

UNIFORM RETIREMENT SYSTEM FOR JUSTICES AND JUDGES

A Component Unit of the State of Oklahoma



COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Fiscal Year Ended
June 30, 2003

This year's annual report features Oklahoma's official state wildflower, the Indian Blanket. The Indian Blanket was adopted as the state's official wildflower in 1982.

Special thanks to Micah Holmes and Paul Moore from the Oklahoma Department of Wildlife Conservation for their assistance in providing the photography used in this report.

All photographs in this report are used with permission.

Photos courtesy www.wildlifedepartment.com

UNIFORM RETIREMENT SYSTEM FOR JUSTICES AND JUDGES

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COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Fiscal Year Ended
June 30, 2003

Prepared by the staff of the
Uniform Retirement System for Justices and Judges

This publication, printed by the Department of Central Services, Central Printing Division, is issued by the Oklahoma Public Employees Retirement System as authorized by its Executive Director. One thousand copies have been prepared and distributed at a cost of \$6,600. Twenty-five copies have been deposited with the Publications Clearinghouse of the Oklahoma Department of Libraries.

Table of Contents

Introductory Section

Letter of Transmittal	1
Chairman's Letter	6
Board of Trustees	7
Organizational Structure	8
Advisors and Consultants	8
Certificate of Achievement for Excellence in Financial Reporting	9

Financial Section

Independent Auditors' Report	11
Management's Discussion and Analysis	12
Financial Statements:	
Statements of Plan Net Assets	20
Statements of Changes in Plan Net Assets	21
Notes to Financial Statements	22
Required Supplementary Information:	
Schedule of Funding Progress - Schedule 1	31
Schedule of Employer Contributions - Schedule 1	31
Note to Schedule 1 Required Supplementary Information	32
Other Supplementary Information:	
Schedule of Investment Expenses - Schedule 2	34
Schedule of Administrative Expenses - Schedule 3	35
Schedule of Professional/Consultant Fees - Schedule 4	36

Investment Section

Investment Consultant's Report	37
Chief Investment Officer's Report	40
Largest Holdings	43
Investment Portfolio by Type and Manager	44
Asset Comparison	45
Schedule of Stock Brokerage Commissions Paid	46

Actuarial Section

2003 Certification of Actuarial Valuation	47
Summary of Actuarial Assumptions and Methods	48
Schedule of Active Member Valuation Data	50
Schedule of Retirees and Beneficiaries Added to and Removed from Rolls	50
Analysis of Financial Experience	51
Summary of System Provisions	52
Solvency Test	53

Statistical Section

Schedule of Revenue by Source	55
Schedule of Expenses by Source	55
Schedule of Retired Members by Type of Benefit	56
Participating Employers	56
Schedule of Average Benefit Payments	57
Demographics and Funded Ratio Charts	58
Schedule of Benefit Payments and Refunds by Type	59
Member Statistics	59
Summary of Retirees, Beneficiaries, and Disabled Members	60
Summary of Terminated Vested Members	61
Summary of Active Members	62

Addendum

2003 Certification of Pro-forma Financial Information	63
Summary of Valuation Results Under Prescribed Assumptions	65



INTRODUCTORY SECTION

2003 Comprehensive Annual Financial Report



STATE OF OKLAHOMA

UNIFORM RETIREMENT SYSTEM FOR JUSTICES AND JUDGES

November 28, 2003

Letter of Transmittal

Board of Trustees of the
Uniform Retirement System for Justices and Judges

Ladies and Gentlemen:

The Comprehensive Annual Financial Report (CAFR) of the Uniform Retirement System for Justices and Judges (URSJJ) for the fiscal year ended June 30, 2003, is hereby submitted. Responsibility for both the accuracy of the data and the completeness and fairness of the presentation rests with the management of URSJJ and sufficient internal accounting controls exist to provide reasonable assurance regarding the safekeeping of assets and fair presentation of the financial statements, supporting schedules and statistical tables.

URSJJ is considered a component unit of the state of Oklahoma for financial reporting purposes and, as such the financial statements contained in this report are also included in the State of Oklahoma Comprehensive Annual Financial Report. For financial reporting purposes, the Plan utilizes Governmental Accounting Standards Board (GASB) Statement No. 25, *Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans, along with GASB Statement No. 34, Basic Financial Statements— and Management's Discussion and Analysis (MD&A)—for State and Local Governments*. MD&A is intended to provide a narrative introduction, overview, and analysis to accompany the basic financial statements. This Letter of Transmittal is designed to complement MD&A and should be read in conjunction with it.

This CAFR is divided into five sections: an Introductory Section, which contains this transmittal letter, the administrative organization, and a summary of recently enacted legislation; a Financial Section, which contains the Independent Auditors' Report, MD&A, the financial statements of the plan, certain required supplementary information and schedules of investment, administrative and professional/consultant fees; an Investment Section, which contains a report on the investment activity, investment policies, investment results, and various investment schedules; an Actuarial Section, which contains an Actuary's Certification Letter and the results of the annual actuarial valuation; and a Statistical Section, which includes significant data pertaining to URSJJ. The Addendum sets forth a report on the financial and actuarial condition of URSJJ based on the prescribed assumptions as required by legislation enacted in the May 2002 session.

We hope that you and the members of the retirement system will find this CAFR helpful in understanding URSJJ -- a retirement system which continues to maintain a strong and positive financial future.

The Uniform Retirement System for Justices and Judges was established in 1968 by the Oklahoma Legislature and is administered by the Board of Trustees of the Oklahoma Public Employees Retirement System (OPERS). The Plan covers all justices and judges of the Oklahoma Supreme Court, Court of Criminal Appeals, Workers' Compensation Court, Court of Appeals, and District Courts. In addition, the Plan includes the Administrative Director of the Courts. Currently, URSJJ consists of 268 active members, 10 terminated vested participants and 169 retirees and beneficiaries.

Additions to Plan Net Assets

URSJJ is funded through a combination of member contributions, employer contributions and investment income. The decrease in member and employer contributions is due primarily to a decrease in the salaries of participants on which contributions are made. The increase in investment income is due to the improved investment environment with the fixed income components providing above average results.

Additions to Plan Net Assets (expressed in thousands)

	<u>2003</u>	<u>2002</u>	Increase (Decrease)
Member Contributions	\$ 1,792	\$ 1,810	\$ (18)
Employer Contributions	488	492	(4)
Investment Gain (Loss)	<u>10,818</u>	<u>(6,161)</u>	<u>16,979</u>
	<u>\$ 13,098</u>	<u>\$ (3,859)</u>	<u>\$ 16,957</u>

Deductions from Plan Net Assets

Deductions from plan net assets are incurred primarily for the purpose for which URSJJ was created, namely the payment of benefits to retirees. Retirement, death and survivor benefits increased due to the increases in both the average monthly benefits and the number of retired members. Refunds and withdrawals decreased due to a reduction in the number of participants withdrawing funds during the period. Administrative expenses reflect the decrease in the Plan's allocated share of such expenses.

Deductions From Plan Net Assets (expressed in thousands)

	<u>2003</u>	<u>2002</u>	Increase (Decrease)
Retirement, Death and Survivor Benefits	\$ 5,959	\$ 5,098	\$ 861
Refunds and Withdrawals	94	223	(129)
Administrative Expenses	<u>81</u>	<u>89</u>	<u>(8)</u>
	<u>\$ 6,134</u>	<u>\$ 5,410</u>	<u>\$ 724</u>

Investments

The standard for URSJJ in making investments is to exercise the care, skill, prudence, and diligence under the circumstances then prevailing that a prudent person acting in a like capacity and familiar with such matters would use in the conduct of an enterprise of a like character and unless under the circumstances it is clearly prudent not to do so. Funds of URSJJ are invested solely in the interest of the membership and their beneficiaries, and for the exclusive purpose of providing benefits to such membership and their beneficiaries and defraying reasonable expenses of administering URSJJ. The Board of Trustees has established an investment policy and guidelines which provide for the delegation of investment authority to professional investment advisors. Investment advisors execute the investment policy in accordance with the statutory authority, the Board policy and their respective guidelines, but are to use full discretion within the policy and guidelines.

The Board of Trustees engages outside investment managers to manage the various investment allocations of URSJJ. At fiscal year end, the investment portfolio of URSJJ was managed by 4 investment managers in the following categories and amounts:

	<u>000's</u>	
US Equities	\$ 67,272	36.9%
Non-US Equities	19,740	10.8%
Fixed Income	94,605	51.9%
Cash	<u>783</u>	<u>0.4%</u>
	<u>\$ 182,400</u>	<u>100.0%</u>

Included in the Investment Section of this report is a summary of the Investment Portfolio by Type and Manager and a comparison of the above amounts to the target allocations, as shown in the Asset Comparison chart. For fiscal year 2003, investments provided a 6.7 percent rate of return. The annualized rate of return for URSJJ over the last three years was -0.3 percent and 3.7 percent over the last five years.

Funding

A pension fund is well funded when it has enough money in reserve to meet all expected future obligations to participants. The funding objective for URSJJ is to meet long-term benefit promises through contributions that remain approximately level as a percent of member payroll. The greater the level of funding, the larger the ratio of assets accumulated to the actuarial accrued liability and the greater the level of investment potential. The advantage of a well-funded plan is that the participants can look at assets that are committed to the payment of benefits. The actuarial accrued liability and actuarial value of assets as of July 1, 2003 amounted to \$140.9 million and \$197.0 million, respectively. A detailed discussion of funding is provided in the Actuarial Section of this report.

Legislation

There were no Plan modifications enacted by the 2003 Oklahoma Legislature. Legislation was enacted setting forth the provisions for publication of an annual report for URSJJ.

Professional Services

Professional consultants are appointed by the Board of Trustees to perform professional services that are essential to the effective and efficient operation of URSJJ. An opinion from the independent auditors and the actuary are included in this report. Aside from the individual investment managers, which are listed elsewhere in this report, the professional consultants to the Board for the past fiscal year are as follows:

KPMG LLP, Independent Auditors
Finley & Cook, PLLC, Internal Auditors
Mercer Human Resource Consulting, Actuary
The Northern Trust Company, Custodial Bank
Strategic Investment Solutions, Inc., Investment Consultant

Executive Director

At their July 17, 2003, meeting, the Board of Trustees of OPERS selected Tom Spencer as the Executive Director, replacing Stephen C. Edmonds, who retired effective June 1, 2003, after serving eight years in that position. Mr. Spencer, a longtime employee of the State of Oklahoma, has served as the Governor's general counsel, as chief of staff at the State Treasurer's office, and as an assistant attorney general. Mr. Spencer, who holds a law degree, has also been an attorney in private practice.

Certificate of Achievement for Excellence in Financial Reporting

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the Uniform Retirement System for Justices and Judges for its comprehensive annual financial report (CAFR) for the fiscal year ended June 30, 2002. The Certificate of Achievement is a prestigious national award recognizing conformance with the highest standards for preparation of a state and local government financial report.

In order to be awarded a Certificate of Achievement, a government unit must publish an easily readable and efficiently organized comprehensive annual financial report, whose contents conform to program standards. The CAFR must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. The Uniform Retirement System for Justices and Judges has received a Certificate of Achievement for the last five consecutive years. We believe our current report continues to conform to the Certificate of Achievement program requirements, and we are submitting it to GFOA.

Acknowledgments

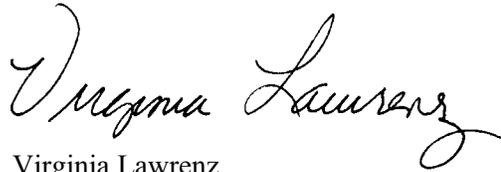
The compilation of this report reflects the combined effort of the agency staff under the leadership of the Board of Trustees. It is intended to provide complete and reliable information as a basis for making management decisions, as a means of determining compliance with legal provisions, and as a means of determining responsible stewardship of the funds of URSJJ.

We would like to take this opportunity to express our gratitude to the Board, the staff, the advisors, and to the many people who work so diligently to assure the successful operation of URSJJ.

Respectfully submitted,



Brad C. Holt
Deputy Director



Virginia Lawrenz
Chief Financial Officer



STATE OF OKLAHOMA

UNIFORM RETIREMENT SYSTEM FOR JUSTICES AND JUDGES

November 28, 2003

Chairman's Letter

Dear Members:

On behalf of the Board of Trustees, I am pleased to present the Comprehensive Annual Financial Report for the Uniform Retirement System for Justices and Judges (URSJJ) for the fiscal year ending June 30, 2003.

This report is designed to provide a detailed look at the financial, investment and actuarial aspects of the System, which continues to be a strong retirement system.

You are encouraged to carefully review this report, as it contains a wealth of information about your retirement system. If you have questions or comments, please feel free to contact us. We can be reached at PO Box 53007, Oklahoma City, Oklahoma 73152-3007. Our telephone number is 405-858-6737 (or toll-free 1-800-733-9008).

I also want to thank the staff for their diligent work in preparing this report and their commitment to continually improve the administrative operations necessary to operate your retirement system.

Sincerely,

A handwritten signature in black ink, appearing to read "Don Kilpatrick".

Don Kilpatrick
Chairman

Board of Trustees



Back row, left to right: Jon Forman, Scott Meacham, Oscar B. Jackson, Jr., Jerry Johnson, Vic Thompson,
Richard Haugland, DeWayne McAnally, Steve Paris
Front row, left to right: Howard Conyers, Don Kilpatrick, Fay Waits
Not pictured: Denise Bode, Carroll Fisher

Don Kilpatrick
Board Chairman
Appointee of the President
Pro Tempore of the Senate

Howard Conyers
Board Vice Chairman
Appointee of the Supreme Court

Denise Bode
Chair, Corporation Commission
Ex Officio

Carroll Fisher
State Insurance Commissioner
Ex Officio

Jon Forman
Appointee of the Governor

Richard Haugland
Appointee of the Speaker of
the House of Representatives

Oscar B. Jackson, Jr.
Administrator
Office of Personnel Management
Ex Officio

Jerry Johnson
Vice Chairman-Member
Oklahoma Tax Commission
Ex Officio

DeWayne McAnally
Appointee of the Governor

Scott Meacham
Director of State Finance
Ex Officio

Steve Paris*
Appointee of the Governor

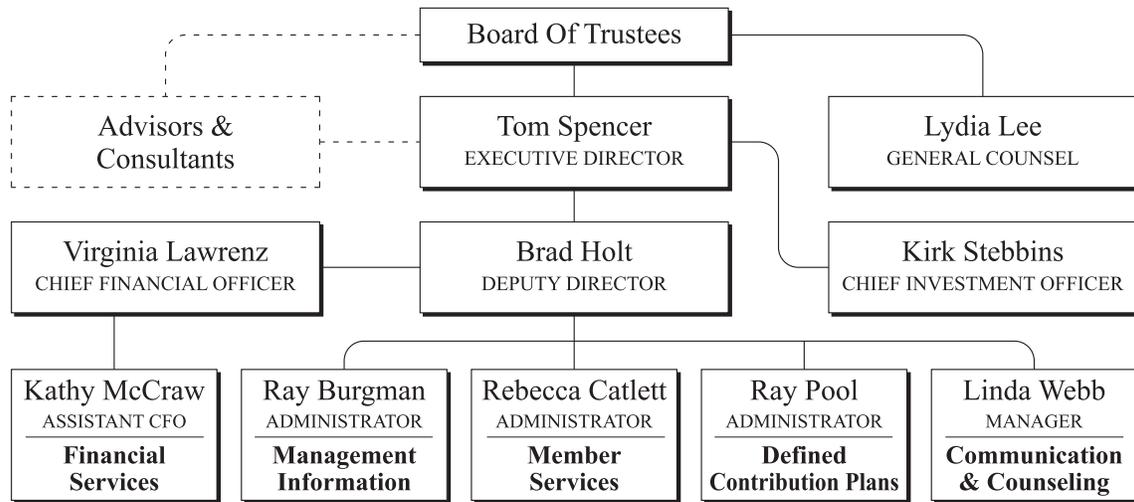
Vic Thompson
Appointee of the President
Pro Tempore of the Senate

Faye Waits
Appointee of the Speaker of
the House of Representatives

John Willbanks*
Appointee of the Governor

*Mr. Willbanks served on the Board of Trustees through July 13, 2003. Mr. Paris succeeded Mr. Willbanks effective July 14, 2003.

Organizational Structure



Back row, left to right: Lydia Lee, Kirk Stebbins, Kathy McCraw, Ray Burgman, Brad Holt, Ray Pool
 Front row, left to right: Linda Webb, Tom Spencer, Virginia Lawrenz
 Not pictured: Rebecca Catlett

Advisors and Consultants

Master Custodian
 The Northern Trust Company
 Chicago, Illinois

Investment Consultant
 Strategic Investment Solutions, Inc.
 San Francisco, California

Independent Auditors
 KPMG LLP
 Oklahoma City, Oklahoma

Actuarial Consultant
 Mercer Human Resource Consulting
 Dallas, Texas

Internal Auditors
 Finley & Cook PLLC
 Shawnee, Oklahoma

Certificate of Achievement for Excellence in Financial Reporting

Presented to

Uniform Retirement System for Justices and Judges, Oklahoma

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2002

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



President

Executive Director

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FINANCIAL SECTION

2003 Comprehensive Annual Financial Report



700 Oklahoma Tower
210 Park Avenue
Oklahoma City, OK 73102-5671

Independent Auditors' Report

Board of Trustees
Uniform Retirement System for Justices and Judges:

We have audited the accompanying statements of plan net assets of the Uniform Retirement System for Justices and Judges (the Plan), a part of the financial reporting entity of the state of Oklahoma, administered by the Oklahoma Public Employees Retirement System, as of June 30, 2003 and 2002, and the related statements of changes in plan net assets for the years then ended. These financial statements are the responsibility of the Plan's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the net assets of the Plan at June 30, 2003 and 2002, and the changes in its net assets for the years then ended in conformity with accounting principles generally accepted in the United States of America.

The Management's Discussion and Analysis and the schedules of funding progress and employer contributions in schedule 1 are not required parts of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquires of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audits were conducted for the purpose of forming an opinion on the basic financial statements. The supplementary information included in schedules 2 through 4 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audits of the basic financial statements, and in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole. The Introductory Section, the Investment Section, the Actuarial Section, the Statistical Section, and the Addendum are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audits of the basic financial statements, and accordingly, we express no opinion on it.

KPMG LLP

October 3, 2003

UNIFORM RETIREMENT SYSTEM FOR JUSTICES AND JUDGES

Administered by the Oklahoma Public Employees Retirement System

Management's Discussion and Analysis

As management of the Uniform Retirement System for Justices and Judges (the Plan) we offer readers of the Plan's financial statements this narrative overview and analysis of the financial activities of the Plan for the fiscal years ended June 30, 2003 and 2002.

Financial Highlights

- The net assets held in trust for pension benefits totaled approximately \$175.6 million at June 30, 2003 compared to \$168.7 million at June 30, 2002. The net assets are available for payment of monthly retirement benefits and other qualified distributions to the Plan's participants. The increase of \$6.9 million resulted primarily from the appreciation in the fair value of the Plan's investments due to equity market increases affecting the year ended June 30, 2003.
- The total number of members participating in the Plan at June 30, 2003 was 447, a 3.76 % increase from the prior year.
- At June 30, 2003, the actuarial value of assets was \$197.0 million and the actuarial accrued liability was \$140.9 million producing a funded ratio of 139.9% compared to 148.2% at June 30, 2002.

Overview of the Financial Statements

The Plan is a single-employer, public employee retirement plan, which is a defined benefit pension plan. The Plan covers all Justices and Judges of the Oklahoma Supreme Court, Court of Criminal Appeals, Workers' Compensation Court, Court of Appeals, and District Courts. Benefits are determined at 4% of the average monthly compensation received as a justice or judge based on the last three years of service multiplied by the number of years of credited service, not to exceed 72½% (70% in 2002) of the retiree's average monthly salary received as a justice or judge for the last three years of active service. In 2003 normal retirement ages under the Plan were 60 with 10 years of judicial service, 65 with 8 years of judicial service or when the sum of the member's age and years of credited service equals or exceeds 80 (Rule of 80). In 2002 normal retirement ages under the Plan were 70 with 8 years of judicial service, 65 with 10 years of judicial service, 60 with 20 years of judicial service, or Rule of 80. Members become eligible to vest fully upon termination of employment after attaining eight years of service as a justice or judge or the members' contributions may be withdrawn upon termination of employment.

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

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

UNIFORM RETIREMENT SYSTEM FOR JUSTICES AND JUDGES

Administered by the Oklahoma Public Employees Retirement System

Management's Discussion and Analysis

The *statement of plan net assets* presents information on the Plan's assets and liabilities and the resulting *net assets held in trust for pension benefits*. This statement reflects the Plan's investments, at fair value, along with cash and cash equivalents, receivables and other assets and liabilities.

The *statement of changes in plan net assets* presents information showing how the Plan's net assets held in trust for pension benefits changed during the years ended June 30, 2003 and 2002. It reflects contributions by members and participating employers along with deductions for retirement benefits, refunds and withdrawals, and administrative expenses. Investment income during the period is also presented showing income from investing and securities lending activities.

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

The *required supplementary information* and the related note present a schedule of funding progress along with a discussion of actuarial assumptions and methods. Schedules of certain expenses and fees paid are also presented as *other supplementary information*.

Financial Analysis

The following are the condensed Schedules of Plan Net Assets and Changes in Plan Net Assets for the Uniform Retirement System for Justices and Judges for the fiscal years ended June 30, 2003, 2002, and 2001.

CONDENSED SCHEDULES OF PLAN NET ASSETS	(\$ millions)		
	June 30,		
	2003	2002	2001
Cash and cash equivalents	\$ 2.6	\$ 1.9	\$ 3.9
Receivables	18.6	6.2	4.5
Investments	179.9	169.7	173.0
Securities lending collateral	16.0	26.7	27.6
Total Assets	217.1	204.5	209.0
Other liabilities	25.5	9.1	3.4
Securities lending collateral	16.0	26.7	27.6
Total Liabilities	41.5	35.8	31.0
Net Assets Held in Trust for Benefits	\$ 175.6	\$ 168.7	\$ 178.0

UNIFORM RETIREMENT SYSTEM FOR JUSTICES AND JUDGES
Administered by the Oklahoma Public Employees Retirement System

Management's Discussion and Analysis

CONDENSED SCHEDULES OF CHANGES IN PLAN NET ASSETS	(\$ millions)		
	June 30,		
	2003	2002	2001
Member contributions	\$ 1.8	\$ 1.8	\$ 1.7
Court employer contributions	0.5	0.5	1.9
Net investment income (loss)	10.8	(6.2)	(7.4)
Total Additions	13.1	(3.9)	(3.8)
Retirement, death and survivor benefits	6.0	5.1	5.0
Refunds and withdrawals	0.1	0.2	-
Administrative expenses	0.1	0.1	0.1
Total Deductions	6.2	5.4	5.1
Total Changes in Plan Net Assets	\$ 6.9	\$ (9.3)	\$ (8.9)

For the year ended June 30, 2003 plan net assets increased \$6.9 million or 4.1%. A 6.0% increase in investments of \$10.2 million from the prior year was the primary reason for the overall increase in plan net assets. The receivables increased \$12.4 million at the end of the fiscal year due to pending sales of securities. Liabilities increased \$5.7 million at the end of the fiscal year due to a \$16.4 million increase in payables for pending purchases of securities which was partially offset by a \$10.7 million decrease in the liability for cash collateral related to securities lending.

Total additions of \$13.1 million were significantly more than the prior year due to the appreciation of the fair value of investments in fiscal year 2003. Investment earnings and income from securities lending activities as well as investment expenses were lower than fiscal year 2002. Deductions increased \$0.8 million for the year ended June 30, 2003 as retirement, death and survivor benefits increased by \$0.9 million or 16.9% offset by lower refunds and withdrawals.

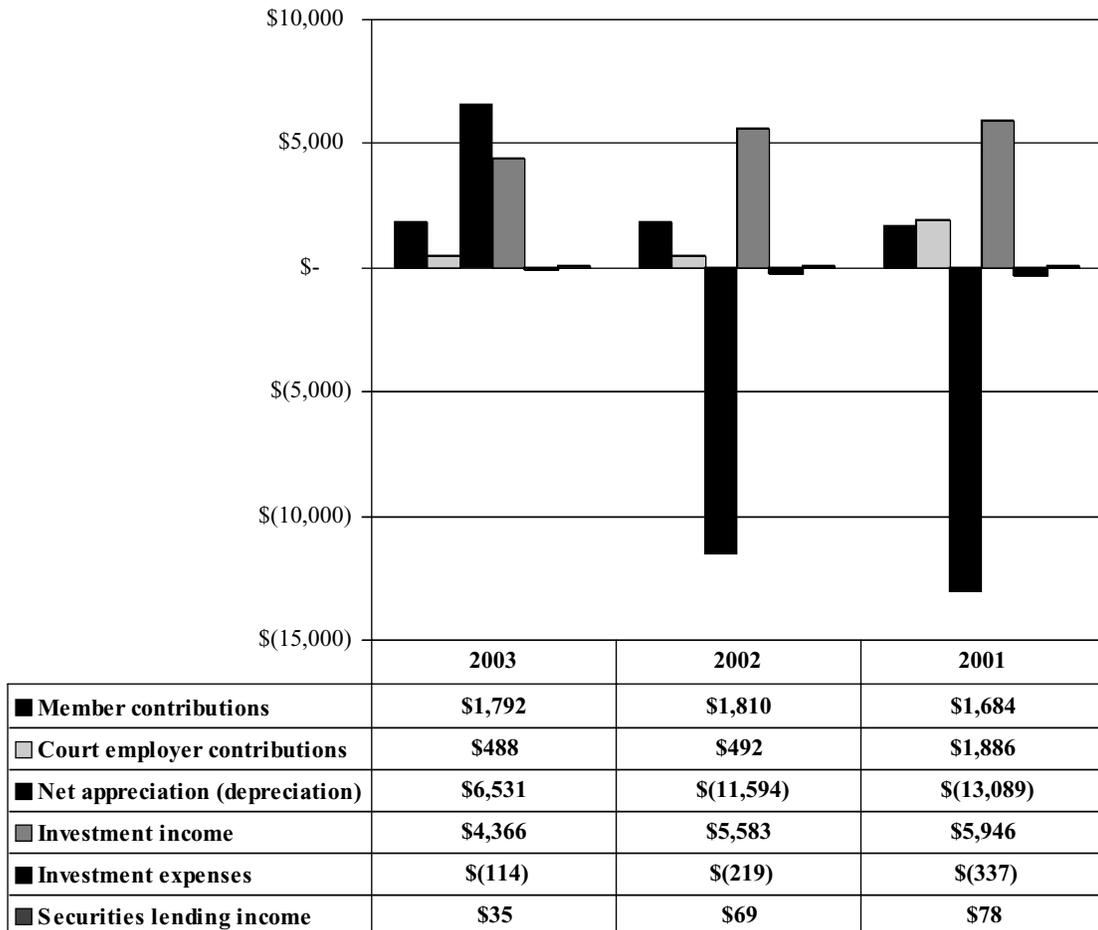
Fiscal year 2002 showed a decrease in plan net assets of \$9.3 million from 2001 which was primarily a result of the decline in the equity markets for the year. The cash balance also decreased \$2.0 million due to increased benefit payments and a legislative reduction to the contribution rate for participating court employers.

Additions to Plan Net Assets

Additions for the year ended June 30, 2003 were \$13.1 million, a \$17.0 million increase over the prior year due to an increase in net appreciation in the fair value of investments which was offset by lower investment income and securities lending income. Investment expenses were lower for the year due to the reallocation of the portfolio from active to passive management. Contributions of members and participating court employers were somewhat reduced due to a lower total annual salary base for calculation and a decrease in the number of members electing the higher contribution rate of 8%.

UNIFORM RETIREMENT SYSTEM FOR JUSTICES AND JUDGES
Administered by the Oklahoma Public Employees Retirement System
Management's Discussion and Analysis

ADDITIONS TO PLAN NET ASSETS
Comparative Data for Fiscal Years Ended June 30, 2003, 2002, and 2001
(in \$000's)



For fiscal year 2002 the Plan suffered a net depreciation in the fair value of investments of \$11.6 million due to the decline in the domestic and international equity markets. Investment income decreased slightly to \$5.6 million, and investment expenses based on the market value of manager portfolios were also reduced. Contributions from members and participating court employers increased primarily due to increases in the salary base on which the contributions were calculated. However, a January 1, 2001 reduction in the statutory rate for participating court employers to 2% from 15.27%, was in effect for twelve months of the 2002 fiscal year compared to six months of the 2001 fiscal year. This resulted in the 73.9% decrease in such contributions.

UNIFORM RETIREMENT SYSTEM FOR JUSTICES AND JUDGES

Administered by the Oklahoma Public Employees Retirement System

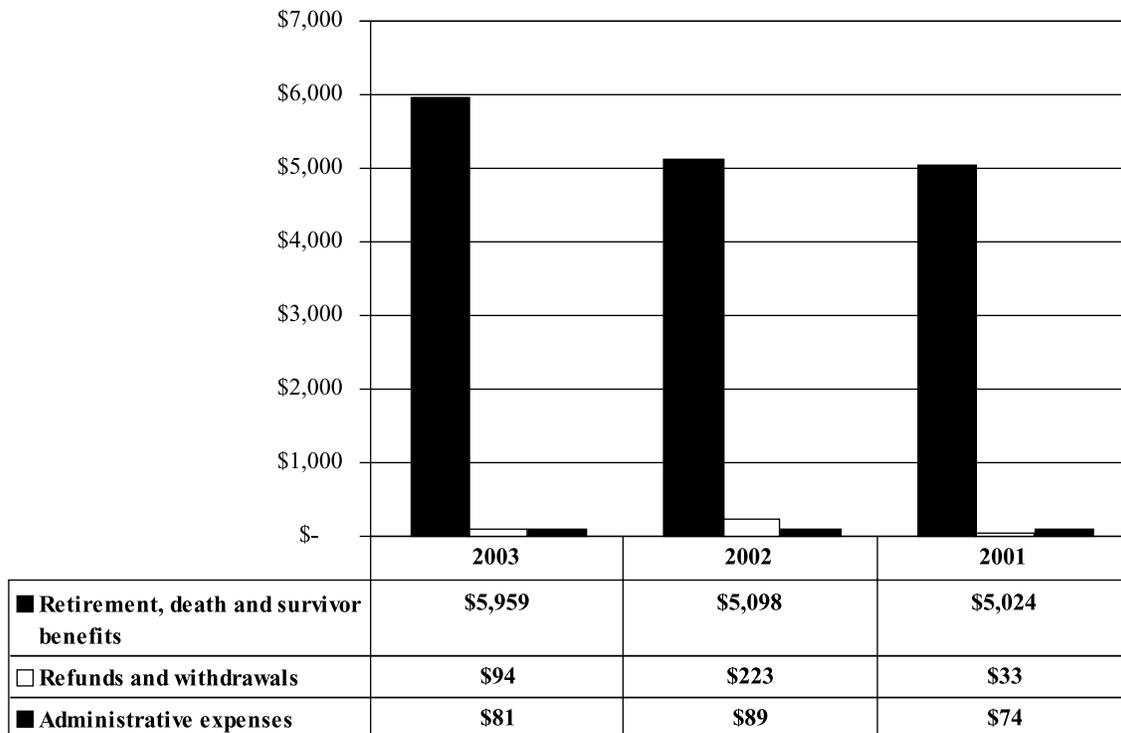
Management's Discussion and Analysis

Deductions to Plan Net Assets

For the year ended June 30, 2003 total deductions increased \$0.8 million over the prior year due to a 16.9% increase in retirement, death and survivor benefits as the average monthly benefit increased for an increased number of retirees. At June 30, 2003 the total number of members receiving retirement benefits was 169, compared to 153 at June 30, 2002, an increase of 10.5%. Refunds and withdrawals decreased as fewer participants withdrew contributions during the period compared to the prior year. The decrease in administrative expenses is a result of a lower percentage attributable to the Plan's allocated share of administrative costs.

DEDUCTIONS TO PLAN NET ASSETS

**Comparative Data for Fiscal Years Ended June 30, 2003, 2002, and 2001
(in \$000's)**



UNIFORM RETIREMENT SYSTEM FOR JUSTICES AND JUDGES

Administered by the Oklahoma Public Employees Retirement System

Management's Discussion and Analysis

In fiscal year 2002 retirement, death and survivor benefits grew 1.5% compared to the prior year due to the increase in the average monthly benefits of newly retired members. At June 30, 2002 the total number of members receiving retirement benefits was 153, compared to 156 at June 30, 2001, a decrease of 1.9%. The change in refunds and withdrawals results from an increase in the number of participants that withdrew during the period compared to the prior year. The increase in administrative expenses relates primarily to the Plan's allocated share of increased personnel, professional, and communication costs incurred.

Investments

The investment portfolio is reported by asset class which is comprised of the investment managers' portfolios including cash equivalents. A summary of the Plan's investments for fiscal years ended June 30, 2003, 2002, and 2001 is as follows:

INVESTMENT PORTFOLIO	(\$ millions)		
	June 30,		
	2003	2002	2001
Fixed Income	\$ 94.6	\$ 95.8	\$ 94.2
US Equities	67.3	56.5	66.8
International Equities	19.7	18.1	14.8
Other	0.8	1.1	1.1
Total managed investments	182.4	171.5	176.9
Cash on deposit with State	0.1	0.1	-
Securities Lending Collateral	16.0	26.7	27.6
Total Investments and Cash	\$ 198.5	\$ 198.3	\$ 204.5

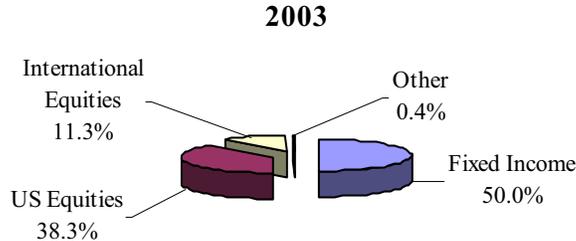
For the year ended June 30, 2003 the Plan's managed investments for the most part reflect the investment environment with fixed income components providing above average results. The Plan's overall return for the year was 6.7%. While the Plan's fixed income component earned 13.1%, this was offset by reductions for the cash flow requirements of the Plan for operations and reallocation of \$10 million to the US equity portfolio and \$2.5 million to the non-US equity portfolio. Negative returns for the US equities and non-US equities were 0.9% and 6.1% respectively. The US equity portfolio experienced a midyear transition of all domestic equities (\$6.2 million small cap equities, \$5.2 million mid cap equities, and \$47.0 million large cap equities) to a Russell 3000 index fund. The change in securities lending collateral is dependent on the securities loaned by the Plan's master custodian at year-end.

UNIFORM RETIREMENT SYSTEM FOR JUSTICES AND JUDGES

Administered by the Oklahoma Public Employees Retirement System

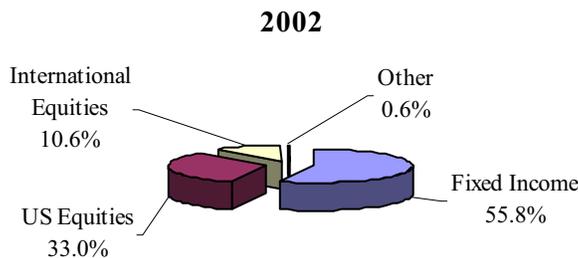
Management's Discussion and Analysis

At June 30, 2003 the distribution of the Plan's investments including accruals was as follows:



For the year ended June 30, 2002 the reduction in the Plan's managed investments is reflective of the decline in the US and non-US equity markets. The Plan's overall return for the year ended June 30, 2002 was a decrease of 3.4%. While the Plan's fixed income component earned 7.3%, this was offset by reductions for the cash flow requirements of the Plan for operations and reallocation of \$5 million to the non-US equity portfolio. The decrease in the equity portfolio is due to negative returns for the year of 16.8% for US equity and 11.6% for non-US equity. During the year \$6 million was reallocated from small cap domestic equity to mid cap domestic equity. The change in securities lending collateral is dependent on the securities loaned by the Plan's master custodian.

At June 30, 2002 the distribution of the Plan's investments including accruals was as follows:



UNIFORM RETIREMENT SYSTEM FOR JUSTICES AND JUDGES

Administered by the Oklahoma Public Employees Retirement System

Management's Discussion and Analysis

Economic Factors

Funding

A pension fund is well funded when it has enough money in reserve to meet all expected future obligations to participants. The funded ratios of the Plan at June 30 for the current and preceding two years were as follows:

<u>2003</u>	<u>2002</u>	<u>2001</u>
139.9%	148.2%	132.9%

Effective with the July 1, 2000, actuarial valuation, the funding method was changed to the Entry Age Normal Method, as adopted by the Board. Previously the Plan used a hybrid funding method.

Other

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

Requests for information

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

UNIFORM RETIREMENT SYSTEM FOR JUSTICES AND JUDGES
Administered by the Oklahoma Public Employees Retirement System

Statements of Plan Net Assets

June 30, 2003 and 2002

Assets	2003	2002
Cash and cash equivalents	\$ 2,620,718	\$ 1,897,541
Receivables:		
Due from brokers for securities sold	17,896,786	5,213,264
Accrued interest and dividends	756,917	1,017,414
Other	1,628	5,371
Total receivables	18,655,331	6,236,049
Investments, at fair value:		
Short-term investments	16,647,936	6,068,113
Government obligations	49,231,173	56,268,842
Corporate bonds	26,937,472	32,839,303
Domestic stocks	67,273,806	56,340,961
International equities	19,739,986	18,135,767
Securities lending collateral	16,040,367	26,723,783
Total investments	195,870,740	196,376,769
Total assets	217,146,789	204,510,359
Liabilities		
Due to brokers and investment managers	25,459,553	9,104,386
Securities lending collateral	16,040,367	26,723,783
Total liabilities	41,499,920	35,828,169
Net assets held in trust for pension benefits (Schedule of Funding Progress is presented in Schedule 1)	\$ 175,646,869	\$ 168,682,190

See accompanying notes to financial statements.

UNIFORM RETIREMENT SYSTEM FOR JUSTICES AND JUDGES

Administered by the Oklahoma Public Employees Retirement System

Statements of Changes in Plan Net Assets

Years Ended June 30, 2003 and 2002

	<u>2003</u>	<u>2002</u>
Additions:		
Contributions:		
Members	\$ 1,791,825	\$ 1,810,491
Participating court employers	488,459	491,596
Total contributions	<u>2,280,284</u>	<u>2,302,087</u>
Investment income (loss):		
From investing activities:		
Net appreciation (depreciation) in fair value of investments	6,530,857	(11,594,003)
Interest	4,347,037	5,541,878
Dividends	11,400	35,211
Other	7,918	5,479
Total investment income (loss)	<u>10,897,212</u>	<u>(6,011,435)</u>
Less - Investment expenses	<u>(114,097)</u>	<u>(219,110)</u>
Income (loss) from investing activities	10,783,115	(6,230,545)
From securities lending activities:		
Securities lending income	391,856	802,609
Securities lending expenses:		
Borrower rebates	(342,098)	(704,049)
Management fees	(14,928)	(29,568)
Income from securities lending activities	<u>34,830</u>	<u>68,992</u>
Net investment income (loss)	<u>10,817,945</u>	<u>(6,161,553)</u>
Total increase (decrease)	13,098,229	(3,859,466)
Deductions:		
Retirement, death and survivor benefits	5,958,531	5,097,638
Refunds and withdrawals	94,062	223,380
Administrative expenses	80,957	89,461
Total deductions	<u>6,133,550</u>	<u>5,410,479</u>
Net increase (decrease)	6,964,679	(9,269,945)
Net assets held in trust for pension benefits:		
Beginning of year	<u>168,682,190</u>	<u>177,952,135</u>
End of year	<u>\$ 175,646,869</u>	<u>\$ 168,682,190</u>

See accompanying notes to financial statements.

UNIFORM RETIREMENT SYSTEM FOR JUSTICES AND JUDGES

Administered by the Oklahoma Public Employees Retirement System

Notes to Financial Statements

June 30, 2003 and 2002

(1) Summary of Significant Accounting Policies

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

(a) *Basis of Accounting*

The financial statements are prepared using the accrual basis of accounting under which expenses are recorded when the liability is incurred, revenues are recorded in the accounting period in which they are earned and become measurable, and investment purchases and sales are recorded as of their trade dates. Member and employer contributions are established by statute as a percentage of salaries and are recognized in the period in which employees' salaries are earned. Benefits and refunds are recognized when due and payable in accordance with the terms of the Plan.

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

(b) *Investments*

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

Plan investments are reported at fair value. Short-term investments include bills and notes and commercial paper, valued at fair value, and an investment fund composed of an investment in units of a commingled trust fund of the Plan's custodial agent, which is valued at cost, which approximates fair value.

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

UNIFORM RETIREMENT SYSTEM FOR JUSTICES AND JUDGES

Administered by the Oklahoma Public Employees Retirement System

Notes to Financial Statements

June 30, 2003 and 2002

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

The Plan invests in various traditional financial instruments that fall under the broad definition of derivatives. The Plan's derivatives include U.S. Treasury Strips, collateralized mortgage obligations, convertible stocks and bonds, and variable rate instruments. These investments do not increase investment risk beyond allowable limits specified in the Plan's investment policy.

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

(c) *Use of Estimates*

The preparation of the Plan's financial statements in conformity with accounting principles generally accepted in the United States of America, requires the Plan administrator to make significant estimates and assumptions that affect the reported amounts of net assets held in trust for pension benefits at the date of the financial statements and the actuarial information included in the required supplementary information as of the benefit information date, the changes in plan net assets during the reporting period and, when applicable, the disclosures of contingent assets and liabilities at the date of the financial statements. Actual results could differ from those estimates.

(d) *Risk and Uncertainties*

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

UNIFORM RETIREMENT SYSTEM FOR JUSTICES AND JUDGES

Administered by the Oklahoma Public Employees Retirement System

Notes to Financial Statements

June 30, 2003 and 2002

(e) *Reclassification of Prior Year Amounts*

Certain amounts in the prior year financial statements have been reclassified to conform with the current year presentation.

(2) *Plan Descriptions and Contribution Information*

The following brief description of the Plan is provided for general information purposes only. Participants should refer to Title 20 of the Oklahoma Statutes, Sections 1101 through 1112, for more complete information.

(a) *General*

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

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

	<u>2003</u>	<u>2002</u>
Retirees and beneficiaries currently receiving benefits	169	153
Terminated vested participants	10	12
Active participants	<u>268</u>	<u>266</u>
Total	<u>447</u>	<u>431</u>

(b) *Benefits*

Benefits are determined at 4% of the member's average monthly compensation for covered active service over the last three years of active service as a justice or judge times the total years of service in the Plan, not to exceed 72½%, for 2003, of the retiree's average monthly salary received as a justice or judge for the last three years of active service. For 2003 normal retirement ages under the Plan are as follows:

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

UNIFORM RETIREMENT SYSTEM FOR JUSTICES AND JUDGES

Administered by the Oklahoma Public Employees Retirement System

Note to Financial Statements

June 30, 2003 and 2002

For the year ended June 30, 2002 benefits were determined at 4% of the member's average monthly compensation for covered active service over the last three years of active service as a justice or judge times the total years of service in the Plan, not to exceed 70% of the retiree's average monthly salary received as a justice or judge for the last three years of active service. Normal retirement ages under the Plan were 70 with 8 years of judicial service, 65 with 10 years of judicial service, 60 with 20 years of judicial service, or Rule of 80.

Members are eligible to vest fully upon termination of judicial service after accumulating eight years of judicial service or the members' contributions may be withdrawn at the time such member ceases to be a justice or judge of a court within the Plan.

Disability retirement benefits are available for members who have attained age 55 and have 15 years of credited service and are determined to be disabled by the Court of the Judiciary. The benefits are calculated in the same manner as the normal retirement benefit. The Court of the Judiciary may override these requirements if it is determined that any judge or justice is no longer capable of performing regular duties.

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

Upon the death of a retired member, the Plan will pay a \$5,000 death benefit to the member's beneficiary or estate of the member if there is no living beneficiary. The death benefit will be paid in addition to any excess employee contributions or survivor benefits due to the beneficiary. Death benefits paid for the years ended June 30, 2003 and 2002, totaled approximately \$30,000 and \$40,000, respectively.

UNIFORM RETIREMENT SYSTEM FOR JUSTICES AND JUDGES

Administered by the Oklahoma Public Employees Retirement System

Note to Financial Statements

June 30, 2003 and 2002

Survivor benefits are paid to a member's spouse provided the member makes the required contributions and the spouse qualifies under the Plan provisions. These payments are made monthly over the remaining life of the spouse. If the member has ten years of service and the death is determined by the workers' compensation court to be employment related, the benefit is payable immediately to the spouse. Members must have eight years of credited service before their spouses are eligible for normal survivor benefits. The benefit payment is equal to 50% of the normal retirement benefit.

For the years ended June 30, 2003 and 2002, the Plan remitted up to \$105 per month per eligible member receiving retirement benefits, excluding beneficiaries and surviving spouses, for health insurance premiums to the Oklahoma State and Education Employees Group Insurance Board, which administers various group health benefit plans for the State. The Plan is required by statute to remit this payment for eligible members, but has no administrative functions related to the payment and no portion of the contribution amounts of either active members or participating courts is specifically identified by statute as relating to such payment. Accordingly, the provisions of GASB Statement No. 26, *Financial Reporting for Postemployment Healthcare Plans Administered by Defined Benefit Pension Plans*, are deemed not to apply. The amounts remitted for the years ended June 30, 2003 and 2002, for such premiums were approximately \$114,000 and \$109,000, respectively.

(c) Contributions

The contribution requirements of the Plan are an established rate determined by the Oklahoma Legislature and are based on a comparison to an actuarial calculation. The basic member contributions for 2003 and 2002 are 5% of a member's monthly salary. Each member of the Plan who is married must provide for spousal survivor benefits, contributing at the rate of 8%. The member's spouse however can waive spousal benefits. Participating court employers are required to contribute monthly a percentage of the gross salaries of the active members of the Plan. The percentage established by the Oklahoma Legislature for the years ended June 30, 2003 and June 30, 2002 was 2% of member payroll. The Board is authorized to adjust the contribution rates to prevent a funded ratio of the Plan of less than 100%.

Effective for the fiscal year ended June 30, 2006, the employer contribution rate will increase to 3.0% of payroll and will increase annually up to 22% for fiscal years ending June 30, 2019, and thereafter.

UNIFORM RETIREMENT SYSTEM FOR JUSTICES AND JUDGES

Administered by the Oklahoma Public Employees Retirement System

Note to Financial Statements

June 30, 2003 and 2002

(3) Cash and Cash Equivalents

Cash and cash equivalents represent cash on deposit with the State and short-term investment funds held by the Plan's custodial agent. Cash is on deposit with the Office of the State Treasurer and is required to be insured or collateralized by the Oklahoma Statutes covering deposits of public funds. The short-term investment funds consist of temporary investments in commingled trust funds of the Plan's custodial agent. The funds are composed of high-grade money market instruments with short maturities. Each participant in the funds shares the risk of loss on the funds in proportion to their respective investment in the funds.

Deposits with financial institutions are classified depending on whether they are insured or collateralized. Bank balances are classified in the following categories of credit risk: Category 1 includes deposits that are insured or collateralized with securities held by the Plan or by the agent in the Plan's name. Category 2 includes deposits, which are collateralized with securities held by the pledging financial institution trust department or agent in the Plan's name. Category 3 includes deposits, which are uncollateralized, or deposits which are collateralized and the related securities are held by the pledging financial institution or by its trust department or agent not in the Plan's name. At June 30, 2003 and 2002, cash on deposit with the State is considered Category 1, and the short-term investment funds are considered Category 3.

At June 30, 2003, as a result of outstanding checks, the carrying amount of the Plan's cash deposits totaled \$52,068 and the bank balances totaled \$174,246. At June 30, 2002, as a result of outstanding checks, the carrying amount of the Plan's cash deposits totaled \$51,636 and the bank balances totaled \$158,274. At June 30, 2003 and 2002 the carrying amounts of the Plan's short-term investment funds were the same as the bank balances, \$2,568,650 and \$1,845,905 respectively.

(4) Investments

The Plan's investments would generally be categorized into one of three separate credit risk categories. Category 1 includes investments that are insured or registered or are held by the Plan or its agent in the Plan's name. Category 2 includes uninsured and unregistered investments, which are held by the counterparties, trust departments or agents in the Plan's name. Category 3 includes uninsured and unregistered investments, held by the counterparties or their trust departments or agents, but not in the Plan's name. A summary of the Plan's investments at June 30, 2003 and 2002 is as follows:

UNIFORM RETIREMENT SYSTEM FOR JUSTICES AND JUDGES

Administered by the Oklahoma Public Employees Retirement System

Note to Financial Statements

June 30, 2003 and 2002

	<u>2003</u>	<u>2002</u>
Category 1 Classification:		
Commercial paper	\$ 1,368,808	\$ 6,068,113
Treasury bonds and notes	17,624,560	3,861,407
Government bonds and government mortgage-backed securities	25,338,200	30,171,448
Corporate bonds	23,219,029	27,287,452
Domestic stocks	1,876	7,547,376
Total Category 1	<u>67,552,473</u>	<u>74,935,796</u>
Category 3 Classification:		
Investments held by brokers-dealers under securities loans for non-cash collateral:		
Treasury bonds and notes	8,939,708	2,156,606
Governmental bonds and government mortgage-backed securities	944,529	419,130
Corporate bonds	-	95,648
Total Category 3	<u>9,884,237</u>	<u>2,671,384</u>
Not subject to classification:		
Investments held by brokers-dealers under securities loans for cash collateral:		
Treasury bonds and notes	11,663,304	19,380,831
Government bonds and government mortgage-backed securities	-	279,420
Corporate bonds	3,718,443	5,456,203
Domestic stocks	-	453,131
Securities lending collateral	16,040,367	26,723,783
Domestic equity index funds	67,271,930	43,122,876
Domestic equity commingled trust fund	-	5,217,578
International equity index fund	19,739,986	18,135,767
Total not subject to classification	<u>118,434,030</u>	<u>118,769,589</u>
Total investments	<u>\$ 195,870,740</u>	<u>\$ 196,376,769</u>

UNIFORM RETIREMENT SYSTEM FOR JUSTICES AND JUDGES

Administered by the Oklahoma Public Employees Retirement System

Note to Financial Statements

June 30, 2003 and 2002

The Plan's investment policy provides for its participation in a securities lending program. The program is administered by the Plan's master custodian and there are no restrictions on the amount of loans that can be made. During 2003 and 2002, the types of securities loaned were primarily U.S. Government and corporate bonds and domestic equity securities. Certain securities of the Plan are loaned to participating brokers, who must provide collateral in the form of cash, U.S. Treasury or Government Agency securities, or letters of credit issued by approved banks.

Under the terms of the securities lending agreement, collateral is required to be provided in the amount of 102% of the fair value of U.S. securities loaned, and 105% of the fair value of non-U.S. securities loaned. At June 30, 2003 and 2002, the Plan has no credit risk exposure to borrowers because the amounts the Plan owes the borrowers exceed the amounts the borrowers owe the Plan. The master custodian provides for full indemnification to the Plan for any losses that might occur in the program due to the failure of a broker to return a security that was borrowed (and if the collateral is inadequate to replace the securities lent) or failure to pay the Plan for income of the securities while on loan. The Plan cannot pledge or sell collateral securities unless the borrower defaults. The loan premium paid by the borrower of the securities is apportioned between the Plan and its custodial agent in accordance with the securities lending agreement. All securities loans can be terminated on demand by either the lender or the borrower.

The securities lending agreement provides that cash collateral be invested in the custodial agent's short-term investment pool and sets forth credit quality standards, acceptable investments, diversification standards, and maturity and liquidity constraints for the investment fund. The Plan's investment guidelines do not require a matching of investment maturities with loan maturities, but do establish minimum levels of liquidity and other investment restrictions designed to minimize the interest rate risk associated with not matching the maturities of the investments with the loans. At June 30, 2003 and 2002 the cash collateral investments had an average weighted maturity of 38 and 30 days, respectively. Under the terms of the agreement the relationship between the maturities of the custodial agent's investment pool and the Plan's loans is affected by the maturities of the securities loans made by other entities that use the agent's pool, which the Plan cannot determine. The Plan's non-cash collateral is represented by its allocated share of a pool administered by the agent for the Plan and other pool participants.

The Plan participates in international and domestic equity index funds and in 2002 a domestic equity commingled trust fund. Each participant in these funds shares the risk of loss in proportion to their respective investment. Because the Plan does not own any specific, identifiable investment securities of these funds, the market risk associated with any derivative investments held in these funds is not apparent. The degree of market risk depends on the underlying portfolios of the funds, which were selected in accordance with the Plan's investment policy risk and other guidelines.

No investments, other than U.S. Government bonds and instrumentalities, in any one organization represent 5% or more of plan net assets at June 30, 2003 and 2002, respectively.

UNIFORM RETIREMENT SYSTEM FOR JUSTICES AND JUDGES

Administered by the Oklahoma Public Employees Retirement System

Notes to Financial Statements

June 30, 2003 and 2002

(5) Federal Income Tax Status

Pursuant to a determination by the Internal Revenue Service, the Plan is qualified under the Internal Revenue Code of 1986, as amended, and therefore, is exempt from federal income taxes. The latest determination letter is dated May 22, 2000 and was a favorable determination for the Uniform Retirement System for Justices and Judges. The Plan has been amended since receiving the determination letter; however, the Plan administrator believes that the Plan is designed and is currently being operated in substantial compliance with the applicable requirements of the Internal Revenue Code and retains its status as a qualified plan.

(6) New Pronouncement

GASB Statement No. 40, *Deposit and Investment Risk Disclosures* updates the custodial credit risk disclosure requirements of GASB Statement No. 3, *Deposits with Financial Institutions, Investments (including Repurchase Agreements), and Reverse Repurchase Agreements* and establishes more comprehensive disclosure requirements addressing credit risk, interest rate risk, and foreign currency risk. GASB 40 applies to all state and local governments and is effective for financial statements for periods beginning after June 15, 2004.

UNIFORM RETIREMENT SYSTEM FOR JUSTICES AND JUDGES

Administered by the Oklahoma Public Employees Retirement System

Required Supplementary Information

June 30, 2003

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))
7/1/93	\$ 67,682,486	\$ 69,022,672	\$ 1,340,186	98.1%	\$ 15,984,212	8.4%
7/1/00	169,693,888	128,020,480	(41,673,408)	132.6%	22,295,354	(186.9%)
7/1/01	184,909,669	139,157,241	(45,752,428)	132.9%	23,808,429	(192.2%)
7/1/02	193,010,895	130,227,043	(62,783,852)	148.2%	25,744,427	(243.9%)
7/1/03	196,989,778	140,856,203	(56,133,575)	139.9%	25,652,805	(218.8%)

The funding method changed from entry age normal on July 1, 1993, to aggregate on July 1, 1994. A schedule of funding progress is not required to be presented under the aggregate method. Effective July 1, 2000, the method was changed back to entry age normal. See note to the required supplementary information.

Schedule of Employer Contributions

Year Ended June 30,	Annual Required Contribution	Percentage Contributed
1994	\$ 3,260,734	113.6%
1995	2,785,633	133.0%
1996	2,508,674	179.5%
1997	1,168,003	408.8%
1998	—	N/A
1999	—	N/A
2000	435,693	734.7%
2001	1,109,744	170.0%
2002	977,570	50.3%
2003	—	N/A

The contribution requirement of the Plan is an established rate determined by the Oklahoma Legislature and is based on a comparison to an actuarial calculation. Employer contributions, beginning July 1, 1997, were based on a percentage of payroll of covered members, ranging from 14.13% for the fiscal year ended June 30, 1998, to 15.27% through December 31, 2000. Effective January 1, 2001, the employer contribution rate was changed to 2%. Prior to July 1, 1997, employer contributions were comprised of 10% of all fines, forfeitures and penalties received by participating courts.

UNIFORM RETIREMENT SYSTEM FOR JUSTICES AND JUDGES

Administered by the Oklahoma Public Employees Retirement System

Note to Schedule 1 Required Supplementary Information

June 30, 2003

Actuarial Assumptions and Methods

The information presented in the required supplemental schedules was determined as part of the actuarial valuations at the dates indicated. Additional information as of the latest actuarial valuation date, July 1, 2003, is as follows:

Funding Method

Effective July 1, 2000, the funding method, as adopted by the Board in August 2000, was entry age normal (based on a level percentage of covered payrolls). Under this method, the accrued liability and the present value of future normal costs are determined by summing the individual entry age results for each participant. The normal cost is then determined in aggregate by spreading the present value of future normal costs as a level percentage of expected future covered payrolls. Entry age is defined as the first day service is credited under the Plan.

For the period July 1, 1994 through July 1, 1999, the aggregate actuarial cost method was used in preparing the valuations. Under the aggregate actuarial cost method, the normal cost is computed as the level percentage of pay which, if paid from the valuation date until each member's retirement or termination date, will, together with the assets of the plan, accumulate with interest at the rate assumed in the valuation to a fund sufficient to pay all benefits under the Plan.

Experience gains and losses, i.e., decreases or increases in accrued liabilities attributable to deviations in experience from the actuarial assumptions, are spread into the future, increasing or decreasing the normal cost for future years.

Asset Valuation Method

For actuarial purposes, assets are determined equal to the prior year's actuarial value of assets plus cash flow (excluding realized and unrealized gains or losses) for the year ended on the valuation date assuming 7.5% interest return. Prior year's unrecognized gains and losses are added to this amount to develop expected actuarial value. The expected actuarial value is then compared to the market value of the assets at the valuation date, and 20% of any gain (loss) for the last five years is added to the expected actuarial value. The gain (loss) is amortized over five years with the actuarial value of the assets being constrained to a range of 80% to 120% of the market value at the valuation date.

UNIFORM RETIREMENT SYSTEM FOR JUSTICES AND JUDGES

Administered by the Oklahoma Public Employees Retirement System

Note to Schedule 1 Required Supplementary Information

June 30, 2003

Amortization

The funding policy, which was changed effective July 1, 2000, to the entry age normal funding method, amortizes the unfunded actuarial accrued liability in both an underfunded and overfunded position on a level dollar method over a 27-year closed period from July 1, 2000 (based on an original 40-year period from July 1, 1987). The aggregate actuarial cost method which was previously used does not identify or separately amortize unfunded actuarial accrued liabilities.

Significant actuarial assumptions employed by the actuary for funding purposes as of July 1, 2003, are as follows:

- Investment Return – 7.5% per annum, compounded annually
- Salary Increases – 5.5% per year (3% inflation; 2.5% merit)
- Mortality Rates – Active participants and nondisabled pensioners – 1983 Group Annuity Mortality Table (disabled pensioners set forward 5 years)
- Post Retirement Benefit Increases – 2% per year (two-thirds of the inflation assumption)
- Post Retirement Health Insurance Premium – The Plan is required by statute to contribute up to \$105 per month or the Medicare Supplement Premium, if less, for eligible Plan members receiving retirement benefits who elect health insurance coverage through the Oklahoma State and Education Employee's Group Health Program, which administers various group health benefit plans.

The key items responsible for the change in the funded status are as follows:

- Liability losses occurred increasing the actuarial accrued liability to a value \$996,000 more than expected.
- The return on actuarial value of assets was approximately 4.1% compared to the expected return of 7.5% resulting in an actuarial loss of \$6.5 million.

UNIFORM RETIREMENT SYSTEM FOR JUSTICES AND JUDGES

Administered by the Oklahoma Public Employees Retirement System

Other Supplementary Information

Schedule of Investment Expenses

Years Ended June 30, 2003 and 2002

	<u>2003</u>	<u>2002</u>
Investment management fees:		
Fixed Income Managers:		
Blackrock Financial Management, Inc.	\$ 51,041	\$ 54,554
Hoisington Investment Management	21,459	22,180
Metropolitan West Asset Management, LLC	—	27,690
Loomis Sayles & Co., LP	—	2,706
U. S. Equity Managers:		
Barclays Global Investors	6,036	4,686
David L. Babson & Co. Inc.	—	2,194
Dimensional Fund Advisors, Inc.	12,490	27,096
Dresdner RCM Global Investors, LLC	—	740
Loomis Sayles & Co., LP	5,593	20,835
TCW Asset Management Company	1,688	37,534
International Equity Managers:		
Barclays Global Investors	6,208	5,115
Scudder Kemper Investments, Inc.	—	3,722
Total investment management fees	<u>104,515</u>	<u>209,052</u>
Investment consultant fees:		
Strategic Investment Solutions, Inc	4,049	4,672
Investment custodial fees:		
Northern Trust Company	<u>5,533</u>	<u>5,386</u>
Total investment expenses	<u>\$ 114,097</u>	<u>\$ 219,110</u>

See accompanying independent auditors' report.

UNIFORM RETIREMENT SYSTEM FOR JUSTICES AND JUDGES

Administered by the Oklahoma Public Employees Retirement System

Other Supplementary Information

Schedule of Administrative Expenses

Years Ended June 30, 2003 and 2002

	<u>2003</u>	<u>2002</u>
Professional services	\$ 6,293	\$ 7,051
Allocated administrative expenses (see note below)	<u>74,664</u>	<u>82,410</u>
	<u>\$ 80,957</u>	<u>\$ 89,461</u>

Note to Schedule of Administrative Expenses

A portion of the administrative overhead expenses, including personnel and other supporting services costs, which are paid for by a separate retirement fund also administered by OPERS, are allocated to the Plan. The allocation is based on OPERS' estimate of the cost of services provided to the Plan by the separate fund. Allocated costs are charged to the Plan and paid with funds provided through operations of the Plan.

See accompanying independent auditors' report.

UNIFORM RETIREMENT SYSTEM FOR JUSTICES AND JUDGES

Administered by the Oklahoma Public Employees Retirement System

Other Supplementary Information

Schedule of Professional/Consultant Fees

Years Ended June 30, 2003 and 2002

<u>Professional/Consultant</u>	<u>Service</u>	<u>2003</u>	<u>2002</u>
Mercer Human Resource Consulting	Actuarial	\$ 2,202	\$ 3,210
KPMG LLP	External Auditor	1,827	—
Arthur Andersen LLP	External Auditor	—	1,693
Finley & Cook PLLC	Internal Auditor	1,523	1,267
Office of the State Auditor and Inspector	Governmental Pension Commission	741	881
		<u>\$ 6,293</u>	<u>\$ 7,051</u>

See accompanying independent auditors' report.



INVESTMENT SECTION

2003 Comprehensive Annual Financial Report

STRATEGIC INVESTMENT SOLUTIONS, INC.

601 CALIFORNIA STREET, STE. 200
SAN FRANCISCO, CALIFORNIA 94108

BARRY W. DENNIS
MANAGING DIRECTOR

TEL 415/362-3484
FAX 415/362-2752

Investment Consultant's Report

Investment Objectives

The primary financial objective is to earn a long-term return sufficient to avoid deterioration in funded status. The Plan's actuary estimates this return requirement to be 7.5% while its investment consultant estimates the real return requirement to be 5.0%.

Secondary goals are to outperform the asset allocation-weighted benchmark (38% US Equities, 12% Non-US Equities, and 50% Fixed Income) and to rank in the top forty percent of a universe of public pension funds.

Asset Allocation

The Plan's Investment Philosophy stresses the following key points:

1. Asset allocation is the key determinant of return. Therefore, commitments to asset allocation targets are maintained through a disciplined rebalancing program.
2. Diversification, both by and within asset classes, is the primary tool for risk control.
3. Passive instruments (index funds) are suitable strategies in highly efficient markets.

ASSET CLASS	6/30/03 ALLOCATION	LOW	TARGET	HIGH	% PASSIVE OR SEMI-PASSIVE
US EQUITY	38.3%	34.4%	38.0%	41.6%	100.0%
FIXED INCOME	50.0	45.0	50.0	55.0	57.1
NON-US EQUITY	11.3	10.0	12.0	14.0	100.0
CASH	0.4	0.0	0.0	5.0	100.0

Review of Fiscal 2003 Investment Environment

Fiscal year ended June 30, 2003 saw an investment climate that favored the US Growth-style (+2.8%) equity markets on a relative basis over the US Value-style equities (-1.2%), a reversal of what occurred in the previous two fiscal years. The total US equity market was up (+0.8%) for the 12-month period ending June 30, 2003. Fiscal year 2003 was the first year equity markets were positive since the 12-month period ending June 30, 2000. The total US equity market was up by +16.3% for the 3-month period ending June 30, 2003 which brought the asset class back to positive territory. Non-US developed equity markets did not fare as well (-6.1%), as the weakness of the dollar versus the European Currency Unit and the Japanese Yen could not offset the sharp overall negative performance.

The US fixed income market produced above average historical results (+10.4%) for the third straight year.

Within the US equity market, stocks of large companies slightly outperformed large for the first time in four years (+0.9% versus -1.6%). Growth stocks outperformed value by small margins in large caps (+2.9% versus -1.0%) and by similar margins in small caps (+0.7% versus -3.8%).

Performance Review

At quarterly intervals, the Plan reviews performance at the total fund, asset class and individual manager levels. At each level, returns are evaluated versus appropriate indexes and peers. Index comparisons have as return objectives various after-fee return premiums with risk (standard deviation) not exceeding 125% of the underlying index. Comparisons with peers seek top forty percentile results for active strategies. It should be noted that the US Equity and Non-US Equity classes are now completely passive.

Investment returns achieved through June 30, 2003 have been calculated using the return methodology endorsed by the Association for Investment Management and Research (AIMR). As shown in the following table, for the one-year time period ending June 30, 2003 the Domestic Equity asset class performed below its respective benchmark; the Non-US Equity asset class performed in-line with its benchmark (100% passive); and the Fixed Income asset class performed above its respective benchmark. The Domestic Equity asset class ranked below median, while the Non-US Equity and Fixed Income asset classes ranked above median. Results in the US Equity and Non-US Equity asset classes hurt the Fund's overall results for annualized periods of three and five years. Conversely, Fixed Income helped the overall portfolio's results for the annualized time periods of three and five years.

Strategic Investment Solutions prepares a Quarterly Report of Investment Performance for the Fund based on performance calculations made by the Fund's custodian, The Northern Trust Company. The one-year, three-year, and five-year time-weighted rates of return for the years ended June 30, 2003 are:

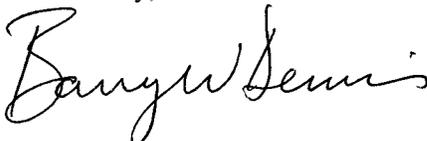
PERIODS ENDED 6/30/03	ONE YEAR	THREE YEARS	FIVE YEARS
Domestic Equity <i>Russell 3000</i> Rank	-0.9% 0.8% 59*	-10.7% -9.9% 61	-1.5% -0.9% 74
Non-US Equity <i>MSCI EAFE</i> Rank	-6.1% -6.1% 47	-15.9% -13.2% 88	-4.3% -2.5% 92
Fixed Income <i>Lehman Aggregate</i> Rank	+13.1% +10.4% 19	+10.2% +10.1% 41	+7.7% +7.5% 40
Total Fund <i>Policy Benchmark***</i> <i>Public Fund Median</i> Rank**	6.7% 5.3% 4.1% 10	-0.3% -0.3% -1.2% 32	+3.7% +4.1% +3.1% 28

* Ranking 1 is best, 100 is worst.

** Rankings source - ICC Public Funds Universe

***Policy Benchmark is 38% Russell 3000/ 50% Lehman Agg/
12% MSCI EAFE

Yours truly,



Barry Dennis
Managing Director



STATE OF OKLAHOMA

UNIFORM RETIREMENT SYSTEM FOR JUSTICES AND JUDGES

Chief Investment Officer's Report

Dear Members:

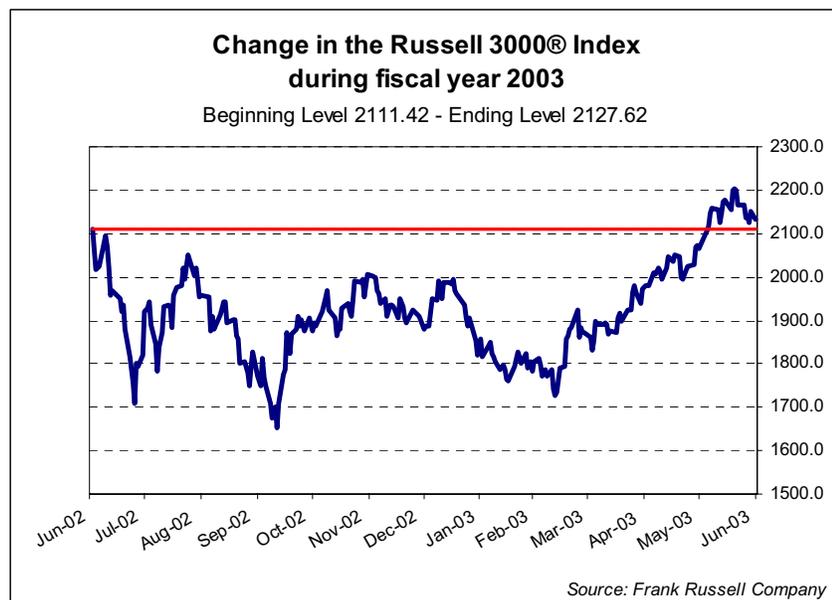
In this letter we will look back at the environment and events that helped to shape investment returns for the fiscal year ending June 30, 2003. I will present investment performance of major markets and the Fund for last year and for longer periods. Since asset allocation plays a dominant role in determining investment performance, we will review the Fund's asset allocation. I will also provide a brief summary of the outlook that shapes our current thinking. Finally, I will summarize the investment philosophies and principles that have long guided and that continue to guide the management of the Fund.

Economic Environment

Below Average Economic Growth - The 12-months ending June 30, 2003 was, like the year before, a period of slow economic growth. Real Gross Domestic Product grew by 2.5% which was higher than last year's rate of 2.2% but still slower than the average year over year growth rate since 1946 of 3.4%. Labor markets continued to be soft in what some have termed a "jobless" recovery. There were however some notable bright spots on the economic landscape. In contrast to last year's drop of -12.4%, corporate profits after tax this year rose 4.9% on a year over year basis. Business investments rose 1.0% compared to last year's drop of -6.3%. Consumer spending continued to grow and inflation remained subdued.

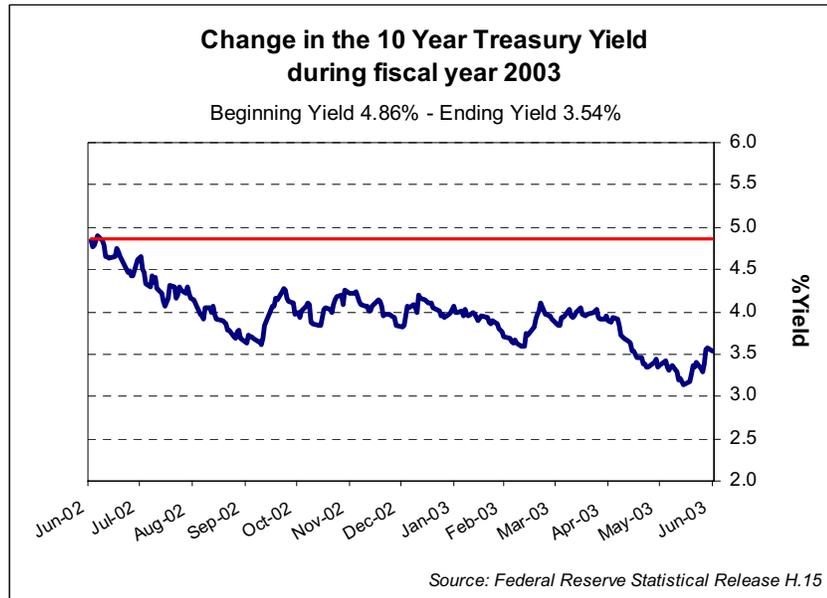
Capital Markets

US Stock Market – The US stock market spent most of the 12 month period ending June 30, 2003 in negative territory. The chart to the right shows the level of the Russell 3000 stock index. This broad measure of the US stock market finished the fiscal year slightly higher than where it began, but the period was anything but calm. Economic uncertainty coupled with anxiety over the tensions and eventual war in Iraq made for a volatile year.



Tax and fiscal policy stimulus coupled with the end of large-scale hostilities in Iraq and corporate earnings improvement prompted a strong rally beginning in the middle of March.

Interest Rates – Interest rates moved lower during the 12 month period ending June 30, 2003. The Federal Reserve continued to apply monetary stimulus to the economy by lowering the Fed Funds Rate twice during the fiscal year. On November 6th 2002, the rate was lowered 50 basis points from 1.75% to 1.25%. On June 25th 2003, they lowered the rate another 25 basis points from 1.25% to 1.00% where it stands now. Longer term rates as shown by the 10 year US Treasury bond yield on the accompanying chart also moved generally lower. Both the accommodative Fed and the flight from stocks to the relative safety of bonds probably accounted for much of this move. The drop in yields caused bond prices to rise and made fiscal year 2003 a very good year for fixed income returns.



Investment Returns Through June 2003

US Equity	Asset Class	1 Year	3 Years	5 Years
Russell 3000	Broad US Equity	0.76%	(10.47%)	(1.14%)
S&P 500	Large Cap Equity	0.26%	(11.20%)	(1.61%)
Russell 1000 Growth	Large Cap Growth	2.93%	(21.54%)	(5.04%)
Russell 1000 Value	Large Cap Value	(1.03%)	(0.19%)	1.05%
Russell 2000	Small Cap Equity	(1.64%)	(3.30%)	0.97%
Russell 2000 Growth	Small Cap Growth	0.67%	(16.67%)	(4.25%)
Russell 2000 Value	Small Cap Value	(3.80%)	10.93%	4.98%
Uniform Retirement System for Justices & Judges	Broad US Equity	(0.88%)	(10.68%)	(1.52%)

US Fixed Income	Asset Class	1 Year	3 Years	5 Years
3 month Treasury Bills	Cash	1.53%	3.34%	3.34%
Lehman Aggregate	Domestic Fixed Income	10.40%	10.08%	7.54%
Salomon Corporate	Corporate Bonds	16.31%	11.84%	7.98%
Merrill Lynch High Yield Master II	High Yield Bonds	22.20%	5.02%	2.95%
Uniform Retirement System for Justices & Judges	Domestic Fixed Income	13.08%	10.22%	7.68%

International	Asset Class	1 Year	3 Years	5 Years
MSCI ACWI Free Ex-US	Broad Non-US Equity	(4.20%)	(12.48%)	(2.81%)
MSCI EAFE	Developed Non-US Equity	(6.05%)	(13.20%)	(3.68%)
MSCI Emerging Mkts. Free	Emerging Non-US Equity	6.94%	(7.02%)	2.52%
Lehman Global Ex-US Bond	Core Non-US Bonds	17.54%	7.86%	5.67%
Uniform Retirement System for Justices & Judges	International Equity	(6.15%)	(15.85%)	(4.31%)
Uniform Retirement System for Justices & Judges	Total Fund	6.67%	(0.28%)	3.70%

Source: Strategic Investment Solutions; Northern Trust

Investment Performance

Bear Market Reprieve – Thanks to the rally that began in the middle of March 2003, U.S equities ended the year slightly ahead. Reversing recent trends among US equity classes, large cap growth stocks did best while small cap value stocks did worst. As noted above, bonds did well especially credit sensitive and foreign issues. Non US equities were a mixed bag as developed markets continued to struggle while emerging markets did reasonably well.

Asset Allocation

Diversification reduces volatility – Diversification is the investor's best defense against market volatility. Diversification, which controls risk, is achieved by allocating assets across various asset classes. The asset allocation of the Fund is shown below. As of year end the fund was allocated very close to the target allocation.

Asset Allocation				
Asset Class	Min	06/30/03	Target	Max
Cash	0.0%	0.4%	0.0%	-
Domestic Fixed Income	45.0%	50.0%	50.0%	55.0%
US Equity	33.0%	38.3%	38.0%	43.0%
International Equity	10.0%	11.3%	12.0%	14.0%
Total Fund		100%	100%	

Recent Events and Outlook

Looking Ahead – As we look forward, it appears that equity markets may be starting to recover some ground due to policy stimulus and improved corporate profitability. It is likely however that these markets will remain choppy. There is also some concern that a stronger economy may mean higher interest rates and trouble for bonds. In such an environment we anticipate that our diversification and rebalancing discipline will provide appropriate risk controls.

Investment Philosophies and Guiding Principles

Listed below are the beliefs that guide our stewardship of the Fund.

- A pension fund has the longest of investment horizons and therefore rightly focuses on factors that impact long-term results.
- Asset allocation is the key factor determining long-term returns.
- Disciplined rebalancing towards the desired asset allocation maintains diversification and controls risk.
- Diversification within and across asset classes is the most effective tool for controlling risk.
- Passive investment management is commonly the most effective approach in efficient markets: active investment management can be successful in inefficient markets.

By adhering to these long standing principles we expect continued success in the prudent management of the assets of the Fund. Thank you for allowing me the opportunity to present my perspective. I look forward to visiting with you again next year.

Sincerely,



Kirk D. Stebbins, CFA
Chief Investment Officer

Largest Holdings

The Plan's ten largest fixed income holdings at June 30, 2003, are described in the following schedule. During the year all stock holdings were transferred to various index funds which are separately presented.

Ten Largest Fixed Income Holdings (By Fair Value):

<u>Security</u>	<u>Par</u>	<u>Fair Value</u>
FHLB Discount Note due 7-1-2003	\$ 13,100,000	\$13,100,000
U. S. Treasury Bonds Zero Coupon Principal Strips due 11-15-2021	10,658,000	4,360,401
U.S. Treasury Bonds 6.000% due 2-15-2026	2,698,000	3,225,945
FNMA 30 year Single Family Mortgage 6.000% due 7-1-2033	2,800,000	2,909,368
U. S. Treasury Bonds 5.375% due 2-15-2031	2,339,000	2,635,024
U. S. Treasury Bonds 6.375% due 8-15-2027	2,093,000	2,623,073
U. S. Treasury Bonds Zero Coupon Principal Strips due 8-15-2025	5,639,000	1,868,483
FNMA TBA 30 year 6.500% due 7-1-2033	1,500,000	1,564,215
U.S. Treasury Notes 4.617% due 1-15-2010	882,000	1,133,448
U. S. Treasury Bonds 8.000% due 11-15-2021	715,000	1,036,149

Investments in Funds (By Fair Value):

<u>Fund</u>	<u>Units</u>	<u>Fair Value</u>
BGI Russell 3000 Index Fund	8,548,066	\$ 67,271,931
BGI EAFE Equity Index Fund	227,910	19,739,985

A complete list of portfolio holdings is available upon request from the URSJJ Investment Accounting & Financial Reporting Department.

Investment Portfolio by Type and Manager

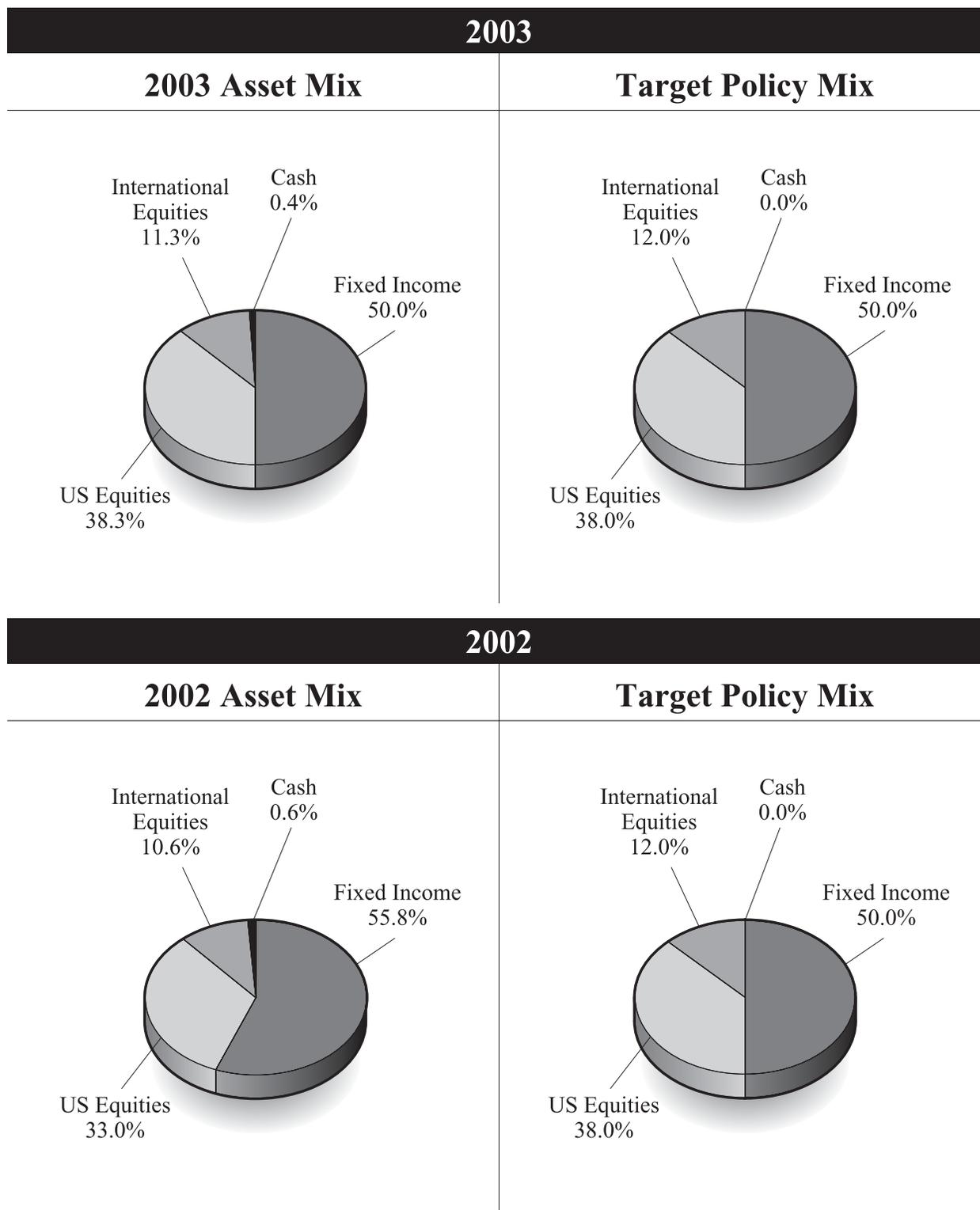
At June 30, 2003, the investment portfolio of URSJJ was allocated by type and style as follows:

<u>Investment Type and Manager</u>	<u>Style</u>	<u>Fair Value *</u> <i>(000's)</i>	<u>Percent of Total Fair Value</u>
Fixed Income:			
Hoisington Investment Management	Interest Rate Anticipation	\$ 15,376	8.4%
Blackrock Financial Management, Inc.	Enhanced Index	55,832	30.7%
Metropolitan West Asset Management	Full Range Core +	<u>23,397</u>	<u>12.8%</u>
Total Fixed Income		94,605	51.9%
US Equities:			
Barclays Global Investors	Index Fund – Russell 3000	67,272	36.9%
International Equities:			
Barclays Global Investors	Index Fund – EAFE	19,740	10.8%
Short-term Investment Funds	Operating Cash	<u>783</u>	<u>0.4%</u>
Total Managed Investments		182,400	100.0%
Securities Lending Collateral		16,040	
Cash on Deposit with State		<u>52</u>	
Total Investments and Cash and Cash Equivalents		<u>\$ 198,492</u>	
Statement of Plan Net Assets			
Cash		\$ 2,621	
Investments		<u>195,871</u>	
Total Investments and Cash and Cash Equivalents		<u>\$ 198,492</u>	

* *Manager fair values include their respective cash and cash equivalents*

Asset Comparison

A comparison of the actual investment distribution at June 30, 2003 and 2002, based on the net investment manager holdings, including accrued income, payables and receivables, compared to the target allocation and previous year's allocation is as follows:



Schedule of Stock Brokerage Commissions Paid

Year ended June 30, 2003

<u>Brokerage Firm</u>	<u>Shares Traded</u>	<u>Dollar Volume of Trades</u>	<u>Commission</u>	
			<u>Dollar Amount</u>	<u>Per Share</u>
Lynch Jones & Ryan	330,327	\$ 7,584,079	\$ 12,697	0.038
Bear, Stearns, Securities Corporation	111,650	188,200	1,904	0.017
Citigroup Global Markets Inc/Saloman	420,000	434,379	992	0.002
Freddie Mac S & T	284,841	297,778	831	0.003
J. P. Morgan Securities Inc.	16,215	343,556	805	0.050
Thomas Weisel Partners LLC	16,895	252,384	797	0.047
Goldman Sachs & Company	15,340	268,916	767	0.050
Credit Suisse First Boston Corporation	13,798	241,286	690	0.050
Lehman Brothers Inc	10,800	237,809	540	0.050
Banc America Sec Montgomery Div	8,050	160,426	403	0.050
SG Cowen and Company	7,925	154,630	396	0.050
Smith Barney, Inc	8,500	130,805	396	0.047
Merrill Lynch Pierce Fenner & Smith	7,488	147,839	374	0.050
BNY ESI Securities Company	11,980	158,505	354	0.030
U. S. Bancorp Piper Jaffray Inc.	6,200	175,200	310	0.050
UBS Warburg Dillon Read LLC	6,000	163,982	300	0.050
UBS Warburg LLC	5,840	123,480	292	0.050
Factset Data Systems	4,975	120,857	249	0.050
Unterberg Harris	5,250	44,683	227	0.043
Investment Technology Group, Inc.	11,050	166,482	221	0.020
Other	<u>78,959</u>	<u>1,829,307</u>	<u>3,576</u>	0.045
Total	<u>1,382,083</u>	<u>\$ 13,224,583</u>	<u>\$ 27,121</u>	0.020

Excludes zero commission trades.



ACTUARIAL SECTION

2003 Comprehensive Annual Financial Report

MERCER

Human Resource Consulting

4400 Bank One Center
1717 Main Street
Dallas, TX 75201-7357
214 220 3500 Fax 214 220 6200
www.mercerHR.com

October 20, 2003

Board of Trustees
Oklahoma Public Employees Retirement System
P.O. Box 53007
Oklahoma City, Oklahoma 73152

2003 Certification of Actuarial Valuation

Dear Members of the Board:

We certify that the information presented herein and in the July 1, 2003 Actuarial Valuation Report is accurate and shows fairly the actuarial position of the Oklahoma Uniform Retirement System for Justices and Judges as of July 1, 2003.

The actuarial valuation was based on participant data submitted by the OPERS staff, which we examined for reasonableness. The financial information used in the valuation was provided to us by the System's independent public accountants.

Actuarial valuations to determine the funding requirements of the System are performed annually. The most recent actuarial valuation was done as of July 1, 2003.

The System's required contribution rates are established which, over time, will increase as a percent of payroll if assumptions are met and the required rate is contributed. The required contribution rate has been determined to provide for (1) the normal cost developed as a level percentage of payroll, plus (2) a level dollar amortization of the unfunded actuarial accrued liability (or surplus, as is currently the case) over 40 years from July 1, 1987, plus (3) budgeted administrative expenses. There was no employer contribution required to satisfy Governmental Accounting Standards Number 25 for the fiscal year ending June 30, 2004. Effective January 1, 2001, the employer's current contribution rate is 2.0% of covered payroll with scheduled increases beginning in fiscal 2006. However, the Board is authorized to adjust the contribution rate annually to prevent a funded ratio of less than 100%.

The actuarial assumptions and methods used in the valuation were adopted by the Board, based upon our recommendations. The assumptions and methods used for funding purposes meet the parameters set for the disclosures presented in the financial section by Government Accounting Standards Board (GASB) Statement No. 25, *Financial Reporting for Defined Benefit and Note Disclosures for Defined Contribution Plans*.

We prepared all of the schedules shown in the Actuarial Section of the System's Annual Report. We also provided the Schedule of Funding Progress and Schedule of Employer Contributions which appear in the Financial Section of the System's Annual Report.

In addition to these results, 11 O.S. 2001, Section 50-105.4, Section H requires disclosure of valuation results under specified assumptions. This information is provided elsewhere.

Sincerely,



Brent A. Hradek, FSA, EA



Stephen T. McElhaney, FSA, EA

Summary of Actuarial Assumptions and Methods

1. The investment return rate used in the valuation was 7.5 percent per year, net of investment expenses, compounded annually. This rate of return is not the assumed real rate of return. The real rate of return is the rate of return in excess of the inflation rate. Considering other financial assumptions, the 7.5 percent investment return rate translates to an assumed real rate of return of 4.5 percent.
2. The mortality table used in evaluating allowances to be paid was the 1983 Group Annuity Mortality Table for males and females.
3. The probability of withdrawal from service is 2% for all years of service. The individual pay increase assumption is 5.5% per year. 3.0% is the portion of the pay increase assumption due to inflation.
4. Benefits are assumed to increase by 66.7% of the assumed rate of inflation due to future ad-hoc cost-of-living increases.
5. The probabilities of retirement with an age allowance are shown in Schedule 1.
6. An individual entry-age actuarial cost method of valuation was used in determining age and service allowance actuarial liabilities and normal cost. Actuarial gains and losses reduce or increase the unfunded liability and are amortized over the remaining amortization period.
7. The actuarial value of assets is based on a five-year moving average of expected actuarial values and market values. A preliminary expected actuarial value is determined equal to the prior year's actuarial value of assets plus net cash flow for the year ending on the valuation date, assuming 7.5% interest. The expected actuarial asset value is equal to the preliminary expected actuarial value plus the unrecognized investment gains and losses as of the beginning of the previous fiscal year. 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 preliminary expected actuarial value plus twenty percent (20%) of the unrecognized gains or losses for the four preceding fiscal years. The final result is constrained to a value no less than 80% and no more than 120% of the market value at the valuation date.
8. The data about persons now covered was furnished by the System's administrative staff. Although examined for general reasonableness, the data was not audited by the actuary.
9. The actuarial valuation computations were made by or under the supervision of a member of the American Academy of Actuaries (M.A.A.A.).
10. The actuarial assumptions and methods used in the valuation were adopted by the Board, based upon recommendations by the actuary.
11. Each year, System experience is compared with the actuarial assumptions used for valuation purposes. No assumptions have changed since the July 1, 2002 valuation.

Summary of Actuarial Assumptions and Methods
(CONTINUED)

Schedule 1

Percent of Eligible Active Members Retiring Within Next Year

Retirement Ages	Percent	Retirement Ages	Percent
Below 62	5.0%	69	10.0%
62	30.0	70	50.0
63	10.0	71	30.0
64	10.0	72	30.0
65	40.0	73	30.0
66	10.0	74	30.0
67	10.0	75 and above	100.0
68	30.0		

Schedule of Active Member Valuation Data

<u>Valuation Date</u>	<u>Number</u>	<u>Annual Payroll¹</u>	<u>Annual Average Pay</u>	<u>% Increase In Average Pay</u>
July 1, 2003	268	\$ 25,652,805	\$ 95,719	(1.10%)
July 1, 2002	266	25,744,427	96,784	6.10
July 1, 2001	261	23,808,429	91,220	5.97
July 1, 2000	259	22,295,354	86,082	(1.02)
July 1, 1999	259	22,525,441	86,971	5.45
July 1, 1998	256	21,113,393	82,474	7.92
July 1, 1997	257	19,640,015	76,420	10.97
July 1, 1996	254	17,492,325	68,867	0.32
July 1, 1995	246	16,887,572	68,649	3.34
July 1, 1994	246	16,341,843	66,430	2.65

¹ The annual payroll shown above differs from the covered payroll shown in the Financial Section. The annual payroll reflects total compensation paid during the fiscal year. The covered payroll reflects compensation up to the maximum compensation levels on which employee and employer contributions are based.

Schedule of Retirants and Beneficiaries Added To and Removed From Rolls

<u>Year Ended</u>	<u>Added to Rolls</u>		<u>Removed from Rolls</u>		<u>Rolls – End of Year</u>		<u>% Increase in Annual Allowances</u>	<u>Average Annual Allowances</u>
	<u>No.</u>	<u>Annual Allowances</u>	<u>No.</u>	<u>Annual Allowances</u>	<u>No.</u>	<u>Annual Allowances</u>		
June 30, 2003	22	\$ 1,195,498	6	\$ 113,045	169	\$ 6,208,320	18.97%	\$ 36,736
June 30, 2002	4	201,284	7	115,880	153	5,218,274	4.92	34,106
June 30, 2001	6	201,563	4	90,075	156	4,973,461	1.89	31,881
June 30, 2000	4	233,672	3	36,766	154	4,881,381	5.89	31,697
June 30, 1999	17	842,751	6	74,816	153	4,609,794	19.16	30,129
June 30, 1998	4	266,484	4	59,249	142	3,868,549	5.66	27,243
June 30, 1997	7	262,747	9	181,763	142	3,661,314	2.26	25,784
June 30, 1996	4	170,646	9	125,826	144	3,580,330	1.27	24,863
June 30, 1995	18	705,981	4	69,275	149	3,535,510	21.96	23,728
June 30, 1994	5	225,968	5	142,252	135	2,898,804	2.97	21,473

Analysis of Financial Experience

Gains & Losses in Accrued Liabilities During the Year Ended June 30, 2003 Resulting from Differences Between Assumed Experience & Actual Experience

Type of Activity	Gain (or Loss) for Year 2003
1. Age & service retirements. If members retire at older ages or with lower final average pay than assumed, there is a gain. If younger ages or higher average pays, a loss.	\$ (1,851,000)
2. Disability retirements. If disability claims are less than assumed, there is a gain. If more claims, there is a loss.	(58,000)
3. Death benefits. If survivor claims are less than assumed, there is a gain. If more claims, there is a loss.	1,210,000
4. Withdrawal from employment. If more liabilities are released by withdrawals than assumed, there is a gain. If smaller releases, a loss.	(2,256,000)
5. Pay increases. If there are smaller pay increases than assumed, there is a gain. If greater increases, a loss.	3,606,000
6. New entrants. All new entrants to the System create a loss.	(791,000)
7. Other. Miscellaneous gains and losses resulting from data adjustments, timing of financial transactions, valuation methods, etc.	(856,000)
8. Gain (or loss) during year from financial experience.	(6,499,000)
9. Non-recurring items. Adjustments for System amendments, etc.	0
10. Assumption changes.	0
11. Composite gain (or loss) during year.	\$ (7,495,000)

Summary of System Provisions

<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>System contributions:</i>	The contributions are received from the employer agencies based on a percentage of salary of covered members. This percentage will be 2.0% after January 1, 2001. Effective for the fiscal year ended June 30, 2006, employer contributions will increase to 3.0% of the member payroll 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>Member contributions:</i>	The basic member contribution to the System is 5% of compensation. A married member contributes at an 8% level in order to provide survivor coverage, unless timely waived by the spouse.
<i>Final average compensation:</i>	The average monthly salary received during the last three years of active service as a Justice or Judge in a court of record.
<i>Retirement date:</i>	A member who completes eight years of service and attains age 65, or completes ten years of service and attains age 60, or whose sum of years of service and age equals or exceeds 80, may begin receiving retirement benefits at his request.
<i>Normal retirement benefit:</i>	General formula is 4% of average monthly salary multiplied by service, up to a maximum benefit of 72.5% of average monthly salary.
<i>Disability benefit:</i>	After fifteen years of service and age 55, provided the member is ordered to retire by reason of disability is eligible for disability retirement benefits. This benefit, payable for life, is calculated in the same manner as a normal retirement benefit but cannot exceed 70% of average monthly salary.
<i>Survivor benefit:</i>	For those members whose spouse does not waive survivor coverage, contribute at the 8% level while actively serving, complete at least eight years of service, and subsequently die (while either active or retired), a benefit is payable to their surviving spouse. The benefit is payable for the life of the spouse beginning at the later of his or her current age or age 60 and is equal to 50% of the normal retirement 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. In order to be eligible for this survivor coverage, members must be married to their spouse for three years preceding death and they must be married 90 days prior to the member's termination of employment as a Justice or Judge.
<i>Postretirement death benefit:</i>	\$5,000 lump sum.
<i>Postretirement medical insurance premium:</i>	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.

Solvency Test

The Judges funding objective is to be able to pay long-term benefit promises through contributions that remain approximately level from year to year as a percent of salaries earned by members. In this way, members and employers in each year pay their fair share for retirement service accrued in that year by System members.

If the retirement system follows level contribution rate financing principles, the system will pay all promised benefits when due – the ultimate test of financial soundness.

A short-term solvency test is one means of checking the funding progress. In a short-term solvency test, the retirement System's present valuation assets are compared with: 1) active member contributions on deposit, 2) the liabilities for future benefits to persons who have retired and the liabilities for terminated employees with vested benefits, and 3) the liabilities for service already rendered by active members. In a system that has been following the discipline of level contribution rate financing, the liabilities for member contributions on deposit (liability 1), the liabilities for future benefits to present retirees and the liabilities for future benefits for terminated employees (liability 2) will be fully covered by present assets, except in rare circumstances.

In addition, the liabilities for service already rendered by members (liability 3) will be partially covered by the remainder of present assets. Generally, if the system has been using level contribution rate financing, the funded portion of liability 3 will increase over time; however, a decrease generally occurs in those years when substantial benefit improvements are granted by the Legislature. The funded ratio of the System based on total actuarial accrued liabilities (1+2+3) provides an indication of how well the System is funded.

The schedule below illustrates the progress of funding the accrued actuarial liabilities.

Date	Actuarial Accrued Liabilities ¹ and Valuation Assets				Portion of Actuarial Accrued Liabilities Covered by Reported Assets			Funded Ratio of Total Accrued Actuarial Liabilities	
	Active Member Contributions (Liability 1)	Retirees, Beneficiaries and Terminated Vested Members (Liability 2)	Employer Financed Portion of Active Members (Liability 3)	Total Liability ^{1,2} (1+2+3)	Reported Assets ³	(1)	(2)		(3)
7/1/94 ¹	\$ 8,308,784	\$25,928,031	\$ 67,645,299	\$101,882,114	\$75,518,118	100%	100%	61.0%	74.1%
7/1/95 ¹	7,986,892	32,827,413	70,894,106	111,708,411	84,660,973	100	100	61.8	75.8
7/1/96 ¹	8,701,896	33,122,541	68,826,510	110,650,947	96,770,243	100	100	79.8	87.5
7/1/97 ¹	9,474,539	33,729,719	74,277,397	117,481,655	112,404,622	100	100	93.2	95.7
7/1/98 ¹	10,554,489	34,903,094	80,922,001	126,379,584	129,231,167	100	100	100.0	102.3
7/1/99 ¹	10,526,150	45,162,645	113,295,085	163,412,135	148,769,710	100	100	86.4	91.0
7/1/00	11,758,092	47,407,633	68,854,755	128,020,480	169,693,888	100	100	100.0	132.6
7/1/01	13,243,150	47,984,952	77,929,139	139,157,241	184,909,669	100	100	100.0	132.9
7/1/02	14,478,606	50,647,373	65,101,064	130,227,043	193,010,895	100	100	100.0	148.2
7/1/03	14,614,834	63,042,410	63,198,959	140,856,203	196,989,778	100	100	100.0	139.9

¹ The System has been funded, in certain years indicated above, under the aggregate funding method. This method does not produce an actuarial accrued liability. For these years, the present value of future benefits has been used. The present value of future benefits is a more conservative (higher) liability measure than the actuarial accrued liability.

² The System has been funded, in certain years indicated above, under the aggregate funding method. This method does not produce an actuarial accrued liability. For these years, the present value of future benefits has been used. The present value of future benefits is a more conservative (higher) liability measure than the actuarial accrued liability.

³ Actuarial value of assets based on the smoothing technique adopted by the Board. The June 30, 2003, market value of net assets available for benefits was approximately \$175,646,869.

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STATISTICAL SECTION

2003 Comprehensive Annual Financial Report

Schedule of Revenue by Source

Year Ended June 30	Member Contributions	Employer Contributions		Investment Income (Loss) (a)	Total
		Dollars	% of Annual Covered Payroll		
2003	\$ 1,791,825	\$ 488,459	1.90	\$10,817,945	\$ 13,098,229
2002	1,810,491	491,596	1.91	(6,161,553)	(3,859,466)
2001	1,683,917	1,886,294	8.46	(7,401,129)	(3,830,918)
2000	1,621,422	3,201,123	14.21	18,373,162	23,195,707
1999	1,373,976	3,104,774	14.71	13,474,143	17,952,893
1998	1,307,193	2,877,610	14.65	24,706,229	28,891,032
1997	1,201,426	4,774,895	27.30	20,671,927	26,648,248
1996	1,126,675	4,503,030	26.66	14,664,590	20,294,295
1995	1,093,153	3,703,891	22.67	12,803,843	17,600,887
1994	1,053,418	3,703,055	23.17	7,051,882	11,808,355

Schedule of Expenses by Source

Year Ended June 30	Benefit Payments	Administrative Expenses	Refunds	Total
2003	\$ 5,958,531	\$ 80,957	\$ 94,062	\$ 6,133,550
2002	5,097,638	89,461	223,380	5,410,479
2001	5,024,026	74,025	32,762	5,130,813
2000	4,688,241	65,663	133,976	4,887,880
1999	4,338,277	105,806	53,198	4,497,281
1998	3,943,685	85,243	59,664	4,088,592
1997	3,755,078	75,925	68,994	3,899,997
1996	3,597,749	91,091	157,627	3,846,467
1995	3,311,529	94,391	265,212	3,671,132
1994	3,003,301	72,199	139,653	3,215,153

- (a) In fiscal year 1996, URSJJ adopted GASB Statement No. 25, which among other provisions, required that investments be reported at fair value. The effect of implementing this pronouncement was reflected for reporting purposes for the plan year ending June 30, 1995, requiring a restatement of net plan assets at June 30, 1994. Accordingly, investment income, beginning with the fiscal year ended June 30, 1995, reflects both realized and unrealized investment gains and losses. In years prior to this date, investments were reported at cost and the investment income reported for those periods reflects only realized gains and losses.

Schedule of Retired Members by Type of Benefit

June 30, 2003

Amount of Monthly Benefit	Number of Retirees	Type of Retirement**				Option Selected #	
		1	2	3	4	Opt. 1	Opt. 2
\$ 1 - 1,000	16	-	16	-	-	-	16
1,001 - 2,000	38	9	29	-	-	3	35
2,001 - 3,000	28	23	4	-	1	4	24
3,001 - 4,000	30	30	-	-	-	12	18
4,001 - 5,000	31	30	-	1	-	8	23
Over - 5,000	<u>26</u>	<u>26</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>4</u>	<u>22</u>
Totals	<u>169</u>	<u>118</u>	<u>49</u>	<u>1</u>	<u>1</u>	<u>31</u>	<u>138</u>

**Type of Retirement

- Type 1 - Normal retirement for age and service: Eligible when the sum of years served and age equals or exceeds 80 and has judicial service of at least 8 years, or
 Age 65 with 8 years of judicial service
 Age 60 with 10 years of judicial service
- Type 2 - Survivor payment - normal
- Type 3 - Disability: Available for members who have attained age 55 and have 15 years of credited service and are determined to be disabled by the Court of the Judiciary
- Type 4 - Survivor payment - disability retirement.

#Option Selected

- Option 1 - The benefit is paid only for the member's lifetime if no contributions for spousal survivor benefits were made while actively participating.
- Option 2 - 50% Survivor Annuity is paid to surviving spouse for their lifetime if the justice or judge paid the appropriate contribution rate while actively participating.

Participating Employers

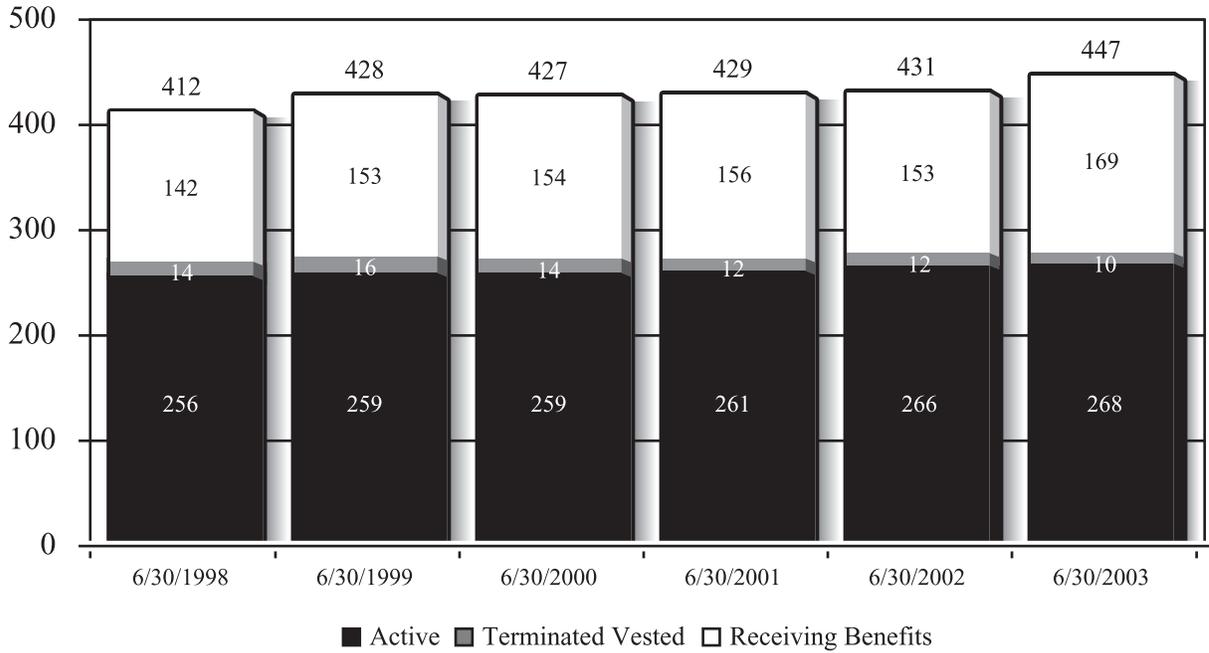
The Plan covers Justices and Judges who sit on the Supreme Court of Oklahoma, the Oklahoma Court of Criminal Appeals, the Oklahoma Courts of Civil Appeals, the Oklahoma District Courts, and the Oklahoma Workers' Compensation Court. The Plan also covers the Administrative Director of the Courts.

Schedule of Average Benefit Payments

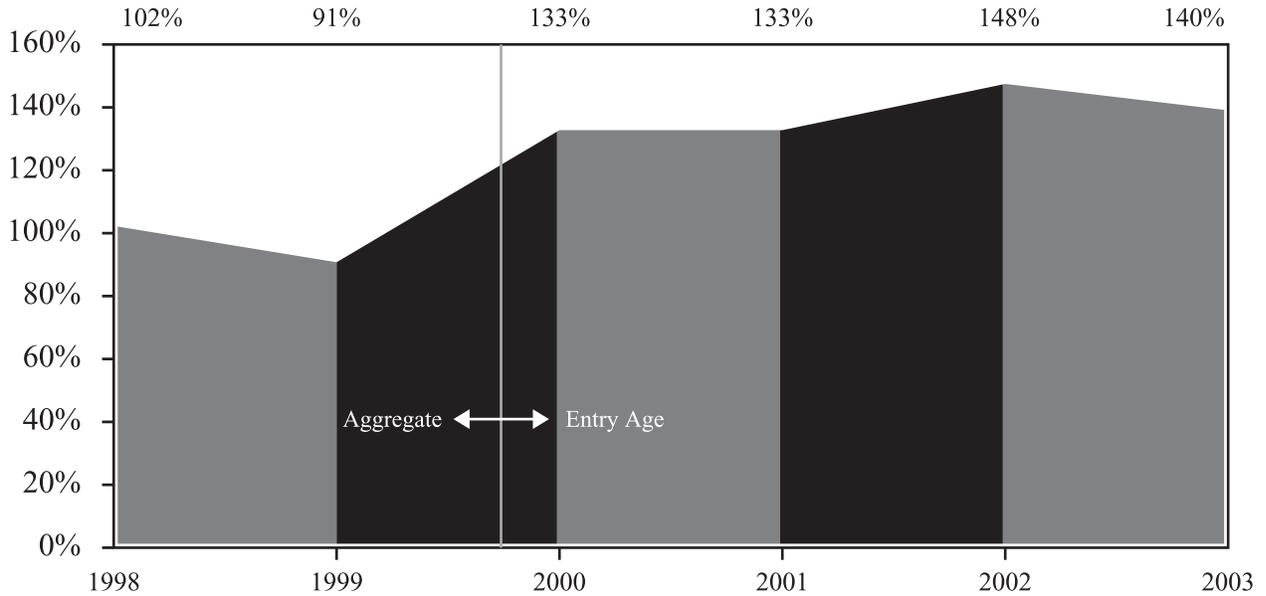
Retirement Effective Dates July 1, 1993 to June 30, 2003	Years of Credited Service						
	<u>0 to 5</u>	<u>6 to 10</u>	<u>11 to 15</u>	<u>16 to 20</u>	<u>21 to 25</u>	<u>26 to 30</u>	<u>31+</u>
Period 7/1/93 to 6/30/94							
Average Monthly Benefit	\$ -	\$ -	\$ 3,133	\$ -	\$ 4,159	\$ -	\$ -
Average Final Average Salary	\$ -	\$ -	\$ 5,033	\$ -	\$ 5,243	\$ -	\$ -
Number of Active Retirees	-	-	2	-	2	-	-
Period 7/1/94 to 6/30/95							
Average Monthly Benefit	\$ -	\$ -	\$ 2,812	\$ 4,195	\$ 3,797	\$ 4,273	\$ -
Average Final Average Salary	\$ -	\$ -	\$ 4,986	\$ 5,319	\$ 5,263	\$ 5,397	\$ -
Number of Active Retirees	-	-	2	6	6	3	-
Period 7/1/95 to 6/30/96							
Average Monthly Benefit	\$ -	\$ -	\$ 1,440	\$ -	\$ 2,230	\$ 4,824	\$ -
Average Final Average Salary	\$ -	\$ -	\$ 4,755	\$ -	\$ 5,891	\$ 6,371	\$ -
Number of Active Retirees	-	-	1	-	1	2	-
Period 7/1/96 to 6/30/97							
Average Monthly Benefit	\$ -	\$ -	\$ 2,562	\$ 3,846	\$ -	\$ 4,456	\$ -
Average Final Average Salary	\$ -	\$ -	\$ 4,479	\$ 6,213	\$ -	\$ 5,886	\$ -
Number of Active Retirees	-	-	3	3	-	1	-
Period 7/1/97 to 6/30/98							
Average Monthly Benefit	\$ -	\$ 1,548	\$ -	\$ 3,377	\$ -	\$ 4,043	\$ -
Average Final Average Salary	\$ -	\$ 3,984	\$ -	\$ 4,461	\$ -	\$ 5,340	\$ -
Number of Active Retirees	-	2	-	1	-	1	-
Period 7/1/98 to 6/30/99							
Average Monthly Benefit	\$ -	\$ 2,013	\$ 3,862	\$ 4,920	\$ 4,408	\$ 5,199	\$ 5,556
Average Final Average Salary	\$ -	\$ 5,267	\$ 6,377	\$ 6,499	\$ 6,620	\$ 6,868	\$ 7,338
Number of Active Retirees	-	3	1	4	4	2	2
Period 7/1/99 to 6/30/00							
Average Monthly Benefit	\$ -	\$ -	\$ -	\$ -	\$ 4,178	\$ 4,982	\$ 5,920
Average Final Average Salary	\$ -	\$ -	\$ -	\$ -	\$ 5,734	\$ 6,778	\$ 8,054
Number of Active Retirees	-	-	-	-	1	1	1
Period 7/1/00 to 6/30/01							
Average Monthly Benefit	\$ -	\$ 1,820	\$ 2,834	\$ 4,545	\$ -	\$ -	\$ -
Average Final Average Salary	\$ -	\$ 4,816	\$ 4,887	\$ 6,255	\$ -	\$ -	\$ -
Number of Active Retirees	-	1	2	3	-	-	-
Period 7/1/01 to 6/30/02							
Average Monthly Benefit	\$ -	\$ -	\$ 1,417	\$ 5,169	\$ 5,393	\$ -	\$ -
Average Final Average Salary	\$ -	\$ -	\$ 5,356	\$ 7,384	\$ 7,704	\$ -	\$ -
Number of Active Retirees	-	-	2	2	1	-	-
Period 7/1/02 to 6/30/03							
Average Monthly Benefit	\$ -	\$ -	\$ 3,076	\$ 4,660	\$ 5,124	\$ 5,561	\$ 5,731
Average Final Average Salary	\$ -	\$ -	\$ 5,209	\$ 6,166	\$ 6,524	\$ 7,080	\$ 7,297
Number of Active Retirees	-	-	3	10	5	2	1

Demographics and Funded Ratio Charts

Demographics Chart



Funded Ratio as of July 1 Actuarial Value of Assets/Accrued Liability (PVB)



NOTE

- 2% Ad hoc COLA assumption in 1999 through 2003.
- Retirement rates changed in 2002.
- For 1998-1999, the Present Value of Benefits was used, not the Actuarial Accrued Liability.

Schedule of Benefit Payments and Refunds by Type

Fiscal Year Ended June 30, 2003

The following schedule provides information as to the type of benefit expenses incurred by the Plan as reflected in the "Benefit Payment" and "Refunds" columns of the Schedule of Expenses by Source included elsewhere in this Statistical Section.

<u>Fiscal Year</u>	<u>Service and Disability Benefits</u>	<u>Beneficiary Death Benefits</u>	<u>Refunds And Withdrawals</u>	<u>Total Benefit Payments And Refunds</u>
2003	\$ 5,928,531	\$ 30,000	\$ 94,062	\$ 6,052,593
2002	5,057,638	40,000	223,380	5,321,018
2001	5,014,027	10,000	32,761	5,056,788
2000	4,669,241	19,000	133,976	4,822,217
1999	4,318,277	20,000	53,198	4,391,475
1998	3,923,685	20,000	59,664	4,003,349
1997	3,735,078	20,000	68,994	3,824,072
1996	3,593,749	4,000	157,627	3,755,376
1995	3,295,529	16,000	265,212	3,576,741
1994	2,909,661	48,000	185,293	3,142,954

Member Statistics

Inactive members as of July 1, 2003	No.	Amount of Annual Benefit
Members receiving benefits		
▪ Retired	117	\$ 5,368,110
▪ Surviving spouses	51	790,073
▪ Disabled	1	50,137
Total	169	\$ 6,208,320
Members with deferred benefits		
▪ Vested terminated	10	\$ 328,156
▪ Surviving spouses	0	0
▪ Disabled	0	0
Total	10	\$ 328,156

Statistics for Active members	No.	Average		
		Age	Service	Earnings
As of July 1, 2002				
▪ Continuing	253	54.9	12.6	\$ 96,878
▪ New	13	46.9	0.9	94,939
Total	266	54.5	12.0	\$ 96,784
As of July 1, 2003				
▪ Continuing	245	54.9	12.5	\$ 96,814
▪ New	23	49.0	3.5	84,063
Total	268	54.4	11.7	\$ 95,719

Summary of Retirees, Beneficiaries and Disabled Members (Annual Benefits)¹

Attained 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	1	17,279	0	0	1	17,279
54	0	0	0	0	0	0	0	0
55	1	64,354	2	50,375	0	0	3	114,729
56	0	0	0	0	0	0	0	0
57	0	0	0	0	0	0	0	0
58	1	53,474	0	0	1	50,137	2	103,611
59	2	112,311	1	15,939	0	0	3	128,250
60	4	211,469	1	12,526	0	0	5	223,995
61	4	192,733	0	0	0	0	4	192,733
62	2	99,088	0	0	0	0	2	99,088
63	2	121,678	1	26,757	0	0	3	148,435
64	4	204,852	0	0	0	0	4	204,852
65	4	230,694	0	0	0	0	4	230,694
66	4	237,191	1	8,943	0	0	5	246,134
67	4	188,298	0	0	0	0	4	188,298
68	1	59,780	2	37,350	0	0	3	97,130
69	0	0	0	0	0	0	0	0
70	5	252,254	1	22,909	0	0	6	275,163
71	6	312,074	1	22,444	0	0	7	334,518
72	7	347,186	1	9,559	0	0	8	356,745
73	5	248,582	0	0	0	0	5	248,582
74	5	211,405	1	21,987	0	0	6	233,392
75	6	263,263	1	22,368	0	0	7	285,631
76	2	92,795	4	67,554	0	0	6	160,349
77	12	506,184	4	69,947	0	0	16	576,131
78	3	140,328	4	61,080	0	0	7	201,408
79	4	145,880	0	0	0	0	4	145,880
80	5	227,123	2	30,169	0	0	7	257,292
81	6	225,160	2	35,955	0	0	8	261,115
82	1	40,616	1	6,651	0	0	2	47,267
83	2	62,283	4	52,728	0	0	6	115,011
84	2	83,349	2	23,057	0	0	4	106,406
85	1	44,492	2	18,133	0	0	3	62,625
86	1	36,668	1	6,962	0	0	2	43,630
87	2	71,701	0	0	0	0	2	71,701
88	2	60,785	2	17,205	0	0	4	77,990
89	1	25,821	1	12,000	0	0	2	37,821
90	4	98,657	2	40,734	0	0	6	139,391
Over 90	2	95,582	6	79,462	0	0	8	175,044
Total	117	\$ 5,368,110	51	\$ 790,073	1	\$ 50,137	169	\$ 6,208,320

¹ Benefit amounts do not include the supplemental medical insurance premium.

Summary of Terminated Vested Members (Deferred Annual Benefits)¹

Attained 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	24,985
49	0	0
50	1	14,062
51	0	0
52	1	25,358
53	1	46,542
54	0	0
55	0	0
56	1	35,524
57	0	0
58	1	57,384
59	0	0
60	2	88,722
61	1	21,708
62	1	13,871
63	0	0
64	0	0
65 + over	0	0
Total	10	\$ 328,156

¹ Benefit amounts do not include the supplemental medical insurance premium.

Summary of Active Members

Age and years of credited service.

Earnings tabulated are average rates of pay as of July 1, 2003

Count of 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	2	0	0	0	0	0	0	0	0	2
35 - 39	8	1	0	0	0	0	0	0	0	9
40 - 44	8	8	1	0	0	0	0	0	0	17
45 - 49	8	14	9	5	1	0	0	0	0	37
50 - 54	12	22	6	18	12	1	0	0	0	71
55 - 59	10	15	11	9	11	3	0	0	0	59
60 - 64	3	13	6	3	2	0	2	0	0	29
65 - 69	0	4	3	3	2	1	2	1	0	16
70 - 74	0	1	2	1	2	0	0	0	2	8
75+	0	1	0	1	0	0	0	2	1	5
Total	51	79	38	40	30	5	4	3	3	253

15¹

268

Average Compensation²

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	93,952	0	0	0	0	0	0	0	0	93,952
35 - 39	93,476	83,889	0	0	0	0	0	0	0	92,410
40 - 44	90,057	98,891	95,824	0	0	0	0	0	0	94,553
45 - 49	93,180	95,235	94,835	94,603	106,334	0	0	0	0	94,908
50 - 54	94,709	95,490	92,176	97,533	99,056	97,556	0	0	0	96,228
55 - 59	95,880	95,856	97,096	98,271	96,771	105,709	0	0	0	97,131
60 - 64	85,583	93,078	99,583	104,227	93,414	0	103,105	0	0	95,517
65 - 69	0	94,258	95,167	106,730	105,803	115,672	87,691	101,467	0	99,178
70 - 74	0	86,691	105,433	107,603	92,678	0	0	0	107,062	100,580
75+	0	86,691	0	101,680	0	0	0	113,818	112,870	105,775
Total	93,209	95,030	96,429	98,880	98,109	106,071	95,398	109,701	108,998	96,411²

¹ Members without applications.

² Average compensation for members without application is \$84,063. The average for all members including members without applications is \$95,719.



ADDENDUM

2003 Comprehensive Annual Financial Report

MERCER

Human Resource Consulting

4400 Bank One Center
1717 Main Street
Dallas, TX 75201-7357
214 220 3500 Fax 214 220 6200
www.mercerHR.com

October 20, 2003

Board of Trustees
Oklahoma Public Employees Retirement System
P.O. Box 53007
Oklahoma City, Oklahoma 73152

2003 Certification of Pro-forma Financial Information

Dear Members of the Board:

We have calculated pro-forma financial information for the Oklahoma Uniform Retirement System for Justices and Judges as of July 1, 2003 using assumptions and methods specified in 11 O.S. 2001, Section 50-105.4, Section H.

The results of this pro-forma information have been prepared for the sole purpose of meeting this statutory requirement based on the following prescribed assumptions:

Interest rate: 7.5%
COLA assumption: 2.0%
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, 2003 valuation. These assumptions, methodologies, and System provisions are described elsewhere.

All calculations were based on participant data submitted by the OPERS staff, which we examined for reasonableness. The financial information used for these calculations was provided to us by the System's independent auditors.

We certify that the pro-forma financial information presented herein is accurate and shows the actuarial position of the Oklahoma Uniform Retirement System for Justices and Judges as of July 1, 2003 under the specified assumptions.

Actuarial valuations to determine the funding requirements of the System are performed annually. The most recent actuarial valuation was done as of July 1, 2003.

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Human Resource Consulting

Page 2
October 20, 2003
Board of Trustees
Oklahoma Public Employees Retirement System

The pro-forma financial information is not consistent with the July 1, 2003 valuation. The July 1, 2003 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, except as noted below. The results shown in this section are not based on the assumptions and methodologies adopted by the Board of Trustees. For those results, see the July 1, 2003 actuarial valuation.

The System's required contribution rates are established which, over time, will increase as a percent of payroll if assumptions are met and the required rate is contributed. The required contribution rate has been determined to provide for (1) the normal cost developed as a level percentage of payroll, plus (2) an amortization of the unfunded actuarial accrued liability (or surplus, as is currently the case) over 30 years, plus (3) budgeted administrative expenses. The employer's contribution required to satisfy Governmental Accounting Standards Number 25 using the specified assumptions for the fiscal year ending June 30, 2004 would be 0.1%. Effective January 1, 2001, the employer's contribution rate is 2.0% of payroll with scheduled increases beginning in fiscal 2006. However, the Board is authorized to adjust the contribution rate annually to prevent a funded ratio of less than 100%.

Other than the assumptions described above, the actuarial assumptions and methods used in the valuation were adopted by the Board, based upon our recommendations. The assumptions and methods used for funding purposes meet the parameters set for the disclosures presented in the financial section by Government Accounting Standards Board (GASB) Statement No. 25, *Financial Reporting for Defined Benefit and Note Disclosures for Defined Contribution Plans*.

We prepared the Summary of Valuation Results Under Prescribed Assumptions.

Sincerely,



Brent A. Hradek, FSA, EA



Stephen T. McElhaney, FSA, EA

Summary of Valuation Results Under Prescribed Assumptions

Actuarial Valuation as of July 1, 2003

	Amount	% of Active Covered Comp.
Summary of Contribution Requirements		
1. Annual compensation for members included in valuation	\$ 25,652,805	N/A
2. Total normal cost mid-year	6,479,150	25.3%
3. Unfunded actuarial accrued liability	(49,411,564)	(192.6)
4. Amortization of unfunded actuarial accrued liability over 30 years	(4,037,794)	(15.7)
5. Budgeted expenses provided by the system	143,477	0.6
6. Total required contribution (2. + 4. + 5.)	\$ 2,584,833	10.1
7. Estimated member contributions	1,848,638	7.2
8. Required employer contributions (not less than \$0) (6. - 7.)	\$ 736,195	2.9
9. Actual member contributions during previous year	1,791,825	7.0
10. Actual employer contributions during previous year	488,459	1.9

Summary of Costs	Actuarial Valuation as of July 1, 2003
Required State contribution for current year (not less than \$0)	\$ 736,195
Actual employer contributions received in prior year	488,459

Funded Status	
Actuarial accrued liability	\$ 147,578,214
Actuarial value of assets	196,989,778
Unfunded actuarial accrued liability	\$ (49,411,564)

Market Value of Assets and Additional Liabilities	
Market value of assets	\$ 175,646,869
Present value of projected System benefits	204,377,412

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