valuation.

The liabilities reflect the benefit structure in place as of July 1, 2006 including the provisions of legislation passed by the 2006 Legislature, which included a 4% ad hoc COLA for retirees.

Actuarial Liabilities

A fundamental principle in financing the liabilities of a retirement program is that the cost of its benefits should be related to the period in which benefits are earned, rather than to the period of benefit distribution. An actuarial cost method is a mathematical technique that allocates the present value of future benefits into annual costs. In order to do this allocation, it is necessary for the funding method to "breakdown" the present value of future benefits into two components:

(1) that which is attributable to the past and

(2) that which is attributable to the future.

Actuarial terminology calls the part attributable to the past the "past service liability" or the "actuarial accrued liability". The portion allocated to the future is known as the present value of future normal costs, with the specific piece of it allocated to the current year being called the "normal cost". Table 5 on page 16 contains the calculation of actuarial accrued liability.

The System uses an assumption of a 2% annual COLA each year in developing liabilities and contribution rates even though the System does not have an automatic COLA provision. Ad hoc COLAs have historically been granted by the Legislature every other year. In order to avoid actuarial gains in the year in which a COLA is not granted and an actuarial loss in the years in which a COLA is granted, the System's liabilities include a "COLA Reserve". The COLA Reserve is included in the actuarial accrued liability to account for expected 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.

TABLE 4
UNIFORM RETIREMENT SYSTEM FOR JUSTICES & JUDGES
PRESENT VALUE OF FUTURE BENEFITS (PVFB)
AS OF JULY 1, 2006

1. Active employees		
a. Retirement Benefit	$	162,976,138
b. Withdrawal Benefit		9,203,759
c. Pre-Retirement Death Benefit		4,749,424
e. Return of Member Contributions		284,193
f. Supplementary Medical Benefit		5,577,268
g. Application Not Submitted		1,822,498
h. Total	$	184,613,280
2. Inactive Nonvested Members		419,172
3. Inactive Vested Members		3,525,970
4. Disabled Members		1,222,578
5. Retirees		75,563,451
6. Beneficiaries		7,753,723
7. Supplementary Medical Benefit for Retirees and Inactive Vested Members		1,974,309
8. COLA Reserve		418,331
9. Total PVFB	$	275,490,814

TABLE 5
UNIFORM RETIREMENT SYSTEM FOR JUSTICES & JUDGES
ACTUARIAL ACCRUED LIABILITY
AS OF JULY 1, 2006

1. Present Value of Future Benefits for Active Members		
a. Retirement Benefit	$	162,976,138
b. Withdrawal Benefit		9,203,759
c. Pre-Retirement Death Benefit		4,749,424
e. Return of Member Contributions		284,193
f. Supplementary Medical Benefit		5,577,268
g. Application Not Submitted		1,822,498
h. Total	$	184,613,280
2. Present Value of Future Normal Costs for Active Members		
a. Retirement Benefit	$	55,572,108
b. Withdrawal Benefit		6,711,643
c. Pre-Retirement Death Benefit		1,847,031
e. Return of Member Contributions		627,463
f. Supplementary Medical Benefit		3,681,048
g. Application Not Submitted		1,746,473
h. Total	$	70,185,766
2. Present Value of Future Benefits for Retirees and Inactive Members		90,877,534
3. Total Actuarial Accrued Liability (1h) - (2h) + (3)	$	205,305,048

SECTION 5

EMPLOYER CONTRIBUTIONS

The previous two sections were devoted to a discussion of the assets and liabilities of the System. A comparison of Tables 3 and 5 indicates that current assets fall short of meeting the present value of future benefits (total liability). This is expected in all but a fully closed down fund, where no further contributions are anticipated.

In an active system, there will almost always be a difference between the actuarial value of assets and total liabilities. This deficiency has to be made up by future contributions and investment returns. An actuarial valuation sets out a schedule of future contributions that will deal with this deficiency in an orderly fashion.

The method used to determine the incidence of the contributions in various years is called the actuarial cost method. Under an actuarial cost method, the contributions required to meet the difference between current assets and current liabilities are allocated each year between two elements: (1) the normal cost and (2) the payment on the unfunded actuarial accrued liability.

The term "fully funded" is often applied to a system in which contributions at the normal cost rate are sufficient to pay for the benefits of existing employees as well as for those of new employees. More often than not, systems are not fully funded, either because of past benefit improvements that have not been completely funded and/or because of actuarial deficiencies that have occurred because experience has not been as favorable as anticipated. Under these circumstances, an unfunded actuarial accrued liability (UAAL) exists.

Description of Rate Components

The actuarial cost method used by the System is the traditional Entry Age Normal (EAN) – level percent of pay cost method. Under the EAN cost method, the actuarial present value of each member's projected benefits allocates on a level basis over the member's compensation between the entry age of the member and the assumed exit ages. The portion of the actuarial present value allocated to the valuation year is called the normal cost. The actuarial present value of benefits allocated to prior years of service is called the actuarial accrued liability. The unfunded actuarial accrued liability represents the difference between the actuarial accrued liability and the actuarial value of assets as of the valuation date. The unfunded actuarial accrued liability is calculated each year and reflects experience gains/losses.

The Unfunded Actuarial Accrued Liability is amortized as a level dollar amount over a 40 year period from July 1, 1987. Given a stable active workforce, this amortization method is expected to produce a payment stream that decreases as a percent of covered payroll.

Contribution Rate Summary

The normal cost rate is developed in Table 6 on page 18. Table 7 on page 19 develops the contribution rate for amortization of the unfunded actuarial accrued liability. Table 8 on page 20 develops the total actuarial contribution rate and the employer portion thereof.

TABLE 6
UNIFORM RETIREMENT SYSTEM FOR JUSTICES & JUDGES
NORMAL COST RATE
AS OF JULY 1, 2006

1. Normal Cost at Beginning of Year			
			% of Pay
a. Retirement Benefit	$	6,807,156	26.43%
b. Withdrawal Benefit		688,207	2.67%
c. Pre-Retirement Death Benefit		220,537	0.86%
e. Return of Member Contributions		79,319	0.31%
f. Supplementary Medical Benefit		289,480	1.12%
g. Application Not Submitted		127,162	0.49%
h. Total	$	8,211,860	31.88%
2. Estimated Payroll for Current Actives	$	25,755,001	
3. Normal Cost Rate [(1h) / (2)]		31.88%	

TABLE 7
UNIFORM RETIREMENT SYSTEM FOR JUSTICES & JUDGES
UNFUNDED ACTUARIAL ACCRUED LIABILITY CONTRIBUTION RATE
AS OF JULY 1, 2006

1. Actuarial Present Value of Future Benefits	$	275,490,814
2. Actuarial Present Value of Future Normal Costs		70,185,766
3. Actuarial Accrued Liability (1) - (2)	$	205,305,048
4. Actuarial Value of Assets		210,376,209
5. Unfunded Actuarial Accrued Liability (UAAL) (3) - (4)	$	(5,071,161)
6. Payment to Amortize UAAL over 40 years from July 1, 1987 (assumed mid-year)	$	(461,573)
7. Total Estimated Payroll for Year Ending June 30, 2007	$	27,488,381
8. Amortization Payment as a Percent of Payroll		(1.68%)

TABLE 8
UNIFORM RETIREMENT SYSTEM FOR JUSTICES & JUDGES
ACTUARIAL EMPLOYER CONTRIBUTION RATE
AS OF JULY 1, 2006

1. Total Normal Cost Rate	31.88%
2. Amortization of UAAL	(1.68%)
3. Budgeted Expenses *	0.76%
4. Total Actuarial Contribution Rate (1) + (2) + (3)	30.96%
5. Estimated Member Contribution Rate	8.00%
6. Employer Actuarial Contribution Rate (4) - (5)	22.96%

* Provided by the System

TABLE 9

UNIFORM RETIREMENT SYSTEM FOR JUSTICES & JUDGES
ACTUARIAL GAIN/(LOSS)

The actuarial gain/(loss) is comprised of both the liability and the actuarial asset gain/(loss). Each of these represents the difference between the expected and actual values as of July 1, 2006.

1. Expected actuarial accrued liability		
a. Actuarial accrued liability at July 1, 2005	$	187,556,845
b. Normal cost at July 1, 2005		7,373,124
c. Benefit payments for fiscal year ending June 30, 2006		(8,064,904)
d. Interest on (a), (b), and (c)		13,845,185
e. Adjustment from Milliman 2005 replication		(1,517,139)
f. Expected actuarial accrued liability at July 1, 2006 (a) + (b) + (c) + (d) + (e)	$	199,193,111
2. Actuarial accrued liability at July 1, 2006	$	205,305,048
3. Actuarial accrued liability gain/(loss) (1e) - (2)	$	(6,111,937)
4. Expected actuarial value of assets		
a. Actuarial value of assets at July 1, 2005	$	203,951,085
b. Contributions for fiscal year ending June 30, 2006		2,849,799
c. Benefit payments and administrative expenses for fiscal year ending June 30, 2006		(8,163,122)
d. Interest on (a), (b), and (c)		14,597,216
e. Expected actuarial value of assets at July 1, 2006 (a) + (b) + (c) +(d)	$	213,234,978
5. Actuarial value of assets at July 1, 2006	$	210,376,209
6. Actuarial value of assets gain/(loss) (5) - (4e)	$	(2,858,769)
7. Net actuarial gain/(loss) (3) + (6)	$	(8,970,706)

COLA Reserve

1. Reserve as of July 1, 2005	$	1,527,376
2. Interest at 7.25%		110,735
3. Reserve increment		1,552,725
4. Expected reserve as of July 1, 2006		3,190,836
5. Ad hoc cost of living increase during year ended June 30, 2006		(2,772,505)
6 Actual reserve on July 1, 2006 (4) less (5), not less than $0	$	418,331

TABLE 10

UNIFORM RETIREMENT SYSTEM FOR JUSTICES & JUDGES
SUMMARY OF CONTRIBUTION REQUIREMENTS

	Actuarial Valuation as of		
	July 1,2006	July 1,2005	Percent
	Amount	Amount	Change in Amount
1. Expected annual payroll	$ 27,488,381	$ 24,814,338	10.78%
2. Total normal cost	$ 8,211,860	$ 7,640,400	7.5%
3. Unfunded actuarial accrued liability	$ (5,071,161)	$ (16,394,240)	(69.1%)
4. Amortization of unfunded actuarial accrued liability over 30 years	$ (461,573)	$ (1,461,856)	(68.4%)
5. Budgeted expenses (provided by the System)	$ 209,884	$ 247,787	(15.3%)
6. Total required contribution (2) + (4) + (5)	$ 7,960,171	$ 6,426,331	23.9%
7. Estimated member contribution	$ 2,023,855	$ 1,985,147	1.9%
8. Required employer contribution (6) – (7)	$ 5,936,316	$ 4,441,184	33.7%
9. Previous year's actual contribution*			
a. Member	$ 2,058,456	$ 1,716,996	19.9%
b. Employer	791,343	475,019	66.6%
c. Total	$ 2,849,799	$ 2,192,015	30.0%

SECTION 6

ACCOUNTING AND OTHER INFORMATION

Governmental Accounting Standards Board (GASB) Statement No. 25, Financial Reporting for Defined Benefit Pension Plans (GASB 25), establishes financial reporting standards for defined benefit pension plans. In addition to two required statements regarding plan assets, the statement requires two schedules and accompanying notes disclosing information relative to the funded status of the plan and historical contribution patterns.

- The Schedule of Funding Progress provides information about whether the financial strength of the Plan is improving or deteriorating over time.

- The Schedule of Employer Contributions provides historical information about the annual required contribution (ARC) and the percentage of the ARC that was actually contributed.

In addition to information required by GASB, we also provide an exhibit showing the present value of accumulated benefits under Financial Accounting Standards Board Statement No. 35 and an exhibit showing the expected benefit payments for the System.

TABLE 11

UNIFORM RETIREMENT SYSTEM FOR JUSTICES & JUDGES
ACCOUNTING INFORMATION FOR GASB 25

Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percent of Covered Payroll ((b-a)/c)
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%)
7/1/2006	210,376,209	205,305,048	(5,071,161)	102.5%	27,488,381	(18.4%)

Valuation Date	July 1, 2006
Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Dollar Closed
Remaining Amortization Period	21 years
Asset Valuation Method	Five Year Moving Average of Expected and Market Value
Actuarial Assumptions:	
Investment Rate of Return	7.25%
Projected Salary Increases	5.5%
Cost of Living Adjustment	2%

TABLE 12

UNIFORM RETIREMENT SYSTEM FOR JUSTICES & JUDGES
ACCOUNTING INFORMATION FOR GASB 25

Schedule of Employer Contributions
For the Fiscal Year Ended June 30

Year	Annual Required Contribution	Percentage Contributed
2001	$1,109,744	170.0%
2002	977,570	50.3%
2003	0	NA
2004	0	NA
2005	2,234,175	21.3%
2006	4,441,184	17.8%

TABLE 13

UNIFORM RETIREMENT SYSTEM FOR JUSTICES & JUDGES
ACCOUNTING INFORMATION FOR GASB 27

	Fiscal Year End	
	June 30, 2007	**June 30,2006**
Annual Required Contribution	$ 5,936,316	$ 4,441,184
Interest on Net Pension Obligation	(771,046)	(1,053,215)
Adjustment to Annual Required Contribution	1,001,309	1,295,362
Annual Pension Cost	6,166,579	4,683,331
Actual contribution	*	791,343
Increase in Net Pension Obligation	*	3,891,988
Beginning of year Net Pension Obligation	(10,635,111)	(14,527,099)
End of year Net Pension Obligation	*	(10,635,111)
Interest rate	7.25%	7.25%
Amortization period	21	22
Amortization factor	10.6212	11.2147

* Not available until the end of the year.

TABLE 14

UNIFORM RETIREMENT SYSTEM FOR JUSTICES & JUDGES
FASB NO. 35 INFORMATION
ACTUARIAL PRESENT VALUE OF ACCUMULATED BENEFITS

The actuarial present value of vested and nonvested accumulated System benefits is computed on an ongoing System basis in order to provide information on benefit liabilities calculated in accordance with 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. *An assumption of 2% annual 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.*

		7/1/2006		7/1/2005
Vested benefits				
Active members	$	53,309,005	$	63,100,374
Terminated vested members		2,933,500		2,136,332
Unclaimed contributions		419,172		443,653
Retirees and beneficiaries		73,168,520		67,283,223
Supplemental medical insurance premiums		4,787,406		(incl. above)
Total vested benefits	$	134,617,603	$	132,963,582
Nonvested benefits				
Active members	$	5,974,478	$	7,534,399
Members who have not completed an application		24,783		0
Total nonvested benefits	$	5,999,261	$	7,534,399
Total accumulated benefits	$	140,616,863	$	140,497,981
Market value of assets available for benefits	$	213,717,521	$	205,705,354
Funded ratio		152.0%		146.4%
Number of members				
Vested members				
Active members		169		173
Terminated vested members		10		9
Retirees and beneficiaries		180		175
Total vested members		359		357
Nonvested active members		103		93
Total members		462		450

TABLE 14 (continued)

UNIFORM RETIREMENT SYSTEM FOR JUSTICES & JUDGES
FASB NO. 35 INFORMATION
ACTUARIAL PRESENT VALUE OF ACCUMULATED 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.

Present value of accrued benefits as of July 1, 2005	$	140,497,981
Increase/(decrease) during the year attributable to:		
Normal cost and (gains)/losses		(1,709,964)
Increase for interest due to discount period		9,893,751
Benefits paid		(8,064,904)
Plan provision change		0
Assumption change		0
Net increase/(decrease)		118,882
Present value of accrued benefits as of July 1, 2006	$	140,616,863

TABLE 15

UNIFORM RETIREMENT SYSTEM FOR JUSTICES & JUDGES
TEN-YEAR PROJECTED BENEFIT PAYMENTS

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, 2006. The "Retirees" column shows benefits expected to be paid to all other members. This includes those who, as of July 1, 2006, are receiving benefit payments or who terminated employment and are entitled to a deferred vested benefit.

Retirement, Survivor, and Withdrawal Benefits

Year Ending June 30	Actives	Retirees	Total
2007	$1,106,678	$8,323,114	$9,429,792
2008	$1,781,528	8,344,009	10,125,537
2009	$2,652,148	8,329,061	10,981,209
2010	$3,683,220	8,229,008	11,912,228
2011	$4,653,945	8,138,020	12,791,965
2012	$5,783,677	8,005,835	13,789,512
2013	$7,169,470	7,856,492	15,025,962
2014	$8,578,354	7,689,604	16,267,958
2015	$10,166,414	7,542,774	17,709,188
2016	$11,834,430	7,344,652	19,179,082

Supplementary Medical Premium Benefits

Year Ending June 30	Actives	Retirees	Total
2007	$16,927	$132,223	$149,150
2008	$27,907	129,016	156,923
2009	$41,155	124,430	165,585

APPENDIX A
UNIFORM RETIREMENT SYSTEM FOR JUSTICES & JUDGES
COMPARATIVE SUMMARY OF MEMBER DATA

		Actuarial Valuation as of		Percent
		7/1/2006	7/1/2005	Change
Summary of Data				
1. Active members				
a. Number				
i) Active members		267	263	1.5%
ii) Members without an application		5	3	66.7%
iii) Total		272	266	2.3%
b. Annual compensation	$	27,532,734	25,715,005	7.1%
c. Average annual compensation	$	101,223	93,287	8.5%
d. Average age		55.7	55.2	0.8%
e. Average service		12.1	11.7	3.6%
2. Accumulated member contributions				
a. Active members	$	16,672,133	15,426,649	8.1%
b. Unclaimed contribution amounts		419,172	443,653	(5.5%)
c. Members without applications		6,130	13,369	(54.1%)
d. Total	$	17,097,435	15,883,671	7.6%
3. Vested terminated members				
a. Number		10	9	11.1%
b. Annual deferred benefits	$	335,063	263,063	27.4%
c. Average annual deferred benefit	$	33,506	29,229	14.6%
d. Annual supplemental medical insurance premiums	$	12,600	11,340	11.1%
4. Retired members				
a. Number		129	126	2.4%
b. Annual retirement benefits	$	7,296,285	6,662,880	9.5%
c. Average annual retirement benefit	$	56,560	52,880	7.0%
d. Annual supplemental medical insurance premiums	$	124,740	128,520	(2.9%)
5. Joint annuitants/surviving spouses				
a. Number		49	47	4.3%
b. Annual retirement benefits	$	957,428	877,906	9.1%
c. Average annual deferred benefit	$	19,539	18,679	4.6%
6. Disabled members				
a. Number		2	2	0.0%
b. Annual retirement benefits	$	111,492	107,204	4.0%
c. Average annual retirement benefit	$	55,746	53,602	4.0%
d. Annual supplemental medical insurance premiums	$	2,520	2,520	0.0%
7. Total members included in valuation		462	450	2.7%

APPENDIX A
UNIFORM RETIREMENT SYSTEM FOR JUSTICES & JUDGES
MEMBER DATA RECONCILIATION

			Receiving Benefits			
	Active Members	**Vested Terminated**	**Retirees**	**Disability Retirees**	**Benefici-aries**	**Total Members**
As of July 1, 2005	**266**	**9**	**126**	**2**	**47**	**450**
Age retirements	(7)	0	7	0	0	0
Disability retirements	0	0	0	0	0	0
Deaths without payments continuing	0	0	(1)	0	(2)	(3)
Deaths with payments continuing	0	0	(4)	0	4	0
Nonvested terminations/refund of contributions	(2)	0	0	0	0	(2)
Vested terminations	(1)	1	0	0	0	0
Transfers	0	0	0	0	0	0
Data adjustments	0	0	1	0	0	1
Rehires	0	0	0	0	0	0
New entrants during the year	11	0	0	0	0	11
No applications*	5	0	0	0	0	5
Net Change	6	1	3	0	2	12
As of July 1, 2006	**272**	**10**	**129**	**2**	**49**	**462**

*Members contributing to the System but for whom no enrollment application has been received.

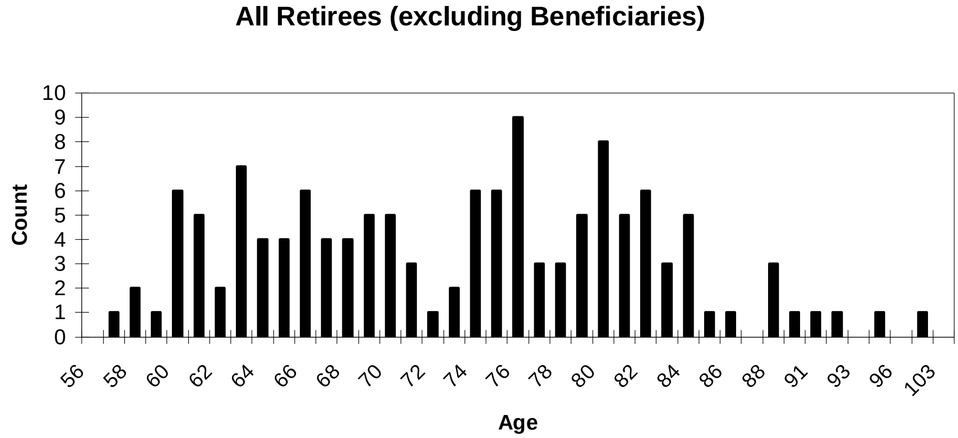
APPENDIX A
UNIFORM RETIREMENT SYSTEM FOR JUSTICES & JUDGES
DATA TAPE RECONCILIATION

	Active	Retired	Vested Terminated	Total
Records submitted on data tape	267	316	9	592
Remove deceased retirees	0	(136)	0	(136)
Remove unusable data	0	0	0	0
Remove those with another status	0	0	0	0
Add those with no application	5	0	0	5
Add assumed vesteds	0	0	1	1
Total valued	**272**	**180**	**10**	**462**

APPENDIX A
UNIFORM RETIREMENT SYSTEM FOR JUSTICES & JUDGES
SUMMARY OF MEMBERSHIP DATA

	7/1/2006	7/1/2005
Actives		
Number*	267	263
Average Current Age	55.7	55.20
Average Service	12.1	11.70
Average Pay	$101,223	$93,287
*Excludes "No Application" members		
Retirees		
Number	129	126
Average Annual Benefit	$56,560	$52,880
Average Age	73.4	NA
Disability Retirees		
Number	2	2
Average Annual Benefit	$55,746	$53,609
Average Age	60.5	NA
Beneficiaries		
Number	49	47
Average Annual Benefit	$19,539	$18,679
Average Age	79.7	NA
Total Receiving Benefits		
Number	180	175
Average Annual Benefit	$46,473	$43,703
Average Age	75.0	NA
Terminated Vested Members		
Number	10	9
Average Annual Benefit	$33,506	$29,229
Average Age	56.9	55.4

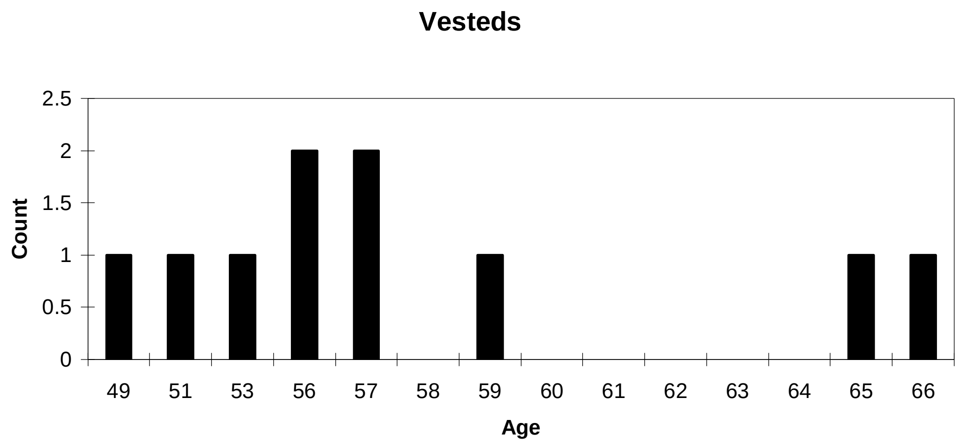
APPENDIX A
UNIFORM RETIREMENT SYSTEM FOR JUSTICES & JUDGES
DISTRIBUTION OF RETIREES AND BENEFICIARIES
as of July 1, 2006



Count:	131	Average age:	73.20	Average benefit:	$ 56,548

Count:	49	Average age:	79.7	Average benefit:	$ 19,539

APPENDIX A
UNIFORM RETIREMENT SYSTEM FOR JUSTICES & JUDGES
DISTRIBUTION OF VESTED MEMBERS
as of July 1, 2006



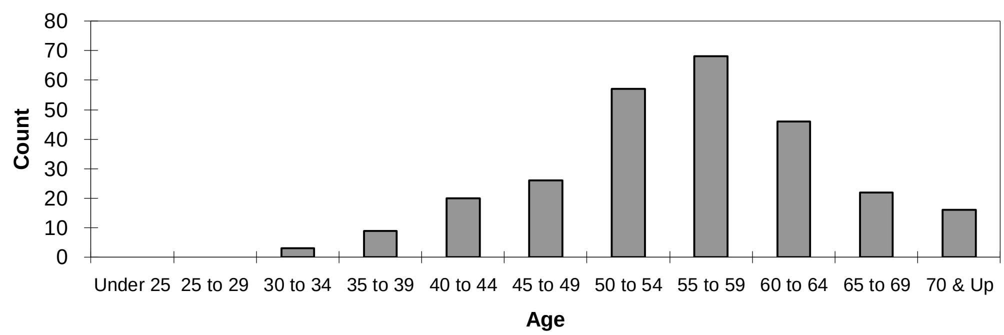
Count:	10	Average age:	56.9	Average benefit:	$	33,506

Includes assumed vested members

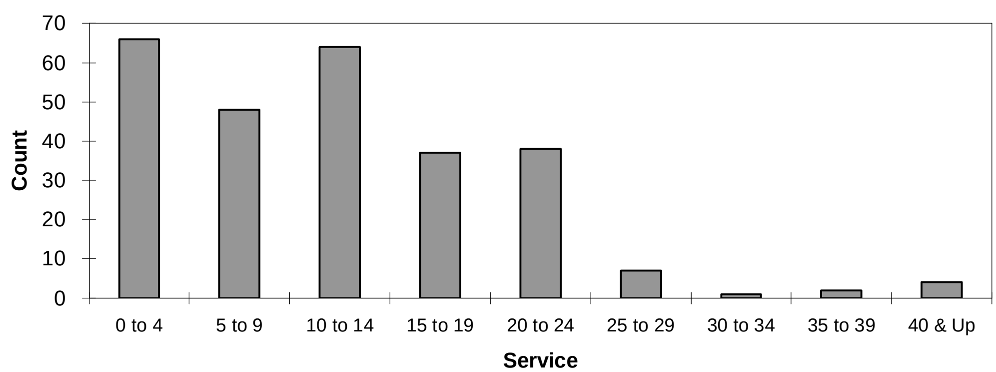
APPENDIX A
UNIFORM RETIREMENT SYSTEM FOR JUSTICES & JUDGES
DISTRIBUTION OF ACTIVE MEMBERS
as of July 1, 2006

	Service									
Age	0 to 4	5 to 9	10 to 14	15 to 19	20 to 24	25 to 29	30 to 34	35 to 39	40 & Up	Total
Under 25	0	0	0	0	0	0	0	0	0	0
25 to 29	0	0	0	0	0	0	0	0	0	0
30 to 34	3	0	0	0	0	0	0	0	0	3
35 to 39	5	3	1	0	0	0	0	0	0	9
40 to 44	15	5	0	0	0	0	0	0	0	20
45 to 49	10	7	7	2	0	0	0	0	0	26
50 to 54	8	11	14	12	12	0	0	0	0	57
55 to 59	9	14	17	9	14	5	0	0	0	68
60 to 64	13	5	11	7	8	1	1	0	0	46
65 to 69	3	2	12	3	1	0	0	1	0	22
70 & Up	0	1	2	4	3	1	0	1	4	16
Total	66	48	64	37	38	7	1	2	4	267

Age Distribution



Service Distribution



Excludes members who have not filed an application

APPENDIX B
UNIFORM RETIREMENT SYSTEM FOR JUSTICES & JUDGES
SUMMARY OF SYSTEM PROVISIONS

Following is a summary of the major System provisions used to determine the System's financial position.

Effective date and authority	Laws 1968, c.128. The System is provided for under Chapter 16, Sections 1101-1112 of Title 20 of the Oklahoma Statutes.
Administration	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.
Employees included	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.
Member contributions	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.
Employer contributions	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 increased 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%
Service considered	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.
Compensation considered	Salary received by the Justice or Judge while serving in a court of record.
Final average salary	The average monthly salary received during the thirty-six highest months of active service as a Justice or Judge in a court of record.

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.

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 reduced benefit with 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. Spouses of members who made the voluntary contributions prior to July 1, 1999 and die or retire after July 1, 1999 may receive up to 65% of unreduced benefit. 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. Otherwise, the benefit is payable to the spouse on the date the deceased member would have been eligible. This benefit is payable only 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.

Optional forms of retirement benefits

The Maximum Benefit is an unreduced single life annuity with a guaranteed refund of the contribution accumulation. Three other Types of Benefit payments are available to retiring members:

Option A – A reduced benefit with Joint and 50% survivor annuity and a return to the unreduced amount if the joint annuitant dies.

Option B – A reduced benefit with Joint and 100% survivor annuity and a return to the unreduced amount if the joint annuitant dies.

APPENDIX B
UNIFORM RETIREMENT SYSTEM FOR JUSTICES & JUDGES
SUMMARY OF SYSTEM PROVISIONS
(continued)

Optional forms of retirement benefits (continued)	Original Surviving Spouse Plan – An unreduced benefit with Joint and 50% survivor annuity available only to members who made additional voluntary survivor benefit contributions of 3% of salary prior to September 1, 2005. Spouses of members who made the voluntary contributions prior to July 1, 1999 and die or retire after July 1, 1999 may receive up to 65% of unreduced benefit. For married members, spousal consent is required for any option other than Option A.
Postretirement death benefit	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.
Minimum benefits	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. 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.
Supplemental medical insurance premium	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.
Expenses	The expenses of administering the retirement system are paid from the retirement trust fund.

APPENDIX C
UNIFORM RETIREMENT SYSTEM FOR JUSTICES & JUDGES
ACTUARIAL METHODS AND ASSUMPTIONS

Entry Age Actuarial Cost Method

Liabilities and contributions shown in this report are computed using the Individual Entry Age Level Percent of Pay actuarial cost. 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.

Asset Valuation Method

The actuarial value of assets is based on a five-year moving average of expected and actual 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.

Amortization Method

The Unfunded Actuarial Accrued Liability is amortized as a level dollar amount over a 40 year period from July 1, 1987. Given a stable active workforce, this amortization method is expected to produce a payment stream that decreases as a percent of covered payroll.

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.

The System uses an assumption of a 2% annual COLA each year in developing liabilities and contribution rates even though the System does not provide automatic COLAs. Instead, ad hoc COLAs have historically been granted by the Legislature every other year. In order to avoid actuarial gains in the year in which a COLA is not granted and an actuarial loss in the years in which a COLA is granted, the System's liabilities include a "COLA Reserve". The COLA Reserve is included in the actuarial accrued liability to account for expected 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.

APPENDIX C
UNIFORM RETIREMENT SYSTEM FOR JUSTICES & JUDGES
ACTUARIAL METHODS AND ASSUMPTIONS
(continued)

Economic Assumptions

Investment Return: 7.25% net of investment expenses per annum, compounded annually.

Earnings Progression: 5.5% per year.

Ad hoc benefit increase assumption:

Monthly benefits: 2% per year.

Medical supplement: No increases assumed.

Projection of 401(a)(17) compensation limit Projected with inflation at 2.5%

Demographic Assumptions

Retirement age:

Active members

Attained Age	Annual Rates of Retirement Per 100 Eligible Members
Below 62	5
62	30
63 – 64	10
65	40
66 - 67	10
68	30
69	10
70	50
71 - 74	30
75+	100

Deferred vested members: Participants with deferred benefits are assumed to commence benefits on a date provided by URSJJ. Actives expected to terminate with a vested benefit are expected to commence benefits at age 60.

Mortality Rates:

Active Participants and nondisabled pensioners: RP-2000 Combined Active/Retired Healthy Mortality Table projected to 2010 using Scale AA.

Disabled pensioners: RP-2000 Combined Active/Retired Healthy Mortality Table projected to 2010 using Scale AA set forward 15 years.

Separation Rates:

Separation for all reasons other than death	2% for all years of service.

Disability Rates: 0%

Marital Status:

Age difference	Males are assumed to be four years older than spouses.
Percentage married	85%.

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.
Provisions for expenses	Administrative expenses budgeted for the Oklahoma Uniform Retirement System for Justices and Judges.
Form of payment	Active members who were contributing 8% of pay as of August 31, 2005, are assumed to retire with an unreduced benefit payable as a 50% joint and survivor annuity. All other members are assumed to retire with a life only annuity.

APPENDIX D
UNIFORM RETIREMENT SYSTEM FOR JUSTICES & JUDGES
GLOSSARY OF TERMS

Actuarial Accrued Liability	The difference between the actuarial present value of system benefits and the actuarial value of future normal costs. Also referred to as "accrued liability" or "actuarial accrued liability".
Actuarial Assumptions	Estimates of future experience with respect to rates of mortality, disability, turnover, retirement, rate or rates of investment income and salary increases. Decrement assumptions (rates of mortality, disability, turnover and retirement) are generally based on past experience, often modified for projected changes in conditions. Economic assumptions (salary increases and investment income) consist of an underlying rate in an inflation-free environment plus a provision for a long-term average rate of inflation.
Accrued Service	Service credited under the system which was rendered before the date of the actuarial valuation.
Actuarial Equivalent	A single amount or series of amounts of equal actuarial value to another single amount or series of amounts, computed on the basis of appropriate assumptions.
Actuarial Cost Method	A mathematical budgeting procedure for allocating the dollar amount of the actuarial present value of retirement system benefit between future normal cost and actuarial accrued liability. Sometimes referred to as the "actuarial funding method".
Experience Gain (Loss)	The difference between actual experience and actuarial assumptions anticipated experience during the period between two actuarial valuation dates.
Actuarial Present Value	The amount of funds currently required to provide a payment or series of payments in the future. It is determined by discounting future payments at predetermined rates of interest and by probabilities of payment.
Amortization	Paying off an interest-discounted amount with periodic payments of interest and principal, as opposed to paying off with lump sum payment.
Normal Cost	The actuarial present value of retirement system benefits allocated to the current year by the actuarial cost method.

Unfunded Actuarial Accrued Liability The difference between actuarial accrued liability and the valuation assets. Sometimes referred to as "unfunded actuarial accrued liability" or "unfunded accrued liability".

Most retirement systems have unfunded actuarial accrued liability. They arise each time new benefits are added and each time an actuarial loss is realized.

The existence of unfunded actuarial accrued liability is not in itself bad, any more than a mortgage on a house is bad. Unfunded actuarial accrued liability does not represent a debt that is payable today. What is important is the ability to amortize the unfunded actuarial accrued liability and the trend in its amount (after due allowance for devaluation of the dollar).

ADDENDUM

ADDENDUM
UNIFORM RETIREMENT SYSTEM FOR JUSTICES & JUDGES
CERTIFICATION

We have prepared an actuarial valuation of the State of Oklahoma Uniform Retirement System for Justices and Judges as of July 1, 2006, for the fiscal year ending June 30, 2007. The results of the valuation are set forth in this addendum, which reflects the benefit provisions in effect as of July 1, 2006.

In preparing this report, we relied, without audit, on information (some oral and some in writing) supplied by the System's staff. This information includes, but is not limited to, statutory provisions, employee data, and financial information. In our examination of these data, we have found them to be reasonably consistent and comparable with data used for other purposes. Since the valuation results are dependent on the integrity of the data supplied, the results can be expected to differ if the underlying data is incomplete, or missing. It should be noted that if any data or other information is inaccurate or incomplete, our calculations may need to be revised.

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 (20 Okla.Stat, Section 1108(D)):

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 free revenue and federal monies

All other assumptions, methodologies, and System provisions used are consistent with those used in the July 1, 2006 valuation.

The results shown in this Addendum are not consistent with those in the July 1, 2006, valuation. The July 1, 2006, valuation results were determined in accordance with generally accepted actuarial principles and practices that are consistent with the Actuarial Standards of Practice promulgated by the Actuarial Standards Board and the applicable Guides to Professional Conduct, amplifying opinion and supporting recommendations of the American Academy of Actuaries. 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, 2006, actuarial valuation.

Milliman's work product was prepared exclusively for the Oklahoma Uniform Retirement System for Justices and Judges (URSJJ) for a specific and limited purpose. It is a complex, technical analysis that assumes a high level of knowledge concerning URSJJ' operations, and used URSJJ' data, which Milliman has not audited. It is not for the use or benefit of any third party for any purpose other than the Oklahoma State Pension Commission. Any third party recipient of Millliman's work product who desires professional guidance should not rely upon Milliman's work product, but should engage qualified professionals for advice appropriate to its own specific needs.

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

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

Patrice Beckham

Patrice A. Beckham, F.S.A.	October 9, 2006 Date
Brent A. Banister, F.S.A.	October 9, 2006 Date

ADDENDUM

UNIFORM RETIREMENT SYSTEM FOR JUSTICES & JUDGES
SUMMARY OF VALUATION RESULTS UNDER PRESCRIBED ASSUMPTIONS

This supplemental report has been prepared to present the results of a valuation of the State of Oklahoma Public Employees Retirement System as of July 1, 2006, based on the prescribed assumptions under 20 Okla.Stat, Section 1108(D) of current statutes and regulations issued thereunder.

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

	Actuarial Valuation as of		Change Between Years	
	July 1, 2006	**July 1, 2005**	**Amount**	**Percent**
Summary of Costs				
Required employer contribution for current year	$5,808,537	$4,294,588	$1,513,949	35.3%
Actual employer contributions received in prior year	791,343	475,019	316,324	66.6%
Funded Status				
Actuarial accrued liability	$204,150,196	$185,905,668	$18,244,528	9.8%
Actuarial value of assets	210,376,209	203,951,085	6,425,124	3.2%
Unfunded actuarial accrued liability	(6,226,013)	(18,045,417)	11,819,404	(65.5%)
Funded Ratio	103.0%	109.7%	(6.7%)	(6.1%)
Market Value of Assets and Additional Liabilities				
Market value of assets	$213,717,521	$205,705,354	$8,012,167	3.9%
Present value of projected future System benefits	273,512,930	251,091,089	22,421,841	8.9%

ADDENDUM

UNIFORM RETIREMENT SYSTEM FOR JUSTICES & JUDGES
SUMMARY OF VALUATION RESULTS UNDER PRESCRIBED ASSUMPTIONS
(continued)

This supplemental report has been prepared to present the results of a valuation of the State of Oklahoma Public Employees Retirement System as of July 1, 2006, based on the prescribed assumptions under 20 Okla.Stat, Section 1108(D) of current statutes and regulations issued thereunder.

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

	Actuarial Valuation as of				
	July 1, 2006		July 1, 2005		
Summary of Contribution Requirements		**Amount**		**Amount**	**Percent Change in Amount**
1. Expected annual payroll	$	27,488,381	$	24,814,338	10.8%
2. Total normal cost	$	8,130,950	$	7,506,576	8.3%
3. Unfunded actuarial accrued liability	$	(6,226,013)	$	(18,045,417)	(65.5%)
4. Amortization of unfunded actuarial accrued liability over 30 years	$	(508,442)	$	(1,474,628)	(65.5%)
5. Budgeted expenses (provided by the System)	$	209,884	$	247,787	(15.3%)
6. Total required contribution (2) + (4) + (5)	$	7,832,392	$	6,279,735	24.7%
7. Estimated member contribution	$	2,023,855	$	1,985,147	1.9%
8. Required employer contribution (6) – (7)	$	5,808,537	$	4,294,588	35.3%
9. Previous year's actual contribution					
a. Member	$	2,058,456	$	1,716,996	19.9%
b. Employer		791,343		475,019	66.6%
c. Total	$	2,849,799	$	2,192,015	30.0%

ADDENDUM

UNIFORM RETIREMENT SYSTEM FOR JUSTICES & JUDGES
UNFUNDED ACTUARIAL ACCRUED LIABILITY

This supplemental report has been prepared to present the results of a valuation of the State of Oklahoma Public Employees Retirement System as of July 1, 2006, based on the prescribed assumptions under 20 Okla.Stat, Section 1108(D) of current statutes and regulations issued thereunder.

The actuarial accrued liability is the present value of projected future System benefits allocated to past service by the actuarial funding method being used.

		July 1, 2006		**July 1, 2005**
1. Actuarial present value of benefits				
a. Active members	$	183,986,785	$	170,103,342
b. Terminated vested members and other nonactives		4,152,426		2,945,978
c. Retirees, disableds and beneficiaries		85,373,719		78,041,769
d. Total (a) + (b) + (c)	$	273,512,930	$	251,091,089
2. Actuarial present value of future normal costs	$	69,362,734	$	65,185,421
3. Total actuarial accrued liability (1 – 2)	$	204,150,196	$	185,905,668
4. Actuarial value of assets	$	210,376,209	$	203,951,085
5. Unfunded actuarial accrued liability (3) – (4)	$	(6,226,013)	$	(18,045,417)

ADDENDUM

UNIFORM RETIREMENT SYSTEM FOR JUSTICES & JUDGES
NORMAL COST

This supplemental report has been prepared to present the results of a valuation of the State of Oklahoma Public Employees Retirement System as of July 1, 2006, based on the prescribed assumptions under 20 Okla.Stat, Section 1108(D) of current statutes and regulations issued thereunder.

The components of normal cost under the System's funding method are:

Component		July 1, 2006		July 1, 2005
Retirement benefits	$	6,819,350	$	5,827,515
Withdrawal benefits		666,334		542,604
Death benefits		134,594		716,118
Refunds		77,879		
Supplemental medical insurance premiums		307,126		80,976
Normal cost for people who have not submitted an application		125,668		76,769
Total normal cost	$	8,130,950	$	7,243,982