# oklahoma

## *Uniform Retirement System for Justices & Judges*

**A COMPONENT UNIT OF THE STATE OF OKLAHOMA**

**Comprehensive Annual Financial Report for the Fiscal Year Ended June 30, 2008**

# oklahoma

## *Uniform Retirement System for Justices & Judges*

Words like *mission*, *vision* and *values* take on real meaning within the walls of the Uniform Retirement System for Justices and Judges.

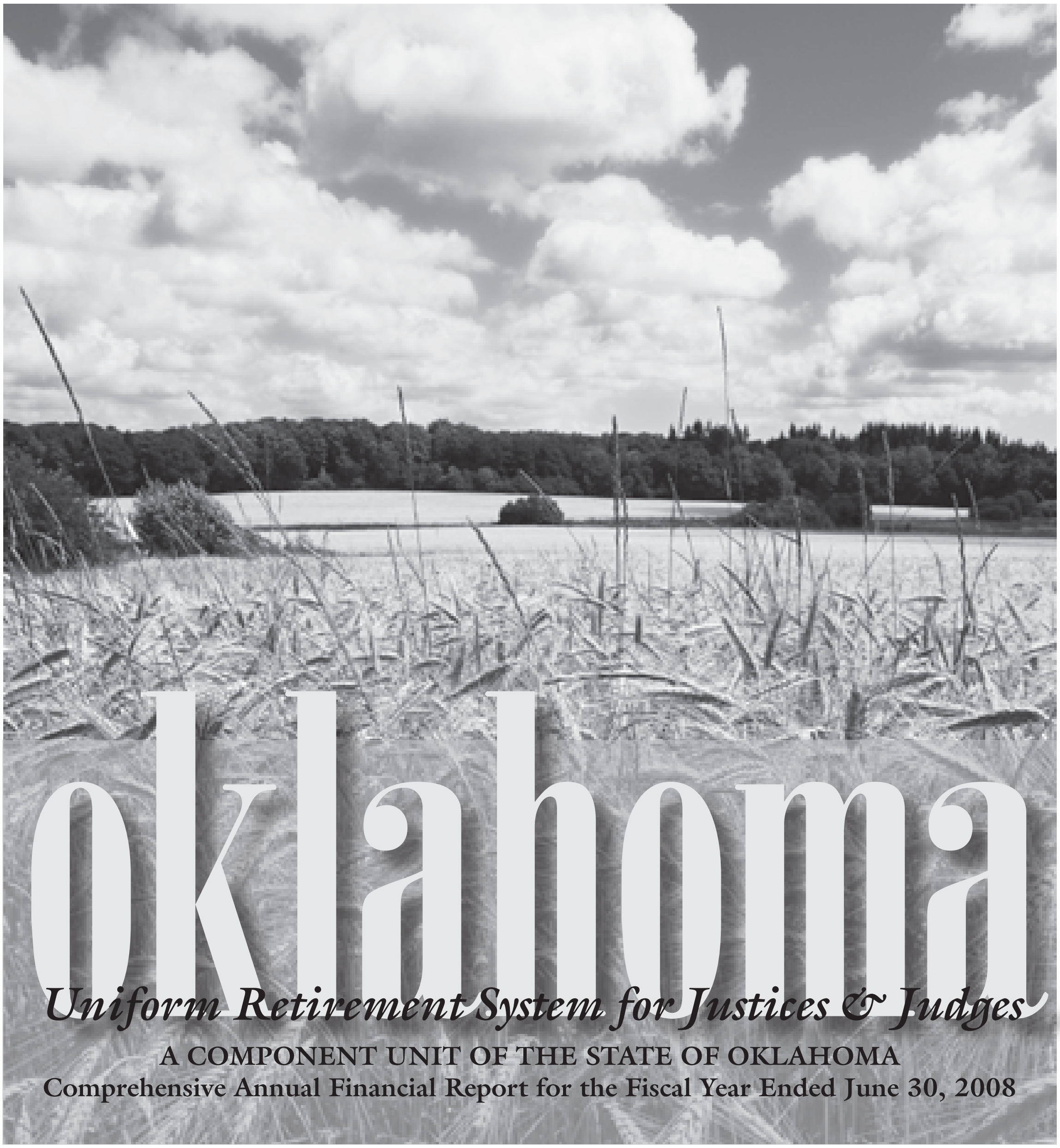
The mission of URSJJ is to provide and promote accountable and financially sound retirement programs for those who have dedicated themselves to serving the people of our great state. Our vision is to exceed the expectations of our customers and be recognized for excellence in providing retirement services to our members and helping them be financially prepared for retirement.

The six sections of this report are introduced by one of the six core values and behaviors the Board and staff adhere to in the administration of a strong, financially sound retirement system:

- **Honesty and Integrity**
- **Accountability**
- **Quality**
- **Customer Service**
- **Teamwork**
- **Workforce Development**

These values and behaviors serve as guideposts in meeting the daily challenges of serving a growing membership, as well as establishing and meeting long-term business goals.

The System will continue to rise to new challenges with these fundamental beliefs influencing our decisions and guiding our actions.




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

This publication, printed by University Printing Services, is issued by the Oklahoma Public Employees Retirement System as authorized by its Executive Director. Eight hundred copies have been prepared and distributed at a cost of $4,915.00. Twenty-five copies have been deposited with the Publications Clearinghouse of the Oklahoma Department of Libraries.

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# Table of Contents

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# Honesty and Integrity

**We conduct** ourselves
at **ALL times**
in an **honest and professional** manner.

**We interact**
with our **customers**
and **service providers**
according to the
**highest standards of ethics**.

TOM SPENCER
EXECUTIVE DIRECTOR

BRAD HENRY
GOVERNOR

STATE OF OKLAHOMA

UNIFORM RETIREMENT SYSTEM FOR JUSTICES AND JUDGES

November 28, 2008

# Letter of Transmittal

To the Board of Trustees of the Oklahoma Public Employees Retirement System
and Members of the Uniform Retirement System for Justices and Judges

State law requires that, after July 1 and before December 1 of each year, the Uniform Retirement System for Justices and Judges (URSJJ) publish an annual report that covers the operation of URSJJ during the past fiscal year, including income, disbursements and the financial condition at the end of the fiscal year. This report is published, in part, to fulfill that requirement for the fiscal year ended June 30, 2008. State law also requires that URSJJ provide certain information regarding the financial and actuarial condition of URSJJ using certain prescribed assumptions as an addendum to the annual report. The Addendum section of this report is provided to fulfill that requirement.

Management assumes full responsibility for the completeness and reliability of the information contained in this report, based upon a comprehensive framework of internal control that it has established for this purpose. Because the cost of internal control should not exceed anticipated benefits, the objective is to provide reasonable, rather than absolute, assurance that the financial statements are free of any material misstatements.

Cole & Reed, P.C., Certified Public Accountants, has issued an unqualified opinion on the Uniform Retirement System for Justices and Judges' statements of plan net assets as of June 30, 2008 and 2007, and the related statements of changes in plan net assets for the years then ended. The independent auditor's report is located at the front of the financial section of this report.

Management's Discussion and Analysis (MD&A) immediately follows the independent auditor's report and provides a narrative introduction, overview, and analysis of the basic financial statements. MD&A complements this letter of transmittal and should be read in conjunction with it.

*Profile of the Plan*

URSJJ 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. URSJJ is administered by the Oklahoma Public Employees Retirement System (OPERS) and its Board of Trustees (the Board). The employee and employer contribution rates are established by the Oklahoma Legislature after recommendation by the Board based on an actuarial calculation which is performed to determine the adequacy of such contribution rates.

Members qualify for full retirement benefits at their normal retirement age, defined as: (1) when the sum of the member's age and years of credited service equals 80 or (2) at age 65 with 8 years of judicial service or (3) at age 60 with 10 years of judicial service. Benefits are determined at 4% of the member's average salary, as defined, multiplied by the number of years of service, not to exceed 100% of the member's average monthly salary received as a justice or judge for the highest 36 months of compensation. Justices and judges retiring after September 1, 2005, may elect a maximum benefit with no survivor option or one of two actuarially reduced retirement benefits that provide for a lifetime benefit to be paid to the member's joint annuitant after the member's death. The original surviving spouse benefit for married judges who were members prior to September 1, 2005, continues to be available. Effective September 1, 2005, all justices and judges pay a uniform contribution rate of 8%.

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

Each year, OPERS, along with other state agencies, is required to file a budget work program with the Office of State Finance. Administrative overhead expenses of URSJJ, including personnel and other supporting services costs, are paid for by OPERS and allocated to URSJJ based on an estimate of the cost of services provided. The allocated costs are charged to URSJJ and paid with funds provided through operations of URSJJ. The OPERS budget work program, which includes the costs related to URSJJ, is approved by the Board and includes a description of all funds available for expenditure and shows spending by major program category. URSJJ receives no state appropriations and is funded through employee and employer contributions and investment earnings.

Additionally in each even-numbered year, OPERS, along with other state agencies, must file a strategic plan covering five fiscal years beginning with the next odd-numbered fiscal year. The strategic plan includes a mission statement, the core values and behaviors inherent to operations, and a summary of goals and objectives to be achieved through specific projects outlined for the five-year period. The mission of the OPERS Board and staff is to provide and promote accountable and financially sound retirement programs for Oklahoma's public servants, and the core values and behaviors inherent to agency operations are honesty and integrity, accountability, quality, customer service, teamwork, and workforce development. The summary of goals and objectives outlined in the strategic plan are

- Provide prompt and comprehensive customer service
- Manage the assets of the Plans in a fiscally responsible manner
- Inform and educate all members to help them identify and meet their retirement goals
- Maintain a competent and well-trained workforce
- Achieve and maintain well-funded status to assist the State in paying retirement benefit obligations, and secure changes in plan design that make the plan easier to understand or more equitable without an undue increase in the retirement system's liabilities.

*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 defraying reasonable expenses of administering URSJJ. The Board has established an investment policy and guidelines that identify asset allocation as the key determinant of return and diversification, both by and within asset classes, as the primary risk control element. Passive fund portfolios are considered to be suitable investment strategies, especially in highly efficient markets.

The Board engages outside investment managers to manage the various investment allocations of URSJJ. At fiscal year end, the investment portfolio of URSJJ was actively managed by three fixed income managers and passively managed by another investment manger with holdings in domestic equity index and international equity index funds.

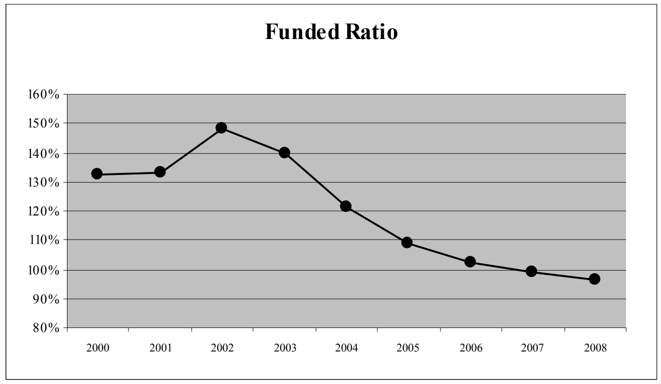
Included in the Investment Section of this report are a summary of the Investment Portfolio by Type and Manager and a comparison of the above amounts to the target allocations, as shown in the Asset Comparison chart. For fiscal year 2008, investments provided a negative 3.7 percent rate of return. The annualized rate of return for URSJJ was 5.7 percent over the last three years and 7.8 percent over the last five years.

In recent months the credit and liquidity crisis in the United States and throughout the global financial system has resulted in substantial volatility in financial markets and the banking system. Because of these and other economic events the fair value of the Plan's investment portfolio was reduced approximately 9.7 percent at the end of the first quarter when compared to the value at year end. Management and the Plan's investment advisors will continue to monitor these events and their potential impact on the future investment returns of the portfolio and to the extent possible develop strategies to mitigate the impact on the Plan's assets.

*Funding*

A pension fund is well funded when it has enough money in reserve to meet all expected future obligations to participants. It must also have a revenue source sufficient to keep up with future obligations. 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, 2008 amounted to $244.1 million and $235.3 million, respectively.

The URSJJ funded ratio has been steadily declining for the past six years, falling below 100 percent for the first time at June 30, 2007 and declining further to 96.4 percent at June 30, 2008. It was 148.2 percent at June 30, 2002. In part this decline is due to an employer contribution rate decrease in January 2001 and the lifting of the salary cap for benefit calculation for the past five years. Changes have been made to address the decline of the funding ratio. Effective July 1, 2005 the employer rate was increased 1.0 percent annually for two years, and at July 1, 2007 it was increased 1.5 percent annually up to 22.0 percent for fiscal years ending 2019 and thereafter. However, based on a projection model prepared by the URSJJ actuary, the scheduled increases in the statutory contribution rate are not expected to be sufficient to reach the actuarial contribution rate before the end of the amortization period of the unfunded actuarial accrued liability, even if all the actuarial assumptions are met in future years. In 2006 the Legislature provided a statutory requirement that retirement bills be analyzed for actuarial fiscal impact and contain adequate funding sources sufficient to pay the cost of the change. The Board is authorized by statute to adjust the contribution rates to prevent a funded ratio of less than 100%, and has notified the governor, legislative leaders and the participating court employers of the contribution rate necessary to bring the funded status to 100%. A detailed discussion of funding is provided in the Actuarial Section of this report.




*Awards and Acknowledgements*

The Government Finance Officers Association (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, 2007. This was the tenth year URSJJ has received this prestigious award. In order to be awarded a Certificate of Achievement, a government unit must publish an easily readable and efficiently organized comprehensive annual financial report that satisfies both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe our current report continues to conform to the Certificate of Achievement program requirements, and we are submitting it to GFOA to determine its eligibility for another certificate.

The preparation of this report would not have been possible without the efficient and dedicated service of the entire staff of OPERS. We wish to express our appreciation to all staff members who assisted and contributed to the preparation of this report. Credit also must be given to the Board of Trustees for their unfailing support for maintaining the highest standards of professionalism in the financial management of the Uniform Retirement System for Justices and Judges.

Respectfully submitted,

Tom Spencer
Executive Director

Virginia Lawrenz
Director of Finance and Chief Financial Officer

TOM SPENCER
EXECUTIVE DIRECTOR

BRAD HENRY
GOVERNOR

STATE OF OKLAHOMA

UNIFORM RETIREMENT SYSTEM FOR JUSTICES AND JUDGES

November 28, 2008

# 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, 2008.

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

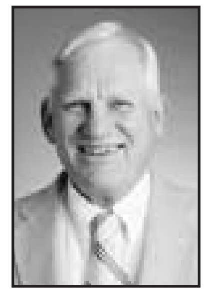
**Don Kilpatrick**
Chairman
Appointee of the President
Pro Tempore of the Senate

**Jonathan Barry Forman**
Vice Chairman
Appointee of the Governor

**Dawn Cash**
Appointee of the Speaker
of the House of
Representatives

**Jeff Cloud**
Member of Corporation
Commission
Selected by Commission

**Michael D. Evans**
Appointee of the
Supreme Court



**Richard Haugland**
Appointee of the
Speaker of the House of
Representatives

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

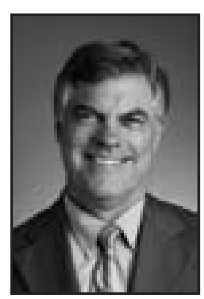
**Jerry Johnson**
Member Oklahoma
Tax Commission
Selected by Commission

**Brian Maddy**
Appointee of the President
Pro Tempore of the Senate

**DeWayne McAnally**
Appointee of the
Governor

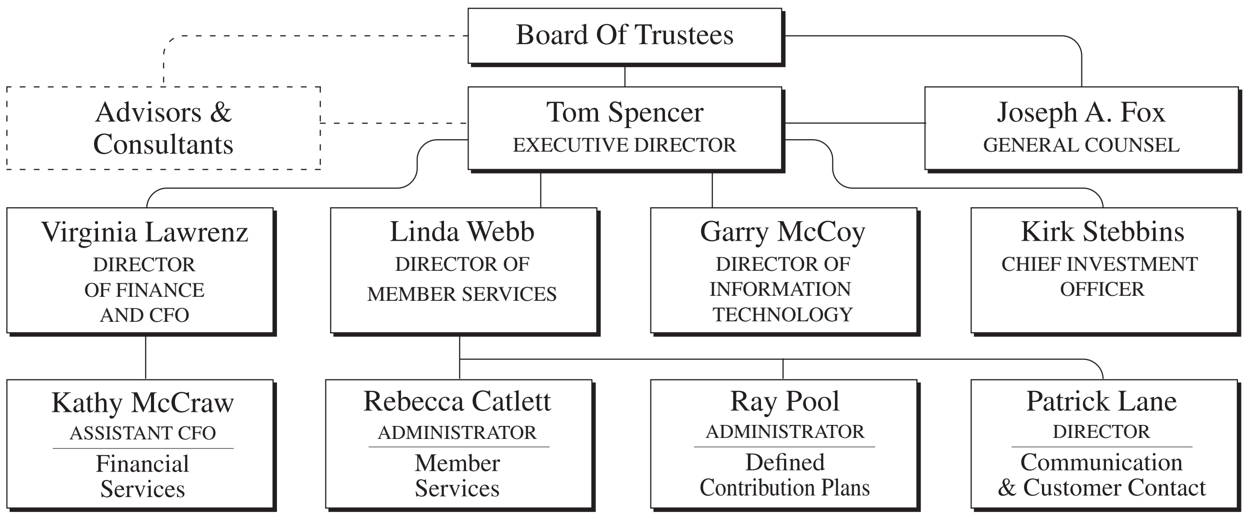
**Jim McGoodwin**
Designee of the State
Finance Director

**Steve Paris**
Appointee of the
Governor



**Frank Stone**
Designee of the State
Insurance Commissioner,
Kim Holland

# Organizational Structure




*Back row, left to right:* **Tom Spencer, Linda Webb, Kathy McCraw, Joseph Fox**
*Front row, left to right:* **Virginia Lawrenz, Garry McCoy, Rebecca Catlett, Ray Pool**
*Not pictured:* **Patrick Lane, Kirk Stebbins**

## Advisors and Consultants*

**Master Custodian**
The Northern Trust Company
Chicago, Illinois

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

**Actuarial Consultant**
Milliman, Inc.
Omaha, Nebraska

**Independent Auditors**
Cole & Reed, P.C.
Oklahoma City, Oklahoma

**Internal Auditors**
Finley & Cook PLLC
Shawnee, Oklahoma

*The Schedules of Investment Expenses and Professional/Consultant Fees in the Financial Section provide more information regarding advisors and consultants.

# 2008 Legislation

## House Bill 3112

### Cost of Living Adjustment (COLA)

Any person receiving benefits on or before June 30, 2007 and who continues to receive benefits on or after July 1, 2008 will receive a 4% COLA.

# 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, 2007

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

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# Accountability

The **OPERS Board** and **staff recognize** their **fiduciary responsibility** with respect to the **retirement funds** and other **assets** that we administer.

We take **OWNERSHIP** and **responsibility** for our **actions** **and their results**.

**We are fiscally responsible** and **performance oriented**.

## 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 component unit of the state of Oklahoma, as of June 30, 2008 and 2007, 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 the *Government Auditing Standards*, issued by the Comptroller General of the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Plan's internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, 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, 2008 and 2007, 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.

Management's Discussion and Analysis and the schedules of funding progress and employers' contributions in schedule 1 are not a required part 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 inquiries 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 made for the purpose of forming an opinion on the basic financial statements taken as a whole. The Introductory Section, the Investment Section, the Actuarial Section, the Statistical Section, the Addendum and schedules 2 through 4 are presented for purposes of additional analysis and are not a required part of the basic financial statements. The supplementary information in schedules 2 through 4 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 have not been subjected to the auditing procedures applied in the audits of the basic financial statements and, accordingly, we express no opinion on them.

Cole & Reed P.C.

Oklahoma City, Oklahoma
October 14, 2008

**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, 2008 and 2007.

## Financial Highlights

- The net assets held in trust for pension benefits totaled approximately $225.9 million at June 30, 2008 compared to $240.2 million at June 30, 2007 and $213.7 million at June 30, 2006. The net assets are available for payment of monthly retirement benefits and other qualified distributions to the Plan's participants. The decrease of $14.3 million and the increase of $26.5 million of the respective years have resulted primarily from the changes in the fair value of the Plan's investments due to volatile equity markets.

- At June 30, 2008 and 2007 the total number of members participating in the Plan was 483 compared to 462 at June 30, 2006. The total number of retirees was 195 and 194 at June 30, 2008 and 2007 showing a 0.5% and 7.8% increase for each respective year. At June 30, 2006 the total number of retirees was 180.

- At June 30, 2008 the actuarial value of assets was $235.3 million and the actuarial accrued liability was $244.1 million producing a funded ratio of 96.4% compared to 98.9% at June 30, 2007. The key items responsible for the change in the funded status were liability gains which increased the actuarial accrued liability by $17.0 million more than expected due primarily to salary increases that were lower than assumed and a return on the actuarial value of assets of $10.7 million more than expected. The funded ratio at June 30, 2006 was 102.5%.

## Overview of the Financial Statements

The Plan is a single-employer, public employee retirement plan, which is a defined benefit pension plan. The Plan covers all Justices and Judges of the Oklahoma Supreme Court, Court of Criminal Appeals, Workers' Compensation Court, Court of Appeals, and District Courts. Benefits are determined at 4% of the average monthly compensation received as a justice or judge based on the highest thirty-six months of compensation multiplied by the number of years of credited service, not to exceed 100% of the retiree's average monthly salary received as a justice and judge for the highest thirty-six months of compensation. Normal retirement ages under the Plan are 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). 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 supplementary information.

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

The *statement of 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, 2008 and 2007. 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* presents a schedule of funding progress and a schedule of employer contributions. Schedules of certain expenses and fees paid are presented as *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, 2008, 2007, and 2006.

| **Condensed Schedules of Plan Net Assets** | **($ millions) June 30,** 2008 | 2007 | 2006 |
|---|---|---|---|
| Cash equivalents | $ 0.7 | $ 1.2 | $ 0.5 |
| Receivables | 11.5 | 18.7 | 8.7 |
| Investments | 231.7 | 252.9 | 225.5 |
| Securities lending collateral | 22.0 | 28.3 | 18.7 |
| Total assets | 265.9 | 301.1 | 253.4 |
| Other liabilities | 18.0 | 32.6 | 21.0 |
| Securities lending collateral | 22.0 | 28.3 | 18.7 |
| Total liabilities | 40.0 | 60.9 | 39.7 |
| Ending net assets held in trust for benefits | $ 225.9 | $ 240.2 | $ 213.7 |

| **Condensed Schedules of Changes in Plan Net Assets** | **($ millions) June 30,** | | |
|---|---|---|---|
| | **2008** | **2007** | **2006** |
| Member contributions | $ 2.5 | $ 2.6 | $ 2.1 |
| Court employer contributions | 1.7 | 1.2 | 0.8 |
| Net investment income (loss) | (8.7) | 31.9 | 13.3 |
| Total increase (decrease) | (4.5) | 35.7 | 16.2 |
| Retirement, death and survivor benefits | 9.7 | 9.0 | 8.0 |
| Refunds and withdrawals | - | 0.1 | 0.1 |
| Administrative expenses | 0.1 | 0.1 | 0.1 |
| Total deductions | 9.8 | 9.2 | 8.2 |
| Total changes in plan net assets | $ (14.3) | $ 26.5 | $ 8.0 |

For the year ended June 30, 2008 plan net assets decreased $14.3 million or 6.0%. Total assets decreased by 11.7% due to decreases of 8.4% in investments, 22.2% in securities lending cash collateral, and 39.9% in pending sales of securities. Total liabilities decreased 34.3% due to a 44.9% decrease in pending purchases of securities and a 22.2% decrease in the liability for cash collateral related to securities lending.

Fiscal year 2008 showed a $40.2 million decrease in total additions and a $0.6 million increase in total deductions. Compared to the prior year, additions decreased 112.8% due to a change from a net appreciation in fair value of investments of $27.0 million in fiscal 2007 to a net depreciation in fair value of investments of $14.2 million in fiscal 2008. The 6.5% increase in total deductions was due primarily to a 7.7% increase in retirement, death and survivor benefits as well as a 1.3% increase in administrative costs. Refunds and withdrawals were 97.6% less when compared to the prior year.

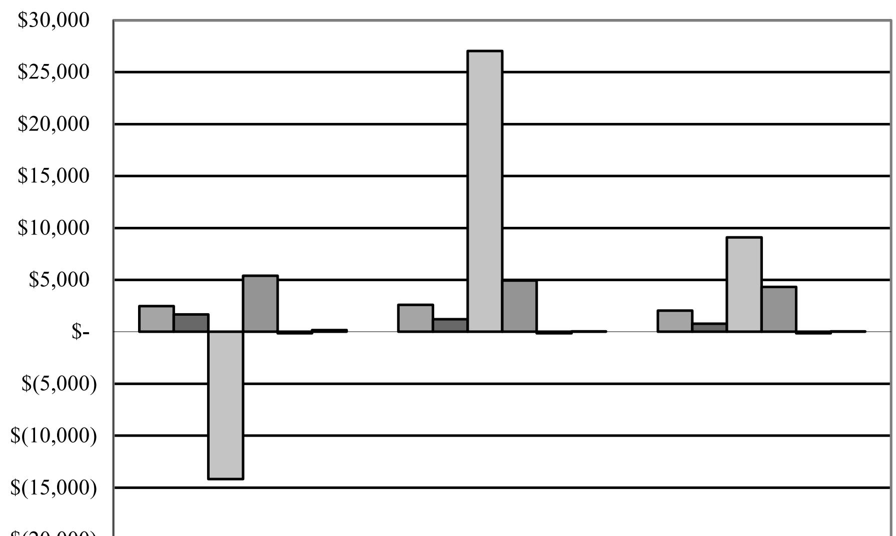
For the year ended June 30, 2007 plan net assets increased $26.5 million or 12.4%. Total assets increased by 18.8% due to increases of 15.2% in investments and 129.4% in pending sales of securities. Total liabilities increased 53.2% due to a 51.4% increase in the liability for cash collateral related to securities lending and a 55.0% increase in pending trades.

Fiscal year 2007 showed a $19.5 million increase in total additions and a $1.0 million increase in total deductions. Compared to the prior year, additions increased 120.7% as a result of a 197.5% increase in the appreciation of the fair value of investments which was complemented by a 14.2% increase in interest income and increases in member and employer contributions of 26.3% and 54.6%, respectively. The 12.4% increase in total deductions was due primarily to an 11.9% increase in retirement, death and survivor benefits as well as increases in administrative costs and refunds and withdrawals of 13.1% and 76.8%, respectively.

## Additions to Plan Net Assets

For the year ended June 30, 2008, additions to plan assets decreased $40.2 million or 112.8% from the prior year. The net change in the fair value of investments of $41.2 million, from the $27.0 million appreciation in 2007 to the $14.2 million depreciation in 2008, was the result of the declining equity markets. The year showed an increase in interest income of $0.4 million or 8.5%, and securities lending income increased $0.1 million or 339.4% due to lower rebates in fiscal 2008. Contributions increased $0.4 million or 9.2% because of an increased salary base for calculation and an increase in the employer contribution rate from 4.0% to 5.5%.

### Additions to Plan Net Assets
**Comparative Data for Fiscal Years Ended June 30, 2008, 2007, and 2006**
**(in $000's)**



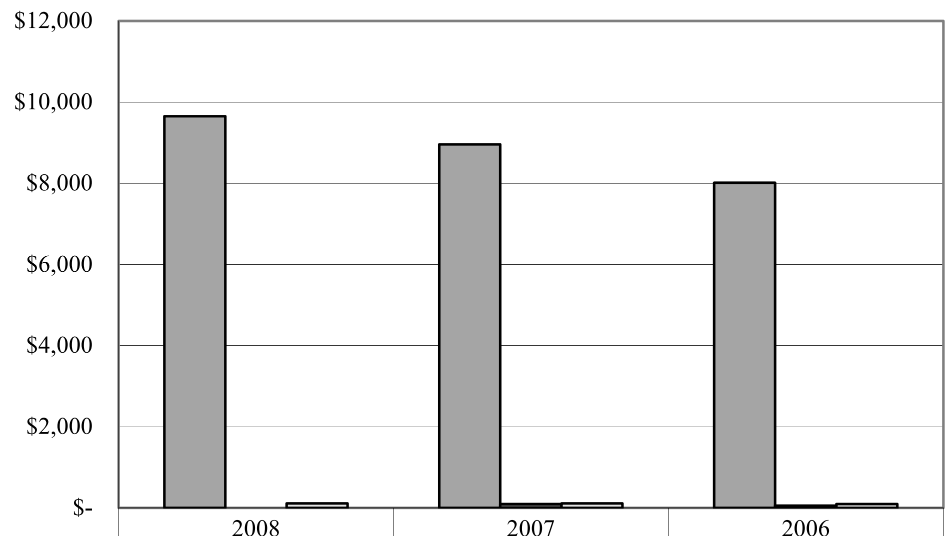

| | 2008 | 2007 | 2006 |
|---|---|---|---|
| Member contributions | $2,486 | $2,599 | $2,058 |
| Court employer contributions | 1,689 | 1,224 | 791 |
| Net appreciation (depreciation) | (14,167) | 27,052 | 9,094 |
| Interest and dividends | 5,399 | 4,941 | 4,325 |
| Investment expenses | (129) | (149) | (141) |
| Securities lending income | 161 | 37 | 48 |

For the year ended June 30, 2007, additions to plan assets increased $19.5 million or 120.7% from the prior year. The $18.0 million net appreciation in the fair value of investments was a result of fixed income and equity market increases during the year, and the 14.2% increase in interest income reflects the increase in earnings of asset-backed securities and commercial mortgage-backed securities. Contributions increased because of an increased salary base for calculation, a full year of the uniform contribution rate of 8% for all justices and judges, and an increase in the employer contribution rate from 3% to 4%.

## Deductions to Plan Net Assets

For the year ended June 30, 2008 total deductions increased $0.6 million or 6.5% from the prior year. Retirement, death and survivor benefits increased $0.7 million or 7.7% due to a 3.7% increase in the average benefit and a 0.5% increase in the number of retirees. Refunds and withdrawals decreased 97.6% from the prior year because the total amount withdrawn is dependent on contribution amounts of the specific members electing to withdraw contributions each year. Administrative costs increased 1.3% when compared to the prior year as a result of an increase in the allocation of expenses for technical services and staffing and related personnel expenses.

**Deductions to Plan Net Assets**
**Comparative Data for Fiscal Years Ended June 30, 2008, 2007, and 2006**
**(in $000's)**




| | 2008 | 2007 | 2006 |
|---|---|---|---|
| Retirement, death and survivor benefits | $9,650 | $8,962 | $8,010 |
| Refunds and withdrawals | 2 | 98 | 55 |
| Administrative expenses | 112 | 111 | 98 |

For the year ended June 30, 2007 total deductions increased 12.4% from the prior year. Retirement, death and survivor benefits increased $1.0 million or 11.9% due to a 7.8% increase in the number of retirees and a 4% cost of living adjustment to monthly benefits. Refunds and withdrawals increased 76.8% from the prior year because more participants withdrew contributions during the year. Administrative costs increased 13.1% when compared to the prior year as a result of an increase in the allocation of expenses for technical services and staffing and related personnel expenses.

## Investments

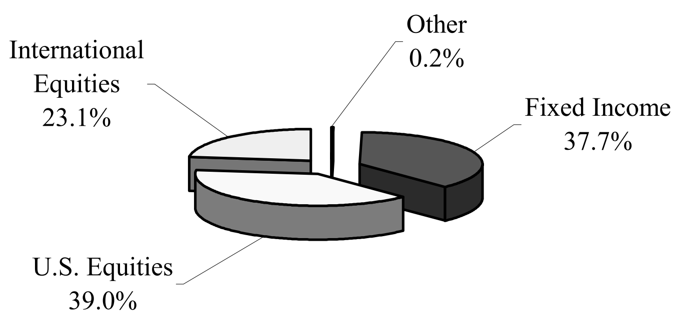
The investment portfolio is reported in the chart below by the asset class of the investment managers' portfolios which includes the cash equivalents in those portfolios. A summary of the Plan's cash equivalents and investments for fiscal years ended June 30, 2008, 2007, and 2006 is as follows:

| Cash Equivalents and Investments | ($ millions) June 30, | | |
|---|---|---|---|
| | 2008 | 2007 | 2006 |
| Fixed income | $ 91.9 | $ 119.8 | $ 107.7 |
| U.S. equities | 88.0 | 93.3 | 81.1 |
| International equities | 52.0 | 40.6 | 36.9 |
| Other | 0.4 | 0.4 | 0.3 |
| Total managed investments | 232.3 | 254.1 | 226.0 |
| Cash equivalents on deposit with State | 0.1 | - | - |
| Securities lending collateral | 22.0 | 28.3 | 18.7 |
| Total cash equivalents and investments | $ 254.4 | $ 282.4 | $ 244.7 |

The reduction in the Plan's managed investments is reflective of the decline in the equity markets. The Plan's overall return for the year ended June 2008 was a negative 3.7%. An 8.7% return for the fixed income component exceeded the market trend for the asset class. Equity index funds correlated closely with market trends with U.S. and international equities showing negative returns of 12.6%, and 10.2% respectively. The investment policy was revised in the fourth quarter to raise the Plan's allocation to U.S. equities from 38% to 40%, and the allocation to international equities from 16% to 24%, and $24.0 million was reallocated from the fixed income component - $7.0 million to U.S. equities and $17.0 million to international equities. Fixed income holdings were reduced approximately $5.5 million during the year to supplement the cash requirements of monthly retiree benefit payments. The change in securities lending collateral is dependent on the securities loaned by the Plan's master custodian at year end.

At June 30, 2008 the distribution of the Plan's investments including accrued income and pending trades was as follows:

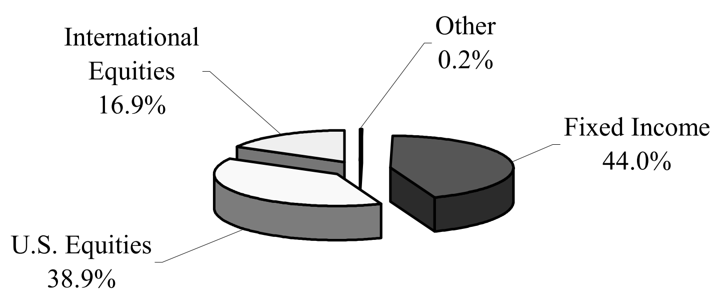
**2008**




For the year ended June 30, 2007 the Plan's overall return was 15.1% with fixed income exceeding and equity index funds correlating closely with the market trends for the year. U.S. and international equities showed returns of 20.1% and 27.4%, respectively, and the fixed income component was 6.4%. During the year $4.0 million was reallocated from the U.S. equity index fund to the fixed income component and $6.0 million from the international equity index fund to the fixed income component. In addition approximately $5.4 million was transferred from the fixed income component during the year to supplement the cash requirements of monthly 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, 2007 the distribution of the Plan's investments including accrued income and pending trades was as follows:

**2007**



## Economic Factors

### Funding

A measure of the adequacy of a pension's funding status is 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:

| 2008 | 2007 | 2006 |
|---|---|---|
| 96.4% | 98.9% | 102.5% |

### Plan Amendment

A Plan provision change was enacted by the State Legislature during the session ended in May 2008. The change provides for a cost of living adjustment to the benefit of recipients retired as of June 30, 2007.

### Other

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

### Requests for Information

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

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

Statements of Plan Net Assets

June 30, 2008 and 2007

| **Assets** | **2008** | **2007** |
|---|---|---|
| Cash equivalents | $ 703,157 | $ 1,208,146 |
| Receivables: | | |
| Member contributions | 192,646 | 191,803 |
| Participating court employer contributions | 132,444 | 98,056 |
| Due from brokers for securities sold | 10,551,048 | 17,551,076 |
| Accrued interest | 642,318 | 841,094 |
| Other | 1,850 | 15,545 |
| Total receivables | 11,520,306 | 18,697,574 |
| Investments, at fair value: | | |
| Short-term investments | 2,319,802 | 6,600,000 |
| Government obligations | 49,778,326 | 69,842,455 |
| Corporate bonds | 39,092,632 | 42,604,983 |
| Domestic equities | 88,433,559 | 93,295,860 |
| International equity index fund | 52,020,338 | 40,555,558 |
| Securities lending collateral | 22,036,475 | 28,324,487 |
| Total investments | 253,681,132 | 281,223,343 |
| Total assets | 265,904,595 | 301,129,063 |
| **Liabilities** | | |
| Due to brokers and investment managers | 17,943,451 | 32,553,934 |
| Securities lending collateral | 22,036,475 | 28,324,487 |
| Total liabilities | 39,979,926 | 60,878,421 |
| Net assets held in trust for pension benefits | $ 225,924,669 | $ 240,250,642 |

(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, 2008 and 2007

| | 2008 | 2007 |
|---|---|---|
| Additions: | | |
| Contributions: | | |
| Members | $ 2,486,481 | $ 2,599,296 |
| Participating court employers | 1,688,673 | 1,223,765 |
| Total contributions | 4,175,154 | 3,823,061 |
| Investment income (loss): | | |
| From investing activities: | | |
| Net appreciation (depreciation) in fair value of investments | (14,166,795) | 27,052,338 |
| Interest | 5,360,446 | 4,940,973 |
| Dividends | 38,717 | — |
| Total investment income (loss) | (8,767,632) | 31,993,311 |
| Less – Investment expenses | (129,244) | (148,778) |
| Income (loss) from investing activities | (8,896,876) | 31,844,533 |
| From securities lending activities: | | |
| Securities lending income | 1,087,973 | 1,261,832 |
| Securities lending expenses: | | |
| Borrower rebates | (886,720) | (1,216,042) |
| Management fees | (40,241) | (9,148) |
| Income from securities lending activities | 161,012 | 36,642 |
| Net investment income (loss) | (8,735,864) | 31,881,175 |
| Total increase (decrease) | (4,560,710) | 35,704,236 |
| Deductions: | | |
| Retirement, death and survivor benefits | 9,650,446 | 8,962,416 |
| Refunds and withdrawals | 2,333 | 97,642 |
| Administrative expenses | 112,484 | 111,057 |
| Total deductions | 9,765,263 | 9,171,115 |
| Net increase (decrease) | (14,325,973) | 26,533,121 |
| Net assets held in trust for pension benefits: | | |
| Beginning of year | 240,250,642 | 213,717,521 |
| End of year | $ 225,924,669 | $ 240,250,642 |

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

### *(b) Investments*

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

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

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

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

***(c) Use of Estimates***

The preparation of the Plan's financial statements in conformity with U.S. generally accepted accounting principles, requires the Plan administrator to make significant estimates and assumptions that affect the reported amounts of net assets held in trust for pension benefits at the date of the financial statements and the actuarial information included in Note (5) Funded Status and Actuarial Information and the required supplementary information (RSI) 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 RSI are reported based on certain assumptions pertaining to interest rates, inflation rates and employee compensation and demographics. Due to the changing nature of these assumptions, it is at least reasonably possible that changes in these assumptions may occur in the near term and, due to the uncertainties inherent in setting assumptions, that the effect of such changes could be material to the financial statements.

***(e) Changes in Accounting Principles***

The Plan adopted Governmental Accounting Standards Board (GASB) Statement No. 50, *Pension Disclosures* (GASB 50) which amends GASB Statements No. 25, *Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans*, and No. 27, *Accounting for Pensions by State and Local Governmental Employers.* GASB 50 requires disclosure in the notes to the financial statements of pension plans and certain employer governments of the current funded status of the plan and other actuarial information which had previously been provided as required supplementary information. The adoption of GASB 50 had an impact on the presentation of the notes to the financial statements but no impact on net assets.

### *(f) Reclassifications*

Certain amounts in 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 1111, for more complete information.

### *(a) General*

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

At June 30 the Plan's membership consisted of

| | 2008 | 2007 |
|---|---|---|
| Retirees and beneficiaries currently receiving benefits | 195 | 194 |
| Terminated vested participants | 11 | 11 |
| Active participants | 277 | 278 |
| Total | 483 | 483 |

### *(b) Benefits*

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

Normal retirement ages under the Plan are as follows:

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

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 continuous judicial service and are determined to be disabled by the Court of the Judiciary. The benefits are calculated in the same manner as the normal retirement benefit. The Court of the Judiciary may override these requirements if it is determined that any judge or justice is no longer capable of performing regular duties.

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

Upon the death of a retired member, the Plan will pay a $5,000 death benefit to the member's beneficiary or estate of the member if there is no living beneficiary. The death benefit will be paid in addition to any excess employee contributions or survivor benefits due to the estate or beneficiary. Death benefits paid for the years ended June 30, 2008 and 2007 totaled approximately $20,000 and $15,000, respectively.

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

### *(c) Contributions*

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

The contribution rate of all justices and judges is 8% of a member's monthly salary. The member may elect a maximum benefit with no survivor option or one of two types of actuarially reduced retirement benefits that provide for a lifetime benefit to be paid to the member's joint annuitant after the members' death. This election is available for any judge or justice without regard to marital status. Prior to September 2005 the basic member contributions were 5% of a member's monthly salary. Each member of the Plan who was married provided for spousal survivor benefits and contributed at the rate of 8% unless the member's spouse agreed to waive spousal benefits. Participating court employers are required to contribute monthly a percentage of the gross salaries of the active members of the Plan. The percentages established by the Oklahoma Legislature for the years ended June 30, 2008 and 2007 were 5.5% and 4.0%, respectively, of member payroll.

Effective for the fiscal year ended June 30, 2009 the employer contribution rate will increase to 7.0% of payroll and will increase 1.5% annually up to 22% 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 Plan of less than 100%. The funded status of the Plan was 96.4% as of the June 30, 2008 actuarial valuation. Subsequent to year end the Board has notified the governor, legislative leaders, and the participating court employers of the contribution rate necessary to bring the funded status to 100%.

## (3) Cash Equivalents

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

At June 30 cash equivalents were

| | 2008 | 2007 |
|---|---|---|
| Cash equivalents | | |
| State Treasurer | $ 67,300 | $ 29,877 |
| Custodial agent | 635,857 | 1,178,269 |
| Total cash equivalents | $ 703,157 | $ 1,208,146 |

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

Deposits are exposed to custodial credit risk if they are not covered by depository insurance and the deposits are uncollateralized, collateralized with securities held by the pledging financial institution, or collateralized with securities held by the pledging financial institution's trust department or agency but not in the depositor-government's name. At June 30, 2008 and 2007 the cash equivalents in *OK INVEST* and the Plan's custodial agent cash equivalents were not exposed to custodial credit risk because their existence cannot be evidenced by securities that exist in physical or book entry form.

At June 30, 2008, as a result of outstanding checks, the Plan's carrying amount in *OK INVEST* totaled $67,300, and the bank balances totaled $172,714. At June 30, 2007, as a result of outstanding checks, the Plan's carrying amount in *OK INVEST* totaled $29,877 and the bank balances totaled $161,255. At June 30, 2008 and 2007 the carrying amounts of the Plan's custodial agent cash equivalents were the same as the bank balances, $635,857 and $1,178,269, respectively.

## (4) Investments

### *(a) General*

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

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

At June 30, 2008 and 2007 the asset allocation guidelines established by policy were

| | **2008** | **2007** |
|---|---|---|
| U.S. equities | 40% | 38% |
| International equities | 24% | 16% |
| Domestic fixed income | 36% | 46% |

The guidelines also establish minimum and maximum percentages for each asset class allocation, and when allocations move outside these limits, portfolios are rebalanced.

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

| | | 2008 | | 2007 |
|---|---|---|---|---|
| U.S. Treasury notes/bonds | $ | 14,892,758 | $ | 23,232,470 |
| U.S. Treasury strips | | 8,882,675 | | 10,587,607 |
| U.S. agencies | | 3,357,180 | | 7,612,367 |
| Government mortgage-backed securities | | 24,403,238 | | 34,060,735 |
| Municipal bonds | | 338,712 | | 417,373 |
| Corporate bonds | | 14,050,928 | | 12,800,999 |
| Asset-backed securities | | 5,643,085 | | 14,535,674 |
| Commercial mortgage-backed securities | | 12,754,518 | | 11,689,574 |
| Non government backed collateralized mortgage obligations | | 6,867,666 | | 4,110,639 |
| Domestic equities | | 88,433,559 | | 93,295,860 |
| International equity index fund | | 52,020,338 | | 40,555,558 |
| Securities lending collateral | | 22,036,475 | | 28,324,487 |
| Total investments | $ | 253,681,132 | $ | 281,223,343 |

The Plan participates in international and domestic equity index funds managed by Barclays Global Investors, N.A. (BGI), a wholly owned subsidiary of Barclays Bank PLC. BGI operates as a limited purpose trust company, and its primary regulator is the Office of the Comptroller of the Currency, the agency of the U.S. Treasury Department that regulates United States national banks. Each fund is a collective fund which is a group trust and an entity separate from BGI, other funds, and the investing participants. BGI is trustee of each of the collective fund trusts, and holds legal title to each trust's assets for the exclusive benefit of the Plan. The fair value of the Plan's position in the pool is the same as the value of the pool shares. In 2008 and 2007 the Plan invested in a domestic equity index fund and an international equity index fund. The Plan shares the risk of loss in these funds with other participants in proportion to its respective investment. Because the Plan does not own any specific identifiable investment securities of these funds, the risk associated with any derivative investments held in these funds is not apparent. The degree of risk depends on the underlying portfolios of the funds, which were selected by the Plan in accordance with its investment policy guidelines including risk assessment.

### *(b) Securities Lending*

The Plan's investment policy provides for its participation in a securities lending program. The program is administered by the Plan's master custodian and there are no restrictions on the amount of loans that can be made. During 2008 and 2007 the types of securities loaned were primarily U.S. Government and corporate bonds. Certain securities of the Plan are loaned to participating brokers, who must provide collateral in the form of cash, U.S. Treasury or Government Agency securities, or letters of credit issued by approved banks.

Under the terms of the securities lending agreement, collateral is required to be provided in the amount of 102% of the fair value of U.S. securities loaned, and 105% of the fair value of non-U.S. securities loaned. At June 30, 2008 and 2007 the Plan has no credit risk exposure to borrowers because the amounts the Plan owes the borrowers exceed the amounts the borrowers owe the Plan. The securities on loan at June 30, 2008 and 2007 were $26,676,454 and $36,895,028, respectively, and the collateral received for those securities on loan was $27,781,345 and $38,028,223, respectively. The master custodian provides for full indemnification to the Plan for any losses that might occur in the program due to the failure of a broker to return a security that was borrowed (and if the collateral is inadequate to replace the securities lent) or failure to pay the Plan for income of the securities while on loan. The Plan cannot pledge or sell collateral securities unless the borrower defaults. The loan premium paid by the borrower of the securities is apportioned between the Plan and its custodial agent in accordance with the securities lending agreement. All securities loans can be terminated on demand by either the lender or the borrower.

The securities lending agreement provides that cash collateral be invested in the custodial agent's short-term investment pool and sets forth credit quality standards, acceptable investments, diversification standards, and maturity and liquidity constraints for the investment fund. The Plan's investment guidelines do not require a matching of investment maturities with loan maturities, but do establish minimum levels of liquidity and other investment restrictions designed to minimize the interest rate risk associated with not matching the maturities of the investments with the loans. At June 30, 2008 and 2007 the cash collateral investments had an average weighted maturity of 36 and 39 days, respectively, and the relationship between the maturities of the custodial agent's investment pool and the Plan's loans is affected by the maturities of the securities loans made by other entities that use the agent's pool, which the Plan cannot determine. The Plan's non-cash collateral is represented by its allocated share of a pool administered by the agent for the Plan and other pool participants.

### *(c) Credit Risk*

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

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

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

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

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

At June 30, 2008 the domestic fixed income portfolio consisted of a core fixed income portfolio, a core plus fixed income portfolio and a rate anticipator portfolio. All components met the stated policy restrictions except the core fixed income portfolio which held $15,971 of the portfolio in an issue rated below BBB-. The Plan's investment manager has advised retention of this security after having assessed its risk/reward profile.

At June 30, 2007 the domestic fixed income portfolio consisted of a core fixed income portfolio, a core plus fixed income portfolio and a rate anticipator portfolio. All components met the stated policy restrictions.

Investments issued by or explicitly guaranteed by the U.S. Government are not considered to have credit risk. At June 30, 2008 and 2007 the Plan held 27.1% and 28.8%, respectively, of fixed income portfolios in investments that were not considered to have credit risk.

The Plan's exposure to credit risk at June 30, 2008 is presented below, in thousands, by investment category as rated by S&P or Moody's Investor Service.

| | AAA/Aaa | AA/Aa | A/A | BBB/Baa | BB/Ba | B/B | Rating Not Available or Not Rated | Total |
|---|---|---|---|---|---|---|---|---|
| U.S. agencies | $ 268 | $ 564 | $ — | $ — | $ — | $ — | $ 2,414 | $ 3,246 |
| Government mortgage-backed securities | — | — | — | — | — | — | 23,600 | 23,600 |
| Municipal bonds | — | 41 | — | 298 | — | — | — | 339 |
| Corporate bonds | 1,412 | 2,651 | 5,313 | 3,821 | 441 | 323 | 90 | 14,051 |
| Asset-backed securities | 5,002 | 78 | 258 | 123 | 182 | — | — | 5,643 |
| Commercial mortgage-backed securities | 12,755 | — | — | — | — | — | — | 12,755 |
| Non government backed collateralized mortgage obligations | 6,717 | — | — | — | — | — | 151 | 6,868 |
| Total fixed income securities exposed to credit risk | $ 26,154 | $ 3,334 | $ 5,571 | $ 4,242 | $ 623 | $ 323 | $ 26,255 | $ 66,502 |
| Percent of total fixed income portfolio | 28.7% | 3.7% | 6.1% | 4.6% | 0.7% | 0.3% | 28.8% | 72.9% |

The Plan's exposure to credit risk at June 30, 2007 is presented below, in thousands, by investment category as rated by S&P or Moody's Investor Service.

| | AAA/Aaa | AA/Aa | A/A | BBB/Baa | BB/Ba | B/B | Rating Not Available or Not Rated | Total |
|---|---|---|---|---|---|---|---|---|
| U.S. agencies | $ 167 | $ 552 | $ — | $ — | $ — | $ — | $ 6,733 | $ 7,452 |
| Government mortgage-backed securities | — | — | — | — | — | — | 33,753 | 33,753 |
| Municipal bonds | — | 44 | — | 373 | — | — | — | 417 |
| Corporate bonds | 2,227 | 2,743 | 3,088 | 3,356 | 694 | 185 | 508 | 12,801 |
| Asset-backed securities | 13,245 | 99 | 237 | 160 | 270 | — | 525 | 14,536 |
| Commercial mortgage-backed securities | 11,689 | — | — | — | — | — | — | 11,689 |
| Non government backed collateralized mortgage obligations | 3,944 | — | — | — | — | — | 167 | 4,111 |
| Total fixed income securities exposed to credit risk | $ 31,272 | $ 3,438 | $ 3,325 | $ 3,889 | $ 964 | $ 185 | $ 41,686 | $ 84,759 |
| Percent of total fixed income portfolio | 26.3% | 2.9% | 2.8% | 3.3% | 0.8% | 0.1% | 35.0% | 71.2% |

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

| Credit Rating | 2008 *OK INVEST* | 2008 Custodial Agent | 2007 *OK INVEST* | 2007 Custodial Agent |
|---|---|---|---|---|
| AAA | 28.1 % | — % | 77.1 % | — % |
| A1 | 29.2 | 98.2 | 16.0 | 95.1 |
| A2 | — | 1.2 | — | 4.9 |
| A3 | — | 0.1 | — | — |
| NR | 42.7 | 0.5 | 6.9 | — |
| | 100.0 % | 100.0 % | 100.0 % | 100.0 % |

### *(d) Interest Rate Risk*

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment or a deposit. Duration is a measure of a debt investment's exposure to fair value changes arising from changing interest rates based upon the present value of cash flows, weighted for those cash flows as a percentage of the investment's full price. Modified duration estimates the sensitivity of a bond's price to interest rate changes.

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

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

| | 2008 | | 2007 | |
|---|---|---|---|---|
| | Fair value | Modified duration in years | Fair value | Modified duration in years |
| U.S. Treasury notes/bonds | $ 14,892,758 | 11.7 | $ 23,232,470 | 10.2 |
| U.S. Treasury strips | 8,882,675 | 19.8 | 10,587,607 | 19.6 |
| U.S. agencies | 3,357,180 | 2.0 | 7,612,367 | 0.8 |
| Government mortgage-backed securities | 24,403,238 | 5.1 | 34,060,735 | 6.6 |
| Municipal bonds | 338,712 | 3.0 | 417,373 | 4.1 |
| Corporate bonds | 14,050,928 | 6.5 | 12,800,999 | 6.2 |
| Asset-backed securities | 5,643,085 | 2.0 | 14,535,674 | 8.4 |
| Commercial mortgage-backed securities | 12,754,518 | 4.0 | 11,689,574 | 13.7 |
| Non government backed collateralized mortgage obligations | 6,867,666 | 4.5 | 4,110,639 | 13.7 |
| Total fixed income | $ 91,190,760 | | $ 119,047,438 | |
| Portfolio duration | | 7.3 | | 9.2 |

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

Asset-backed securities are bonds or notes backed by loan paper or accounts receivable originated by banks, credit card companies, or other providers of credit and often enhanced by a bank letter of credit or by insurance coverage provided by an institution other than the issuer. At June 30, 2008 and 2007 the Plan held $5,643,085 and $14,535,674, respectively, in asset-backed securities.

Mortgage-backed securities are securities backed by mortgages issued by public and private institutions. At June 30, 2008 and 2007 the Plan held $24,403,238 and $34,060,735, respectively, in government mortgage-backed securities issued by the Federal Home Loan Mortgage Corporation (FHLMC), Government National Mortgage Association (GNMA), and Federal National Mortgage Association (FNMA) as well as $12,754,518 and $11,689,574, respectively, in commercial mortgage-backed securities.

Collateralized mortgage obligations (CMOs) are mortgage-backed bonds that allocate mortgage cash flows (interest and principal) into different maturity classes, called tranches. This is accomplished by dedicating mortgage cash flows to specific tranches and paying each tranch off, in turn by prespecified rules. In return for a lower yield, CMOs provide investors with increased security about the life of their investment compared to purchasing a pass-through mortgage-backed security. If mortgage rates drop (rise) sharply, prepayment rates will increase (decrease), and CMO tranches may be repaid before (after) the expected maturity. At June 30, 2008 and 2007 the Plan held $6,867,666 and $4,110,639, respectively, in non government backed CMOs.

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

| | 2008 | | 2007 | |
|---|---|---|---|---|
| **Maturities (in days)** | ***OK INVEST*** | **Custodial Agent** | ***OK INVEST*** | **Custodial Agent** |
| 0 - 14 | 15.2 % | 58.8 % | 22.7 % | 41.3 % |
| 15 - 30 | 1.2 | 14.0 | 2.7 | 31.3 |
| 31 - 60 | 2.5 | 8.4 | 4.4 | 9.1 |
| 61 - 90 | 2.1 | 4.6 | 4.3 | 6.1 |
| 91 - 180 | 6.2 | 4.2 | 6.7 | 3.3 |
| 181 - 364 | 12.9 | 10.0 | 12.1 | 8.8 |
| 365 - 730 | 25.7 | — | 23.4 | 0.1 |
| Over 730 | 34.2 | — | 23.7 | — |
| | 100.0 % | 100.0 % | 100.0 % | 100.0 % |

## (5) Funded Status and Actuarial Information

### *(a) Funded Status and Funding Progress*

The funded status of the Plan as of June 30, 2008, the most recent actuarial date is as follows:

| | | |
|---|---|---|
| Actuarial value of assets (a) | $ 235,297,077 | |
| Actuarial accrued liability (AAL) (b) | $ 244,062,321 | |
| Total unfunded actuarial accrued liability (UAAL) (b-a) | $ 8,765,244 | |
| Funded ratio (a/b) | | 96.4 % |
| Covered payroll | $ 32,389,296 | |
| UAAL as a percentage of covered payroll | | 27.1 % |

The schedules of funding progress, presented as RSI following the notes to the financial statements, present multiyear trend information about whether the actuarial values of plan assets are increasing or decreasing over time relative to the AALs for benefits.

### *(b) Actuarial Methods and Assumptions*

The information presented in the RSI was determined as part of the actuarial valuations at the dates indicated. Additional information as of the latest actuarial valuation, June 30, 2008 is as follows:

#### *Funding Method*

The funding method is 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.

Experience gains and losses, i.e., decreases or increases in accrued liabilities attributable to deviations in experience from the actuarial assumptions adjust the UAAL.

#### *Asset Valuation Method*

An expected actuarial value is determined equal to the prior year's actuarial value of assets plus cash flows (excluding realized and unrealized gains and losses) for the year ended on the valuation date and assuming the valuation investment 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.

***Amortization***

The funding policy amortizes the UAAL on a level percent of payroll method over a 20-year closed period beginning July 1, 2007. At June 30, 2008 there are 19 years remaining to the amortization period. In the prior year the funding policy amortized the UAAL on the level dollar method, and the amortization period was 40 years from July 1, 1987.

***Assumptions***

Significant actuarial assumptions employed by the actuary for funding purposes as of June 30, 2008 are as follows:

- Salary increases – 5.5% per year
- Post retirement benefit increases – 2% per year.

Changes to the actuarial assumptions resulting from a 3-year Experience Study include

- Investment return – 7.5% per annum increased from 7.25%
- Assumed inflation rate – 3.0% increased from 2.5%
- Payroll growth – established at 4.25% per year
- Modified retirement rates for ages before 65 years and above 67 years
- Mortality Rates – change to RP-2000 Combined Active/Retired Healthy Mortality Table projected to 2010, set back one year.

## (6) Federal Income Tax Status

Pursuant to a determination by the Internal Revenue Service, the Plan is qualified under the Internal Revenue Code of 1986, as amended, and therefore, is exempt from federal income taxes. The latest determination letter is dated 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.

## (7) Plan Amendment

The State Legislature enacted one significant plan provision during the session ended in May 2008.

***Retiree Benefit Increase***

Beginning with the July 2008 benefit payments, any person who was receiving benefits from the Plan on June 30, 2007 and who continues to receive benefits on or after July 1, 2008 will receive a 4% cost of living increase.

## (8) New Pronouncement

On June 30, 2008 GASB issued Statement No. 53 *Accounting and Financial Reporting for Derivative Instruments* (GASB 53) which provides guidance to governments to improve the reporting of derivative instruments in their financial statements. GASB 53 applies to all state and local governments and is effective for financial statements for periods beginning after June 15, 2009.

## (9) Subsequent Event

Subsequent to year end, the credit and liquidity crisis in the United States and throughout the global financial system has resulted in substantial volatility in financial markets and the banking system. These and other economic events have had an adverse impact on the investment portfolio of the Plan which has decreased by approximately 9.7% at September 30, 2008 compared to the year end value.

The Plan participates in the securities lending program of its master custodian and was informed in September 2008, of a deficiency in the related collateral investment pools, of which the Plan's share is approximately $300,000. The ultimate loss, if any, is dependent on recovery of the underlying collateral values. However, due to this deficiency, the master custodian has placed certain restrictions which currently limit the Plan's ability to exit the program without realizing the loss.

The Plan and its investment advisors will continue to monitor these events and their potential impact on the future investment returns to develop strategies to mitigate, to the extent possible, the impact on Plan assets.

Schedule 1

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

Required Supplementary Information
(Unaudited)

June 30, 2008

### 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) |
|---|---|---|---|---|---|---|
| 6/30/03 | $ 196,989,778 | $ 140,856,203 | $ (56,133,575) | 139.9 % | $ 25,652,805 | (218.8) % |
| 6/30/04 | 201,141,649 | 166,275,941 | (34,865,708) | 121.0 | 25,715,005 | (135.6) |
| 6/30/05 | 203,951,085 | 187,556,845 | (16,394,240) | 108.7 | 24,814,338 | (66.1) |
| 6/30/06 | 210,376,209 | 205,305,048 | (5,071,161) | 102.5 | 27,488,381 | (18.4) |
| 6/30/07 | 224,577,704 | 227,062,193 | 2,484,489 | 98.9 | 32,191,938 | 7.7 |
| 6/30/08 | 235,297,077 | 244,062,321 | 8,765,244 | 96.4 | 32,389,296 | 27.1 |

### Schedule of Employer Contributions

| Year Ended June 30, | Annual Required Contribution | Percentage Contributed |
|---|---|---|
| 2003 | $ — | N/A % |
| 2004 | — | N/A |
| 2005 | 2,234,175 | 21.3 |
| 2006 | 4,441,184 | 17.8 |
| 2007 | 5,936,316 | 20.6 |
| 2008 | 7,615,245 | 22.2 |

**Schedule 2**

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

Supplementary Information

Schedule of Investment Expenses

Years Ended June 30, 2008 and 2007

| | 2008 | 2007 |
|---|---|---|
| Investment management fees: | | |
| Fixed Income Managers: | | |
| Blackrock Financial Management, Inc. | $ 63,676 | $ 59,229 |
| Hoisington Investment Management | 23,021 | 22,685 |
| Metropolitan West Asset Management, LLC | 11,640 | 36,920 |
| U.S. Equity Manager: | | |
| Barclays Global Investors | 10,420 | 10,847 |
| International Equity Manager: | | |
| Barclays Global Investors | 12,218 | 11,634 |
| Total investment management fees | 120,975 | 141,315 |
| Investment consultant fees: | | |
| Strategic Investment Solutions, Inc. | 3,156 | 4,281 |
| Investment custodial fees: | | |
| Northern Trust Company | 5,113 | 3,182 |
| Total investment expenses | $ 129,244 | $ 148,778 |

See accompanying independent auditors’ report.

**Schedule 3**

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

Supplementary Information

Schedule of Administrative Expenses

Years Ended June 30, 2008 and 2007

| | | **2008** | | **2007** |
|---|---|---|---|---|
| Professional / Consultant services | $ | 6,634 | $ | 7,213 |
| Allocated administrative expenses (see note below) | | 105,850 | | 103,844 |
| | $ | 112,484 | $ | 111,057 |

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

Supplementary Information

Schedule of Professional/Consultant Fees

Years Ended June 30, 2008 and 2007

| Professional/Consultant | Service | 2008 | 2007 |
|---|---|---|---|
| Milliman, Inc. | Actuarial | $ 2,716 | $ 2,159 |
| Mercer Human Resource Consulting | Actuarial | — | 803 |
| Cole & Reed, PC | External Auditor | 1,501 | — |
| KPMG LLP | External Auditor | — | 2,214 |
| Finley & Cook, PLLC | Internal Auditor | 1,181 | 729 |
| Business Imaging Systems, Inc. | Technical Consulting | 1,050 | 1,162 |
| JS Consulting | Management Consulting | 186 | 146 |
| | | $ 6,634 | $ 7,213 |

See accompanying independent auditors' report.

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# Quality

**We are committed** to **improving** the **delivery of services** to our members while maintaining **accuracy** and **thoroughness**, and **consistently applying** the appropriate rules and laws.

**We seek new, innovative** and **better ways to deliver retirement services**.

STRATEGIC INVESTMENT SOLUTIONS, INC.

333 BUSH STREET, STE. 2000
SAN FRANCISCO, CALIFORNIA 94104

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 5.2%.

Secondary goals are to outperform the asset allocation-weighted benchmark and to rank in the top fifty 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 | 6/30/08 ALLOCATION | LOW | TARGET | HIGH | % PASSIVE OR SEMI-PASSIVE |
|---|---|---|---|---|---|
| US EQUITY | 39.0% | 37.3% | 40.0% | 42.7% | 100.0% |
| FIXED INCOME | 37.7% | 31.9% | 36.0% | 40.1% | 60.6% |
| NON-US EQUITY | 23.1% | 21.0% | 24.0% | 27.0 % | 100.0% |
| CASH | 0.2% | 0.0% | 0.0% | 0.0% | 100.0% |

**Review of Fiscal 2008 Investment Environment**

Fiscal year ended June 30, 2008 saw a challenging equity investment climate that favored the US Growth-style equity markets on a relative basis over the US Value-style equities, a reversal of a trend (Value favored over Growth style) that was in place over the previous seven fiscal years. The total US equity market was down (-12.7% Russell 3000 Index) for the 12-month period ending June 30, 2008. Fiscal year 2008 was the first fiscal year that equity markets were negative after four consecutive positive fiscal years. Non-US equity markets once again fared better on a relative basis (-6.2% MSCI ACWI Free ex-US). The US fixed income market produced a positive return (+7.1% Lehman Aggregate Index) for the fiscal year ending June 30, 2008 as short-term interest rates were lowered significantly and there was a flight to quality into the Treasury sector.

Within the US equity market, stocks of large companies outperformed small (-12.4% versus -6.2%) for the second straight fiscal year. Growth stocks outperformed value stocks within large caps (-6.0% versus -18.8%) and within small caps (-10.8% versus -21.6%).

**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 completely passive.

Investment returns achieved through June 30, 2008 have been calculated using a time-weighted rate of return methodology based upon market values. As shown in the following table, for the one-year time period ending June 30, 2008 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 above its respective (80% Lehman Aggregate/ 20% Citigroup 20 -Year Index) custom benchmark. The Domestic Equity asset class and Non-US Equity ranked right about median, while the US Fixed Income asset class ranked above median.

Results in the US Equity and Non-US Equity asset classes performed right at their respective benchmarks for the annualized period of five years. The Fixed Income asset class has outperformed its custom benchmark for the annualized time period of five years. The total URSJJ Plan has added value over its Policy Benchmark for the annualized time period of five years to June 30, 2008.

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, 2008 are

| PERIODS ENDED 6/30/08 | ONE YEAR | THREE YEARS | FIVE YEARS |
|---|---|---|---|
| **Domestic Equity** | -12.6% | +4.8% | +8.4% |
| *Russell 3000* | -12.7% | +4.7% | +8.4% |
| Rank | 48* | 50 | 68 |
| **Non-US Equity** | -10.2% | +13.2% | +17.0% |
| *MSCI EAFE* | -10.2% | +13.2% | +17.0% |
| Rank | 54 | 55 | 63 |
| **Fixed Income** | +8.7% | +4.3% | +4.8% |
| *80% Lehman Agg/ 20% Citi 20-Year Index* | +8.4% | +3.9% | +4.4% |
| Rank | 22 | 55 | 27 |
| **Total Fund** | -3.7% | +5.7% | +7.8% |
| *Policy Benchmark**** | -3.6% | +5.6% | +7.6% |
| *Public Fund > $100 Million* | -4.6% | +6.9% | +9.2% |
| Rank** | 33 | 81 | 85 |

* Ranking 1 is best, 100 is worst.

** Rankings source - ICC Public Funds Universe

*** Policy Benchmark is 40% Russell 3000/ 36% (80% Lehman Agg and 20% Citi 20-Year). Custom Fixed Income Benchmark / 24% MSCI EAFE.

Very truly,

Barry W. Dennis
Managing Director

STATE OF OKLAHOMA

UNIFORM RETIREMENT SYSTEM FOR JUSTICES AND JUDGES

# Chief Investment Officer's Report

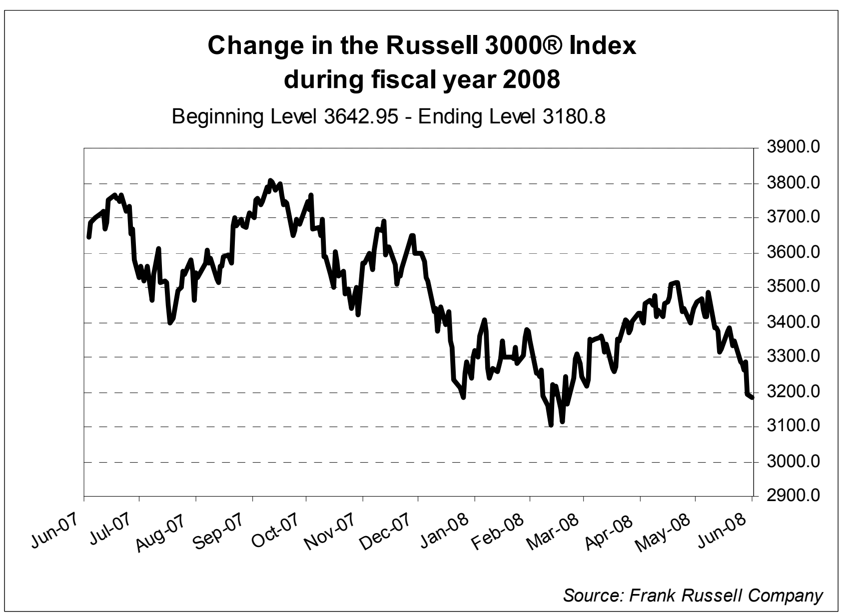
Dear Members:

In this letter we will look back at the environment and events that helped to shape investment returns for the fiscal year ending June 30, 2008. I will present investment performance of major markets and the Fund for last year and for longer periods. Since asset allocation plays a dominant role in determining investment performance, we will review the Fund's asset allocation. I will also provide a brief summary of the current economic outlook. 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

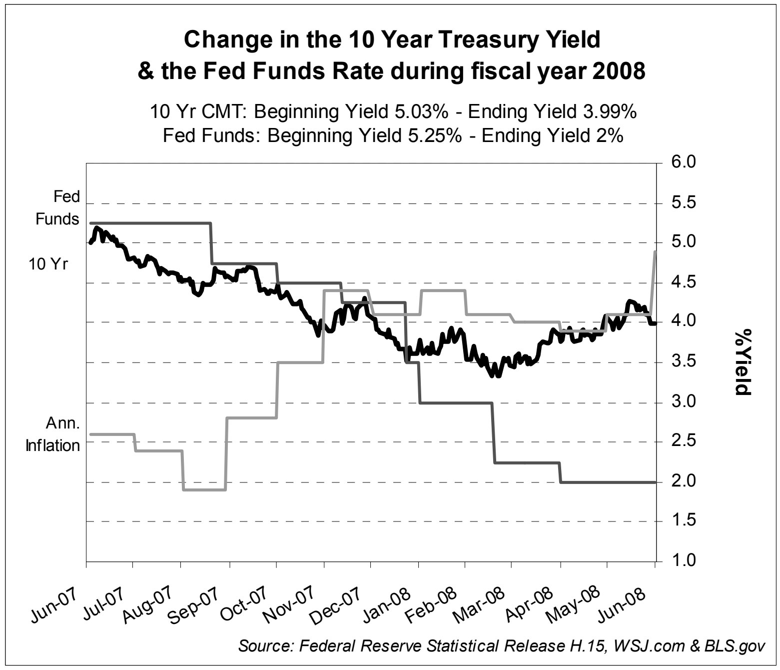
**Continued Slowdown** - During the12-months ending June 30, 2008 economic growth remained below the long-term trend. Real gross domestic product grew by 2.2% versus a long-term average of 3.4%. During the fiscal year sales of durable goods fell and residential investment declined sharply for a second consecutive year as the real estate bubble continued to deflate.

## Capital Markets




**U.S. Stock Market** – The chart to the right shows the toll the slowing economy had on the stock market as measured by the Russell 3000 stock index. This broad measure of the U.S. stock market finished the fiscal year well below where it began. The steady upward trend that began in March of 2003 has been sharply reversed. The stock market has been shaken by the credit crisis in the financial industry stemming from sub-prime lending defaults. The high levels of borrowing that were fueled by years of low interest rates began to unwind last year into a full-fledged contraction in liquidity coupled with a downturn in economic activity. Volatility in the stock market rose dramatically compared to prior periods.

**Interest Rates** – As it became evident that the economy was slowing and the housing market was in distress, the Federal Reserve began lowering the Fed Funds rate in September and continued to lower it during the year. Working against the Fed and against consumers was the resurgence in inflation. Higher energy and other commodity prices were transmitted into consumer price inflation. Yields on ten-year Treasury bonds drifted lower most of the year due to the slowing economy but were held in check by fears of future inflation. As a result of much lowered short-term rates and slightly lowered long-term rates, the yield curve finished the year much steeper than where it began. A steeper yield curve should provide some help to battered financial institutions.




## Investment Returns Through June 2008

| US Equity | Asset Class | 1 Year | 3 Years | 5 Years |
|---|---|---|---|---|
| Russell 3000 | Broad US Equity | (12.69%) | 4.73% | 8.37% |
| S&P 500 | Large Cap Equity | (13.12%) | 4.41% | 7.58% |
| Russell 1000 Growth | Large Cap Growth | (5.95%) | 5.91% | 7.32% |
| Russell 1000 Value | Large Cap Value | (18.78%) | 3.53% | 8.92% |
| Russell 2000 | Small Cap Equity | (16.19%) | 3.79% | 10.29% |
| Russell 2000 Growth | Small Cap Growth | (10.83%) | 6.08% | 10.37% |
| Russell 2000 Value | Small Cap Value | (21.63%) | 1.39% | 10.02% |
| **Uniform Retirement System for Justices & Judges** | **Broad US Equity** | **(12.56%)** | **4.81%** | **8.42%** |

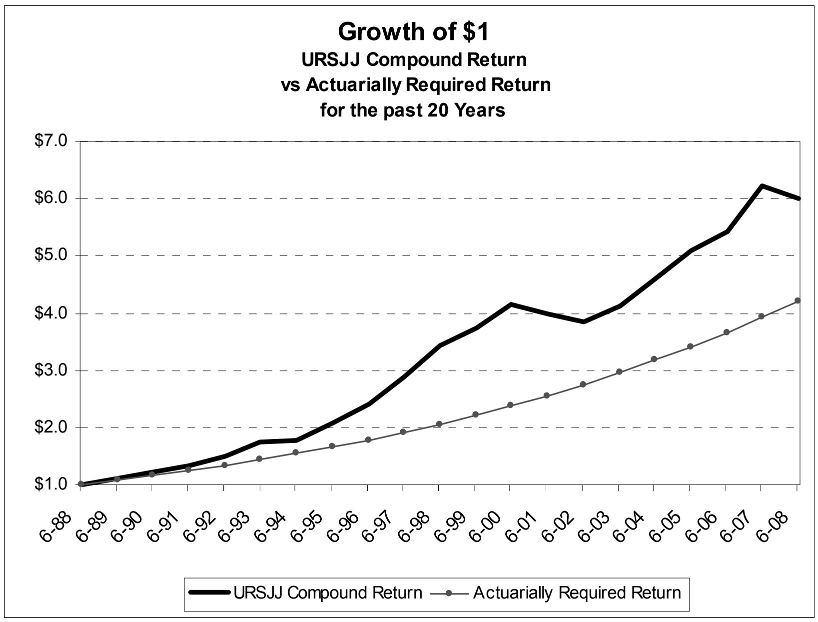
| US Fixed Income | Asset Class | 1 Year | 3 Years | 5 Years |
|---|---|---|---|---|
| 3 month Treasury Bills | Cash | 3.08% | 4.23% | 3.20% |
| Lehman Aggregate | Core Bonds | 7.12% | 4.09% | 3.85% |
| Salomon Corporate | Corporate Bonds | 3.81% | 2.75% | 3.27% |
| Merrill Lynch High Yield Master II | High Yield Bonds | (2.11%) | 4.63% | 6.90% |
| **Uniform Retirement System for Justices & Judges** | **Domestic Fixed Income** | **8.71%** | **4.26%** | **4.82%** |

| International | Asset Class | 1 Year | 3 Years | 5 Years |
|---|---|---|---|---|
| MSCI ACWI Free Ex-US | Broad Non-US Equity | (6.64%) | 15.67% | 18.94% |
| MSCI EAFE | Developed Non-US Equity | (10.15%) | 13.34% | 17.16% |
| MSCI Emerging Mkts. Free | Emerging Non-US Equity | 4.89% | 27.52% | 30.15% |
| Lehman Global Ex-US Bond | Global Bonds | 18.01% | 6.51% | 6.97% |
| **Uniform Retirement System for Justices & Judges** | **International Equity** | **(10.21%)** | **13.25%** | **17.05%** |
| | | | | |
| **Uniform Retirement System for Justices & Judges** | **Total Fund** | **(3.69%)** | **5.72%** | **7.82%** |

*Source: Strategic Investment Solutions; Northern Trust*

## Investment Performance

**Stocks Slump and Bonds are Mixed –** Both U.S. and international equities declined during the fiscal year ending June 30, 2008. High quality bonds earned their coupon income and rose in price as interest rates fell, while lower quality bonds declined in value due to heightened fears of credit risk. Among U.S. equities, value oriented stocks were especially hard hit. Stocks of companies in the financial sector are mostly considered value stocks and these companies were negatively impacted by the ongoing credit crisis. International equities succumbed to the economic slowdown that has spread from the U.S. to the global economy. Hopes that international markets had "decoupled" from the U.S. economy were proved to be misplaced.




**A Long-term Perspective** – The chart to the right shows the growth that compound returns of the Fund produced relative to the growth that compound returns of the assumed actuarial rate would have produced. Over this long-term horizon of the past 20 years the investment portfolio returns have produced growth well in excess of what would have been experienced had the Fund earned the actuarially assumed rate. The actuarial rate was 7.5% for all years prior to fiscal year 2005 when it was lowered to 7.25%. While pleased with this long-term performance, we are cognizant of the fact that this period was characterized by a strong bull market in stocks and falling yields in the bond market. Relative to recent decades, bond yields are low and a similar drop in bond yields from current levels is unlikely. Stock dividend yields are relatively low and stocks seem fairy priced by historical standards. We, therefore, anticipate that beating the actuarial rate in the years to come will be a challenge.

## Asset Allocation

**Diversification reduces volatility** – Diversification is the investor's best defense against the risks associated with any individual asset class. Diversification controls risk by allocating assets across various asset classes. The asset allocation statistics of the Fund are shown below.

| Asset Allocation | | | | |
|---|---|---|---|---|
| **Asset Class** | **Min** | **06/30/08** | **Target** | **Max** |
| Cash | 0.0% | 0.2% | 0.0% | 0.0% |
| Domestic Fixed Income | 31.9% | 37.7% | 36.0% | 40.1% |
| US Equity | 37.3% | 39.0% | 40.0% | 42.7% |
| International Equity | 21.0% | 23.1% | 24.0% | 27.0% |
| Total Fund | | **100.0%** | **100%** | |

## Recent Events and Outlook

**Looking Ahead** – As we look forward the investment environment appears to have entered a new phase in the economic slowdown. Distress in the financial sector has claimed several household names and the decline in real estate prices continues. Economic indicators are tilted towards a recession. The portion of the economy tied to consumer discretionary purchases is threatened as the consumer continues to struggle with higher food and energy prices while seeing the value of their homes declining. Consumer durables are likewise facing a difficult environment as financing dries up due to diminished credit availability. Unemployment statistics are moving higher and consumer related defaults and bankruptcy statistics are elevated. The deleveraging of the economy continues and the end of this process is not in sight.

On the positive side, policy makers in Washington including the Federal Reserve, the Administration and Congress are taking actions to mitigate the damage caused by the credit crisis. Outside of the financial sector, in general, corporate balance sheets are healthy and not over-leveraged. There is hope that the nonfinancial corporate sector will be able to weather an economic downturn reasonably well.

It appears that a period of prolonged economic weakness is upon us though the depth of the slowdown and the duration are obviously unknown. Such times may be unsettling; however, they are by no means unprecedented. The Republic has survived many economic downturns and these downturns have sown the seeds of the next economic expansion. While such an environment may present challenges, we anticipate that over the long term our diversification and rebalancing discipline will provide appropriate risk controls to produce satisfactory long-term returns.

## 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.

Sincerely,

Kirk D. Stebbins, CFA
Chief Investment Officer

# Largest Holdings

The Plan's ten largest fixed income holdings at June 30, 2008 are described in the following schedule. The Plan invests in two index funds and one domestic stock holding which are separately presented.

**Ten Largest Fixed Income Holdings (By Fair Value):**

| Security | Par | Fair Value |
|---|---|---|
| U.S. Treasury Bonds Principal Strips due 11-15-2027 | $ 16,019,000 | $ 6,403,115 |
| FNMA 30 Year Pass-throughs 5.5% 30 years | 5,600,000 | 5,519,500 |
| FNMA Single Family Mortgage 6% 30 years | 3,330,000 | 3,359,138 |
| U.S. Treasury Bonds 5.25% due 2-15-2029 | 2,700,000 | 2,929,289 |
| Federal Home Ln Mtg Corp Pool #A7-9041 5.5% 7-01-2038 | 2,515,442 | 2,480,452 |
| U.S. Treasury Bonds 4.75% due 2-15-2037 | 2,110,000 | 2,178,904 |
| FHLB Discount Note 7-01-2008 | 2,100,000 | 2,100,000 |
| CMO Merrill Lynch Mtg Invs Inc 2005-A7 due 8-25-2035 | 1,614,423 | 1,522,908 |
| U.S. Treasury Bonds 5.25% due 11-15-2028 | 1,350,000 | 1,463,378 |
| U.S. Treasury Bonds Principal Strips due 8-15-2025 | 3,000,000 | 1,340,640 |

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

| Fund/Security | Units | Fair Value |
|---|---|---|
| BGI Russell 3000 Index Fund | 7,457,921 | $ 87,985,259 |
| BGI EAFE Equity Index Fund | 273,590 | 52,020,337 |
| Wachovia Corp New Depositary Shares Preferred | 375,000 | 336,300 |

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

# Schedule of Stock Brokerage Commissions Paid

Year ended June 30, 2008

None

# Investment Portfolio by Type and Manager

At June 30, 2008, 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 | $ 17,621 | 7.6% |
| Blackrock Financial Management, Inc. | Enhanced Index | 57,080 | 24.5% |
| Metropolitan West Asset Management | Full Range Core + | 17,148 | 7.4% |
| Total Fixed Income | | 91,849 | 39.5% |
| US Equities: | | | |
| Barclays Global Investors | Index Fund – Russell 3000 | 87,985 | 37.9% |
| International Equities: | | | |
| Barclays Global Investors | Index Fund – EAFE | 52,020 | 22.4% |
| Short-term Investment Funds | Operating Cash | 427 | 0.2% |
| Total Managed Investments | | 232,281 | 100.0% |
| Securities Lending Collateral | | 22,036 | |
| Cash Equivalents on Deposit with State | | 67 | |
| Total Investments and Cash Equivalents | | $ 254,384 | |
| Statement of Plan Net Assets | | | |
| Cash Equivalents | | $ 703 | |
| Investments | | 253,681 | |
| Total Investments and Cash Equivalents | | $ 254,384 | |

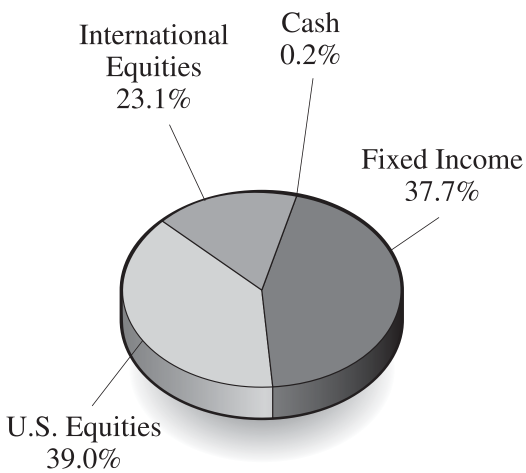
* *Manager fair values include their respective cash equivalents.*

# Asset Comparison

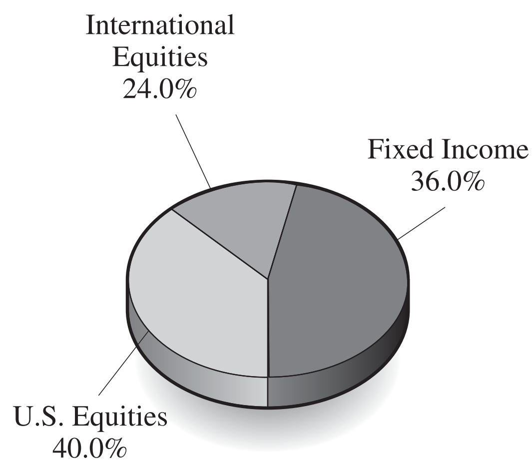
A comparison of the actual investment distribution at June 30, 2008 and 2007, based on the net investment manager holdings, including accrued income, payables and receivables, compared to the target allocation and previous year's allocation is as follows:

## 2008

### Asset Mix

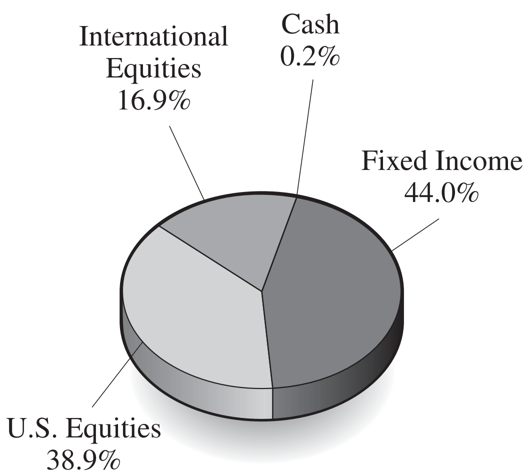



### Target Policy Mix

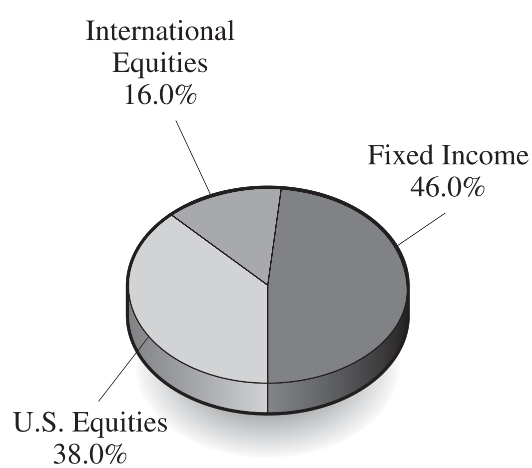



## 2007

### Asset Mix




### Target Policy Mix



# Customer Service

**We anticipate** and **meet** our customers' **needs** and **treat** them with **respect**, **patience**, and **equity**. We regularly **survey our membership** to **measure** how well we are **meeting** these **needs**.

**We provide accurate**, **clear**, **timely** and **consistent information** to our customers using a variety of **media** and **technologies**.

Milliman

1120 S. 101st Street, Suite 400
Omaha, NE, 68124
USA

Tel +1 402 393.9400
Fax +1 402 393.1037

milliman.com

October 27, 2008

Board of Trustees
Oklahoma Public Employees Retirement System
5801 N. Broadway Extension, Suite 400
P.O. Box 53007
Oklahoma City, OK 73152-3007

**Re: Certification of July 1, 2008 Actuarial Valuation of the Oklahoma Uniform Retirement System for Justices and Judges (URSJJ)**

Dear Members of Board:

At your request, we have completed an actuarial valuation of the Oklahoma Uniform Retirement System for Justices and Judges (URSJJ) as of July 1, 2008 for the purpose of determining the actuarial contribution rate for the fiscal year ending June 30, 2009 and calculating and analyzing key financial measurements. Actuarial valuations are performed annually. The valuation results reflect a new set of actuarial assumptions adopted by the Board in May 2008 as the result of an Experience Study. The Board also adopted a new methodology for amortizing the unfunded actuarial accrued liability, the level percent of payroll methodology. The valuation reflects the four percent COLA, for members who were retired as of June 30, 2007, granted by the 2008 legislature. However, the valuation process anticipates that a COLA will be granted so there was no impact on the unfunded actuarial accrued liability.

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

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

We hereby further certify that, in our opinion, each actuarial assumption used is reasonably related to the experience of the System and to reasonable expectations which, in combination, represent our best estimate of anticipated experience under the System. Nevertheless, the emerging costs will vary from those presented in this report to the extent actual experience differs from that projected by the actuarial assumptions. The Board of Trustees has the final decision regarding the appropriateness of the assumptions and has adopted the assumptions shown later in this section. The assumptions comply with the requirements of Statement 25 of the Governmental Accounting Standards Board.

Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following: plan experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period or additional cost or contribution requirements based on the plan's funded status); and changes in plan provisions or applicable law. Due to the limited scope of our assignment, we did not perform an analysis of the potential range of future measurements.

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

In addition to these results, 20 Okla. Stat, Section 1108(D) requires disclosure of valuation results under prescribed assumptions. This information is provided elsewhere in the System's Annual Report.

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

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

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

MILLIMAN, Inc.

Sincerely,

Patrice Beckham

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

Brent A. Banister

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

# Summary of Principal Valuation Results

The key results for the July 1, 2008 valuation are presented below, along with a comparison to the prior valuation results.

| | | 7/1/2008 Valuation | | 7/1/2007 Valuation | % Change |
|---|---|---|---|---|---|
| **1. PARTICIPANT DATA** | | | | | |
| Number of: | | | | | |
| Active Members* | | 277 | | 278 | (0.4) |
| Retired and Disabled Members and Beneficiaries | | 195 | | 194 | 0.5 |
| Inactive Members | | 11 | | 11 | 0.0 |
| Total Members | | 483 | | 483 | 0.0 |
| Projected Annual Salaries* of Active Members | $ | 32,389,296 | $ | 32,191,938 | 0.6 |
| Annual Retirement Payments for Retired Members and Beneficiaries | $ | 9,940,068 | $ | 9,410,934 | 5.6 |
| * Includes "No Application" members | | | | | |
| **2. ASSETS AND LIABILITIES** | | | | | |
| Total Actuarial Accrued Liability | $ | 244,062,321 | $ | 227,062,193 | 7.5 |
| Market Value of Assets | | 225,924,669 | | 240,250,642 | (6.0) |
| Actuarial Value of Assets | | 235,297,077 | | 224,577,704 | 4.8 |
| Unfunded Actuarial Accrued Liability | | 8,765,244 | | 2,484,489 | 252.8 |
| Funded Ratio | | 96.4% | | 98.9% | (2.5) |
| **3. EMPLOYER CONTRIBUTION RATES AS A PERCENT OF PAYROLL** | | | | | |
| Normal Cost Rate | | 30.74% | | 30.28% | 1.5 |
| Amortization of Unfunded Actuarial Accrued Liability | | 1.92% | | 0.72% | 166.7 |
| Budgeted Expenses | | 0.56% | | 0.66% | (15.2) |
| Actuarial Contribution Rate | | 33.22% | | 31.66% | 4.9 |
| **Less** Estimated Member Contribution Rate | | 8.00% | | 8.00% | 0.0 |
| Employer Actuarial Required Contribution Rate | | 25.22% | | 23.66% | 6.6 |
| **Less** Statutory Employer Contribution Rate | | 7.00% | | 5.50% | 27.3 |
| Contribution Shortfall | | 18.22% | | 18.16% | 0.3 |

# Summary of Actuarial Assumptions and Methods

1. The investment return rate used in the valuation was 7.50 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 7.50 percent investment return rate translates to an assumed real rate of return of 4.50 percent.
2. The RP-2000 Mortality Table projected to 2010 using Scale AA for males and females with a one-year age setback is used for preretirement and postretirement mortality.
3. The probability of withdrawal from service is 2% for all years of service. The individual pay increase assumption is 5.5% per year.
4. The probabilities of retirement are shown in Schedule 1.
5. Benefits are assumed to increase two percent each year due to future ad hoc cost-of-living increases.
6. The individual entry-age normal actuarial cost method of valuation was used in determining actuarial accrued liability and normal cost. Actuarial gains and losses reduce or increase the unfunded actuarial accrued liability and are amortized over the remaining amortization period (19 years as of July 1, 2008). The amortization method was changed this year from the level dollar to the level percent of pay method.
7. The actuarial value of assets is based on a five-year moving average of expected actuarial values and market values. A preliminary expected 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 the valuation investment return. The expected actuarial asset value is equal to the preliminary expected actuarial value plus the unrecognized investment gains and losses as of the beginning of the previous fiscal year. Twenty percent (20%) of the gain/loss as measured by the difference between the expected actuarial value and the market value at the valuation date is added to the preliminary expected actuarial value plus twenty percent (20%) of the unrecognized gains or losses for the four preceding fiscal years. The final result is constrained to a value no less than 80% and no more than 120% of the market value at the valuation date.
8. The actuarial assumptions and methods used in the valuation were adopted by the Board based upon the recommendations of the actuary. The assumptions and methods used for the July 1, 2008 valuation were adopted by the Board based on System experience through June 30, 2007.
9. There were changes in the actuarial assumptions since the prior valuation including
   - Increase the inflation assumption from 2.50% to 3.00%.
   - Investment return assumption was increased from 7.25% to 7.50%.
   - Retirement rates were increased for ages before 65 and lowered for ages above 67
   - Mortality assumption was changed to the RP-2000 Combined Active/Retired Healthy Mortality Table projected to 2010, setback one year.
10. The 2008 Oklahoma Legislature passed a four percent (4%) COLA for members who were retired as of June 30, 2007 and still receiving a benefit as of July 1, 2008. However, the valuation process anticipates that a COLA will be granted so there was no change in the unfunded actuarial accrued liability resulting from the legislation.

## Schedule 1

### Percent of Eligible Active Members Retiring Within Next Year

| Retirement Ages | Percent | Retirement Ages | Percent |
|---|---|---|---|
| Below 62 | 10% | 69 | 30% |
| 62 | 25% | 70 | 20% |
| 63 | 25% | 71 | 10% |
| 64 | 25% | 72 | 10% |
| 65 | 25% | 73 | 10% |
| 66 | 10% | 74 | 10% |
| 67 | 10% | 75 | 100% |
| 68 | 30% | | |

## Schedule of Active Member Valuation Data

| Valuation Date | Number | Annual Payroll[1] | Annual Average Pay | % Increase in Average Pay |
|---|---|---|---|---|
| July 1, 2008 | 277 | $32,389,296 | $116,929 | 0.98 |
| July 1, 2007 | 278 | 32,191,938 | 115,798 | 14.58 |
| July 1, 2006 | 272 | 27,488,381 | 101,060 | 8.33 |
| July 1, 2005 | 266 | 24,814,338 | 93,287 | (2.05) |
| 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 |

[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, Disabled 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, 2008 | 7 | $459,236 | 6 | $205,594 | 195 | $9,940,068 | 5.62 | $50,975 |
| June 30, 2007 | 19 | 1,278,139 | 5 | 193,466 | 194 | 9,410,934 | 12.50 | 48,510 |
| June 30, 2006 | 8 | 561,682 | 3 | 72,874 | 180 | 8,365,205 | 9.35 | 46,473 |
| June 30, 2005 | 16 | 1,258,767 | 9 | 182,188 | 175 | 7,649,990 | 16.03 | 43,703 |
| 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 |

# Analysis of Financial Experience

## Gains & Losses in Actuarial Accrued Liability During the Year Ended June 30, 2008 Resulting from Differences Between Assumed Experience & Actual Experience

| | Type of Activity | (Gain) or Loss for Year 2008 |
|---|---|---|
| 1. | **Age & Service Retirements.** If members retire at older ages or with greater benefits than assumed, there is a gain. If they retire at younger ages or have higher average pays, a loss occurs. | $ (1,500,000) |
| 2. | **Death Benefits.** If survivor claims are less than assumed, there is a gain. If more claims, there is a loss. | 1,600,000 |
| 3. | **Withdrawal from Employment.** If more liabilities are released by withdrawals than assumed, there is a gain. If smaller releases, a loss. | 300,000 |
| 4. | **Pay Increases.** If there are smaller pay increase than assumed, there is a gain. If greater increases, a loss. | (4,200,000) |
| 5. | **New Entrants.** All new entrants to the System create a loss. | 0 |
| 6. | **Other.** Miscellaneous gains and losses resulting from data adjustments, employee transfers, valuation methods, etc. | 400,000 |
| 7. | **(Gain) or Loss During Year From Financial Experience.** | (200,000) |
| 8. | **Composite (Gain) or Loss During Year.** | $ (3,600,000) |

# 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 current percentage is 3.0%. Employer contributions will increase annually to 22.0% of member payroll 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:* | Before September 1, 2005, basic member contributions equal 5% of salary, while married members could have elected an 8% contribution rate in order to provide survivor coverage. After September 1, 2005, the member contribution rate for all members is 8% of salary. |
| *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:* | The spouse of a deceased active member who had met normal or vested retirement provisions may elect a spouse's benefit. The spouse's benefit is the benefit that would have been paid if the member had retired and elected the joint and 100% survivor option (Option B), or a 50% unreduced benefit for certain married participants making 8% of pay contributions prior to September 1, 2005. If the member has ten years of service and the death is determined to be employment related, this benefit is payable immediately to the spouse. In order to be eligible for |

# Summary of System Provisions (continued)

| | |
|---|---|
| *Survivor Benefit (continued):* | 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. |
| *Optional Forms of Retirement Benefits:* | The normal form of benefit for a single member is a single life monthly annuity with a guaranteed refund of the contribution accumulation. The normal form for a married member is a 50% joint and survivor annuity benefit. Optional forms of payment with actuarial reduction (if applicable) are available to all members retiring under the normal retirement or vested retirement provisions. After September 1, 2005, the options providing post-retirement death benefits are:<br>Option A -- Joint and 50% survivor annuity with a return to the unreduced amount if the joint annuitant dies.<br>Option B -- Joint and 100% survivor annuity with a return to the unreduced amount if the joint annuitant dies.<br><br>For married members, spousal consent is required for any option other than Option A. |
| *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. It is unusual for liability 3 to be fully funded. 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 actuarial accrued 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 | 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 |
| 7/1/99[1] | 10,526,150 | 45,162,645 | 113,295,085 | 168,983,880 | 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% |
| 7/1/05 | 15,883,671 | 82,158,147 | 89,515,027 | 187,556,845 | 203,951,085 | 100 | 100 | 100.0 | 108.7% |
| 7/1/06 | 16,672,133 | 90,877,534 | 97,755,381 | 205,305,048 | 210,376,209 | 100 | 100 | 100.0 | 102.5% |
| 7/1/07 | 17,218,458 | 104,441,388 | 105,402,347 | 227,062,193 | 224,577,704 | 100 | 100 | 97.6 | 98.9% |
| 7/1/08 | 19,206,749 | 108,823,528 | 116,032,044 | 244,062,321 | 235,297,077 | 100 | 100 | 96.2 | 96.4% |

[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.

# Teamwork

**We treat co-workers respectfully, courteously** and **professionally**.

**We value** each other and **work** as a cooperative team to accomplish organizational goals.

**We celebrate** successes and **promote** individual initiative in a supportive and trusting environment.

**We learn** from our mistakes and take prompt action to correct those mistakes.

**We share ideas freely** with others and **listen** to the ideas and suggestions of co-workers for improvements to agency processes.

**We ensure** that each team member **understands** how his or her job and department **affects** the rest of the office and the **delivery of services.**

**The Statistical Section** provides additional historical perspective, context, and detail to assist the reader in using the information in the financial statements, notes to financial statements and required supplementary information to understand and assess the economic condition of the Uniform Retirement System for Justices and Judges (URSJJ).

**Financial trend information** is intended to assist users in understanding and assessing the changes in the financial position over time. Schedules presenting financial trend information are *Schedule of Changes in Net Assets, Schedule of Revenue by Source, Schedule of Expenses by Type, Schedule of Benefit Payments and Refunds by Type*, and *Funded Ratio Chart*.

**Revenue capacity information** is intended to assist users in understanding and assessing the factors affecting the ability of URSJJ to generate own-source revenue, specifically investment income. The schedule presenting revenue capacity information is the *Rate of Return by Type of Investment.*

**Operating information** is intended to provide contextual information about the operations and resources of URSJJ to assist readers in using financial statement information to understand and assess the economic condition. Schedules and charts presenting operating information are *Schedule of Retired Members by Type of Benefit, Schedule of Average Benefit Payments, Principal Employer, Demographics Chart, Member Statistics*, Summary of Retirees, Beneficiaries and Disabled Members*, Summary of Terminated Vested Members*, Summary of Active Members*.*

Schedules and information are derived from URSJJ internal sources unless otherwise noted.
*Schedules and data are provided by actuarial consultant Milliman, Inc.

# Schedule of Changes in Net Assets

| Year Ending June 30 | Additions | | | Deductions | | | Total Changes in Net Assets |
|---|---|---|---|---|---|---|---|
| | Contributions | | Investment | Benefit | Administrative | Refunds | |
| | Member | Employer | Income | Payments | Expenses | and Other * | |
| **2008** | $ 2,486,481 | $ 1,688,673 | $ (8,735,864) | $ 9,650,446 | $112,484 | $ 2,333 | $ (14,325,973) |
| **2007** | 2,599,296 | 1,223,765 | 31,881,175 | 8,962,416 | 111,057 | 97,642 | 26,533,121 |
| **2006** | 2,058,456 | 791,343 | 13,325,490 | 8,009,684 | 98,218 | 55,220 | 8,012,167 |
| **2005** | 1,716,996 | 475,019 | 19,379,000 | 7,393,588 | 87,744 | 164,018 | 13,925,665 |
| **2004** | 1,772,673 | 485,793 | 20,516,444 | 6,476,146 | 82,832 | 83,112 | 16,132,820 |
| **2003** | 1,791,825 | 488,459 | 10,817,945 | 5,958,531 | 80,957 | 94,062 | 6,964,679 |
| **2002** | 1,810,491 | 491,596 | (6,161,553 | 5,097,638 | 89,461 | 223,380 | (9,269,945) |
| **2001** | 1,683,917 | 1,886,294 | (7,401,129) | 5,024,026 | 74,025 | 32,762 | (8,961,731) |
| **2000** | 1,621,422 | 3,201,123 | 18,373,162 | 4,688,241 | 65,663 | 133,976 | 18,307,827 |
| **1999** | 1,373,976 | 3,104,774 | 13,474,143 | 4,338,277 | 105,806 | 53,198 | 13,455,612 |

# Schedule of Revenue by Source

| Year Ending June 30 | Member Contributions | Employer Contributions: Dollars | Employer Contributions: % of Annual Covered Payroll | Investment Income (Loss) | Total |
|---|---|---|---|---|---|
| 2008 | $ 2,486,481 | $ 1,688,673 | 5.21 % | $ (8,735,864) | $ (4,560,710) |
| 2007 | 2,599,296 | 1,223,765 | 3.80 | 31,881,175 | 35,704,236 |
| 2006 | 2,058,456 | 791,343 | 2.88 | 13,325,490 | 16,175,289 |
| 2005 | 1,716,996 | 475,019 | 1.91 | 19,379,000 | 21,571,015 |
| 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 |

Effective January 1, 2001 the employer contribution rate was lowered from 15.27% to 2.0%. The rate was raised to 3.0% effective July 1, 2005, 4.0% effective July 1, 2006, and 5.5% effective July 1, 2007.

# Schedule of Expenses by Type

| Year Ending June 30 | Benefit Payments | Administrative Expenses | Refunds and Withdrawals | Total |
|---|---|---|---|---|
| 2008 | $ 9,650,446 | $ 112,484 | $ 2,333 | $ 9,765,263 |
| 2007 | 8,962,416 | 111,057 | 97,642 | 9,171,115 |
| 2006 | 8,009,684 | 98,218 | 55,220 | 8,163,122 |
| 2005 | 7,393,588 | 87,744 | 164,018 | 7,645,350 |
| 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 |

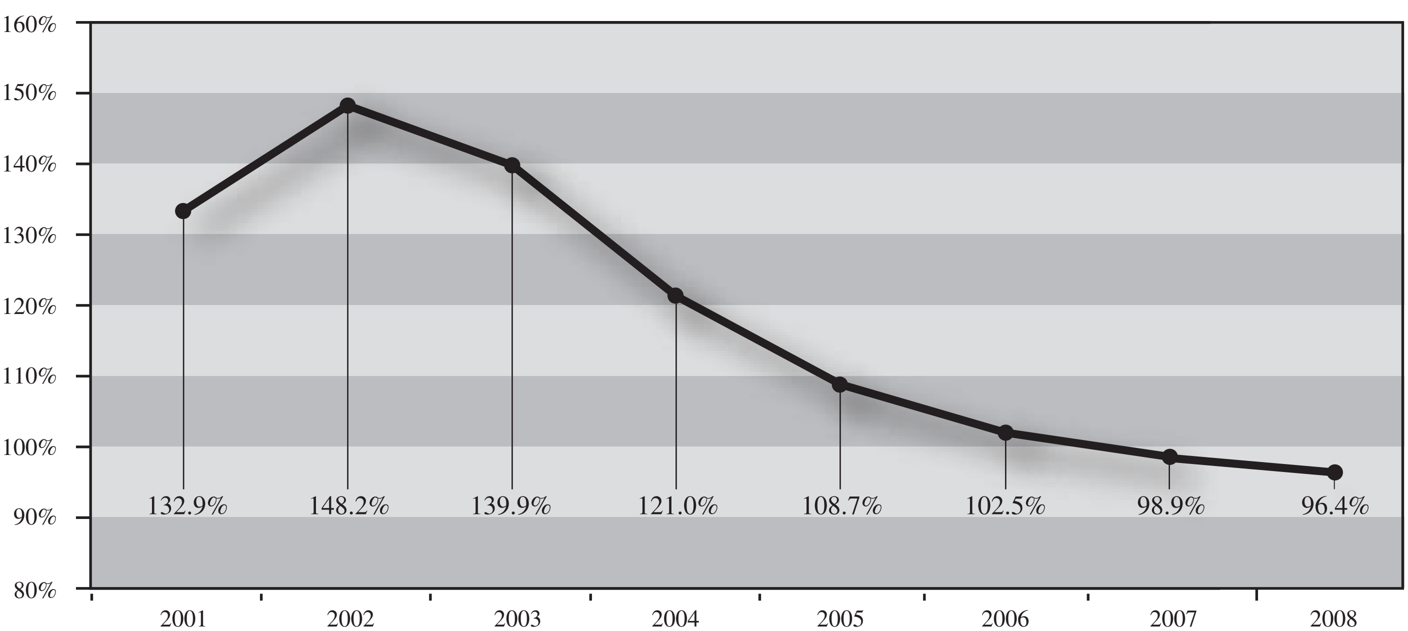
# Schedule of Benefit Payments and Refunds by Type

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 Changes in Net Assets** and **the Schedule of Expenses by Type** included elsewhere in this Statistical Section.

| Year Ending June 30 | Service and Disability Benefits | Beneficiary Death Benefits | Refunds and Withdrawals | Total Benefit Payments and Refunds |
|---|---|---|---|---|
| 2008 | $ 9,630,446 | $ 20,000 | $ 2,333 | $ 9,652,779 |
| 2007 | 8,947,416 | 15,000 | 97,642 | 9,060,058 |
| 2006 | 7,964,684 | 45,000 | 55,220 | 8,064,904 |
| 2005 | 7,366,088 | 27,500 | 164,018 | 7,557,606 |
| 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 |

# Funded Ratio Chart

### As of July 1



# Rate of Return by Type of Investment

| Year Ending June 30 | Fixed Income | U.S. Equity | International Equity | Total |
|---|---|---|---|---|
| 2008 | 8.7 % | (12.6) % | (10.2) % | (3.7) % |
| 2007 | 6.4 | 20.1 | 27.4 | 15.1 |
| 2006 | (2.0) | 9.6 | 26.9 | 6.6 |
| 2005 | 10.8 | 8.1 | 14.0 | 10.3 |
| 2004 | 0.8 | 20.3 | 32.8 | 11.8 |
| 2003 | 13.1 | (0.9) | (6.1) | 6.7 |
| 2002 | 7.3 | (16.8) | (11.6) | (3.4) |
| 2001 | 10.3 | (13.6) | (28.2) | (3.8) |
| 2000 | 5.8 | 12.5 | 24.4 | 11.1 |
| 1999 | 2.2 | 15.5 | 8.3 | 8.8 |

## Schedule of Retired Members by Type of Benefit

**June 30, 2008**

| Amount of Monthly Benefit | Number of Retirees | Type of Retirement** 1 | 2 | 3 | 4 | Option Selected # Opt. 1 | Opt. 2 | Opt. 3 | Opt. 4 |
|---|---|---|---|---|---|---|---|---|---|
| $ 1 - 1,000 | 11 | - | 11 | - | - | - | 11 | - | - |
| 1,001 - 2,000 | 29 | 8 | 21 | - | - | - | 27 | 1 | 1 |
| 2,001 - 3,000 | 24 | 16 | 8 | - | - | 1 | 22 | - | 1 |
| 3,001 - 4,000 | 28 | 22 | 5 | - | 1 | - | 26 | 1 | 1 |
| 4,001 - 5,000 | 42 | 38 | 2 | 2 | - | 1 | 37 | - | 4 |
| Over - 5,000 | 61 | 61 | - | - | - | 4 | 54 | 1 | 2 |
| Totals | 195 | 145 | 47 | 2 | 1 | 6 | 177 | 3 | 9 |

****Type of Retirement**

Type 1 - *Normal retirement for age and service:* Eligible at (1) when the sum of the member's age plus years of service equals or exceeds 80 points and has judicial service of at least 8 years, or (2) age 65 with 8 years of judicial service, or (3) 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 - *Single-life annuity*: The maximum benefit is paid for the member's lifetime.

Option 2 - *50% to 65% Survivor Annuity:* Paid to surviving spouse for his or her lifetime if certain contributions were paid by the justice or judge while actively participating and if other criteria are met.

Option 3 - *Option A – ½ Joint and Survivor Annuity:* The member will receive a reduced retirement benefit for life and ½ of the reduced retirement benefit will be paid to the surviving joint annuitant for their lifetime. This option became available September 1, 2005.

Option 4 - *Option B – 100% Joint and Survivor Annuity:* A reduced benefit is paid to the member for life and the same benefit is paid to a surviving joint annuitant for their lifetime. This option became available September 1, 2005.

**Deferred Members**

At June 30, 2008, there are 11 former members with deferred future benefits.

# Schedule of Average Benefit Payments

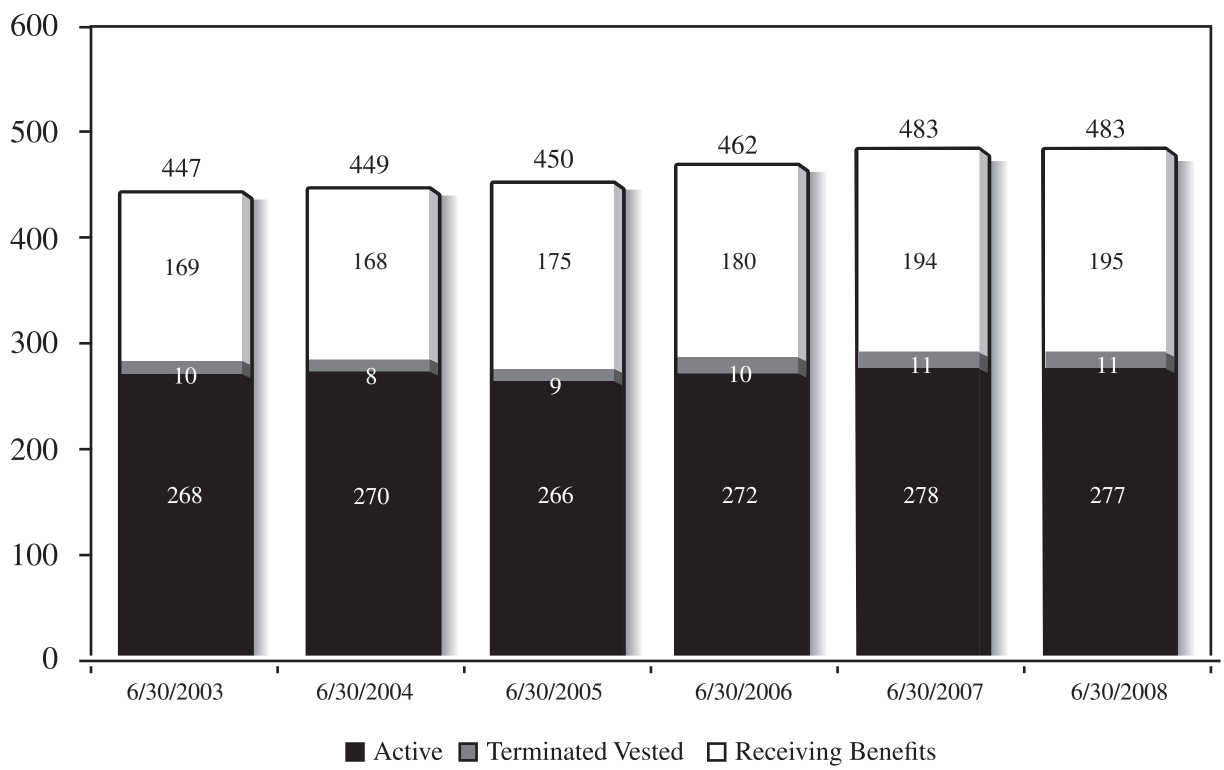
| Retirement Effective Dates<br>July 1, 1998 to June 30, 2008 | Years of Credited Service<br>0 to 5 | 6 to 10 | 11 to 15 | 16 to 20 | 21 to 25 | 26 to 30 | 31+ |
|---|---|---|---|---|---|---|---|
| Period 7/1/98 to 6/30/99 | | | | | | | |
| Average Monthly Benefit | $ - | $ 2,134 | $ - | $ 4,882 | $ 4,407 | $ 5,624 | $ 6,009 |
| Average Final Average Salary | $ - | $ 6,059 | $ - | $ 6,473 | $ 6,620 | $ 6,868 | $ 7,338 |
| Number of Active Retirees | - | 2 | - | 5 | 4 | 2 | 2 |
| Period 7/1/99 to 6/30/00 | | | | | | | |
| Average Monthly Benefit | $ - | $ - | $ - | $ - | $ 4,519 | $ 5,388 | $ 4,162 |
| 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 | $ - | $ 1,969 | $ 3,066 | $ 3,948 | $ - | $ - | $ - |
| 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 | $ - | $ - | $ 1,645 | $ 4,588 | $ 5,833 | $ - | $ - |
| 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 | $ - | $ - | $ 3,327 | $ 4,822 | $ 5,542 | $ 6,015 | $ 6,198 |
| 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 | $ - | $ 1,719 | $ 1,381 | $ 5,113 | $ - | $ 6,835 | $ - |
| Average Final Average Salary | $ - | $ 3,541 | $ 4,066 | $ 6,268 | $ - | $ 7,770 | $ - |
| Number of Active Retirees | - | 1 | 1 | 4 | - | 1 | - |
| Period 7/1/04 to 6/30/05 | | | | | | | |
| Average Monthly Benefit | $ - | $ 3,335 | $ 3,618 | $ 6,224 | $ 7,326 | $ 7,744 | $ 9,077 |
| Average Final Average Salary | $ - | $ 6,414 | $ 6,027 | $ 6,462 | $ 6,163 | $ 5,957 | $ 6,982 |
| Number of Active Retirees | - | 1 | 2 | 2 | 4 | 2 | 4 |
| Period 7/1/05 to 6/30/06 | | | | | | | |
| Average Monthly Benefit | $ - | $ 2,432 | $ 3,720 | $ 4,420 | $ 7,061 | $ - | $ 8,352 |
| Average Final Average Salary | $ - | $ 5,067 | $ 6,279 | $ 4,817 | $ 5,996 | $ - | $ 6,264 |
| Number of Active Retirees | - | 1 | 1 | 2 | 4 | - | 1 |
| Period 7/1/06 to 6/30/07 | | | | | | | |
| Average Monthly Benefit | $ - | $ 1,451 | $ 3,829 | $ 5,442 | $ 7,183 | $ 8,099 | $ 7,838 |
| Average Final Average Salary | $ - | $ 3,084 | $ 5,602 | $ 5,574 | $ 5,350 | $ 5,798 | $ 5,533 |
| Number of Active Retirees | - | 2 | 5 | 1 | 4 | 4 | 1 |
| Period 7/1/07 to 6/30/08 | | | | | | | |
| Average Monthly Benefit | $ - | $ 2,918 | $ 3,990 | $ - | $ 7,610 | $ - | $ 9,827 |
| Average Final Average Salary | $ - | $ 4,864 | $ 5,682 | $ - | $ 5,073 | $ - | $ 6,551 |
| Number of Active Retirees | - | 1 | 2 | - | 1 | - | 1 |

# Principal Employer

The Uniform Retirement System of Justices and Judges is a single-employer public employee retirement plan. 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.

| **Year Ending June 30** | **Covered Employees of the State** |
|---|---|
| 2008 | 277 |
| 2007 | 278 |
| 2006 | 272 |
| 2005 | 266 |
| 2004 | 270 |
| 2003 | 268 |
| 2002 | 266 |
| 2001 | 261 |
| 2000 | 259 |
| 1999 | 259 |

# Demographics Chart



# Member Statistics

| Inactive members as of July 1, 2008 | No. | | Amount of Annual Benefit |
|---|---|---|---|
| **Members receiving benefits** | | | |
| Retired | 145 | $ | 8,828,550 |
| Surviving spouses | 48 | | 995,566 |
| Disabled | 2 | | 115,952 |
| **Total** | **195** | **$** | **9,940,068** |
| **Members with deferred benefits** | | | |
| Vested terminated | 11 | $ | 375,244 |
| Surviving spouses | 0 | | - |
| Disabled | 0 | | - |
| **Total** | **11** | **$** | **375,244** |

| | | Average | | | |
|---|---|---|---|---|---|
| **Statistics for** | **No.** | **Age** | **Service** | | **Earnings** |
| **Active members as of July 1, 2007** | | | | | |
| Continuing | 241 | 56.4 | 12.9 | $ | 117,225 |
| New | 37 | 52.0 | 0.8 | | 106,506 |
| **Total** | **278** | **55.8** | **11.3** | **$** | **115,798** |
| **Active members as of July 1, 2008** | | | | | |
| Continuing | 272 | 56.6 | 12.4 | $ | 117,130 |
| New | 5 | 47.2 | 0.7 | | 105,981 |
| **Total** | **277** | **56.5** | **12.0** | **$** | **116,929** |

# Summary of Retirees, Beneficiaries and Disabled Members

**(Annual Benefits)[1]**

| Age | Retired Members No. | Retired Members Benefit | Surviving Spouses No. | Surviving Spouses Benefit | Disabled Members No. | Disabled Members Benefit | Total No. | Total 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 | 33,196 | 0 | 0 | 1 | 33,196 |
| 55 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 56 | 2 | 189,486 | 0 | 0 | 0 | 0 | 2 | 189,486 |
| 57 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 58 | 1 | 55,148 | 0 | 0 | 0 | 0 | 1 | 55,148 |
| 59 | 2 | 191,092 | 1 | 18,689 | 0 | 0 | 3 | 209,780 |
| 60 | 3 | 203,121 | 0 | 0 | 0 | 0 | 3 | 203,121 |
| 61 | 4 | 346,192 | 3 | 109,019 | 0 | 0 | 7 | 455,211 |
| 62 | 7 | 574,674 | 0 | 0 | 1 | 59,555 | 8 | 634,229 |
| 63 | 5 | 331,724 | 1 | 36,078 | 1 | 56,397 | 7 | 424,199 |
| 64 | 3 | 259,590 | 1 | 16,577 | 0 | 0 | 4 | 276,166 |
| 65 | 10 | 690,808 | 1 | 16,258 | 0 | 0 | 11 | 707,066 |
| 66 | 5 | 339,693 | 0 | 0 | 0 | 0 | 5 | 339,693 |
| 67 | 6 | 299,236 | 0 | 0 | 0 | 0 | 6 | 299,236 |
| 68 | 7 | 406,988 | 1 | 37,623 | 0 | 0 | 8 | 444,611 |
| 69 | 5 | 285,624 | 0 | 0 | 0 | 0 | 5 | 285,624 |
| 70 | 6 | 394,848 | 0 | 0 | 0 | 0 | 6 | 394,848 |
| 71 | 5 | 326,262 | 3 | 72,993 | 0 | 0 | 8 | 399,255 |
| 72 | 6 | 378,421 | 0 | 0 | 0 | 0 | 6 | 378,421 |
| 73 | 3 | 186,292 | 2 | 45,221 | 0 | 0 | 5 | 231,512 |
| 74 | 1 | 67,245 | 1 | 20,556 | 0 | 0 | 2 | 87,801 |
| 75 | 2 | 145,308 | 0 | 0 | 0 | 0 | 2 | 145,308 |
| 76 | 6 | 298,118 | 2 | 64,059 | 0 | 0 | 8 | 362,176 |
| 77 | 5 | 301,363 | 1 | 26,703 | 0 | 0 | 6 | 328,067 |
| 78 | 9 | 519,480 | 0 | 0 | 0 | 0 | 9 | 519,480 |
| 79 | 3 | 185,852 | 1 | 28,538 | 0 | 0 | 4 | 214,390 |
| 80 | 3 | 108,639 | 1 | 16,498 | 0 | 0 | 4 | 125,137 |
| 81 | 4 | 213,802 | 3 | 57,875 | 0 | 0 | 7 | 271,677 |
| 82 | 8 | 441,628 | 2 | 76,784 | 0 | 0 | 10 | 518,411 |
| 83 | 4 | 170,947 | 5 | 56,863 | 0 | 0 | 9 | 227,810 |
| 84 | 5 | 204,306 | 1 | 15,994 | 0 | 0 | 6 | 220,300 |
| 85 | 3 | 149,215 | 0 | 0 | 0 | 0 | 3 | 149,215 |
| 86 | 5 | 267,508 | 0 | 0 | 0 | 0 | 5 | 267,508 |
| 87 | 1 | 45,688 | 1 | 28,067 | 0 | 0 | 2 | 73,755 |
| 88 | 1 | 29,464 | 0 | 0 | 0 | 0 | 1 | 29,464 |
| 89 | 0 | 0 | 3 | 46,026 | 0 | 0 | 3 | 46,026 |
| 90 | 2 | 93,756 | 6 | 73,550 | 0 | 0 | 8 | 167,306 |
| Over 90 | 3 | 127,032 | 7 | 98,400 | 0 | 0 | 10 | 225,433 |
| **Total** | **145** | **$ 8,828,550** | **48** | **$ 995,566** | **2** | **$ 115,952** | **195** | **$ 9,940,068** |

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

# Summary of Terminated Vested Members

## (Deferred Annual Benefits)[1]

| | Members with Deferred Benefits | |
|---|---|---|
| **Age** | **No.** | **Benefit** |
| Under 40 | 0 | $ 0 |
| 41 | 0 | 0 |
| 42 | 0 | 0 |
| 43 | 0 | 0 |
| 44 | 0 | 0 |
| 45 | 0 | 0 |
| 46 | 0 | 0 |
| 47 | 1 | 48,216 |
| 48 | 0 | 0 |
| 49 | 0 | 0 |
| 50 | 0 | 0 |
| 51 | 1 | 29,232 |
| 52 | 1 | 36,604 |
| 53 | 1 | 24,985 |
| 54 | 1 | 32,710 |
| 55 | 2 | 63,479 |
| 56 | 0 | 0 |
| 57 | 0 | 0 |
| 58 | 1 | 25,358 |
| 59 | 3 | 114,661 |
| 60 | 0 | 0 |
| 61 | 0 | 0 |
| 62 | 0 | 0 |
| 63 | 0 | 0 |
| 64 | 0 | 0 |
| Over 64 | 0 | 0 |
| **Total** | **11** | **$ 375,244** |

[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, 2008

**Count of Active Members**

| | Years of Service | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| Age | 0 to 4 | 5 to 9 | 10 to 14 | 15 to 19 | 20 to 24 | 25 to 29 | 30 to 34 | 35 to 39 | 40 & Up | Total |
| Under 20 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 20 to 24 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 25 to 29 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 30 to 34 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 35 to 39 | 7 | 2 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 9 |
| 40 to 44 | 9 | 7 | 1 | 0 | 0 | 0 | 0 | 0 | 0 | 17 |
| 45 to 49 | 15 | 10 | 7 | 0 | 0 | 0 | 0 | 0 | 0 | 32 |
| 50 to 54 | 11 | 9 | 12 | 9 | 3 | 1 | 0 | 0 | 0 | 45 |
| 55 to 59 | 14 | 14 | 21 | 6 | 18 | 8 | 1 | 0 | 0 | 82 |
| 60 to 64 | 13 | 9 | 10 | 6 | 8 | 3 | 1 | 0 | 1 | 51 |
| 65 to 69 | 3 | 6 | 7 | 3 | 1 | 0 | 0 | 1 | 0 | 21 |
| 70 to 74 | 1 | 0 | 5 | 1 | 2 | 1 | 0 | 0 | 1 | 11 |
| 75 & Up | 0 | 0 | 1 | 2 | 2 | 1 | 0 | 0 | 3 | 9 |
| Total | 73 | 57 | 64 | 27 | 34 | 14 | 2 | 1 | 5 | 277 |

**Average Compensation**

| | Years of Service | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| Age | 0 to 4 | 5 to 9 | 10 to 14 | 15 to 19 | 20 to 24 | 25 to 29 | 30 to 34 | 35 to 39 | 40 & Up | Total |
| Under 20 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 20 to 24 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 25 to 29 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 30 to 34 | 105,422 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 105,422 |
| 35 to 39 | 109,712 | 115,259 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 110,945 |
| 40 to 44 | 113,776 | 116,645 | 105,553 | 0 | 0 | 0 | 0 | 0 | 0 | 114,474 |
| 45 to 49 | 109,349 | 115,259 | 115,530 | 0 | 0 | 0 | 0 | 0 | 0 | 112,548 |
| 50 to 54 | 110,277 | 115,259 | 116,876 | 117,820 | 118,494 | 124,965 | 0 | 0 | 0 | 115,416 |
| 55 to 59 | 115,952 | 116,645 | 116,472 | 115,259 | 120,094 | 121,506 | 115,259 | 0 | 0 | 117,595 |
| 60 to 64 | 116,472 | 115,259 | 115,865 | 116,876 | 122,235 | 127,796 | 131,031 | 0 | 131,031 | 118,328 |
| 65 to 69 | 126,178 | 113,641 | 120,285 | 129,413 | 124,965 | 0 | 0 | 115,259 | 0 | 120,516 |
| 70 to 74 | 124,965 | 0 | 113,318 | 105,553 | 131,638 | 133,458 | 0 | 0 | 124,965 | 119,891 |
| 75 & Up | 0 | 0 | 105,553 | 126,785 | 127,998 | 105,553 | 0 | 0 | 133,862 | 124,695 |
| Total | 113,510 | 115,599 | 116,179 | 118,539 | 121,744 | 122,815 | 123,145 | 115,259 | 131,516 | 116,929 |

# Workforce Development

**We encourage** employees to **achieve their professional goals** as a part of organizational goals.

**We educate** and **train** employees **to ensure** that their work skills keep up with technological changes and benefit plan changes.

**We cross-train** our employees **to ensure** retention of institutional knowledge and **to prevent** interruptions or delays in service.

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October 27, 2008

Board of Trustees
Oklahoma Public Employees Retirement System
5801 N. Broadway Extension, Suite 400
P.O. Box 53007
Oklahoma City, OK 73152-3007

**Re: Certification of 2008 Actuarial Results Under Prescribed Assumptions**

Dear Members of the Board:

We have prepared an actuarial valuation of the Oklahoma Uniform Retirement System for Justices and Judges as of July 1, 2008 for the fiscal year ending June 30, 2009 using the prescribed assumptions and methods specified in 20 Okla. Stat, Section 1108(D). The results of the valuation reflect the benefit provisions in effect on July 1, 2008. Determinations for purposes other than meeting this requirement may be significantly different than the results shown here.

The results in this Section have been prepared for the sole purpose of meeting the statutory requirement, based on the following prescribed assumptions:

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

All other assumptions, methodologies, and System provisions used are consistent with those used in the July 1, 2008 valuation. These assumptions, methodologies and provisions are described elsewhere in this document.

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

The results shown here are not consistent with those in the July 1, 2008, valuation of the System. The July 1, 2008 valuation results were determined in accordance with generally accepted actuarial principles and practices that are consistent with the Actuarial Standards of Practice promulgated by the Actuarial Standards Board and the applicable Guides to Professional Conduct, amplifying opinion and supporting recommendations of the American Academy of Actuaries. The results shown in this section are not based on the assumptions and methodologies adopted by the Board of Trustees.

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

Patrice Beckham

Patrice A. Beckham, F.S.A.

October 27, 2008
Date

Brent A. Banister

Brent A. Banister, F.S.A.

October 27, 2008
Date

# Summary of Valuation Results Under Prescribed Assumptions

**Actuarial Valuation as of July 1, 2008**

| Summary of Contribution Requirements | Amount |
|---|---|
| 1. Annual covered compensation for members members included in valuation | $ 32,389,296 |
| 2. Total normal cost mid-year | 10,085,400 |
| 3. Unfunded actuarial accrued liability | 7,415,065 |
| 4. Amortization of unfunded actuarial accrued liability over 30 years | 386,183 |
| 5. Budgeted expenses (provided by the System) | 180,651 |
| 6. Total required contribution (2) + (4) + (5) | $ 10,652,234 |
| 7. Estimated member contribution | 2,591,144 |
| 8. Required employer contributions (6 – 7) not less than $0 | $ 8,061,090 |
| 9. Previous year's actual contribution | |
| a. Member | 2,486,481 |
| b. Employer | 1,688,673 |
| c. Total | $ 4,175,154 |

| Summary of Costs | Actuarial Valuation as of July 1, 2008 |
|---|---|
| Required employer contribution for current year | $8,061,090 |
| Actual employer contributions received in prior year | 1,688,673 |
| | |
| **Funded Status** | |
| Actuarial accrued liability | $242,712,142 |
| Actuarial value of assets | 235,297,077 |
| Unfunded actuarial accrued liability/(surplus) | 7,415,065 |
| Funded Ratio | 96.9% |
| | |
| **Market Value of Assets and Additional Liabilities** | |
| Market value of assets | $225,924,669 |
| Present value of projected System benefits | 315,174,510 |

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# Notes

# Notes


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for Justices & Judges
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