Comprehensive Annual Financial Report

For the Fiscal Year Ended June 30, 2004

URSJJ

Uniform Retirement System For Justices and Judges

A Component Unit of the State of Oklahoma

Uniform Retirement System for Justices and Judges

A Component Unit of the State of Oklahoma

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. Nine hundred copies have been prepared and distributed at a cost of $3,450. Twenty-five copies have been deposited with the Publications Clearinghouse of the Oklahoma Department of Libraries.

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TOM SPENCER
EXECUTIVE DIRECTOR

BRAD HENRY
GOVERNOR

STATE OF OKLAHOMA

UNIFORM RETIREMENT SYSTEM FOR JUSTICES AND JUDGES

November 30, 2004

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, 2004, 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 270 active members, 8 terminated vested participants and 168 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 and a decrease in the number of members contributing at the higher 8% rate. Net investment income increased due primarily to the appreciation of the fair value of the Plan's investments which reflects the improvements in the total US equity markets.

Additions to Plan Net Assets
(expressed in thousands)

	2004	2003	Increase (Decrease)
Member Contributions	$ 1,773	$ 1,792	$ (19)
Employer Contributions	486	488	(2)
Investment Gain	20,516	10,818	9,698
	$ 22,775	$ 13,098	$ 9,677

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 increase in the average monthly benefits. Refunds and withdrawals decreased due to a reduction in the number of participants withdrawing funds during the period. Administrative expenses increased slightly due to increases in professional services and the allocation of expenses for miscellaneous expenses.

Deductions From Plan Net Assets
(expressed in thousands)

	2004	2003	Increase (Decrease)
Retirement, Death and Survivor Benefits	$ 6,476	$ 5,959	$ 517
Refunds and Withdrawals	83	94	(11)
Administrative Expenses	83	81	2
	$ 6,642	$ 6,134	$ 508

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:

	000's	
US Equities	$ 74,742	37.7%
International Equities	25,196	12.7%
Fixed Income	98,100	49.5%
Short-term Investment Funds	76	0.1%
	$ 198,114	100.0%

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 2004, investments provided an 11.8 percent rate of return. The annualized rate of return for URSJJ over the last three years was 4.9 percent and 4.3 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, 2004 amounted to $166.3 million and $201.1 million, respectively. A detailed discussion of funding is provided in the Actuarial Section of this report.

Legislation

Several changes affecting URSJJ were enacted by the 2004 Oklahoma Legislature. These changes include a cost of living adjustment for retirees, an increase in the salary cap from 72.5% to 100% on the salary base used for calculating benefits, and a survivor benefit increase for past voluntary contributions. A more complete summary of legislative changes is contained in the Introductory Section of this report.

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

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, 2003. 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 six 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 of 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,

Tom Spencer
Executive Director

Virginia Lawrenz
Chief Financial Officer

DON KILPATRICK
CHAIRMAN

BRAD HENRY
GOVERNOR

STATE OF OKLAHOMA

UNIFORM RETIREMENT SYSTEM FOR JUSTICES AND JUDGES

November 30, 2004

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, 2004.

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,

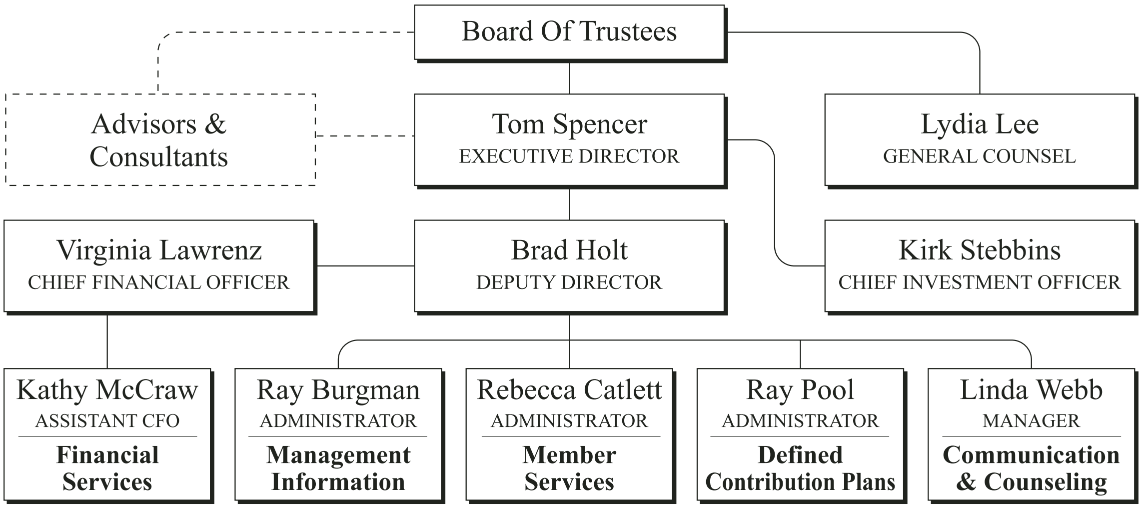
Don Kilpatrick
Chairman

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

*Mr. Paris was appointed to the Board of Trustees effective July 14, 2003, succeeding Mr. John Willbanks who served through July 13, 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

Actuarial Consultant
Mercer Human Resource Consulting
Dallas, Texas

Independent Auditors
KPMG LLP
Oklahoma City, Oklahoma

Internal Auditors
Finley & Cook PLLC
Shawnee, Oklahoma

2004 Legislation

Effective July 1, 2004 (unless otherwise noted)

Senate Bill 1134

Disability Retirement Salary Cap Raised from 70% to 100% of Salary

If a justice or judge incurs a disability after June 30, 2004, his or her retirement disability compensation is not to exceed 100% of the average monthly salary for the highest 3 years of active service, up from 70% of final average salary.

Survivor Benefit Increase for Past Voluntary Contributions

Beginning October 1, 2004, certain surviving spouses of deceased justices or judges are eligible for additional monthly survivor benefits if certain conditions are met. This increase applies to surviving spouses of justices or judges who died or retired after July 1, 1999, if voluntary survivor benefit contributions were paid before July 1, 1999.

Study of Contribution Rates to Provide for Survivor Benefits

This bill requires OPERS to conduct a study of restructuring contribution rates to provide for survivor benefits and is due to the Legislature no later than December 1, 2004.

Salary Cap Raised from 72.5% to 100% on Highest 3 Years Salary

Retirement benefits for members of URSJJ will now be calculated based on the highest 3 years of salary during active service. A retired justice or judge will now receive a monthly benefit up to 100% of his or her average monthly salary based on the highest 3 years of service.

Cost of Living Adjustment (COLA)

Justices and judges who were receiving retirement benefits on or before June 30, 2003, and who continue to receive benefits on or after July 1, 2004, will receive a 4% COLA.

Administration Clean-Up Provisions

The Oklahoma Public Employees Retirement Plan (OPERS) is responsible for the administration of URSJJ and shall have the powers and duties to effectively administer URSJJ. The Board of OPERS is responsible for the policies and rules in accordance with the Administrative Procedures Act, necessary to administer URSJJ. All decisions of the Board as to questions of fact are final, subject only to the right of judicial review or in cases of fraud.

Falsifying Record a Crime

Any person falsifying a record that is necessary to the intent of the applicable statutes is guilty of a misdemeanor.

Cost of Living Assumption in Actuarial Report

The Board of Trustees must include a cost of living adjustment assumption in its annual actuarial valuation report. (The Board has been doing this by policy for several years.)

2004 Legislation

Effective July 1, 2004 (unless otherwise noted)

Employer Contribution Deadline and Penalty

The administrative Director of the Courts is to submit to URSJJ all required retirement contributions that are due on a monthly basis on or before the 15th day following the last day of the pay period for which the contributions are due. Contributions paid over 30 days from the dues date are subject to a late charge of 1.5% of the unpaid balance.

Right of Offset

The Board may offset from any benefits payable to a member or beneficiary for amounts owed from judgments or settlements involving a crime against URSJJ, fraud or breach of fiduciary obligation to URSJJ, or for overpayment by URSJJ to a member or beneficiary.

Board of Trustees Changes

The appointment provision for the OPERS Board of Trustees has been amended. The representative from the Corporation Commission will now be selected by all three members of the Corporation Commission. Also the Administrator of the Office of Personnel Management, the State Insurance Commissioner, and the Director of State Finance may all send designees to meetings instead of personally appearing.

Office Quarters

The OPERS Board of Trustees is permitted to have its office in a building acquired by OPERS for investment purposes.

Senate Bill 1203

Final Benefit Check to the Estate of Members

The final benefit check issued in the month a retired member dies, if not already paid to the member, will be paid to the member's estate or to the member's beneficiary if there is no estate.

House Bill 2006

Increase in Maximum Number of Full-Time Equivalent Employees

The maximum number of full-time equivalent employees for OPERS was increased from 54 to 63.

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, 2003

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.

GOVERNMENT FINANCE OFFICERS ASSOCIATION OF THE UNITED STATES AND CANADA CORPORATION SEAL CHICAGO

President

Executive Director

FINANCIAL
Section

KPMG LLP
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, 2004 and 2003, 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 and the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States. 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, 2004 and 2003, 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 the Introductory Section, the Investment Section, the Actuarial Section, the Statistical Section, the Addendum and 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

September 10, 2004

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, 2004 and 2003.

Financial Highlights

- The net assets held in trust for pension benefits totaled approximately $191.7 million at June 30, 2004 compared to $175.6 million at June 30, 2003 and $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 increases of $16.1 million for the year ended June 30, 2004 and $6.9 million for the year ended June 30, 2003 resulted primarily from the appreciation in the fair value of the Plan's investments due to equity market increases affecting both years.

- At June 30, 2004, the total number of members participating in the Plan was 446, a 0.2% decrease from the prior year. The total number of members participating in the Plan at June 30, 2003 was 447, a 3.8% increase from the prior year.

- At June 30, 2004, the actuarial value of assets was $201.1 million and the actuarial accrued liability was $166.3 million producing a funded ratio of 121.0% compared to 139.9% at June 30, 2003. The funded ratio at June 30, 2002 was 148.2%.

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 72.5% (70% in 2002) of the retiree's average monthly salary received as a justice or judge for the last three years of active service. The salary limitation was increased to 100% of the monthly salary effective July 1, 2004 as more fully described in note 6 to the financial statements. In 2004 and 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.

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

Management's Discussion and Analysis

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.

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, 2004 and 2003. 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, 2004, 2003, and 2002.

CONDENSED SCHEDULES OF PLAN NET ASSETS	**($ millions) June 30,**		
	2004	**2003**	**2002**
Cash and cash equivalents	$ 1.0	$ 2.6	$ 1.9
Receivables	9.9	18.6	6.2
Investments	197.1	179.9	169.7
Securities lending collateral	25.7	16.0	26.7
Total Assets	233.7	217.1	204.5
Other liabilities	16.3	25.5	9.1
Securities lending collateral	25.7	16.0	26.7
Total Liabilities	42.0	41.5	35.8
Net Assets Held in Trust for Benefits	**$ 191.7**	**$ 175.6**	**$ 168.7**

CONDENSED SCHEDULES OF CHANGES IN PLAN NET ASSETS	**($ millions) June 30,**		
	2004	**2003**	**2002**
Member contributions	$ 1.8	$ 1.8	$ 1.8
Court employer contributions	0.5	0.5	0.5
Net investment income (loss)	20.5	10.8	(6.2)
Total Additions	22.8	13.1	(3.9)
Retirement, death and survivor benefits	6.5	6.0	5.1
Refunds and withdrawals	0.1	0.1	0.2
Administrative expenses	0.1	0.1	0.1
Total Deductions	6.7	6.2	5.4
Total Changes in Plan Net Assets	**$ 16.1**	**$ 6.9**	**$ (9.3)**

For the year ended June 30, 2004 plan net assets increased $16.1 million or 9.2% from the prior year. Total assets increased 7.7% due to a 9.7% increase in investments of $17.2 million. The $8.7 million decrease in receivables, primarily the pending sales of securities, was offset by the $9.7 million increase in securities lending collateral. Total liabilities increased 1.2% for fiscal 2004 as the $9.7 million increase in the liability for cash collateral related to securities lending was offset by the $9.2 million decrease in payables for pending purchases of securities.

Fiscal year 2004 showed a $9.7 million increase in additions and a $0.5 million increase in deductions. Compared to the prior year, additions increased 73.9% as a result of a 157.0% increase in the appreciation of the fair value of investments which was reduced by decreases in the other sources of investment income and also contributions. The increase in deductions of $0.5 million was due to a 8.7% increase in retirement, death and survivor benefits and a 2.3% increase in administrative costs compared to fiscal 2003.

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.

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.

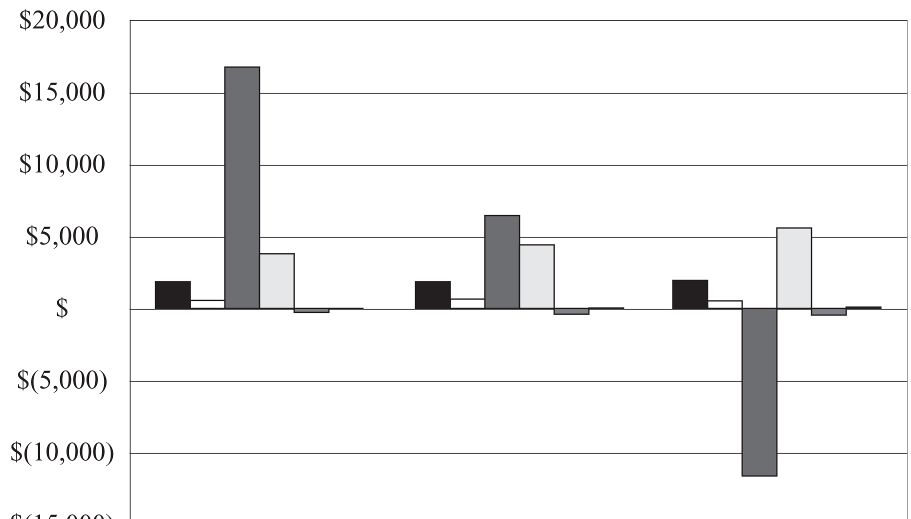
UNIFORM RETIREMENT SYSTEM FOR JUSTICES AND JUDGES
Administered by the Oklahoma Public Employees Retirement System

Management's Discussion and Analysis

<u>Additions to Plan Net Assets</u>

For the year ended June 30, 2004 additions to plan net assets were $22.8 million, an increase of $9.7 million or 73.9% compared to the prior year. A net appreciation in fair value of investments of $16.8 million was the result of equity market increases during the year. Investment income and income from securities lending activities decreased as did investment expenses since equity holdings were in index funds the entire year. 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%.

ADDITIONS TO PLAN NET ASSETS
Comparative Data for Fiscal Years Ended June 30, 2004, 2003, and 2002
(in $000's)



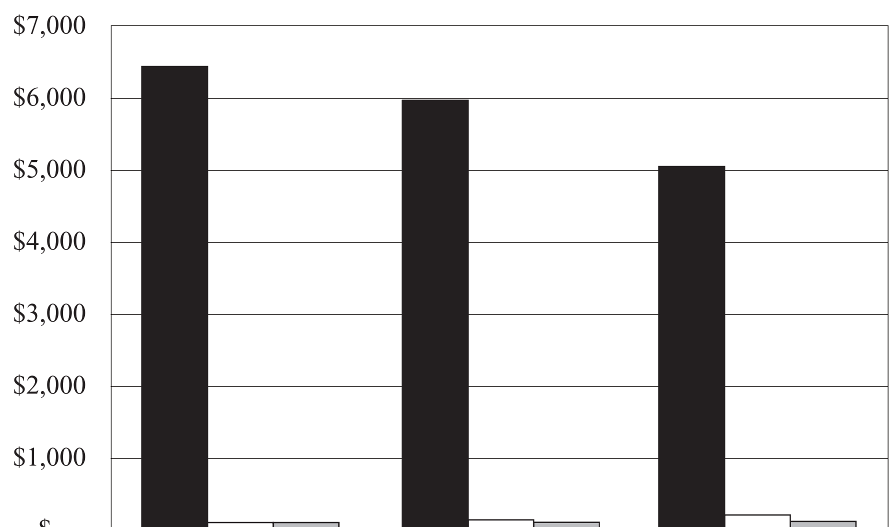
	2004	2003	2002
Member contributions	$1,773	$1,792	$1,810
Court employer contributions	$486	$488	$492
Net appreciation (depreciation)	$16,783	$6,531	$(11,594)
Interest, dividends, and other investment income	$3,803	$4,366	$5,583
Investment expenses	$(99)	$(114)	$(219)
Securities lending income	$29	$35	$69

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%.

Deductions to Plan Net Assets

For the year ended June 30, 2004 total deductions increased $0.5 million or 8.3% compared to the prior year. Retirement, death and survivor benefits increased $0.5 million or 8.7% as the number of retirees fluctuated during the year from 172 to 168 at year end, and the average monthly benefit steadily increased from $3,068 to $3,174. Fiscal year 2004 refunds and withdrawals decreased as fewer participants withdrew contributions during the year. Administrative expenses increased slightly over fiscal 2003 due to increases in professional services and the allocation of expenses for miscellaneous expenses.

DEDUCTIONS TO PLAN NET ASSETS
Comparative Data for Fiscal Years Ended June 30, 2004, 2003, and 2002
(in $000's)



	2004	2003	2002
Retirement, death and survivor benefits	$6,476	$5,959	$5,098
Refunds and withdrawals	$83	$94	$223
Administrative expenses	$83	$81	$89

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.

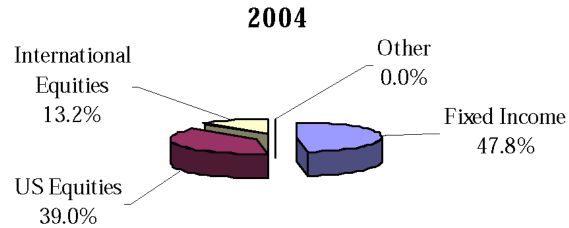
Investments

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 cash and investments for fiscal years ended June 30, 2004, 2003, and 2002 is as follows:

CASH AND INVESTMENT PORTFOLIO	**($ millions) June 30,**		
	2004	**2003**	**2002**
Fixed Income	$ 98.0	$ 94.6	$ 95.8
US Equities	74.8	67.3	56.5
International Equities	25.2	19.7	18.1
Other	0.1	0.8	1.1
Total managed investments	**198.1**	**182.4**	**171.5**
Cash on deposit with State	0.1	0.1	0.1
Securities Lending Collateral	25.7	16.0	26.7
Total Cash and Investments	**$ 223.9**	**$ 198.5**	**$ 198.3**

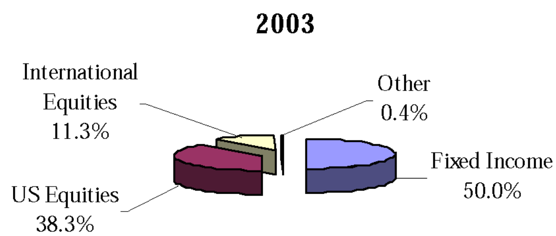
For the year ended June 30, 2004 the Plan's overall return for the year was 11.8% with equity index funds and total fixed income returns correlating closely with the market performance for the year. US and international equity index funds showed returns of 20.3% and 32.8%, respectively, and the return of the fixed income component was 0.8%. During the year $7.0 million was reallocated from equity index funds to fixed income: $6.0 million from the US equity index fund and $1.0 million from the international equity index fund. In addition approximately $4.0 million was transferred from the core plus fixed income component during the year to meet the monthly cash requirements of retiree benefit payments. The change in securities lending collateral is dependent on the securities loaned by the Plan's master custodian at year-end.

At June 30, 2004 the distribution of the Plan's investments including accruals was as follows:



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.

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



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:

2004	2003	2002
121.0%	139.9%	148.2%

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.

Plan Amendments

Plan provision changes were enacted by the State Legislature during the session ended in May 2004. These changes included a cost of living adjustment for judges and justices retired as of June 30, 2003, an increase in the allowable maximum benefit based on the highest three years of salary, and a survivor benefit increase for past voluntary contributions.

Other

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

Requests for information

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

UNIFORM RETIREMENT SYSTEM FOR JUSTICES AND JUDGES

Administered by the Oklahoma Public Employees Retirement System

Statements of Plan Net Assets

June 30, 2004 and 2003

Assets		**2004**		**2003**
Cash and cash equivalents	$	1,046,817	$	2,620,718
Receivables:				
Member contributions		135,961		—
Participating court employer contributions		37,705		—
Due from brokers for securities sold		8,834,184		17,896,786
Accrued interest and dividends		833,650		756,917
Other		60,931		1,628
Total receivables		9,902,431		18,655,331
Investments, at fair value:				
Short-term investments		7,620,794		16,647,936
Government obligations		64,077,469		49,231,173
Corporate bonds		25,335,022		26,937,472
Domestic equities		74,888,246		67,273,806
International equity index fund		25,195,838		19,739,986
Securities lending collateral		25,728,528		16,040,367
Total investments		222,845,897		195,870,740
Total assets		233,795,145		217,146,789
Liabilities				
Due to brokers and investment managers		16,286,928		25,459,553
Securities lending collateral		25,728,528		16,040,367
Total liabilities		42,015,456		41,499,920
Net assets held in trust for pension benefits	$	191,779,689	$	175,646,869

(Schedule of Funding Progress is presented in Schedule 1)

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, 2004 and 2003

	2004	2003
Additions:		
Contributions:		
Members	$ 1,772,673	$ 1,791,825
Participating court employers	485,793	488,459
Total contributions	2,258,466	2,280,284
Investment income:		
From investing activities:		
Net appreciation in fair value of investments	16,782,541	6,530,857
Interest	3,803,566	4,347,037
Dividends	—	11,400
Other	35	7,918
Total investment income	20,586,142	10,897,212
Less - Investment expenses	(98,926)	(114,097)
Income from investing activities	20,487,216	10,783,115
From securities lending activities:		
Securities lending income	230,239	391,856
Securities lending expenses:		
Borrower rebates	(188,498)	(342,098)
Management fees	(12,513)	(14,928)
Income from securities lending activities	29,228	34,830
Net investment income	20,516,444	10,817,945
Total increase	22,774,910	13,098,229
Deductions:		
Retirement, death and survivor benefits	6,476,146	5,958,531
Refunds and withdrawals	83,112	94,062
Administrative expenses	82,832	80,957
Total deductions	6,642,090	6,133,550
Net increase	16,132,820	6,964,679
Net assets held in trust for pension benefits:		
Beginning of year	175,646,869	168,682,190
End of year	$ 191,779,689	$ 175,646,869

See accompanying notes to financial statements.

(1) Summary of Significant Accounting Policies

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

(a) Basis of Accounting

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

The Plan 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.

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.

(e) Reclassifications

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

	2004	2003
Retirees and beneficiaries currently receiving benefits	168	169
Terminated vested participants	8	10
Active participants	270	268
Total	446	447

(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 72.5%, 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 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

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, except for a maximum benefit limit of 70% of the retiree's average monthly salary received as a justice or judge. 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, 2004 and 2003, totaled approximately $15,000 and $30,000, respectively.

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, 2004 and 2003, the Plan remitted up to $105 per month for each eligible member receiving retirement benefits, excluding 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 Governmental Accounting Standards Board (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, 2004 and 2003, for such premiums were approximately $120,000 and $114,000, 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 2004 and 2003 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, 2004 and 2003 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.

(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 custodial 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, 2004 and 2003, cash on deposit with the State is considered Category 1, and the short-term investment funds are considered Category 3.

At June 30, 2004, as a result of outstanding checks, the carrying amount of the Plan's cash deposits totaled $50,002 and the bank balances totaled $166,456. 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, 2004 and 2003 the carrying amounts of the Plan's short-term investment funds were the same as the bank balances, $996,815 and $2,568,650, respectively.

(4) Investments

The Plan's investments would generally be categorized into one of three separate custodial 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, 2004 and 2003 is as follows:

	2004	2003
Category 1 Classification:		
Commercial paper	$ 862,268	$ 1,368,808
Treasury bonds and notes	11,654,097	17,624,560
Government bonds and government mortgage-backed securities	28,791,308	25,338,200
Corporate bonds	21,316,083	23,219,029
Domestic equities	146,225	1,876
Total Category 1	62,769,981	67,552,473
Category 3 Classification:		
Investments held by brokers-dealers under securities loans for non-cash collateral:		
Treasury bonds and notes	7,997,867	8,939,708
Governmental bonds and government mortgage-backed securities	944,616	944,529
Corporate bonds	793,808	-
Total Category 3	9,736,291	9,884,237
Not subject to classification:		
Investments held by brokers-dealers under securities loans for cash collateral:		
Treasury bonds and notes	20,876,645	11,663,304
Government bonds and government mortgage-backed securities	571,462	-
Corporate bonds	3,225,131	3,718,443
Securities lending collateral	25,728,528	16,040,367
Domestic equity index fund	74,742,021	67,271,930
International equity index fund	25,195,838	19,739,986
Total not subject to classification	150,339,625	118,434,030
Total investments	$ 222,845,897	$ 195,870,740

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 2004 and 2003, the types of securities loaned were primarily U.S. Government and corporate bonds and in 2003 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, 2004 and 2003, 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, 2004 and 2003 the cash collateral investments had an average weighted maturity of 24 and 38 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. 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, 2004 and 2003, respectively.

(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) Plan Amendments

The following is a summary of significant plan provision changes that were enacted by the State Legislature during the session ended in May 2004.

(a) Retiree Benefit Increase

Beginning with the July 2004 benefit payments, any retired judge or justice who was receiving benefits from the Plan on June 30, 2003, and who continues to receive benefits on or after July 1, 2004, will receive a 4% cost of living increase.

(b) Increase in Maximum Benefit Limit Based on Highest Three Years of Salary

The maximum percentage of average monthly salary a justice or judge may receive in a retirement benefit, either regular or disability, was increased to 100% for members retiring or incurring a disability on or after July 1, 2004. The calculation is based on the highest three years of salary during active service.

(c) Survivor Benefit Increase for Past Voluntary Contributors

Beginning October 1, 2004 surviving spouses of judges and justices who die or retire on or after July 1, 1999, may be eligible to receive additional survivor benefits. Surviving spouses are eligible if voluntary survivor benefit contributions were paid before July 1, 1999.

(7) New Pronouncement

GASB Statement No. 40, *Deposit and Investment Risk Disclosures* (GASB 40) 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, 2004

Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued 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%)
7/1/04	201,141,649	166,275,941	(34,865,708)	121.0%	25,715,005	(135.6%)

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
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
2004	—	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%. Effective July 1, 2005, 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. Prior to July 1, 1997, employer contributions were comprised of 10% of all fines, forfeitures and penalties received by participating courts.

Unaudited – See accompanying independent auditors' report.

UNIFORM RETIREMENT SYSTEM FOR JUSTICES AND JUDGES

Administered by the Oklahoma Public Employees Retirement System

Note to Schedule 1 Required Supplementary Information

June 30, 2004

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, 2004, 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, 2004

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, 2004, 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 gains occurred decreasing the actuarial accrued liability to a value $4,214,000 less than expected.

The return on actuarial value of assets was approximately 4.4% compared to the expected return of 7.5% resulting in an actuarial loss of $6.1 million.

Schedule 2

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, 2004 and 2003

	2004	2003
Investment management fees:		
Fixed Income Managers:		
Blackrock Financial Management, Inc.	$ 50,302	$ 51,041
Hoisington Investment Management	22,264	21,459
Metropolitan West Asset Management, LLC	—	—
U. S. Equity Managers:		
Barclays Global Investors	8,599	6,036
Dimensional Fund Advisors, Inc.	—	12,490
Loomis Sayles & Co., LP	—	5,593
TCW Asset Management Company	—	1,688
International Equity Managers:		
Barclays Global Investors	8,519	6,208
Total investment management fees	89,684	104,515
Investment consultant fees:		
Strategic Investment Solutions, Inc.	3,791	4,049
Investment custodial fees:		
Northern Trust Company	5,451	5,533
Total investment expenses	$ 98,926	$ 114,097

Note to Schedule of Investment Expenses

Investment managers that do not meet performance fee requirements may not accrue investment fees.

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, 2004 and 2003

	2004	2003
Professional / Consultant services	$ 8,013	$ 5,552
Allocated administrative expenses (see note below)	74,819	75,405
	$ 82,832	$ 80,957

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.

Schedule 4

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, 2004 and 2003

Professional/Consultant	Service	2004	2003
Mellon Consultants, Inc.	Actuarial	$ 1,452	$ —
Mercer Human Resource Consulting	Actuarial	3,109	2,202
KPMG LLP	External Auditor	1,866	1,827
Finley & Cook, PLLC	Internal Auditor	1,586	1,523
		$ 8,013	$ 5,552

See accompanying independent auditors' report.

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INVESTMENT
Section

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 System'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 System'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	6/30/04 ALLOCATION	LOW	TARGET	HIGH	% PASSIVE OR SEMI-PASSIVE
US EQUITY	39.0%	34.4%	38.0%	41.6%	100.0%
FIXED INCOME	47.8%	45.0%	50.0%	55.0%	61.3%
NON-US EQUITY	13.2%	10.0%	12.0%	14.0%	100.0%
CASH	0.0%	0.0%	0.0%	5.0%	100.0%

Review of Fiscal 2004 Investment Environment

Fiscal year ended June 30, 2004 saw an investment climate that favored the US Value-style (+22.1%) equity markets on a relative basis over the US Growth-style equities (+18.8%), a reversal of what occurred in the previous fiscal year. The total US equity market was up (+20.5% - Russell 3000 Index) for the 12-month period ending June 30, 2004. Fiscal year 2004 was the second consecutive fiscal year that equity markets were positive. Non-US equity markets fared even better (+32.9% - MSCI EAFE), as the weakness of the dollar versus the European Currency Unit and the Japanese Yen boosted overall performance.

The US fixed income market produced essentially flat returns (+0.3 - Lehman Aggregate Index) for the fiscal year ending June 30, 2004 as rising interest rates negatively affected returns.

Within the US equity market, stocks of small companies clearly outperformed large (+33.4% versus +19.5%). Value stocks outperformed growth by wide margins in large caps (+21.1% versus +17.9%) and by similar margins in small caps (+35.2% versus +31.6%).

Performance Review

At quarterly intervals, the System 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, 2004 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, 2004 the Domestic Equity asset class and the Non-US Equity asset class performed in-line with their respective benchmarks (each are 100% passive); and the Fixed Income asset class performed also performed in-line with its respective (80% Lehman Aggregate/ 20% Citigroup 20 -Year Index) custom benchmark. The Domestic Equity asset class and Fixed Income asset class ranked below median, while the Non-US Equity ranked above median.

Results in the US Equity and Non-US Equity asset classes slightly detracted from 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, 2004 are

PERIODS ENDED 6/30/04	ONE YEAR	THREE YEARS	FIVE YEARS
Domestic Equity	+20.3%	-0.2%	-0.7%
Russell 3000	+20.5%	0.0%	-0.5%
Rank	62*	61	66
Non-US Equity	+32.8%	+3.3%	-0.3%
MSCI EAFE	+32.9%	+4.3%	+0.7%
Rank	31	73	92
Fixed Income	+0.8%	+6.9%	+7.4%
80% Lehman Agg/ 20% Citi 20-Year Index	+0.8%	+6.5%	+7.0%
Rank	63	41	35
Total Fund	+11.8%	+4.9%	+4.3%
*Policy Benchmark****	+11.7%	+4.2%	+4.0%
Public Fund > $100 Million	+15.4%	+4.5%	+4.0%
Rank**	90	38	40

* Ranking 1 is best, 100 is worst.
** Rankings source - ICC Public Funds Universe
***Policy Benchmark is 38% Russell 3000/ 50% (80% Lehman Agg and 20% Citi 20-Yr.) Custom Fixed Income Benchmark / 12% MSCI EAFE

Yours truly,

Barry Dennis
Managing Director

TOM SPENCER
EXECUTIVE DIRECTOR

BRAD HENRY
GOVERNOR

STATE OF OKLAHOMA

UNIFORM RETIREMENT SYSTEM FOR JUSTICES AND JUDGES

Chief Investment Officer's Report

Dear Members:

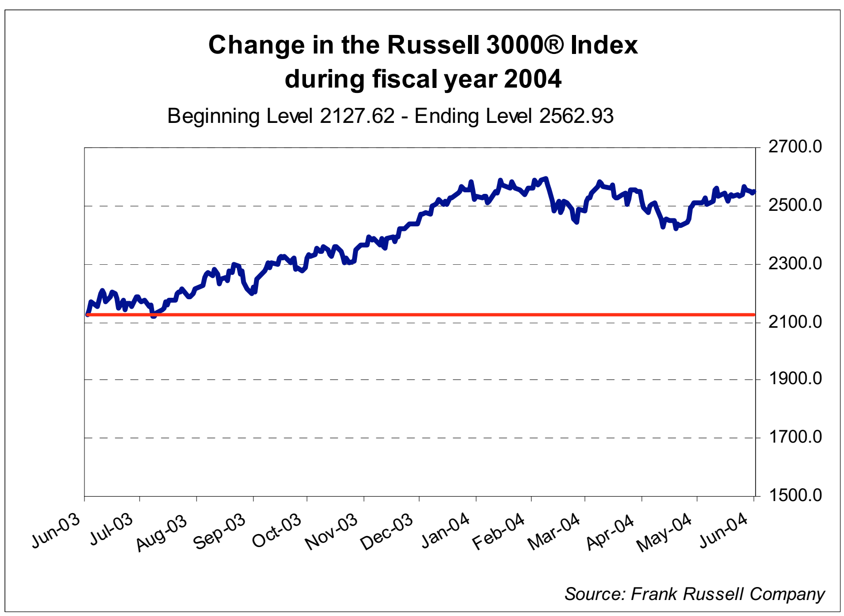
In this letter we will look back at the environment and events that helped to shape investment returns for the fiscal year ending June 30, 2004. I will present investment performance of major markets and the Fund for last year and for longer periods. Since asset allocation plays a dominant role in determining investment performance, we will review the Fund's asset allocation. I will also provide a brief summary 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

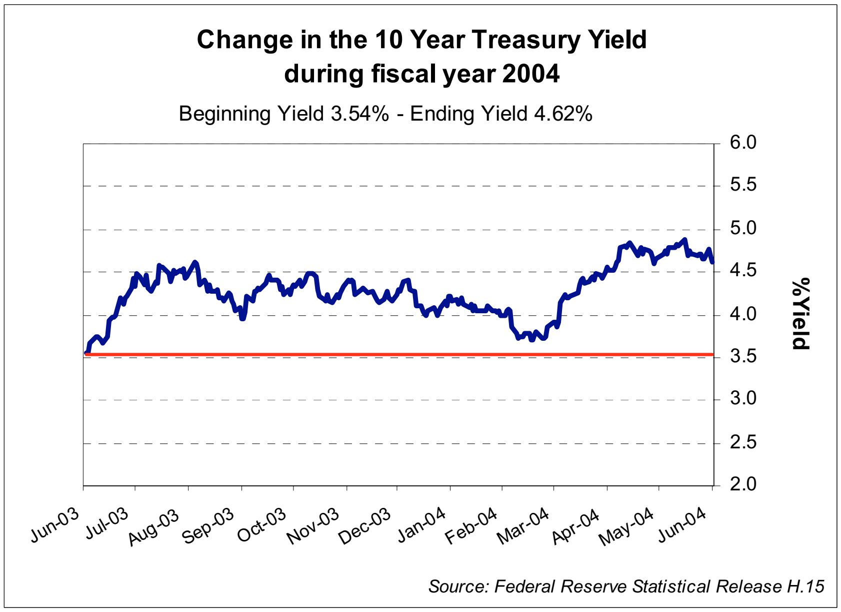
A Much Improved Economy - The pace of economic growth accelerated during the12-months ending June 30, 2004. Real Gross Domestic Product grew by 4.8% which was higher than last year's revised rate of 2.3% and higher than the average year over year growth rate since 1946 of 3.5%. Labor markets strengthened as the unemployment rate fell from 6.3% to 5.6%. Corporate profitability also continued to improve. Corporate profits after tax this year rose 18.5% on a year over year basis. The pace of business investment strengthened as nonresidential fixed investment grew 10.8% for the period. Higher commodity prices, oil in particular, raised inflation concerns.

Capital Markets

US Stock Market – 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 well above where it began. In a continuation of a rally that began in March of 2003, the US stock market continued to rally through February of 2004 but was constrained to a trading range from March through June of 2004. Several factors contributed to the stalling of the rally. Economic and political uncertainty began to weigh on the market. The anticipation of a change in Fed monetary policy, the prospect of sustained higher oil prices and the outcome of the US presidential elections put investors in a more cautious mood.



Interest Rates – Interest rates moved higher during the 12 month period ending June 30, 2004. Bond yields began to rise as the Federal Reserve signaled the removal of a stimulative bias towards a stance in keeping with the higher level of economic growth. The Federal Reserve didn't begin raising the Fed Funds rate until the June 30, 2004 meeting, but the move was well telegraphed by the Fed and widely anticipated by the markets. Fears of an economic "soft-patch" sent yields lower from December through March, but these fears dissipated and yields resumed their upward trend through June. The rise in yields caused bond prices to drop but not enough to erase the return from coupon income. Higher yields and lower bond prices made fiscal year 2004 a very modest year for fixed income returns.



Investment Returns Through June 2004

US Equity	Asset Class	1 Year	3 Years	5 Years
Russell 3000	Broad US Equity	20.46%	0.15%	(1.07%)
S&P 500	Large Cap Equity	19.10%	(0.69%)	(2.20%)
Russell 1000 Growth	Large Cap Growth	17.88%	(3.74%)	(6.48%)
Russell 1000 Value	Large Cap Value	21.13%	2.96%	1.87%
Russell 2000	Small Cap Equity	33.37%	6.24%	6.63%
Russell 2000 Growth	Small Cap Growth	31.55%	(0.22%)	(0.45%)
Russell 2000 Value	Small Cap Value	35.17%	12.15%	12.82%
Uniform Retirement System for Justices & Judges	**Broad US Equity**	**20.34%**	**(0.24%)**	**(0.71%)**

US Fixed Income	Asset Class	1 Year	3 Years	5 Years
3 month Treasury Bills	Cash	0.98%	1.72%	3.30%
Lehman Aggregate	Domestic Fixed Income	0.33%	6.36%	6.95%
Salomon Corporate	Corporate Bonds	0.63%	7.66%	7.68%
Merrill Lynch High Yield Master II	High Yield Bonds	10.19%	8.80%	4.80%
Uniform Retirement System for Justices & Judges	**Domestic Fixed Income**	**0.78%**	**6.95%**	**7.38%**

International	Asset Class	1 Year	3 Years	5 Years
MSCI ACWI Free Ex-US	Broad Non-US Equity	32.50%	5.25%	0.96%
MSCI EAFE	Developed Non-US Equity	32.85%	4.25%	0.40%
MSCI Emerging Mkts. Free	Emerging Non-US Equity	33.51%	13.10%	3.27%
Lehman Global Ex-US Bond	Core Non-US Bonds	7.47%	13.34%	6.40%
Uniform Retirement System for Justices & Judges	**International Equity**	**32.77%**	**3.29%**	**(0.33%)**
Uniform Retirement System for Justices & Judges	**Total Fund**	**11.85%**	**4.85%**	**4.27%**

Source: Strategic Investment Solutions; Northern Trust

Investment Performance

A Strong Year for Equities – The first seven months of the fiscal year were a continuation of the stock market recovery that began in the middle of March 2003. This recovery was a welcome relief from the brutal decline from March 2000 through March 2003. Fiscal year 2004 was a very good period for stocks with international equities performing especially well. Among US equity classes, small cap value stocks did best while large cap growth stocks did worst. As noted above, bonds earned meager returns except for lower quality credits and non-dollar bonds which did relatively 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 statistics of the Fund are shown below. Due to the strong relative performance of equities, as of year end, the fund was allocated above its equity targets and near the minimum level for fixed income.

Asset Allocation

Asset Class	Min	06/30/04	Target	Max
Domestic Fixed Income	45.0%	47.8%	50.0%	55.0%
US Equity	34.4%	39.0%	38.0%	41.6%
International Equity	10.0%	13.2%	12.0%	14.0%
Total Fund		**100%**	**100%**	

Recent Events and Outlook

Looking Ahead – As we look forward, it appears that equity markets are range bound pending the outcome of U.S. elections. Market adjustments to perceived future policy decisions at the top levels of the U.S. government and the Federal Reserve are likely to dominate the attention of investors through much of fiscal year 2005. 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

Largest Holdings

The Plan's ten largest fixed income holdings at June 30, 2004, are described in the following schedule. The Plan invests in various index funds and two domestic stock holdings which are separately presented.

Ten Largest Fixed Income Holdings (By Fair Value):

Security	Par	Fair Value
FHLB Cons Discount Note due 7-1-2004	$ 5,200,000	$ 5,200,000
U. S. Treasury Bonds Principal Strips due 11-15- 2021	10,658,000	4,062,371
FNMA 30 year Pass Throughs 5.5% due 7-1-2034	3,500,000	3,482,500
U. S. Treasury Notes 2.5% due 5-31-2006	3,075,000	3,064,671
U. S. Treasury Notes 4.75% due 5-15-2014	2,945,000	2,975,716
U. S. Treasury Bonds 6.0% due 2-15-2026	2,233,000	2,406,145
U. S. Treasury Bonds 6.375% due 8-15-2027	2,093,000	2,362,392
U. S. Treasury Bonds 5.375% due 2-15-2031	2,034,000	2,051,401
FNMA 15 year Single Family Mortgage 5.0% due 7-1-2019	2,000,000	2,001,876
U. S. Treasury Notes 2.25% due 4-30-2006	1,740,000	1,728,105

Investments in Funds and Stock Holdings (By Fair Value):

Fund/Equity	Units	Fair Value
BGI Russell 3000 Index Fund	7,885,766	$ 74,742,021
BGI EAFE Equity Index Fund	219,238	25,195,836
MCI Inc. Common Stock	10,133	146,219
EMP Solutions Inc. Common Stock	3,005	6

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

Schedule of Stock Brokerage Commissions Paid

Year ended June 30, 2004

Brokerage Firm	Shares Traded	Dollar Volume of Trades	Commission Dollar Amount	Commission Per Share
B Trade Services	74	$ 2,000	$ 4	0.050
Goldman Sachs & Company	614	8,897	25	0.040
Lehman Brothers, Inc.	1,110	16,171	44	0.040
Total	1,798	$ 27,068	$ 73	0.040

Excludes zero commission trades.

Investment Portfolio by Type and Manager

At June 30, 2004, the investment portfolio of URSJJ was allocated by type and style as follows:

Investment Type and Manager	Style	Fair Value* *(000's)*	Percent of Total Fair Value
Fixed Income:			
Hoisington Investment Management	Interest Rate Anticipation	$ 16,434	8.3%
Blackrock Financial Management, Inc.	Enhanced Index	61,978	31.3%
Metropolitan West Asset Management**	Full Range Core +	19,688	9.9%
Total Fixed Income		98,100	49.5%
US Equities:			
Barclays Global Investors	Index Fund – Russell 3000	74,742	37.7%
International Equities:			
Barclays Global Investors	Index Fund – EAFE	25,196	12.7%
Short-term Investment Funds	Operating Cash	76	0.1%
Total Managed Investments		198,114	100.0%
Securities Lending Collateral		25,729	
Cash on Deposit with State		50	
Total Investments and Cash and Cash Equivalents		$ 223,893	
Statement of Plan Net Assets			
Cash and cash equivalents		$ 1,047	
Investments		222,846	
Total Investments and Cash and Cash Equivalents		$ 223,893	

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

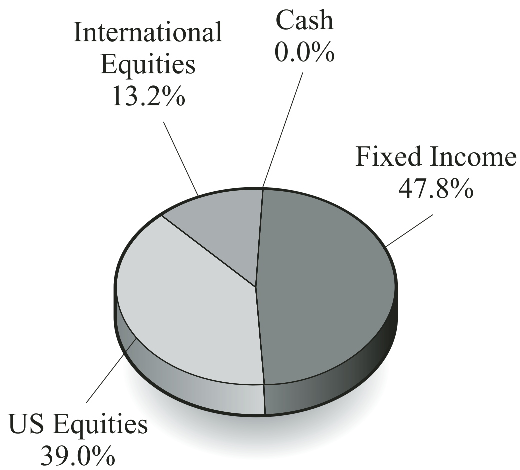
** *Metropolitan West Asset Management portfolio holdings include domestic equities.*

Asset Comparison

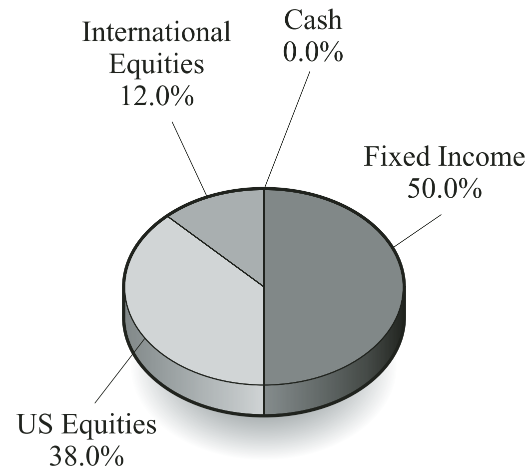
A comparison of the actual investment distribution at June 30, 2004 and 2003, based on the net investment manager holdings, including accrued income, payables and receivables, compared to the target allocation and previous year's allocation is as follows:

2004

2004 Asset Mix

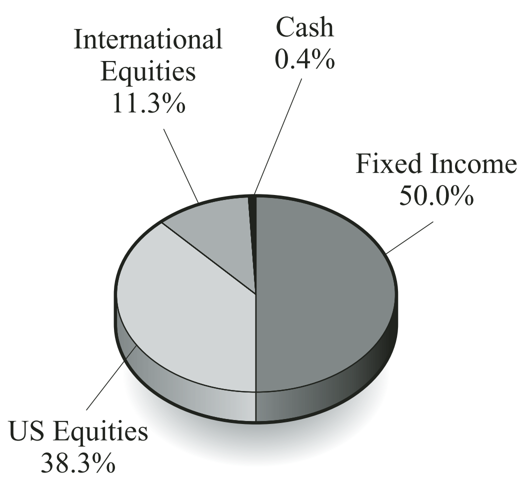


Target Policy Mix

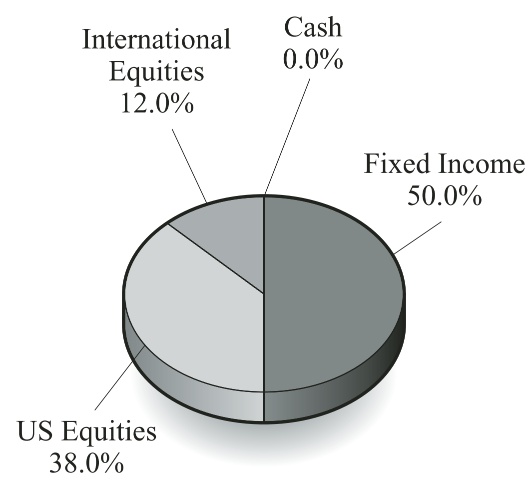


2003

2003 Asset Mix



Target Policy Mix



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ACTUARIAL

Section

MERCER
Human Resource Consulting

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October 21, 2004

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

Confidential

Subject:
2004 Certification of Actuarial Valuation

Dear Members of the Board:

We certify that the information presented herein and in the July 1, 2004, 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, 2004.

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, 2004.

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. As of July 1, 2004, the required contribution rate is 8.7%. 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 two-thirds 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 <u>preliminary</u> 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 <u>preliminary</u> 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 <u>preliminary</u> 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, 2003, valuation.

12. The following are System provision changes since the prior valuation:

    Senate Bill 1134 changes the maximum benefit payable under URSJJ. Retirement benefits were limited to 72.5% of average monthly salary over the last three years prior to June 30, 2004. This limit has been increased to 100.0% of average monthly salary over the highest three years. Similarly, disability benefits have been increased from 70.0% of average monthly salary to 100.0% of average monthly salary.

    Senate Bill 1134 also changes the survivor benefit to judges. There is an enhanced survivor benefit to judges who paid an elective contribution for coverage prior to July 1, 1999.

    Senate Bill 1134 also provides members and their beneficiaries in pay status as of June 30, 2004, a 4% cost of living adjustment. The increases are effective July 1, 2004.

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

Valuation Date	Number	Annual Payroll[1]	Annual Average Pay	% Increase In Average Pay
July 1, 2004	270	$ 25,715,005	$ 95,241	(0.50%)
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

[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

	Added to Rolls		Removed from Rolls		Rolls – End of Year			
Year Ended	No.	Annual Allowances	No.	Annual Allowances	No.	Annual Allowances	% Increase in Annual Allowances	Average Annual Allowances
June 30, 2004	6	$ 334,685	7	$ 143,267	168	$ 6,591,422	6.17%	$ 39,235
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

Analysis of Financial Experience

Gains & Losses in Accrued Liabilities During the Year Ended June 30, 2004
Resulting from Differences Between Assumed Experience & Actual Experience

	Type of Activity		Gain (or Loss) for Year 2004
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.	$	634,000
2.	**Disability retirements.** If disability claims are less than assumed, there is a gain. If more claims, there is a loss.		0
3.	**Death benefits.** If survivor claims are less than assumed, there is a gain. If more claims, there is a loss.		(1,245,000)
4.	**Withdrawal from employment.** If more liabilities are released by withdrawals than assumed, there is a gain. If smaller releases, a loss.		203,000
5.	**Pay increases.** If there are smaller pay increases than assumed, there is a gain. If greater increases, a loss.		4,425,000
6.	**New entrants.** All new entrants to the System create a loss.		(217,000)
7.	**Other.** Miscellaneous gains and losses resulting from data adjustments, timing of financial transactions, valuation methods, etc.		414,000
8.	**Gain (or loss) during year from financial experience.**		(6,074,000)
9.	**Non-recurring items.** Adjustments for System amendments, etc.		(19,658,000)
10.	**Assumption changes.**		0
11.	**Composite gain (or loss) during year.**	$	(21,518,000)

Summary of System Provisions

Employees included:	All Justices and Judges of the Supreme Court, Court of Criminal Appeals, Workers Compensation Court, Courts of Appeals or District Court who serve in the State of Oklahoma participate in the Uniform Retirement System for Justices and Judges.
System contributions:	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%.
Member contributions:	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.
Final average salary:	The average monthly salary received during the highest three years of active service as a Justice or Judge in a court of record.
Retirement date:	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.
Normal retirement benefit:	General formula is 4% of average monthly salary multiplied by service, up to a maximum benefit of 100% of final average salary.
Disability benefit:	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 100% of final average salary.
Survivor benefit:	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. Effective October 1, 2004, the benefit for surviving spouses may be higher than 50% of the member's benefit, up to 65% for certain members who made additional voluntary survivor benefit contributions of 3% of salary prior to July 1, 1999, and who die or retire after July 1, 1999.
Participant death benefit:	$5,000 lump sum.
Supplemental medical insurance premium:	The System contributes the lesser of $105 per month or the Medicare Supplement Premium to the Oklahoma State and Education Employee's Group Health Insurance Program for members receiving retirement benefits.

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.

	Actuarial Accrued Liabilities[1] and Valuation Assets					Portion of Actuarial Accrued Liabilities Covered by Reported Assets			
Date	Active Member Contributions (Liability 1)	Retirees, Beneficiaries and Terminated Vested Members (Liability 2)	Employer Financed Portion of Active Members (Liability 3)	Total Liability[1] (1+2+3)	Reported Assets[2]	(1)	(2)	(3)	Funded Ratio of Total Accrued Actuarial Liabilities
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
7/1/04	15,947,990	64,357,324	85,970,627	166,275,941	201,141,649	100	100	100.0	121.0

[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] Actuarial value of assets based on the smoothing technique adopted by the Board. The June 30, 2004, market value of net assets available for benefits was approximately $191,779,689.

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STATISTICAL

Section

Schedule of Revenue by Source

Year Ending June 30	Member Contributions	Employer Contributions Dollars	Employer Contributions % of Annual Covered Payroll	Investment Income (Loss)	Total
2004	$ 1,772,673	$ 485,793	1.89	$20,516,444	$ 22,774,910
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

Schedule of Expenses by Source

Year Ending June 30	Benefit Payments	Administrative Expenses	Refunds	Total
2004	$ 6,476,146	$ 82,832	$ 83,112	$ 6,642,090
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

Schedule of Retired Members by Type of Benefit

June 30, 2004

Amount of Monthly Benefit	Number of Retirees	Type of Retirement**				Option Selected #	
		1	2	3	4	Opt. 1	Opt. 2
$ 1 - 1,000	14	-	14	-	-	-	14
1,001 - 2,000	36	7	29	-	-	1	35
2,001 - 3,000	27	21	5	-	1	5	22
3,001 - 4,000	28	28	-	-	-	12	16
4,001 - 5,000	31	29	-	2	-	8	23
Over - 5,000	32	32	-	-	-	4	28
Totals	168	117	48	2	1	30	138

****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

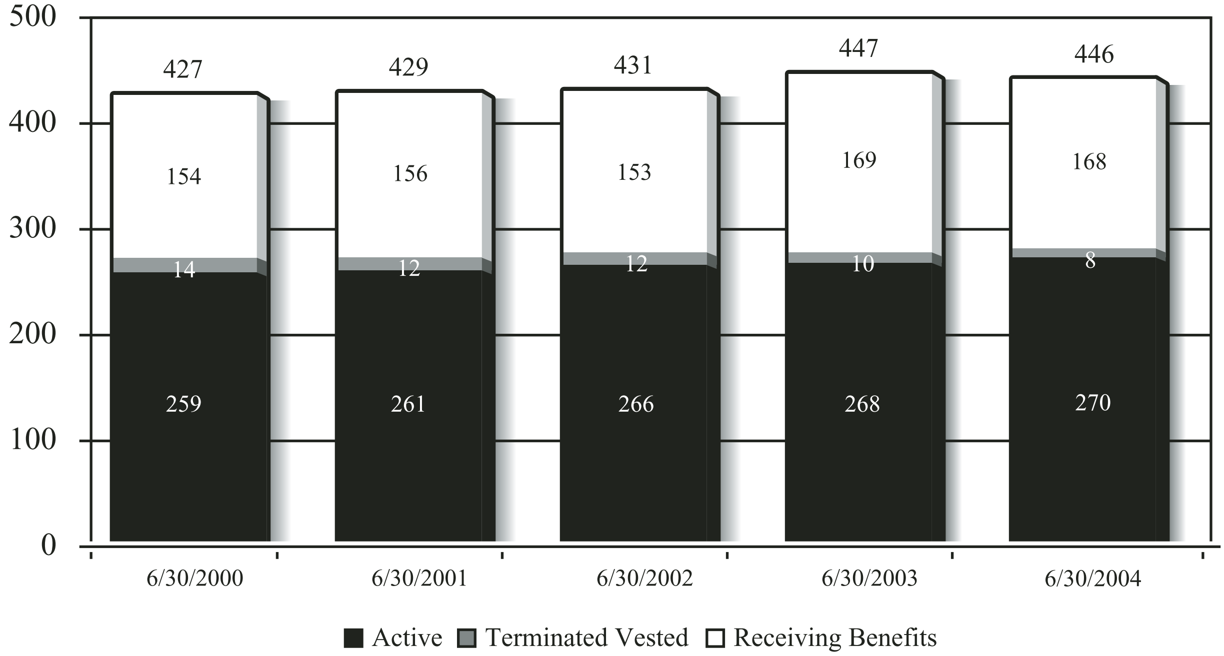
The Plan covers Justices and Judges who sit on the Supreme Court of Oklahoma, the Oklahoma Court of Criminal Appeals, the Oklahoma Courts of Civil Appeals, the Oklahoma District Courts, and the Oklahoma Workers' Compensation Court. The Plan also covers the Administrative Director of the Courts.

Schedule of Average Benefit Payments

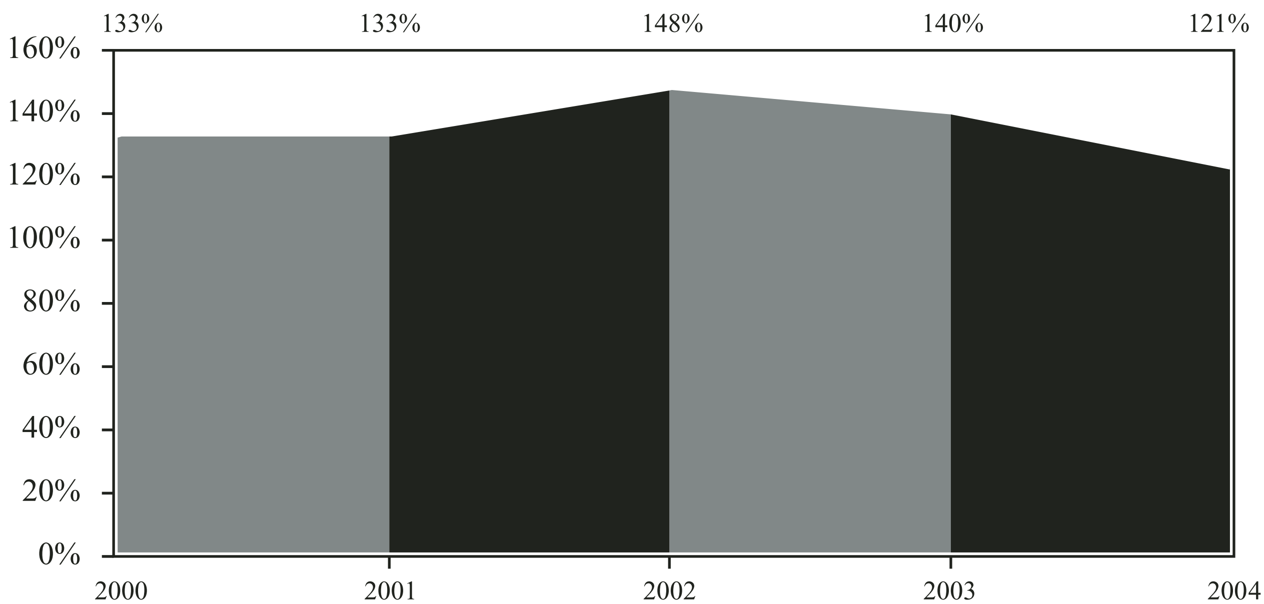
Retirement Effective Dates July 1, 1994 to June 30, 2004	Years of Credited Service 0 to 5	6 to 10	11 to 15	16 to 20	21 to 25	26 to 30	31+
Period 7/1/94 to 6/30/95							
Average Monthly Benefit	$ -	$ -	$ 2,924	$ 4,039	$ 3,949	$ 4,444	$ -
Average Final Average Salary	$ -	$ -	$ 4,986	$ 5,319	$ 5,262	$ 5,397	$ -
Number of Active Retirees	-	-	2	6	6	3	-
Period 7/1/95 to 6/30/96							
Average Monthly Benefit	$ -	$ -	$ 1,497	$ -	$ 2,319	$ 5,016	$ -
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	$ -	$ -	$ 2,664	$ 4,803	$ -	$ 4,634	$ -
Average Final Average Salary	$ -	$ -	$ 4,479	$ 6,189	$ -	$ 5,886	$ -
Number of Active Retirees	-	-	3	2	-	1	-
Period 7/1/97 to 6/30/98							
Average Monthly Benefit	$ -	$ 1,610	$ -	$ 3,512	$ -	$ 4,205	$ -
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	$ -	$ 2,094	$ 4,016	$ 5,117	$ 4,584	$ 5,407	$ 5,778
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	$ -	$ -	$ -	$ -	$ 4,345	$ 5,181	$ 6,157
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	$ -	$ 1,893	$ 2,948	$ 3,796	$ -	$ -	$ -
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	$ -	$ -	$ 1,474	$ 5,375	$ 5,608	$ -	$ -
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	$ -	$ -	$ 3,199	$ 4,846	$ 5,329	$ 5,783	$ 5,960
Average Final Average Salary	$ -	$ -	$ 5,209	$ 6,166	$ 6,524	$ 7,080	$ 7,297
Number of Active Retirees	-	-	3	10	5	2	1
Period 7/1/03 to 6/30/04							
Average Monthly Benefit	$ -	$ 1,653	$ 1,328	$ 4,916	$ -	$ 6,572	$ -
Average Final Average Salary	$ -	$ 3,541	$ 4,066	$ 6,268	$ -	$ 7,770	$ -
Number of Active Retirees	-	1	1	4	-	1	-

Demographics and Funded Ratio Charts

Demographics Chart



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



NOTE

- Retirement rates changed in 2002
- Maximum benefit increased to 100% of pay in 2004

Schedule of Benefit Payments and Refunds by Type

Fiscal Year ended June 30,

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.

Fiscal Year	Service and Disability Benefits	Beneficiary Death Benefits	Refunds And Withdrawals	Total Benefit Payments And Refunds
2004	$ 6,461,146	$ 15,000	$ 83,112	$ 6,559,258
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

Member Statistics

Inactive Members as of July 1, 2004	No.	Amount of Annual Benefit [1]
Members receiving benefits		
▪ Retired	117	$ 5,676,755
▪ Surviving spouses	49	804,463
▪ Disabled	2	110,204
Total	**168**	**$ 6,591,422**
Members with deferred benefits		
▪ Vested terminated	8	$ 233,142
▪ Surviving spouses	0	0
▪ Disabled	0	0
Total	**8**	**$ 233,142**

Statistics for	No.	Average Age	Average Service	Average Earnings
Active members 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**
Active members as of July 1, 2004				
▪ Continuing	261	55.2	12.4	$ 95,536
▪ New	9	50.9	0.7	86,691
Total	**270**	**55.1**	**12.0**	**$ 95,241**

Summary of Retirees, Beneficiaries and Disabled Members

(Annual Benefits)[1]

	Retired Members		Surviving Spouses		Disabled Members		Total	
Age	**No.**	**Benefit**	**No.**	**Benefit**	**No.**	**Benefit**	**No.**	**Benefit**
Under 51	0	$ 0	0	$ 0	0	$ 0	0	$ 0
51	0	0	0	0	0	0	0	0
52	0	0	0	0	0	0	0	0
53	0	0	0	0	0	0	0	0
54	0	0	1	17,970	0	0	1	17,970
55	0	0	0	0	0	0	0	0
56	1	66,928	2	52,390	0	0	3	119,318
57	0	0	0	0	1	55,062	1	55,062
58	0	0	0	0	0	0	0	0
59	1	55,613	0	0	1	55,142	2	110,755
60	2	116,804	1	15,939	0	0	3	132,743
61	6	308,650	1	13,027	0	0	7	321,677
62	4	200,442	0	0	0	0	4	200,442
63	3	158,920	0	0	0	0	3	158,920
64	3	182,715	1	27,828	0	0	4	210,543
65	4	213,046	0	0	0	0	4	213,046
66	4	239,921	1	33,489	0	0	5	273,410
67	4	246,678	1	9,301	0	0	5	255,979
68	4	195,830	0	0	0	0	4	195,830
69	1	62,171	2	38,844	0	0	3	101,015
70	1	78,863	0	0	0	0	1	78,863
71	4	195,367	1	23,826	0	0	5	219,193
72	6	324,557	1	23,342	0	0	7	347,899
73	7	361,073	1	9,942	0	0	8	371,015
74	5	258,525	0	0	0	0	5	258,525
75	5	219,862	1	22,867	0	0	6	242,729
76	6	273,794	1	23,262	0	0	7	297,056
77	2	96,507	4	70,256	0	0	6	166,763
78	11	493,409	4	72,745	0	0	15	566,154
79	3	145,941	4	66,402	0	0	7	212,343
80	4	151,715	0	0	0	0	4	151,715
81	5	236,208	2	31,376	0	0	7	267,584
82	5	207,634	2	37,393	0	0	7	245,027
83	1	42,241	1	6,917	0	0	2	49,158
84	2	64,774	3	44,256	0	0	5	109,030
85	2	86,682	2	23,980	0	0	4	110,662
86	1	46,271	2	18,858	0	0	3	65,129
87	1	38,135	1	7,240	0	0	2	45,375
88	1	34,982	0	0	0	0	1	34,982
89	2	63,216	2	17,893	0	0	4	81,109
90	1	26,854	1	12,480	0	0	2	39,334
Over 90	5	182,427	6	82,640	0	0	11	265,067
Total	**117**	**$ 5,676,755**	**49**	**$ 804,463**	**2**	**$ 110,204**	**168**	**$6,591,422**

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

Summary of Terminated Vested Members

(Deferred Annual Benefits)[1]

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	1	29,232
48	0	0
49	1	24,985
50	0	0
51	1	14,062
52	0	0
53	1	25,358
54	1	46,542
55	0	0
56	0	0
57	0	0
58	0	0
59	1	57,384
60	0	0
61	0	0
62	1	21,708
63	1	13,871
64	0	0
65 + over	0	0
Total	**8**	**$ 233,142**

[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, 2004

Count of Active Members

	Years of Service									
Age	**0 - 4**	**5 - 9**	**10 -14**	**15 -19**	**20 - 24**	**25 - 29**	**30 - 34**	**35 - 39**	**40+**	**Total**
Under 20	0	0	0	0	0	0	0	0	0	**0**
20 - 24	0	0	0	0	0	0	0	0	0	**0**
25 - 29	0	0	0	0	0	0	0	0	0	**0**
30 - 34	3	0	0	0	0	0	0	0	0	**3**
35 - 39	6	3	1	0	0	0	0	0	0	**10**
40 - 44	8	9	0	0	0	0	0	0	0	**17**
45 - 49	7	16	10	3	1	0	0	0	0	**37**
50 - 54	9	21	11	17	9	1	0	0	0	**68**
55 - 59	8	19	8	10	15	5	1	0	0	**66**
60 - 64	6	11	6	5	2	0	1	1	0	**32**
65 - 69	1	8	2	3	2	0	0	2	0	**18**
70 - 74	0	2	2	1	3	0	0	0	2	**10**
75+	0	1	0	1	0	0	0	2	1	**5**
Total	**48**	**90**	**40**	**40**	**32**	**6**	**2**	**5**	**3**	**266**
										4[1]
										270

Average Compensation[2]

	Years of Service									
Age	**0 - 4**	**5 - 9**	**10 -14**	**15 -19**	**20 - 24**	**25 - 29**	**30 - 34**	**35 - 39**	**40+**	**Total**
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	87,110	0	0	0	0	0	0	0	0	**87,110**
35 - 39	95,949	91,322	85,404	0	0	0	0	0	0	**93,506**
40 - 44	89,005	94,281	0	0	0	0	0	0	0	**91,798**
45 - 49	89,394	94,936	95,145	97,126	103,032	0	0	0	0	**94,341**
50 - 54	91,184	95,773	90,365	96,594	95,410	94,359	0	0	0	**94,427**
55 - 59	88,015	96,835	95,888	95,743	99,648	102,820	102,297	0	0	**96,661**
60 - 64	88,574	93,762	97,000	104,433	93,745	0	93,833	108,433	0	**95,523**
65 - 69	85,512	92,915	97,075	97,225	107,496	0	0	96,359	0	**95,687**
70 - 74	0	94,306	104,408	107,686	98,207	0	0	0	106,934	**101,360**
75+	0	86,316	0	102,297	0	0	0	112,845	112,977	**105,456**
Total	**89,928**	**94,913**	**94,574**	**97,868**	**98,548**	**101,409**	**98,065**	**105,368**	**108,948**	95,369[2]

[1] Members without applications.
[2] Average compensation for members without application is $86,691. The average for all members including members without applications is $95,241.

ADDENDUM

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 21, 2004

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

Subject:
2004 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, 2004, 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, 2004, 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, 2004, 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, 2004.

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The pro-forma financial information is not consistent with the July 1, 2004, valuation. The July 1, 2004, 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, 2004, 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, 2005, would be 14.6%. 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, 2004

		Amount	% of Active Covered Comp.
Summary of Contribution Requirements			
1. Annual compensation for members included in valuation	$	25,715,005	N/A
2. Total normal cost mid-year		7,652,635	29.8%
3. Unfunded actuarial accrued liability		(26,373,717)	(102.6)
4. Amortization of unfunded actuarial accrued liability over 30 years		(2,155,197)	(8.4)
5. Budgeted expenses provided by the system		214,640	0.8
6. Total required contribution *(2. + 4. + 5.)*	$	5,712,078	22.2
7. Estimated member contributions		1,956,041	7.6
8. Required employer contributions (not less than $0) *(6. - 7.)*	$	3,756,037	14.6
9. Actual member contributions during previous year		1,772,673	6.9
10. Actual employer contributions during previous year		485,793	1.9

Summary of Costs	**Actuarial Valuation as of July 1, 2004**
Required State contribution for current year (not less than $0)	$ 3,756,037
Actual employer contributions received in prior year	485,793
Funded Status	
Actuarial accrued liability	$ 174,767,932
Actuarial value of assets	201,141,649
Unfunded actuarial accrued liability	$ (26,373,717)
Market Value of Assets and Additional Liabilities	
Market value of assets	$ 191,779,689
Present value of projected System benefits	241,293,164

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