

Uniform Retirement System Justices & Judges



A COMPONENT UNIT OF THE STATE OF OKLAHOMA

COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

Foreword

This year's Comprehensive Annual Financial Report for URSJJ highlights several beautiful and historic Oklahoma courthouses that were built in the early part of the 20th century. Standing with dignity and strength, these unique pieces of Oklahoma history provide an anchor for local roots. Each one is as distinctive as its community, and we extend special thanks to those citizens who provided photos and information for this report.

Uniform Retirement System Justices & Judges



A COMPONENT UNIT OF THE STATE OF OKLAHOMA

COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

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

This publication, printed by the Department of Central Services, Central Printing Division, is issued by the Oklahoma Public Employees Retirement System as authorized by its Executive Director. Eight hundred copies have been prepared and distributed at a cost of \$3,450. Twenty-five copies have been deposited with the Publications Clearinghouse of the Oklahoma Department of Libraries.

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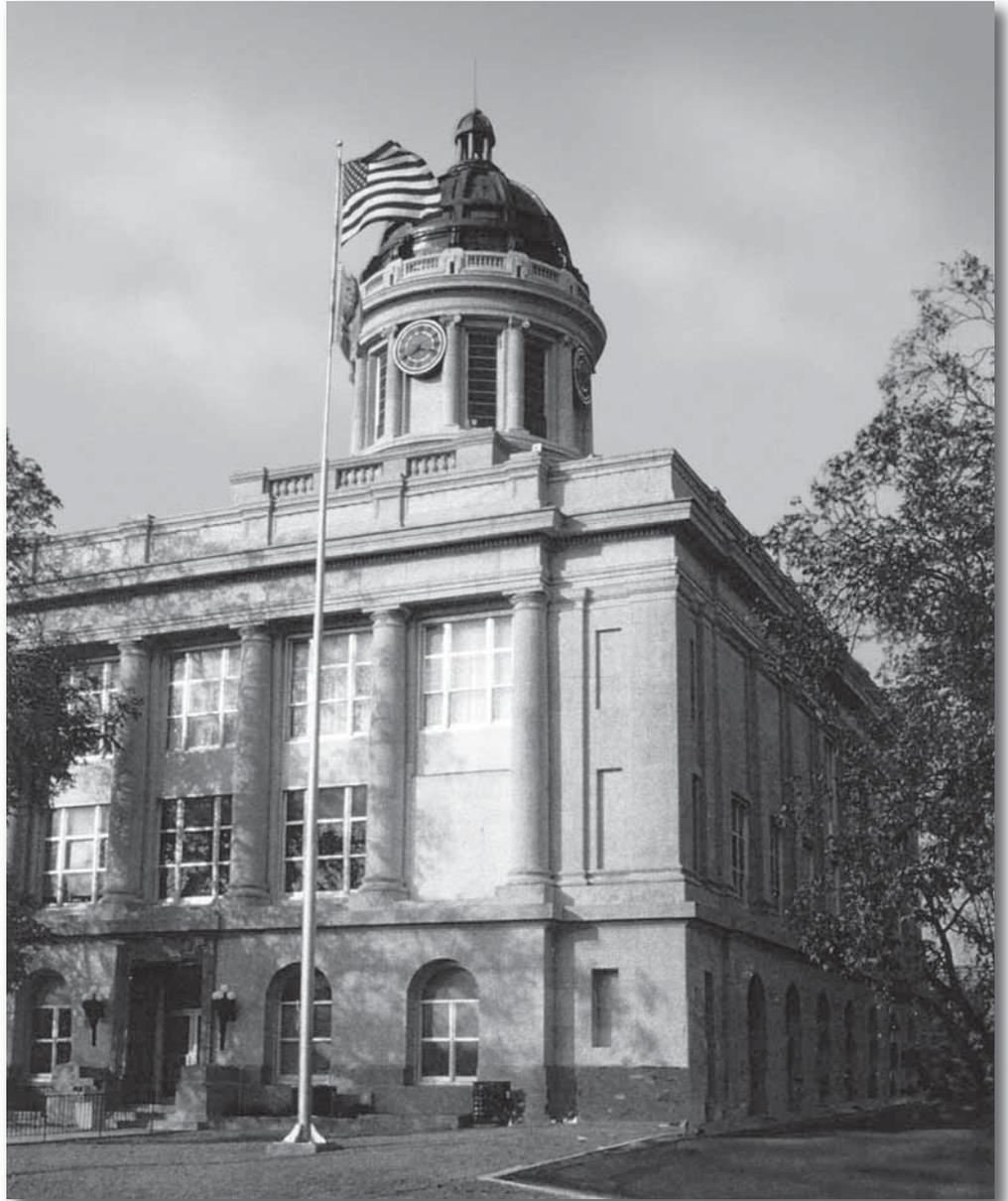
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Introductory Section



Carter County Courthouse - Ardmore

Completed in 1910 by the Gill Construction Company at a cost of \$125,000, the design by Layton, Smith & Hawk of Oklahoma City is a rich combination of architectural elements. The dominant style is Neo-Classical with repetitious use of colossal doric columns, classical detailing, and an ornate tower and dome. Providing contrast against this classical composition are arched doorways and windows on the ground level. In 1976, using the design of Flood, Isenberg & Hann, the entire courthouse was renovated.



STATE OF OKLAHOMA
UNIFORM RETIREMENT SYSTEM FOR JUSTICES AND JUDGES

November 30, 2006

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, 2006. 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.

KPMG LLP, 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, 2006 and 2005, 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, 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. 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. URSJJ receives no State appropriations and is funded through employee and employer contributions and investment earnings.

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

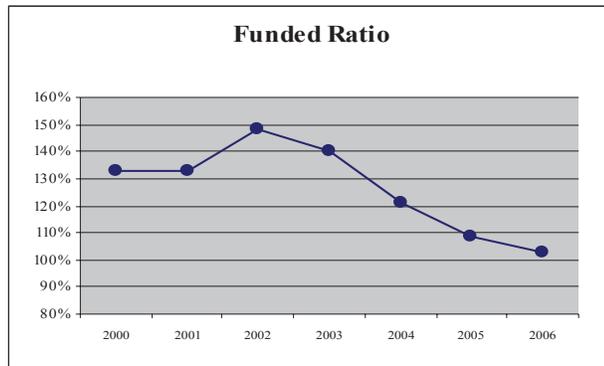
unless under the circumstances it is clearly prudent not to do so. Funds of URSJJ are invested solely in the interest of the membership and their beneficiaries, and defraying reasonable expenses of administering URSJJ. The Board has established an investment policy and guidelines that identify asset 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 manager with holdings in domestic equity index and international equity index funds.

Included in the Investment Section of this report is a summary of the Investment Portfolio by Type and Manager and a comparison of the above amounts to the target allocations, as shown in the Asset Comparison chart. For fiscal year 2006, investments provided a 6.6 percent rate of return. The annualized rate of return for URSJJ was 9.6 percent over the last three years and 6.3 percent over the last five years.

Funding

A pension fund is well funded when it has enough money in reserve to meet all expected future obligations to participants. 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, 2006 amounted to \$205.3 million and \$210.4 million, respectively.



Although still over 100 per cent, the URSJJ funded ratio has been declining for the past four years. This in part is due to the decrease of the employer contribution rate as well as the lifting of the salary cap for benefit calculation for the past three years. Effective July 1, 2005 the employer contribution rate, which was 2.0 percent in the previous year, increased to 3.0 percent of payroll and increased to 4.0 percent effective July 1, 2006. Effective July 1, 2007 it will increase 1.5 per cent annually in future years up to 22.0 percent for fiscal years ending 2019 and thereafter. 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. 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, 2005. This was the eighth 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.

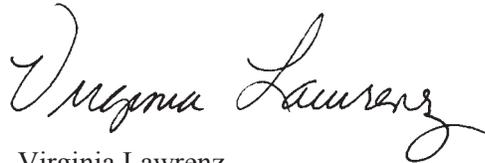
A Certificate of Achievement is valid for a period of one year only. We believe our current report continues to conform to the Certificate of Achievement program requirements, and we are submitting it to GFOA to determine its eligibility for another certificate.

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 management of the Uniform Retirement System for Justices and Judges finances.

Respectfully submitted,



Tom Spencer
Executive Director



Virginia Lawrenz
Director of Finance and Chief Financial Officer



STATE OF OKLAHOMA
UNIFORM RETIREMENT SYSTEM FOR JUSTICES AND JUDGES

November 30, 2006

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, 2006.

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

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

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

Sincerely,

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

Don Kilpatrick
Chairman

Board of Trustees



Back row, left to right: Steve Paris, Oscar B. Jackson, Jr., Frank Stone, Michael Evans, Jerry Johnson, Richard Haugland, DeWayne McAnally, Tony Hutchison
 Front row, left to right: Jon Forman, Don Kilpatrick, Faye Waits
 Not pictured: Jeff Cloud, Kim Holland, Brian Maddy, Claudia San Pedro

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

Jon Forman
 Board Vice Chairman
 Appointee of the Governor

Jeff Cloud
 Chairman-Member
 Oklahoma Corporation Commission
 Selected by Commission

Kim Holland
 State Insurance Commissioner
 Ex Officio

Michael D. Evans
 Appointee of the Supreme Court

Richard Haugland
 Appointee of the Speaker of
 the House of Representatives

Frank Stone - Designee
 Deputy Commissioner

Jerry Johnson
 Vice Chairman-Member
 Oklahoma Tax Commission
 Selected by Commission

DeWayne McAnally
 Appointee of the Governor

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

Steve Paris
 Appointee of the Governor

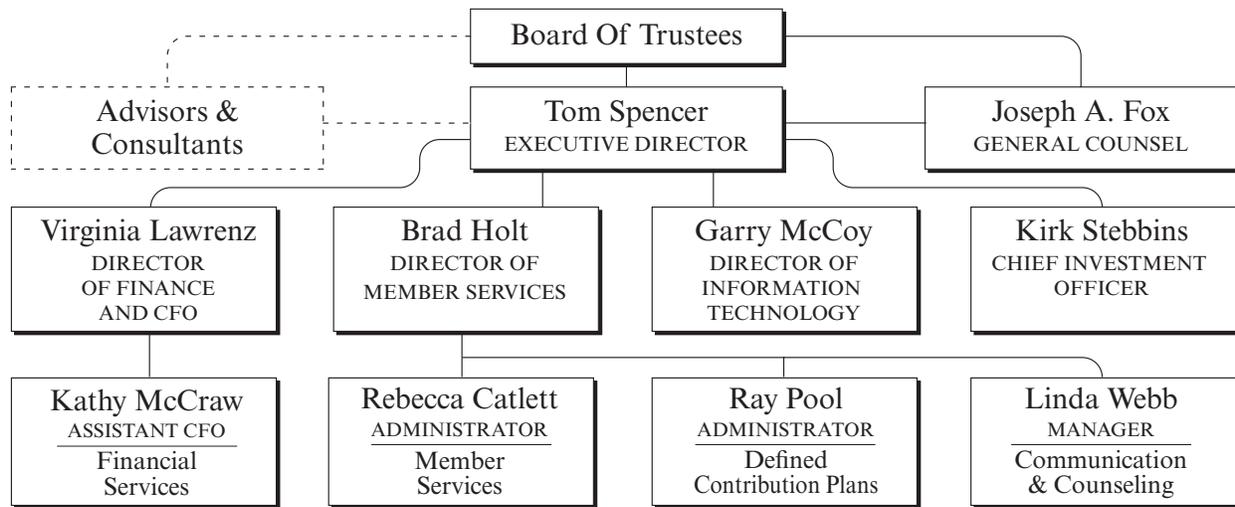
Brian Maddy
 Appointee of the President
 Pro Tempore of the Senate

Claudia San Pedro
 Director of State Finance
 Ex Officio

Faye Waits
 Appointee of the Speaker of
 the House of Representatives

Tony Hutchison - Designee
 Deputy Director
 Office of State Finance

Organizational Structure



Back row, left to right: Virginia Lawrenz, Garry McCoy, Brad Holt, Ray Pool, Kirk Stebbins,
 Front row, left to right: Joe Fox, Tom Spencer, Rebecca Catlett
 Not pictured: Linda Webb, Kathy McCraw

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
 KPMG LLP
 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.

2006 Legislation

Senate Bill 1894

Oklahoma Pension Legislation Actuarial Analysis Act

The bill applies to the Oklahoma Public Employees Retirement System, the Uniform Retirement System for Justices and Judges, and the Teachers Retirement System. The bill has three prominent features. All retirement bills with fiscal impact must be introduced in odd-numbered years and voted on in even-numbered years. This can be bypassed for an “emergency” bill by a three-fourths vote of each house. Each such bill must be analyzed for actuarial fiscal impact by a Legislative Actuary hired by the Legislative Service Bureau. Finally, any retirement bill with fiscal impact must contain adequate funding either through a lump sum appropriation or an increase in contributions sufficient to pay the cost of the change. The bill permits the Legislature to grant cost of living adjustments without following the restrictions of the bill as long as the cost of living adjustments do not exceed the actuarial assumption in the Plan.

House Bill 1179 XX (Special Session)

Cost of Living Adjustment (COLA)

Any person receiving benefits on or before June 30, 2005 and who continues to receive benefits on or after July 1, 2006 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, 2005

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

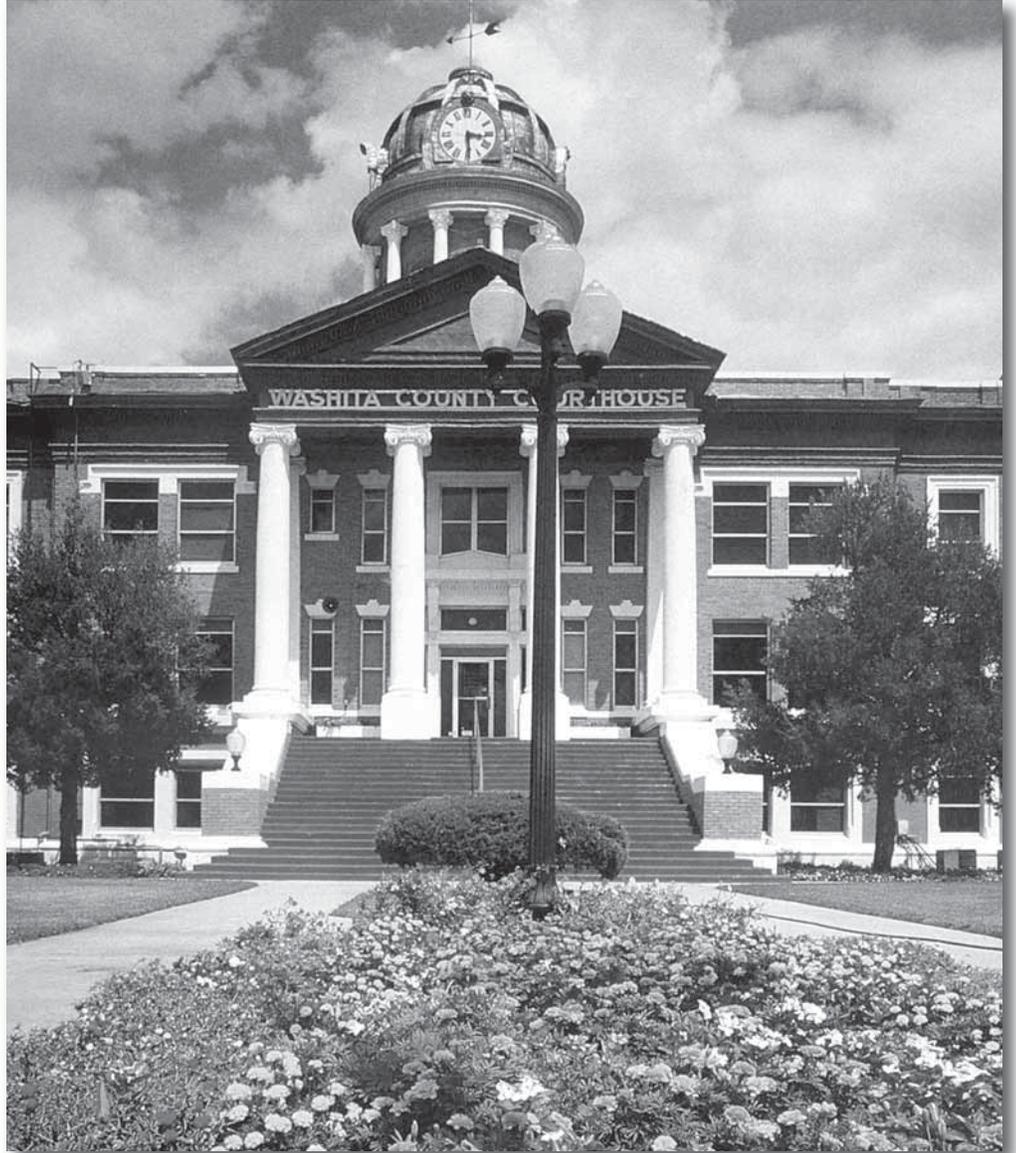


President

Executive Director

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Financial Section



Washita County Courthouse - Cordell

The Washita County Courthouse was placed on the National Register of Historical Buildings on November 21, 1984. It was constructed in 1911 and is located 200 yards from the exact center of Washita County. It was designed by architect Salomon Andrew Layton and constructed for \$75,000. Mr. Layton was also the architect of the Oklahoma State Capitol Building in Oklahoma City. The Washita County Courthouse is the most photographed courthouse in the state. It is one of only two courthouses in Oklahoma which has a clock in its dome that keeps time and also strikes on the hour.



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

Independent Auditors' Report

Board of Trustees
Uniform Retirement System for Justices and Judges:

We have audited the accompanying statements of plan net assets of the Uniform Retirement System for Justices and Judges (the Plan), a component unit of the state of Oklahoma, as of June 30, 2006 and 2005, 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 U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes 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 also 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 plan net assets as of June 30, 2006 and 2005, and the changes in plan net assets for the years then ended in conformity with U.S. generally accepted accounting principles.

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

Our audits were conducted for the purpose of forming an opinion on the basic financial statements. The 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.

KPMG LLP

October 5, 2006

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, 2006 and 2005.

Financial Highlights

- The net assets held in trust for pension benefits totaled approximately \$213.7 million at June 30, 2006 compared to \$205.7 million at June 30, 2005 and \$191.7 million at June 30, 2004. The net assets are available for payment of monthly retirement benefits and other qualified distributions to the Plan's participants. The increases of \$8.0 million and \$14.0 million of the respective years resulting primarily from the appreciation in the fair value of the Plan's investments due to equity market increases affecting both years.
- At June 30, 2006, the total number of members participating in the Plan was 462, a 2.7% increase from the prior year. The total number of members participating in the Plan at June 30, 2005 was 450, a 0.9% increase from the prior year.
- At June 30, 2006 the actuarial value of assets was \$210.4 million and the actuarial accrued liability was \$205.3 million producing a funded ratio of 102.5% compared to 108.7% at June 30, 2005. The key items responsible for the change in the funded status were liability losses which increased the actuarial accrued liability by \$6.1 million more than expected and a return on the actuarial value of assets of \$2.9 million less than expected. The funded ratio at June 30, 2004 was 121.0%.

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.

UNIFORM RETIREMENT SYSTEM FOR JUSTICES AND JUDGES

Administered by the Oklahoma Public Employees Retirement System

Management's Discussion and Analysis

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

The *statement of changes in plan net assets* presents information showing how the Plan's net assets held in trust for pension benefits changed during the years ended June 30, 2006 and 2005. It reflects contributions by members and participating employers along with deductions for retirement benefits, refunds and withdrawals, and administrative expenses. Investment income during the period is also presented showing income from investing and securities lending activities.

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

The *required supplementary information* and the related note present a schedule of funding progress and a schedule of employer contributions, along with a discussion of actuarial assumptions and methods. 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, 2006, 2005, and 2004.

Condensed Schedules of Plan Net Assets	(\$ millions)		
	2006	2005	2004
Cash and cash equivalents	\$ 0.5	\$ 0.6	\$ 1.0
Receivables	8.7	18.1	9.9
Investments	225.5	207.0	197.1
Securities lending collateral	18.7	31.5	25.7
Total assets	253.4	257.2	233.7
Other liabilities	21.0	20.0	16.3
Securities lending collateral	18.7	31.5	25.7
Total liabilities	39.7	51.5	42.0
Ending net assets held in trust for benefits	\$ 213.7	\$ 205.7	\$ 191.7

UNIFORM RETIREMENT SYSTEM FOR JUSTICES AND JUDGES

Administered by the Oklahoma Public Employees Retirement System

Management's Discussion and Analysis

Condensed Schedules of Changes in Plan Net Assets	(\$ millions)		
	June 30,		
	2006	2005	2004
Member contributions	\$ 2.1	\$ 1.7	\$ 1.8
Court employer contributions	0.8	0.5	0.5
Net investment income	13.3	19.4	20.5
Total additions	16.2	21.6	22.8
Retirement, death and survivor benefits	8.0	7.4	6.5
Refunds and withdrawals	0.1	0.1	0.1
Administrative expenses	0.1	0.1	0.1
Total deductions	8.2	7.6	6.7
Total changes in plan net assets	\$ 8.0	\$ 14.0	\$ 16.1

Financial Analysis

For the year ended June 30, 2006 plan net assets increased \$8.0 million or 3.9%. Total assets decreased slightly by 1.5% due to decreases of 55.2% in the pending sales of securities and 40.7% in securities lending cash collateral which were offset by an 8.9% increase in investments. Total liabilities decreased 22.9% due primarily to a 40.7% decrease in the liability for cash collateral related to securities lending. Other liabilities increased 5.1% primarily due to the \$1.0 million increase in pending purchases of securities.

Fiscal year 2006 showed a \$5.4 million decrease in total additions and a \$0.6 million increase in total deductions. Compared to the prior year, additions decreased 25.0% as a result of a 40.9% decrease in the appreciation of the fair value of investments which was offset by a 6.6% increase in interest income, a 5.8% increase in net securities lending income, and increases in member and employer contributions of 19.9% and 66.6%, respectively. The 6.8% increase in total deductions was due to a 8.3% increase in retirement and death and survivor benefits and an 11.9% increase in administrative costs. Refunds and withdrawals were 66.3% less when compared to the prior year.

For the year ended June 30, 2005 plan net assets increased \$14.0 million or 7.3%. Total assets increased \$23.5 million or 10.0% due to the 82.3% increase in receivables, primarily the pending sales of securities, the 5.0% increase in investments, and the 22.6% increase in securities lending cash collateral. Total liabilities increased \$9.5 million or 22.7% due to the 22.8% increase in payables for pending purchases of securities and the 22.6% increase in the liability for cash collateral related to securities lending.

Fiscal year 2005 showed a \$1.2 million decrease in total additions and a \$0.9 million increase in total deductions. Compared to the prior year, additions decreased 5.3% as a result of an 8.3% decrease in the appreciation of the fair value of investments, a 3.1% decrease in member contributions, and a 2.2% decrease in employer contributions, which were offset by increases in interest and net securities lending income of a 6.6% and 56.3%, respectively. The increase in total deductions of \$0.9 million was due to a 14.2% increase in retirement and death and survivor benefits, a 97.4% increase in refunds and withdrawals, and a 5.9% increase in administrative costs.

UNIFORM RETIREMENT SYSTEM FOR JUSTICES AND JUDGES

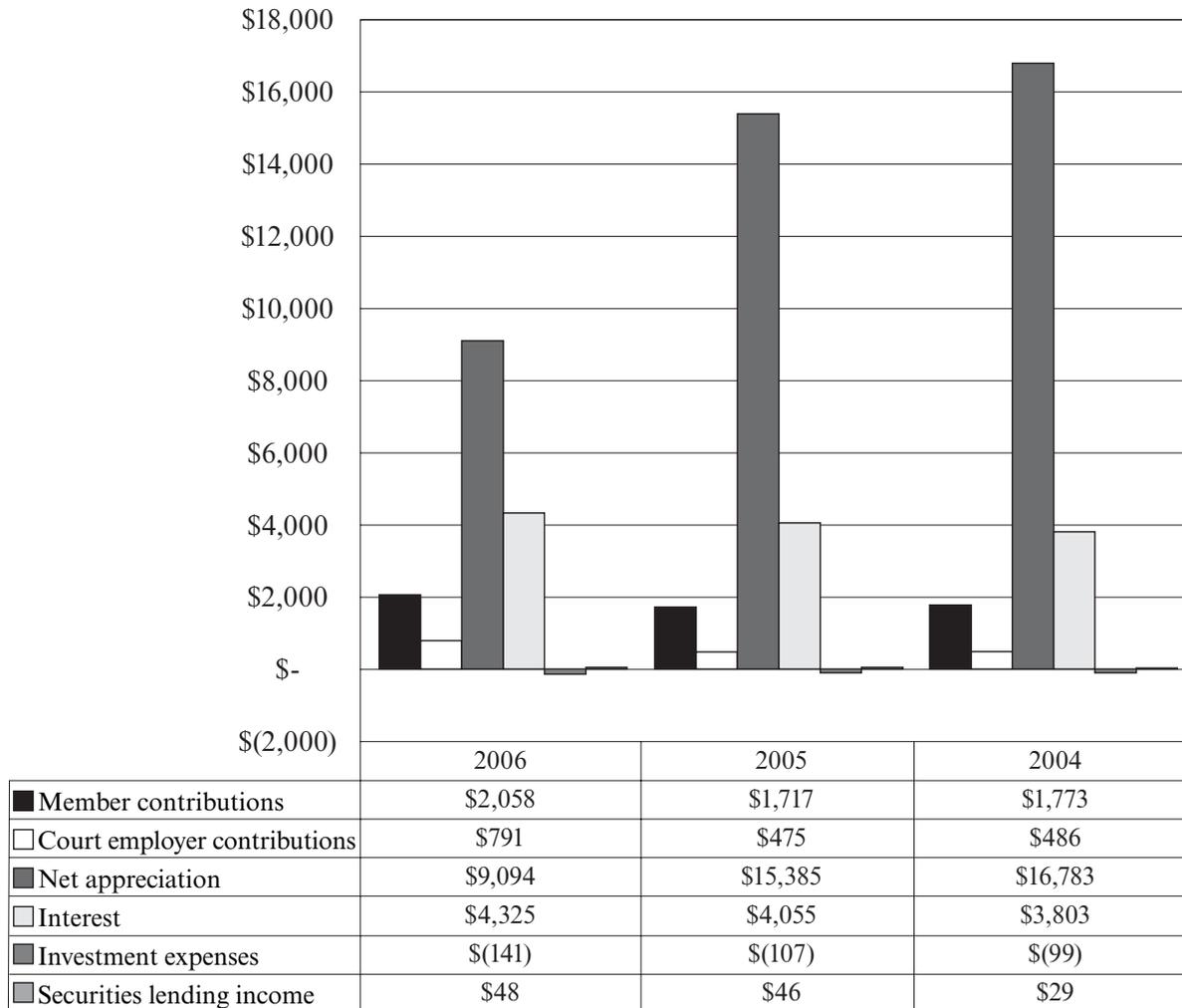
Administered by the Oklahoma Public Employees Retirement System

Management's Discussion and Analysis

Additions to Plan Net Assets

For the year ended June 30, 2006, additions to plan assets decreased \$5.4 million or 25.0% from the prior year. The \$9.1 million net appreciation in the fair value of investments was a result of equity market increases during the year but was a 40.9% decrease from the net appreciation in the fair value of investments in fiscal year 2005. The 6.6% increase in interest income reflects the continuing rise of interest rates, and the 5.8% increase in net securities lending income was the result of the increased fair value of the portfolio. Contributions increased because of an increased salary base for calculation, the move to a uniform contribution rate of 8% for all judges and justices, rather than the previous tiered contribution rates of 8% or 5%, and an increase in the employer contribution rate from 2% to 3%.

Additions to Plan Net Assets
Comparative Data for Fiscal Years Ended June 30, 2006, 2005, and 2004
(in \$000's)



UNIFORM RETIREMENT SYSTEM FOR JUSTICES AND JUDGES

Administered by the Oklahoma Public Employees Retirement System

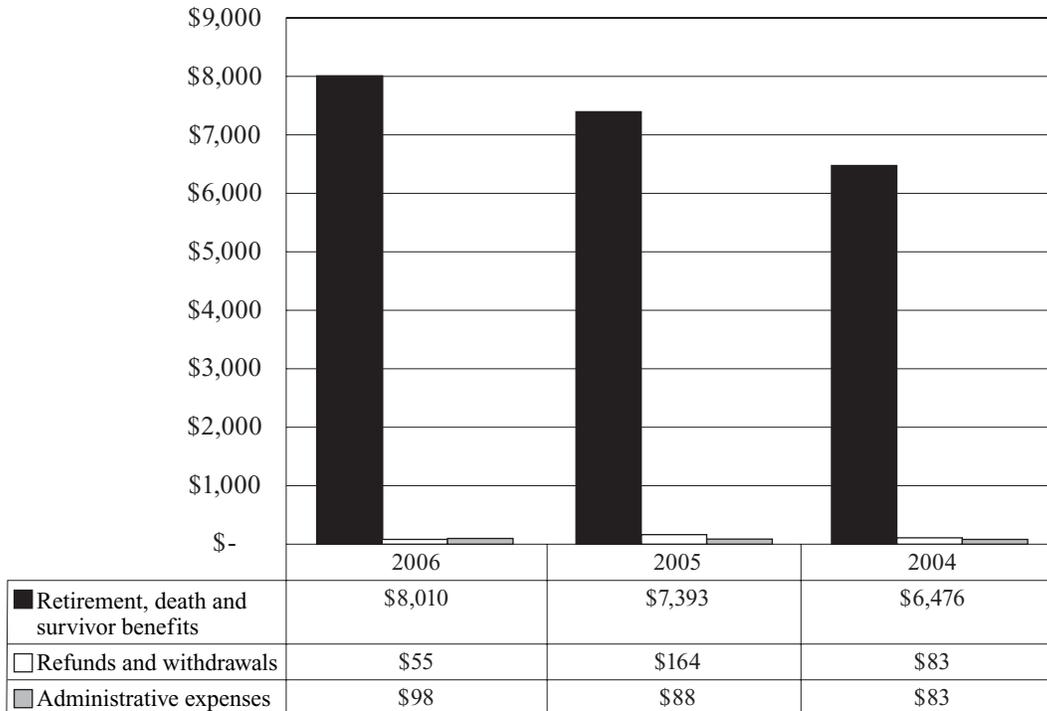
Management's Discussion and Analysis

For the year ended June 30, 2005 additions to plan assets decreased \$1.2 million or 5.3% from the prior year. A net appreciation in fair value of investments of \$15.4 million, an 8.3% decrease from the prior year, was the result of fixed income and equity market increases during the year. The 6.6% increase in interest income reflects the rise of interest rates, and the 56.3% increase in income from securities lending activities was the result of the increased fair value of the portfolio. Contributions of members and participating court employers were somewhat reduced due to a lower total annual salary base for calculation and a decrease in the number of members electing the higher contribution rate of 8.0%.

Deductions to Plan Net Assets

For the year ended June 30, 2006 total deductions increased 6.8% from the prior year. Retirement, death and survivor benefits increased \$0.6 million or 8.3% due to a 2.9% increase in the number of retirees. Refunds and withdrawals decreased 66.3% from the prior year because fewer participants withdrew contributions during the year. Administrative costs increased 11.9% when compared to the prior year as a result of an increase in the allocation of expenses for staffing and related personal expenses.

Deductions to Plan Net Assets
Comparative Data for Fiscal Years Ended June 30, 2006, 2005, and 2004
(in \$000's)



UNIFORM RETIREMENT SYSTEM FOR JUSTICES AND JUDGES

Administered by the Oklahoma Public Employees Retirement System

Management's Discussion and Analysis

For the year ended June 30, 2005 total deductions increased 15.1% from the prior year. Retirement, death and survivor benefits increased \$0.9 million or 14.2% due to the 4.0% cost of living adjustment increasing retiree benefits, the increase of the salary cap, and the increase in the number of retirees. Refunds and withdrawals increased 97.4% as more participants withdrew contributions during the year compared to the prior year. Administrative expenses increased 5.9% when compared to the prior year as a result of a higher percentage attributable to the Plan's allocated share of administrative costs and an increase in the allocation of expenses for staffing and related personnel expenses.

Investments

The investment portfolio is reported by asset class in the chart below which is comprised of the investment managers' portfolios including cash equivalents. A summary of the Plan's cash, cash equivalents and investments for fiscal years ended June 30, 2006, 2005, and 2004 is as follows:

Cash, Cash Equivalents, and Investment Portfolio	(\$ millions)		
	2006	2005	2004
Fixed income	\$ 107.7	\$ 101.7	\$ 98.0
U.S. equities	81.1	78.5	74.8
International equities	36.9	27.2	25.2
Other	0.3	0.2	0.1
Total managed investments	226.0	207.6	198.1
Cash and cash equivalents on deposit with State	-	0.1	0.1
Securities lending collateral	18.7	31.5	25.7
Total cash, cash equivalents and investments	\$ 244.7	\$ 239.2	\$ 223.9

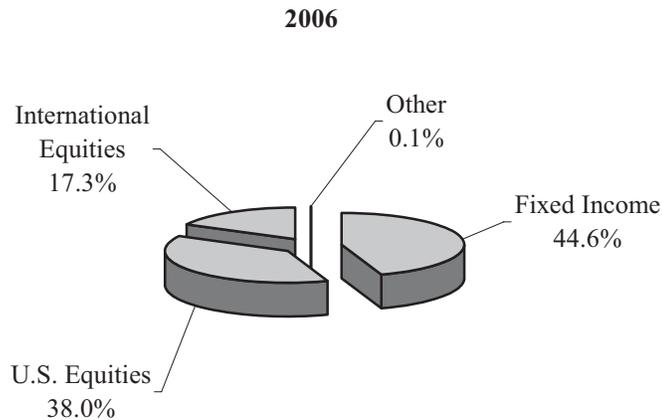
For the year ended June 30, 2006 the Plan's overall return was 6.6% with fixed income and equity index funds correlating closely with the market trends for the year. U.S. and international equities showed returns of 9.6% and 26.9%, respectively, and the negative return of the fixed income component was 2.0%. During the year \$5.0 million was reallocated from the U.S. equity index fund to the fixed income component and \$2.0 million from the fixed income component to the international equity index fund. In addition approximately \$5.3 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.

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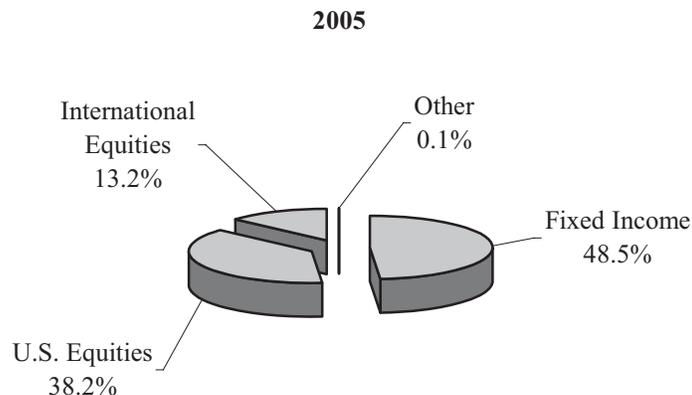
Management's Discussion and Analysis

At June 30, 2006 the distribution of the Plan's investments including accrued income and pending trades was as follows:



For the year ended June 30, 2005 the Plan's overall return was 10.3% with fixed income returns exceeding the market trends for the year, and equity index funds correlating closely with the market trends for the year. U.S. and international equities showed returns of 8.1% and 14.0%, respectively, and the return of fixed income component was 10.8%. During the year \$3.8 million was reallocated from equities to the fixed income component: \$2.3 million from the U.S. equity index fund and \$1.5 million from the international equity index fund. In addition approximately \$5.5 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, 2005 the distribution of the Plan's investments including accrued income and pending trades was as follows:



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Management's Discussion and Analysis

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:

<u>2006</u>	<u>2005</u>	<u>2004</u>
102.5%	108.7%	121.0%

Plan Amendments

Plan provision changes were enacted by the State Legislature during the session ended in May 2006 and a special session ended in June 2006. These changes include a cost of living adjustment to the benefit of those recipients retired as of June 30, 2005 and a legislative requirement that retirement bills be analyzed for actuarial fiscal impact and contain adequate funding sources sufficient to pay the cost of the change.

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, 2006 and 2005

Assets	2006	2005
Cash equivalents	\$ 543,296	\$ 639,402
Receivables:		
Member contributions	164,182	139,987
Participating court employer contributions	63,544	36,511
Due from brokers for securities sold	7,651,285	17,073,223
Accrued interest	868,981	801,802
Other	1,485	1,228
Total receivables	<u>8,749,477</u>	<u>18,052,751</u>
Investments, at fair value:		
Short-term investments	948,072	3,764,093
Government obligations	60,962,956	61,919,334
Corporate bonds	45,601,963	35,666,844
Domestic equity index fund	81,086,365	78,469,633
International equity index fund	36,851,571	27,190,773
Securities lending collateral	18,705,562	31,544,434
Total investments	<u>244,156,489</u>	<u>238,555,111</u>
Total assets	<u>253,449,262</u>	<u>257,247,264</u>
Liabilities		
Due to brokers and investment managers	21,026,179	19,997,476
Securities lending collateral	18,705,562	31,544,434
Total liabilities	<u>39,731,741</u>	<u>51,541,910</u>
Net assets held in trust for pension benefits (Schedule of Funding Progress is presented in Schedule 1)	<u>\$ 213,717,521</u>	<u>\$ 205,705,354</u>

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, 2006 and 2005

	<u>2006</u>	<u>2005</u>
Additions:		
Contributions:		
Members	\$ 2,058,456	\$ 1,716,996
Participating court employers	791,343	475,019
Total contributions	<u>2,849,799</u>	<u>2,192,015</u>
Investment income:		
From investing activities:		
Net appreciation in fair value of investments	9,093,971	15,385,282
Interest	4,324,819	4,055,172
Total investment income	<u>13,418,790</u>	<u>19,440,454</u>
Less – Investment expenses	<u>(141,612)</u>	<u>(107,136)</u>
Income from investing activities	13,277,178	19,333,318
From securities lending activities:		
Securities lending income	1,174,423	686,051
Securities lending expenses:		
Borrower rebates	(1,114,046)	(628,963)
Management fees	<u>(12,065)</u>	<u>(11,406)</u>
Income from securities lending activities	<u>48,312</u>	<u>45,682</u>
Net investment income	<u>13,325,490</u>	<u>19,379,000</u>
Total additions	16,175,289	21,571,015
Deductions:		
Retirement, death and survivor benefits	8,009,684	7,393,588
Refunds and withdrawals	55,220	164,018
Administrative expenses	98,218	87,744
Total deductions	<u>8,163,122</u>	<u>7,645,350</u>
Net increase	8,012,167	13,925,665
Net assets held in trust for pension benefits:		
Beginning of year	<u>205,705,354</u>	<u>191,779,689</u>
End of year	<u>\$ 213,717,521</u>	<u>\$ 205,705,354</u>

See accompanying notes to financial statements.

UNIFORM RETIREMENT SYSTEM FOR JUSTICES AND JUDGES

Administered by the Oklahoma Public Employees Retirement System

Notes to Financial Statements

June 30, 2006 and 2005

(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.

UNIFORM RETIREMENT SYSTEM FOR JUSTICES AND JUDGES

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Notes to Financial Statements

June 30, 2006 and 2005

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 that such changes could materially affect the amounts reported in the statements of plan net assets.

(c) Use of Estimates

The preparation of the Plan's financial statements in conformity with 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 the required supplementary information as of the benefit information date, the changes in plan net assets during the reporting period and, when applicable, the disclosures of contingent assets and liabilities at the date of the financial statements. Actual results could differ from those estimates.

(d) Risk and Uncertainties

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

(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.

UNIFORM RETIREMENT SYSTEM FOR JUSTICES AND JUDGES

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Notes to Financial Statements

June 30, 2006 and 2005

At June 30 the Plan's membership consisted of

	<u>2006</u>	<u>2005</u>
Retirees and beneficiaries currently receiving benefits	180	175
Terminated vested participants	10	9
Active participants	<u>272</u>	<u>266</u>
Total	<u>462</u>	<u>450</u>

(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, 2006 and 2005, totaled approximately \$45,000 and \$27,500, respectively.

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June 30, 2006 and 2005

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. Effective October 1, 2004 the benefit payment is equal to 50% up to 65% of the normal retirement benefit if certain contributions and other criteria are met. Prior to October 1, 2004 the benefit was equal to 50% of the normal retirement benefit. 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.

For the years ended June 30, 2006 and 2005, the Plan remitted up to \$105 per month for each eligible member receiving retirement benefits, excluding surviving spouses and joint annuitants, for health insurance premiums to the Oklahoma State and Education Employees Group Insurance Board, which administers various group health benefit plans for the State. The Plan is required by statute to remit this payment for eligible members, but has no administrative functions related to the payment and no portion of the contribution amounts of either active members or participating courts is specifically identified by statute as relating to such payment. The amounts remitted for the years ended June 30, 2006 and 2005, for such premiums were approximately \$127,000 and \$125,000, respectively, and are included in retirement, death, and survivor benefits.

(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. Effective September 1, 2005 the contribution rate of all justices and judges is 8% of a member's monthly salary. With the uniform 8% contribution rate, 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, 2006 and 2005 were 3% and 2%, respectively, of member payroll. The Board is authorized to adjust the contribution rates to prevent a funded ratio of the Plan of less than 100%.

Effective for the fiscal year ended June 30, 2007, the employer contribution rate will increase to 4.0% of payroll and will increase 1.5% annually up to 22% for fiscal years ending June 30, 2019, and thereafter.

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June 30, 2006 and 2005

(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

	<u>2006</u>		<u>2005</u>
Cash equivalents			
State Treasurer	\$ 22,749	\$	54,924
Custodial agent	<u>520,547</u>		<u>584,478</u>
Total cash equivalents	<u>\$ 543,296</u>	\$	<u>639,402</u>

In May 2005, the Plan transferred all cash deposits 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, and collateralized 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. At June 30, 2006 and 2005 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, 2006, as a result of outstanding checks, the Plan's carrying amount in *OK INVEST* totaled \$22,749 and the bank balances totaled \$138,783. At June 30, 2005, as a result of outstanding checks, the Plan's carrying amount in *OK INVEST* totaled \$54,924 and the bank balances totaled \$178,234. At June 30, 2006 and 2005 the carrying amounts of the Plan's custodial agent cash equivalents were the same as the bank balances, \$520,547 and \$584,478, 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.

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- Passive fund portfolios are suitable investment strategies, especially in highly efficient markets. These index funds with 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, 2006 and 2005 the asset allocation guidelines established by policy were U.S. equities – 38%, international equities – 16%, and domestic fixed income – 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:

	2006	2005
U.S. Treasury notes/bonds	\$ 26,739,659	\$ 27,658,526
U.S. Treasury strips	10,349,376	10,268,936
U.S. agencies	3,394,041	8,462,829
Government mortgage backed securities	20,023,796	18,007,657
Municipal bonds	492,225	595,984
Corporate bonds	14,920,339	18,100,180
Asset backed securities	17,547,846	9,649,654
Commercial mortgage backed securities	9,527,015	5,501,011
Non government backed collateralized mortgage obligations	4,170,622	2,750,816
Commercial paper	348,072	354,678
U.S. equity index fund	81,086,365	78,469,633
International equity index fund	36,851,571	27,190,773
Securities lending collateral	18,705,562	31,544,434
Total investments	\$ 244,156,489	\$ 238,555,111

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 2006 and 2005 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

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Notes to Financial Statements

June 30, 2006 and 2005

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 2006 and 2005, 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, 2006 and 2005, 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, 2006 and 2005 were \$28,319,793 and \$40,602,565, respectively, and the collateral received for those securities on loan was \$29,070,633 and \$41,750,250, 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, 2006 and 2005 the cash collateral investments had an average weighted maturity of 41 and 28 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.

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June 30, 2006 and 2005

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, 2006 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 \$114,057 of the portfolio in issues rated below BBB- and the core plus fixed income portfolio which held \$66,925 of the portfolio in issues rated below B. The Plan's investment managers have advised retention of these securities after having assessed the risk/reward profile of each security.

At June 30, 2005 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 \$330,368 of the portfolio in issues rated below BBB- and the core plus fixed income portfolio which held \$24,933 of the portfolio in issues rated below B. The Plan's investment managers have advised retention of these securities after having assessed the risk/reward profile of each security.

Investments issued by or explicitly guaranteed by the U.S. Government are not considered to have credit risk. At June 30, 2006 and 2005, the Plan held 25.4% and 27.9%, respectively, of fixed income portfolios in investments that were not considered to have credit risk.

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June 30, 2006 and 2005

The Plan's exposure to credit risk at June 30, 2006 is presented below, in thousands, by investment category as rated by S&P or Moody's Investor Service.

	<u>AAA/Aaa</u>	<u>AA/Aa</u>	<u>A/A</u>	<u>BBB/Baa</u>	<u>BB/Ba</u>	<u>B/B</u>	<u>Rating Not Available or Not Rated</u>	<u>Total</u>
U.S. Treasury strips	\$ 10,349	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 10,349
U.S. agencies	2,486	—	—	—	—	—	677	3,163
Government mortgage backed securities	—	—	—	—	—	—	19,680	19,680
Municipal bonds	—	43	—	449	—	—	—	492
Corporate bonds	2,174	3,447	4,211	3,780	836	378	94	14,920
Asset backed securities	16,342	121	280	160	147	—	498	17,548
Commercial mortgage backed securities	9,446	81	—	—	—	—	—	9,527
Non government backed collateralized mortgage obligations	4,171	—	—	—	—	—	—	4,171
Commercial paper	—	—	—	—	—	—	348	348
Total fixed income securities exposed to credit risk	\$ 44,968	\$ 3,692	\$ 4,491	\$ 4,389	\$ 983	\$ 378	\$ 21,297	\$ 80,198
Percent of total fixed income portfolio	41.8%	3.4%	4.2%	4.1%	0.9%	0.4%	19.8%	74.6%

The Plan's exposure to credit risk at June 30, 2005 is presented below, in thousands, by investment category as rated by S&P.

	<u>AAA</u>	<u>AA</u>	<u>A</u>	<u>BBB</u>	<u>BB</u>	<u>B</u>	<u>CCC</u>	<u>Rating Not Available or Not Rated</u>	<u>Total</u>
U.S. Treasury strips	\$ 10,269	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 10,269
U.S. agencies	6,986	—	—	—	—	—	—	1,173	8,159
Government mortgage backed securities	3,633	—	—	—	—	—	—	14,039	17,672
Municipal bonds	—	—	—	545	—	—	—	51	596
Corporate bonds	2,009	3,644	4,459	4,572	1,751	368	25	1,272	18,100
Asset backed securities	8,297	412	240	166	227	—	—	307	9,649
Commercial mortgage backed securities	3,409	—	—	—	—	—	—	2,092	5,501
Non government backed collateralized mortgage obligations	2,405	—	—	—	—	—	—	346	2,751
Commercial paper	—	—	180	—	—	—	—	175	355
Total fixed income securities exposed to credit risk	\$ 37,008	\$ 4,056	\$ 4,879	\$ 5,283	\$ 1,978	\$ 368	\$ 25	\$ 19,455	\$ 73,052
Percent of total fixed income portfolio	36.5%	4.0%	4.8%	5.2%	2.0%	0.4%	0.0%	19.7%	72.1%

UNIFORM RETIREMENT SYSTEM FOR JUSTICES AND JUDGES

Administered by the Oklahoma Public Employees Retirement System

Notes to Financial Statements

June 30, 2006 and 2005

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

Credit Rating	2006		2005	
	OK Invest	Custodial Agent	OK Invest	Custodial Agent
AAA	81.8%	—	71.6%	—
A1	18.2%	92.3%	28.4%	97.8%
A2	—	7.7%	—	2.2%
	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.

UNIFORM RETIREMENT SYSTEM FOR JUSTICES AND JUDGES

Administered by the Oklahoma Public Employees Retirement System

Notes to Financial Statements

June 30, 2006 and 2005

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

	2006		2005	
	Fair value	Modified duration in years	Fair value	Modified duration in years
U.S. Treasury notes/bonds	\$ 26,739,659	8.94	27,658,526	8.53
U.S. Treasury strips	10,349,376	17.60	10,268,936	21.45
U.S. agencies	3,394,041	1.87	8,462,829	1.99
Government mortgage backed securities	20,023,796	11.60	18,007,657	10.63
Municipal bonds	492,225	4.51	595,984	5.45
Corporate bonds	14,920,339	5.67	18,100,180	5.92
Asset backed securities	17,547,846	9.30	9,649,654	7.87
Commercial mortgage-backed securities	9,527,015	13.37	5,501,011	13.96
Non-government backed collateralized mortgage obligations	4,170,622	14.13	2,750,816	13.79
Commercial paper	348,072	0.00	354,678	0.05
Total fixed income	\$ 107,512,991		\$ 101,350,271	
Portfolio duration		10.19		9.53

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, 2006 and 2005 the Plan held \$17,547,846 and \$9,649,654, respectively, in asset-backed securities.

Mortgage backed securities are securities backed by mortgages issued by public and private institutions. At June 30, 2006 and 2005 the Plan held \$20,023,796 and \$18,007,657, 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 \$9,527,015 and \$5,501,011, respectively, in commercial mortgage backed securities.

UNIFORM RETIREMENT SYSTEM FOR JUSTICES AND JUDGES

Administered by the Oklahoma Public Employees Retirement System

Notes to Financial Statements

June 30, 2006 and 2005

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 tranche 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, 2006 and 2005 the Plan held \$4,170,622 and \$2,750,816, 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:

Maturities (in days)	2006		2005	
	OK Invest	Custodial Agent	OK Invest	Custodial Agent
0 - 14	30.8%	32.0%	43.3%	51.2%
15 - 30	1.4%	32.5%	—	16.0%
31 - 60	3.3%	11.8%	2.5%	6.7%
61 - 90	3.0%	5.4%	1.9%	6.7%
91 - 180	8.7%	9.0%	7.7%	18.7%
181 - 364	11.8%	9.2%	16.7%	0.7%
365 - 730	23.3%	0.1%	16.6%	—
Over 730	17.7%	—	11.3%	—
	100.0%	100.0%	100.0%	100.0%

(5) Federal Income Tax Status

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

UNIFORM RETIREMENT SYSTEM FOR JUSTICES AND JUDGES

Administered by the Oklahoma Public Employees Retirement System

Notes to Financial Statements

June 30, 2006 and 2005

(6) Plan Amendments

The following is a summary of significant plan provision changes that were enacted by the State Legislature during the session ended in May 2006 and a special session ended in June 2006:

(a) *Retiree Benefit Increase*

Beginning with the July 2006 benefit payments, any person, who was receiving benefits from the Plan on June 30, 2005 and who continues to receive benefits on or after July 1, 2006, will receive a 4% cost of living increase.

(b) *Oklahoma Pension Legislation Actuarial Analysis Act*

Any future legislative changes to plan provisions that have a fiscal impact on the Plan will be subject to three requirements. Each retirement bill must be analyzed for actuarial fiscal impact by the Legislative Actuary hired by the Legislative Service Bureau. In addition a retirement bill with fiscal impact must be introduced in odd-numbered years and voted on in even-numbered years with the exception of an emergency bill that has passed by a three-fourths vote of both the House of Representatives and the Senate. Finally, a retirement bill with fiscal impact must contain adequate funding either through a lump-sum appropriation or an increase in contributions sufficient to pay the cost of the change. Cost of living adjustments are exempt from this requirement only if they do not exceed the actuarial assumption of the Plan.

(7) New Accounting Pronouncement

The Plan adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 44, *Economic Condition Reporting: The Statistical Section* in 2006. Statement No. 44 amends the portions of National Council on Governmental Accounting Statement No. 1, *Governmental Accounting and Financial Reporting Principles* that guides the preparation of the statistical section that accompanies a government's basic financial statements.

UNIFORM RETIREMENT SYSTEM FOR JUSTICES AND JUDGES

Administered by the Oklahoma Public Employees Retirement System

Required Supplementary Information
(Unaudited)

June 30, 2006

Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a/c))
7/1/01	\$ 184,909,669	\$ 139,157,241	\$ (45,752,428)	132.9%	\$ 23,808,429	(192.2%)
7/1/02	193,010,895	130,227,043	(62,783,852)	148.2%	25,744,427	(243.9%)
7/1/03	196,989,778	140,856,203	(56,133,575)	139.9%	25,652,805	(218.8%)
7/1/04	201,141,649	166,275,941	(34,865,708)	121.0%	25,715,005	(135.6%)
7/1/05	203,951,085	187,556,845	(16,394,240)	108.7%	24,814,338	(66.1%)
7/1/06	210,376,209	205,305,048	(5,071,161)	102.5%	27,488,381	(18.4%)

Schedule of Employer Contributions

Year Ended June 30,	Annual Required Contribution	Percentage Contributed
2001	\$ 1,109,744	170.0%
2002	977,570	50.3%
2003	—	N/A
2004	—	N/A
2005	2,234,175	21.3%
2006	4,441,184	17.8%

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

UNIFORM RETIREMENT SYSTEM FOR JUSTICES AND JUDGES

Administered by the Oklahoma Public Employees Retirement System

Note to Schedule 1 Required Supplementary Information
(Unaudited)

June 30, 2006

Actuarial Assumptions and Methods

The information presented in the required supplemental schedules was determined as part of the actuarial valuations at the dates indicated. Additional information as of the latest actuarial valuation date, July 1, 2006, is as follows:

Funding Method

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

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

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

Asset Valuation Method

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

UNIFORM RETIREMENT SYSTEM FOR JUSTICES AND JUDGES

Administered by the Oklahoma Public Employees Retirement System

Note to Schedule 1 Required Supplementary Information
(Unaudited)

June 30, 2006

Significant actuarial assumptions employed by the actuary for funding purposes as of July 1, 2006, are as follows:

- Investment Return – 7.25% per annum, compounded annually
- Salary Increases – 5.5% per year
- Mortality Rates – Active participants and nondisabled pensioners – RP-2000 Mortality Table projected to 2010 by Scale AA (disabled pensioners set forward 15 years)
- Post Retirement Benefit Increases – 2% per year
- Post Retirement Health Insurance Premium – The Plan is required by statute to contribute up to \$105 per month or the Medicare Supplement Premium, if less, for eligible Plan members receiving retirement benefits who elect health insurance coverage through the Oklahoma State and Education Employee's Group Health Program, which administers various group health benefit plans.
- Assumed inflation rate – 2.5%

The key items responsible for the change in the funded status at July 1, 2006, compared to July 1, 2005, are as follows:

- Liability losses occurred, increasing the actuarial accrued liability to a value \$6.1 million more than expected.
- The actuarial value of assets is determined using a method to smooth gains and losses to result in more stable costs. As a result, the return on the actuarial value was approximately 5.8% compared to the expected return of 7.25% resulting in an actuarial loss of \$2.9 million.

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, 2006 and 2005

	<u>2006</u>	<u>2005</u>
Investment management fees:		
Fixed Income Managers:		
Blackrock Financial Management, Inc.	\$ 56,026	\$ 55,002
Hoisington Investment Management	22,802	22,629
Metropolitan West Asset Management, LLC	35,414	4,150
U.S. Equity Manager:		
Barclays Global Investors	9,833	9,063
International Equity Manager:		
Barclays Global Investors	10,014	8,740
Total investment management fees	<u>134,089</u>	<u>99,584</u>
Investment consultant fees:		
Strategic Investment Solutions, Inc.	4,273	4,310
Investment custodial fees:		
Northern Trust Company	3,250	3,242
Total investment expenses	<u>\$ 141,612</u>	<u>\$ 107,136</u>

See accompanying independent auditors' report.

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, 2006 and 2005

	<u>2006</u>	<u>2005</u>
Professional / Consultant services	\$ 6,074	\$ 7,489
Allocated administrative expenses (see note below)	<u>92,144</u>	<u>80,255</u>
	<u>\$ 98,218</u>	<u>\$ 87,744</u>

Note to Schedule of Administrative Expenses:

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

See accompanying independent auditors' report.

UNIFORM RETIREMENT SYSTEM FOR JUSTICES AND JUDGES

Administered by the Oklahoma Public Employees Retirement System

Supplementary Information

Schedule of Professional/Consultant Fees

Years Ended June 30, 2006 and 2005

<u>Professional/Consultant</u>	<u>Service</u>		<u>2006</u>		<u>2005</u>
Mercer Human Resource Consulting	Actuarial	\$	1,860	\$	4,879
KPMG LLP	External Auditor		2,106		2,009
Finley & Cook, PLLC	Internal Auditor		2,108		601
		\$	<u>6,074</u>	\$	<u>7,489</u>

See accompanying independent auditors' report.

Investment Section



Nowata County Courthouse - Nowata

The Nowata County Courthouse was designed by architect, J.W. Roberts, and work was completed in 1911 and 1912 by the C.C. Clepper Construction Company. The project cost a total of \$69,595. The red brick and granite building is a unique combination of architectural elements. The dominant style is Neo-Classical with colossal columns, symmetrical arrangement of component parts, and corner pilasters. Another important element of design is the Second Renaissance Revival use of distinctive horizontal zones. Above all of this is a distinctive, octagonal cupola with a tiled roof.

STRATEGIC INVESTMENT SOLUTIONS, INC.

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SAN FRANCISCO, CALIFORNIA 94104

BARRY W. DENNIS
MANAGING DIRECTOR

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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 7.25% while its investment consultant estimates the real return requirement to be 5.0%.

Secondary goals are to outperform the asset allocation-weighted benchmark and to rank in the top forty percent of a universe of public pension funds.

Asset Allocation

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

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

ASSET CLASS	6/30/06 ALLOCATION	LOW	TARGET	HIGH	% PASSIVE OR SEMI-PASSIVE
US EQUITY	38.0%	34.5%	38.0%	41.5%	100.0%
FIXED INCOME	44.6%	43.8%	46.0%	48.2%	63.9%
NON-US EQUITY	17.3%	12.5%	16.0%	19.5%	100.0%
CASH	0.1%	0.0%	0.0%	5.0%	100.0%

Review of Fiscal 2006 Investment Environment

Fiscal year ended June 30, 2006 saw an investment climate that clearly favored the US Value-style (+12.3%) equity markets on a relative basis over the US Growth-style equities (+6.8%), a continuation of a trend that has developed over the past six years. The total US equity market was up (+9.6% - Russell 3000 Index) for the 12-month period ending June 30, 2006. Fiscal year 2006 was the third consecutive fiscal year that equity markets were positive. Non-US equity markets once again fared even better (+28.4% - MSCI ACWI Free ex-US). The US fixed income market produced a negative return (-0.8% Lehman Aggregate Index) for the fiscal year ending June 30, 2006 as rising short-term interest rates and a shift in the overall yield curve upwards had an impact on overall returns.

Within the US equity market, stocks of small companies once again outperformed large (+14.6% versus +9.1%). Value stocks outperformed growth by wide margins in large caps (+12.1% versus +6.1%) and performed in-line within small caps (+14.6% versus +14.6%).

Performance Review

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

Investment returns achieved through June 30, 2006 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, 2006 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 also performed above its respective (80% Lehman Aggregate/ 20% Citigroup 20 -Year Index) custom benchmark. The Domestic Equity asset class and Non-US Equity ranked slightly below median, while the US Fixed Income asset class ranked in the bottom decile.

Results in the US Equity and Non-US Equity asset classes performed right at their respective benchmarks and had little impact on the Fund's overall results for annualized periods of three and five years. Conversely, Fixed Income has helped the overall portfolio's results for the annualized time periods of three and five years.

Strategic Investment Solutions prepares a Quarterly Report of Investment Performance for the Fund based on Performance calculations made by the Fund's custodian The Northern Trust Company. The one-year, three-year, and five-year time-weighted rates of return for the years ended June 30, 2006 are

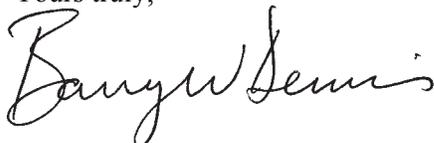
PERIODS ENDED 6/30/06	ONE YEAR	THREE YEARS	FIVE YEARS
Domestic Equity <i>Russell 3000</i> Rank	+9.6% +9.6% 58*	+12.6% +12.6% 66	+3.3% +3.4% 67
Non-US Equity <i>MSCI EAFE</i> Rank	+26.9% +27.1% 58	+24.3% +24.4% 56	+9.8% +10.4% 81
Fixed Income <i>80% Lehman Agg/20% Citi 20-Year Index</i> Rank	-2.0% -2.3% 96	+3.1% +2.5% 29	+5.8% +5.3% 38
Total Fund <i>Policy Benchmark*** Public Fund > \$100 Million</i> Rank**	+6.6% +5.5% +10.2% 93	+9.6% +8.9% +11.7% 91	+6.3% +5.5% +6.5% 59

* Ranking 1 is best, 100 is worst.

** Rankings source - ICC Public Funds Universe

***Policy Benchmark is 38% Russell 3000/ 46% (80% Lehman Agg and 20% Citi 20-Yr.)
Custom Fixed Income Benchmark / 16% MSCI EAFE.

Yours truly,



Barry Dennis
Managing Director



STATE OF OKLAHOMA

UNIFORM RETIREMENT SYSTEM FOR JUSTICES AND JUDGES

Chief Investment Officer's Report

Dear Members:

In this letter we will look back at the environment and events that helped to shape investment returns for the fiscal year ending June 30, 2006. 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.

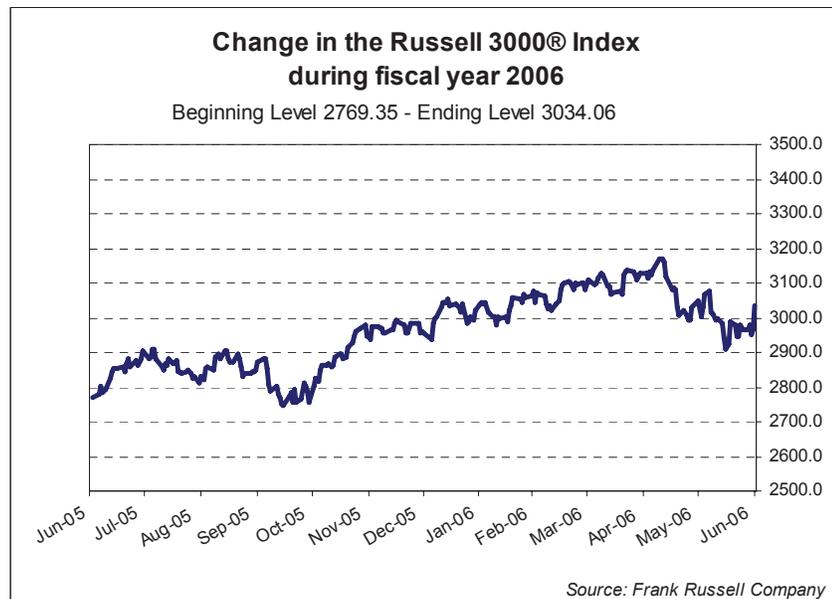
Economic Environment

Repeat Performance - During the 12-months ending June 30, 2006 the economy performed remarkably like the prior fiscal year. Real gross domestic product again grew by 3.5% which was near the average year over year growth rate since 1946 of 3.45%. Labor markets likewise continued to improve as the unemployment rate went from 5.0% to 4.6%. Corporate profits were solid. Corporate profits after tax during the period rose 17.4% on a year over year basis. Business investment was healthy as nonresidential fixed investment grew by 7.2% for the period. Higher interest rates and higher energy prices toward the end of the period were beginning to have an impact on the U.S. housing market.

Capital Markets

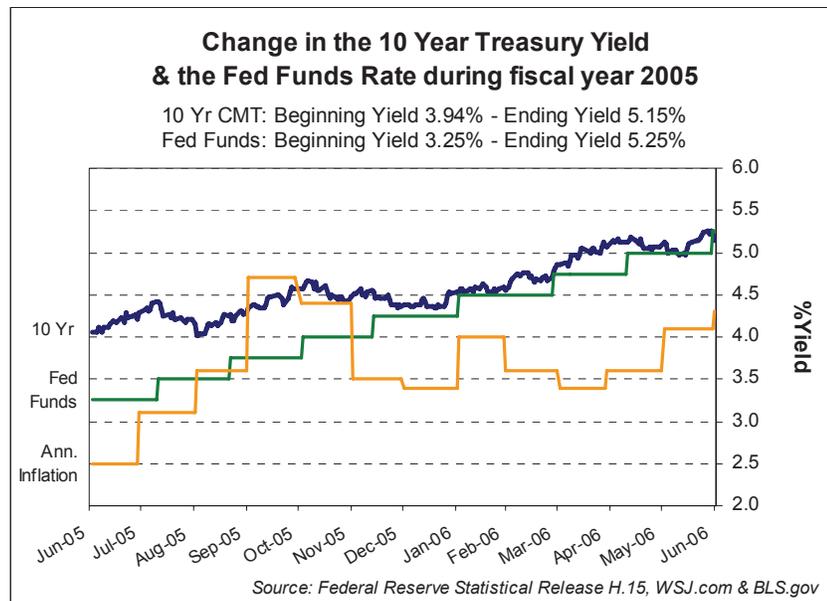
U.S. Stock Market –

The chart to the right shows the level of the Russell 3000 stock index. This broad measure of the U.S. stock market finished the fiscal year nicely above where it began. Only for a brief period during September was the market below where it started the year. In October the market resumed the upward trend that began in March of 2003. The stock



market focused on positive economic fundamentals and strong corporate earnings though it got a bit ahead of itself from March to mid-May in anticipating that the Federal Reserve would stop raising rates. The mid-May correction could not erase the positive returns for U.S. equities.

Interest Rates – In contrast to the previous fiscal year, short term rates and long term rates went up together this year. Year over year inflation rose in a fairly dramatic fashion early in the period. This left little doubt that the Fed would continue to raise rates to stem inflation. The Fed raised the Fed Funds rate 25 basis points at each of their eight meetings during the period. The Fed Funds rate went from 3.25% to 5.25% during the fiscal year. Yields on the ten-year Treasury bond rose from 3.94% to 5.15%. The higher yields translated into lower bond prices and made fiscal year 2006 a poor year for fixed income returns.



Investment Returns Through June 2006

US Equity	Asset Class	1 Year	3 Years	5 Years
Russell 3000	Broad US Equity	9.56%	12.56%	3.53%
S&P 500	Large Cap Equity	8.63%	11.22%	2.49%
Russell 1000 Growth	Large Cap Growth	6.12%	8.35%	(0.76%)
Russell 1000 Value	Large Cap Value	12.10%	15.70%	6.90%
Russell 2000	Small Cap Equity	14.58%	18.70%	8.50%
Russell 2000 Growth	Small Cap Growth	14.58%	16.27%	3.49%
Russell 2000 Value	Small Cap Value	14.61%	21.01%	13.09%
Uniform Retirement System for Justices & Judges	Broad US Equity	9.63%	12.57%	3.31%
US Fixed Income	Asset Class	1 Year	3 Years	5 Years
3 month Treasury Bills	Cash	3.98%	2.37%	2.26%
Lehman Aggregate	Core Bonds	(0.81%)	2.05%	4.97%
Salomon Corporate	Corporate Bonds	(1.98%)	2.23%	5.79%
Merrill Lynch High Yield Master II	High Yield Bonds	4.71%	8.47%	8.33%
Uniform Retirement System for Justices & Judges	Domestic Fixed Income	(1.98%)	3.06%	5.85%
International	Asset Class	1 Year	3 Years	5 Years
MSCI ACWI Free Ex-US	Broad Non-US Equity	28.40%	25.78%	11.85%
MSCI EAFE	Developed Non-US Equity	27.07%	24.43%	10.44%
MSCI Emerging Mkts. Free	Emerging Non-US Equity	35.91%	34.77%	21.54%
Lehman Global Ex-US Bond	Global Bonds	0.18%	5.11%	9.49%
Uniform Retirement System for Justices & Judges	International Equity	26.99%	24.31%	9.78%
Uniform Retirement System for Justices & Judges	Total Fund	6.60%	9.55%	6.27%

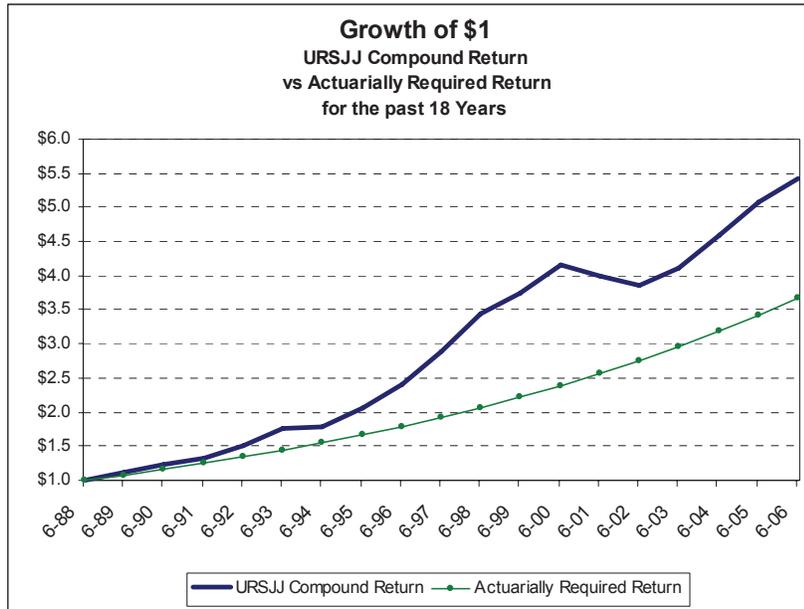
Source: Strategic Investment Solutions; Northern Trust

Investment Performance

Stocks gain and Bonds falter – International equities had very strong double digit gains for the fiscal year ending June 30, 2006. Bonds registered negative results as inflation worries gripped investors and the Fed continued to raise rates. In the middle were U.S. equities which turned in respectable single digit returns. Value-oriented U.S. equities continued to outperform their growth counterparts, while investors saw smaller companies outpace larger ones. These trends which have been in place for some time began to show signs of reversing themselves late in the period.

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 of 7.25% would have produced. Over this long-term horizon of the past 18 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 of 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 mathematically, a similar drop in bond yields from current levels is implausible. Stock dividend yields are relatively low and stocks seem fully priced by historical standards. We, therefore, anticipate that beating the 7.25% 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. The Board’s decision last year to increase the allocation to International Equity by lowering the allocation to Domestic Fixed income was very beneficial for the Fund during the 2006 fiscal year.

Asset Class	Min	06/30/06	Target	Max
Domestic Fixed Income	43.8%	44.7%	46.0%	48.2%
US Equity	34.5%	38.0%	38.0%	41.5%
International Equity	12.5%	17.3%	16.0%	19.5%
Total Fund		100.0%	100%	

Recent Events and Outlook

Looking Ahead – As we look forward, the investment environment seems to hinge on whether or not the Fed has been able to dampen inflation without causing a pronounced decline in economic activity. This hoped for, measured slowdown in economic activity would be what economists and investors refer to as the ‘soft landing’ scenario. If the Fed has been able to engineer a soft landing scenario, inflation would be expected to moderate and the Fed would not be inclined to raise rates. Signs are mounting that the U.S. housing market is slowing markedly from its recent rapid pace. Higher interest rates, mortgage rates included, have lowered the affordability of houses reducing demand and real estate speculation in some markets. Investors are hoping the housing market slows in an orderly fashion without seriously curtailing consumer sentiment. Fears of oil supply disruptions due to weather and geopolitical tensions have subsided of late reducing at least for now the price of energy which has contributed to rising inflation and consumer angst.

Recent developments have been constructive, however, several concerns remain. Some observers fear that inflation is not yet tamed and that the Fed will have to raise rates further. If the Fed has to resume raising rates it would likely lead to sharp corrections in the capital markets. The continued high current account deficit and U.S. Government deficit introduce the possibility for greater variability in U.S. interest rates and they threaten the value of the U.S. dollar. While such an environment may present challenges, we anticipate that over the long term our diversification and rebalancing discipline will provide appropriate risk controls.

Investment Philosophies and Guiding Principles

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

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

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

Sincerely,



Kirk D. Stebbins, CFA
Chief Investment Officer

Largest Holdings

The Plan's ten largest fixed income holdings at June 30, 2006, are described in the following schedule. The Plan invests in various index funds 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	\$ 18,999,000	\$ 6,200,419
U. S. Treasury Notes 4.5% due 11-15-2015	3,780,000	3,600,450
U. S. Treasury Notes 4.875% due 5-31-2008	2,750,000	2,734,639
U. S. Treasury Bonds 6.25% due 8-15-2023	2,415,000	2,663,482
U. S. Treasury Bonds 6.375% due 8-15-2027	2,093,000	2,375,718
U. S. Treasury Bonds 6.0% due 2-15-2026	2,158,000	2,337,552
U. S. Treasury Bonds Principal Strips due 8-15- 2025	5,639,000	2,055,246
U. S. Treasury Bonds 5.25% due 2-15-2029	1,945,000	1,936,491
U.S. Treasury Notes 4.25% due 11-15-2014	1,978,000	1,860,248
U.S. Treasury Bonds 5.25% due 11-15-2028	1,763,000	1,754,735

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

Fund	Units	Fair Value
BGI Russell 3000 Index Fund	7,217,554	\$ 81,086,365
BGI EAFE Equity Index Fund	221,655	36,851,571

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

Schedule of Stock Brokerage Commissions Paid

Year ended June 30, 2006

None

Investment Portfolio by Type and Manager

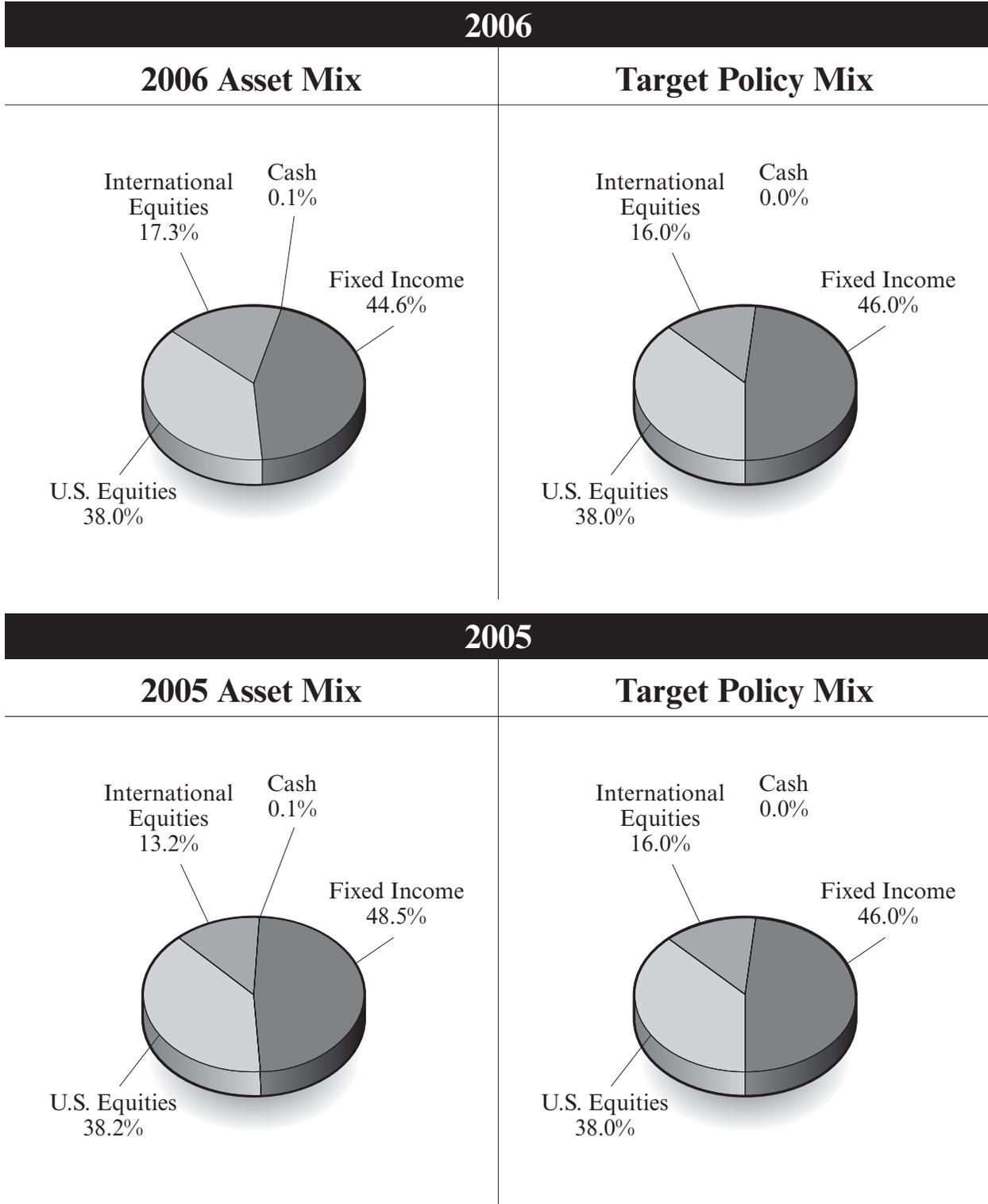
At June 30, 2006, the investment portfolio of URSJJ was allocated by type and style as follows:

<u>Investment Type and Manager</u>	<u>Style</u>	<u>Fair Value*</u> <i>(000's)</i>	<u>Percent of Total Fair Value</u>
Fixed Income:			
Hoisington Investment Management	Interest Rate Anticipation	\$ 17,396	7.7%
Blackrock Financial Management, Inc.	Enhanced Index	72,729	32.2%
Metropolitan West Asset Management	Full Range Core +	<u>17,615</u>	<u>7.8%</u>
Total Fixed Income		107,740	47.7%
US Equities:			
Barclays Global Investors	Index Fund – Russell 3000	81,086	35.9%
International Equities:			
Barclays Global Investors	Index Fund – EAFE	36,852	16.3%
Short-term Investment Funds	Operating Cash	<u>293</u>	<u>0.1%</u>
Total Managed Investments		225,971	100.0%
Securities Lending Collateral		18,705	
Cash equivalents on deposit with State		<u>23</u>	
Total Investments and Cash Equivalents		<u>\$ 244,699</u>	
Statement of Plan Net Assets			
Cash equivalents		\$ 543	
Investments		<u>244,156</u>	
Total Investments and Cash Equivalents		<u>\$ 244,699</u>	

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

Asset Comparison

A comparison of the actual investment distribution at June 30, 2006 and 2005, 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:



Actuarial Section



Love County Courthouse - Marietta

The Love County Courthouse was completed in April of 1910 and was the first courthouse constructed in Oklahoma after statehood. Designed by Walter E. Taylor, the building was constructed by the Falls City Construction Company at a cost of \$65,000. Like so many other courthouses built during the statehood era, it combines elements of Neo-Classical and Second Renaissance Revival architectural styles. It remains in excellent condition and houses the county offices and district courtroom.

October 16, 2006

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, 2006 Actuarial Valuation

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, 2006 for the purpose of determining the actuarial contribution rate for the fiscal year ending June 30, 2007 and calculating and analyzing key financial measurements. Actuarial valuations are performed annually. There was no change in the actuarial assumptions or methods from the prior valuation. There was one change in the benefit provision, a 4% ad hoc COLA for retirees.

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 them as in this section. The assumptions comply with the requirements in Statement 25 of the Governmental Accounting Standards Board.

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

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

Summary of Principal Valuation Results

The key results for the July 1, 2006 valuation are presented below, along with a comparison to the prior valuation results.

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

Summary of Actuarial Assumptions and Methods

1. The investment return rate used in the valuation was 7.25 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 7.25 percent investment return rate translates to an assumed real rate of return of 4.75 percent.
2. The RP-2000 Mortality Table projected to 2010 using Scale AA for males and females is used for preretirement and postretirement mortality.
3. The probabilities 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 (21 years as of July 1, 2006).
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 recommendations by the actuary. The assumptions and methods used for the July 1, 2006 valuation were adopted by the Board based on System experience through June 30, 2004.
9. There was no change in the actuarial assumptions since the prior valuation.
10. There was one change in the System provision that changed since the July 1, 2005 valuation. Retirees received a 4% ad hoc COLA.

Summary of Actuarial Assumptions and Methods (continued)

Schedule 1

Percent of Eligible Active Members Retiring Within Next Year

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

Schedule of Active Member Valuation Data

Valuation Date	Number	Annual Payroll ¹	Annual Average Pay	% Increase in Average Pay
July 1, 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
July 1, 1998	256	21,113,393	82,474	7.92
July 1, 1997	257	19,640,015	76,420	10.97

¹The 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

Year Ended	Added to Rolls		Removed from Rolls		Rolls – End of Year		% Increase in Annual Allowances	Average Annual Allowances
	No.	Annual Allowances	No.	Annual Allowances	No.	Annual Allowances		
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
June 30, 1998	4	266,484	4	59,249	142	3,868,549	5.66	27,243
June 30, 1997	7	262,747	9	181,763	142	3,661,314	2.26	25,784
June 30, 1996	4	170,646	9	125,826	144	3,580,330	1.27	24,863

Analysis of Financial Experience

Gains & Losses in Actuarial Accrued Liability During the Year Ended June 30, 2006 Resulting from Differences Between Assumed Experience & Actual Experience

Type of Activity	Gain (or Loss) for Year 2006
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.	\$ (1,100,000)
2. Death Benefits. If survivor claims are less than assumed, there is a gain. If more claims, there is a loss.	(500,000)
3. Withdrawal from Employment. If more liabilities are released by withdrawals than assumed, there is a gain. If smaller releases, a loss.	(500,000)
4. Pay Increases. If there are smaller pay increase than assumed, there is a gain. If greater increases, a loss.	(1,100,000)
5. New Entrants. All new entrants to the System create a loss.	(300,000)
6. Other. Miscellaneous gains and losses resulting from data adjustments, employee transfers, valuation methods, etc.	(2,600,000)
7. Gain (or Loss) During Year From Financial Experience.	(2,860,000)
8. Composite Gain (or Loss) During Year.	\$ (8,960,000)

Summary of System Provisions

<i>Employees Included:</i>	All Justices and Judges of the Supreme Court, Court of Criminal Appeals, Workers Compensation Court, Courts of Appeals or District Court who serve in the State of Oklahoma participate in the Uniform Retirement System for Justices and Judges.
<i>System Contributions:</i>	The contributions are received from the employer agencies based on a percentage of salary of covered members. This 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%.
<i>Member Contributions:</i>	Before September 1, 2005, basic member contributions equal 5% of salary, while married members could have elected an 8% contribution rate in order to provide survivor coverage. After September 1, 2005, the member contribution rate for all members is 8% of salary.
<i>Final Average Salary:</i>	The average monthly salary received during the highest three years of active service as a Justice or Judge in a court of record.
<i>Retirement Date:</i>	A member who completes eight years of service and attains age 65, or completes ten years of service and attains age 60, or whose sum of years of service and age equals or exceeds 80, may begin receiving retirement benefits at his request.
<i>Normal Retirement Benefit:</i>	General formula is 4% of average monthly salary multiplied by service, up to a maximum benefit of 100% of final average salary.
<i>Disability Benefit:</i>	After fifteen years of service and age 55, provided the member is ordered to retire by reason of disability is eligible for disability retirement benefits. This benefit, payable for life, is calculated in the same manner as a normal retirement benefit but cannot exceed 100% of final average salary.
<i>Survivor Benefit:</i>	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 this survivor coverage, members must be married to their spouse for three years preceding death and they must be married 90

Summary of System Provisions (continued)

days prior to the member's termination of employment as a spouse 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:

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

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

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.

Date	Actuarial Accrued Liabilities ¹ and Valuation Assets				Portion of Actuarial Accrued Liabilities Covered by Reported Assets			Funded Ratio of Total Actuarial Liabilities	
	Active Member Contributions (Liability 1)	Retirees, Beneficiaries and Terminated Vested Members (Liability 2)	Employer Financed Portion of Active Members (Liability 3)	Total Liability ¹ (1 + 2 + 3)	Reported Assets ²	(1)	(2)		(3)
7/1/97 ¹	\$9,474,539	\$ 33,729,719	\$74,277,397	\$117,481,655	\$112,404,622	100%	100%	93.2%	95.7%
7/1/98 ¹	10,554,489	34,903,094	80,922,001	126,379,584	129,231,167	100	100	100.0	102.3
7/1/99 ¹	10,526,150	45,162,645	113,295,085	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

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

² Actuarial value of assets based on the smoothing technique adopted by the Board. The June 30, 2006, market value of net assets available for benefits was approximately \$213,717,521.

Statistical Section



Payne County Courthouse - Stillwater

The Payne County Courthouse was completed in December, 1918, at a cost of \$110,550. It contains marble corridors and stairways, an imposing oval-shaped courtroom and modern, convenient offices. Five thousand citizens toured the new structure during an open house held in January, 1919. In 1966, county citizens voted to spend \$995,000 on construction which doubled the size of the courthouse and the addition was completed on the west side of the original courthouse building.

Another renovation was completed in November, 2005.

Schedule of Changes in Net Assets

Year Ending June 30	Additions						Total Changes in Net Assets
	Contributions		Investment Income	Benefit Payments	Deductions		
	Member	Employer			Administrative Expenses	Refunds	
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
1998	1,307,193	2,877,610	24,706,229	3,943,685	85,243	59,664	24,802,440
1997	1,201,426	4,774,895	20,671,927	3,755,078	75,925	68,994	22,748,251

Schedule of Revenue by Source

Year Ending June 30	Member Contributions	Employer Contributions		Investment Income (Loss)	Total
		Dollars	% of Annual Covered Payroll		
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
1998	1,307,193	2,877,610	14.65	24,706,229	28,891,032
1997	1,201,426	4,774,895	27.30	20,671,927	26,648,248

Schedule of Expenses by Type

Year Ending June 30	Benefit Payments	Administrative Expenses	Refunds and Withdrawals	Total
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
1998	3,943,685	85,243	59,664	4,088,592
1997	3,755,078	75,925	68,994	3,899,997

Schedule of Retired Members by Type of Benefit

June 30, 2006

Amount of Monthly Benefit	Number of Retirees	Type of Retirement**				Option Selected #			
		1	2	3	4	Opt. 1	Opt. 2	Opt. 3	Opt. 4
\$ 1 - 1,000	13	-	13	-	-	-	13	-	-
1,001 - 2,000	32	7	25	-	-	1	31	-	-
2,001 - 3,000	22	15	7	-	-	5	17	-	-
3,001 - 4,000	34	30	3	-	1	13	20	1	1
4,001 - 5,000	31	29	-	2	-	8	22	-	-
Over - 5,000	<u>48</u>	<u>48</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>5</u>	<u>42</u>	<u>-</u>	<u>1</u>
Totals	<u>180</u>	<u>129</u>	<u>48</u>	<u>2</u>	<u>1</u>	<u>32</u>	<u>145</u>	<u>1</u>	<u>2</u>

**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 - The maximum benefit is paid for the member's lifetime.
- Option 2 - 50% to 65% Survivor Annuity is 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

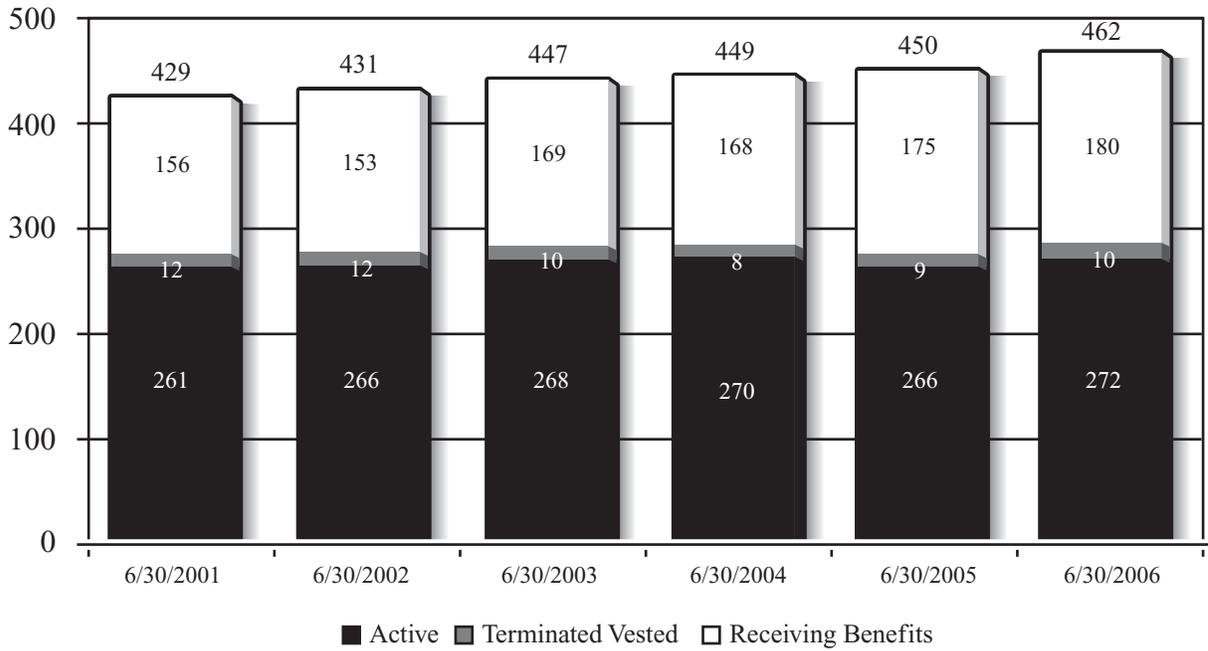
At June 30, 2006, there are 10 former members with deferred future benefits.

Schedule of Average Benefit Payments

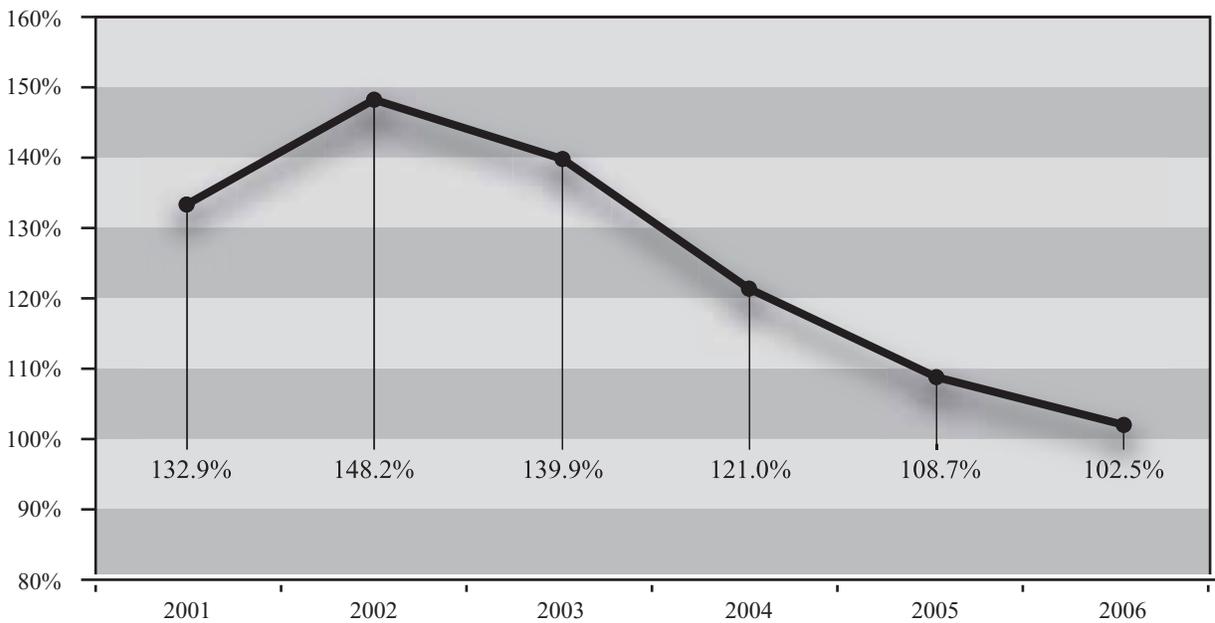
Retirement Effective Dates July 1, 1996 to June 30, 2006	Years of Credited Service						
	0 to 5	6 to 10	11 to 15	16 to 20	21 to 25	26 to 30	31+
Period 7/1/96 to 6/30/97							
Average Monthly Benefit	\$ -	\$ -	\$ 2,770	\$ 3,978	\$ -	\$ 4,820	\$ -
Average Final Average Salary	\$ -	\$ -	\$ 4,479	\$ 6,189	\$ -	\$ 5,886	\$ -
Number of Active Retirees	-	-	3	2	-	1	-
Period 7/1/97 to 6/30/98							
Average Monthly Benefit	\$ -	\$ 1,675	\$ -	\$ 3,652	\$ -	\$ 4,373	\$ -
Average Final Average Salary	\$ -	\$ 3,984	\$ -	\$ 4,461	\$ -	\$ 5,340	\$ -
Number of Active Retirees	-	2	-	1	-	1	-
Period 7/1/98 to 6/30/99							
Average Monthly Benefit	\$ -	\$ 1,710	\$ 4,177	\$ 4,882	\$ 4,898	\$ 5,624	\$ 6,009
Average Final Average Salary	\$ -	\$ 5,267	\$ 6,377	\$ 6,473	\$ 6,620	\$ 6,868	\$ 7,338
Number of Active Retirees	-	3	1	5	4	2	2
Period 7/1/99 to 6/30/00							
Average Monthly Benefit	\$ -	\$ -	\$ -	\$ -	\$ 4,519	\$ 5,388	\$ 6,403
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	\$ 4,471	\$ -	\$ -	\$ -
Average Final Average Salary	\$ -	\$ 4,816	\$ 4,887	\$ 5,624	\$ -	\$ -	\$ -
Number of Active Retirees	-	1	2	2	-	-	-
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	\$ -	\$ 5,404	\$ 6,279	\$ 4,817	\$ 5,996	\$ -	\$ 6,264
Number of Active Retirees	-	1	1	2	4	-	1

Demographics and Funded Ratio Charts

Demographics Chart



Funded Ratio as of July 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.

<u>Year Ending June 30</u>	<u>Covered Employees of the State</u>
2006	272
2005	266
2004	270
2003	268
2002	266
2001	261
2000	259
1999	259
1998	256
1997	257

Schedule of Benefit Payments and Refunds by Type

Fiscal Year Ended June 30,

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

<u>Fiscal Year</u>	<u>Service and Disability Benefits</u>	<u>Beneficiary Death Benefits</u>	<u>Refunds And Withdrawals</u>	<u>Total Benefit Payments And Refunds</u>
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
1998	3,923,685	20,000	59,664	4,003,349
1997	3,735,078	20,000	68,994	3,824,072

Member Statistics

<u>Inactive members as of July 1, 2006</u>	<u>No.</u>	<u>Amount of Annual Benefit</u>
Members receiving benefits		
Retired	129	\$ 7,296,285
Surviving spouses	49	957,428
Disabled	2	111,492
Total	180	\$ 8,365,205
Members with deferred benefits		
Vested terminated	10	\$ 335,063
Surviving spouses	0	-
Disabled	0	-
Total	10	\$ 335,063

<u>Statistics for</u>	<u>Average</u>			
	<u>No.</u>	<u>Age</u>	<u>Service</u>	<u>Earnings</u>
Active members as of July 1, 2005				
Continuing	248	55.7	12.5	\$ 94,138
New	18	48.0	0.7	81,566
Total	266	55.2	11.7	\$ 93,287
Active members as of July 1, 2006				
Continuing	256	56.1	12.6	\$ 101,604
New	16	45.5	0.6	92,363
Total	272	55.5	11.9	\$ 101,060

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

Age	Retired Members		Surviving Spouses		Disabled Members		Total	
	No.	Benefit	No.	Benefit	No.	Benefit	No.	Benefit
Under 51	0	\$ 0	0	\$ 0	0	\$ 0	0	\$ 0
51	0	0	0	0	0	0	0	0
52	0	0	0	0	0	0	0	0
53	0	0	0	0	0	0	0	0
54	0	0	0	0	0	0	0	0
55	0	0	0	0	0	0	0	0
56	0	0	0	0	0	0	0	0
57	1	86,668	1	18,689	0	0	2	105,357
58	2	161,636	0	0	0	0	2	161,636
59	1	109,844	2	60,737	0	0	3	170,580
60	5	436,632	0	0	1	57,264	6	493,897
61	4	253,659	1	36,078	1	54,228	6	343,965
62	2	151,658	1	16,577	0	0	3	168,234
63	7	461,680	1	16,258	0	0	8	477,937
64	4	276,565	0	0	0	0	4	276,565
65	4	208,460	0	0	0	0	4	208,460
66	6	378,615	1	37,623	0	0	7	416,238
67	4	220,464	0	0	0	0	4	220,464
68	4	225,015	0	0	0	0	4	225,015
69	5	313,713	2	44,502	0	0	7	358,215
70	5	260,650	0	0	0	0	5	260,650
71	3	179,127	2	45,221	0	0	5	224,347
72	1	64,658	1	20,556	0	0	2	85,215
73	2	139,719	0	0	0	0	2	139,719
74	6	286,651	2	64,059	0	0	8	350,710
75	6	357,208	2	37,043	0	0	8	394,251
76	9	499,500	0	0	0	0	9	499,500
77	3	178,704	1	28,538	0	0	4	207,242
78	3	104,460	1	16,498	0	0	4	120,959
79	5	260,396	2	31,905	0	0	7	292,300
80	8	388,086	5	101,251	0	0	13	489,337
81	5	214,498	3	56,863	0	0	8	271,361
82	6	259,437	2	34,445	0	0	8	293,882
83	3	143,476	0	0	0	0	3	143,476
84	5	257,219	1	36,632	0	0	6	293,851
85	1	43,931	2	35,980	0	0	3	79,910
86	1	28,331	0	0	0	0	1	28,331
87	0	0	3	46,026	0	0	3	46,026
88	3	138,272	4	56,595	0	0	7	194,867
89	1	39,660	2	16,955	0	0	3	56,615
90	0	0	0	0	0	0	0	0
Over 90	4	167,691	7	98,400	0	0	11	266,091
Total	129	\$ 7,296,285	49	\$ 957,428	2	\$ 111,492	180	\$ 8,365,205

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

Summary of Terminated Vested Members
(Deferred Annual Benefits)¹

Age	Members with Deferred Benefits	
	No.	Benefit
Under 40	0	\$ 0
41	0	0
42	0	0
43	0	0
44	0	0
45	0	0
46	0	0
47	0	0
48	0	0
49	1	29,232
50	0	0
51	1	24,985
52	0	0
53	1	14,062
54	0	0
55	0	0
56	2	71,900
57	2	110,615
58	0	0
59	1	48,690
60	0	0
61	0	0
62	0	0
63	0	0
64	0	0
Over 64	2	35,579
Total	10	\$ 335,063

¹Benefit 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, 2006

Count of Active Members

Age	Years of Service									Total
	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	
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	3	0	0	0	0	0	0	0	0	3
35 to 39	5	3	1	0	0	0	0	0	0	9
40 to 44	15	5	0	0	0	0	0	0	0	20
45 to 49	10	7	7	2	0	0	0	0	0	26
50 to 54	8	11	14	12	12	0	0	0	0	57
55 to 59	9	14	17	9	14	5	0	0	0	68
60 to 64	13	5	11	7	8	1	1	0	0	46
65 to 69	3	2	12	3	1	0	0	1	0	22
70 to 74	0	0	2	2	1	1	0	1	0	7
75 & Up	0	1	0	2	2	0	0	0	4	9
Total	66	48	64	37	38	7	1	2	4	267

Members without applications 5
272

Average Compensation¹

Age	Years of Service									Total
	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	
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	93,250	0	0	0	0	0	0	0	0	93,250
35 to 39	97,363	100,055	91,943	0	0	0	0	0	0	97,659
40 to 44	97,412	95,323	0	0	0	0	0	0	0	96,890
45 to 49	95,810	100,412	103,532	113,233	0	0	0	0	0	100,468
50 to 54	96,765	100,056	102,373	101,407	102,783	0	0	0	0	101,022
55 to 59	91,723	101,574	101,457	98,587	104,776	108,996	0	0	0	101,051
60 to 64	100,005	104,923	99,562	101,214	108,038	108,168	100,055	0	0	102,193
65 to 69	103,939	91,943	102,565	105,464	119,817	0	0	100,055	0	102,852
70 to 74	0	0	104,112	95,999	114,295	108,168	0	108,168	0	104,407
75 & Up	0	91,943	0	113,993	103,119	0	0	0	116,905	110,421
Total	96,930	100,057	101,701	102,041	105,393	108,759	100,055	104,112	116,905	101,223

¹ Excludes members without applications. The average for members without application is \$92,363, and the average for all members including those without application is \$101,060.

Addendum



Kiowa County Courthouse - Hobart

The Kiowa County Courthouse is one of only three in Oklahoma built before statehood. In 1902, the federal government appropriated \$30,000 for each courthouse—the first direct federal appropriation for local governments. Of the three, only the Kiowa County building still stands. Commissioners hired the J.W. Stokes Construction Company to build the courthouse, projecting completion by August 1903. However, after the basement was completed and the walls begun, newly-elected commissioners took office. Because construction had to meet government specifications to collect the \$30,000, they immediately inspected the work and declared it not up to government standards. A court injunction stopped the work, and every brick and stone was removed and the project had to start again from the beginning. The job was completed August 4, 1906 under the supervision of H.J. Van Den Berg, a Guthrie architect and contractor. Built in the “golden age” of American architecture, the facade is a rich mixture of Neo-Classical and Second Renaissance Revival styles.

October 16, 2006

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 2006 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, 2006 for the fiscal year ending June 30, 2007 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, 2006. 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, 2006 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, 2006, valuation of the System. The July 1, 2006 valuation results were determined in accordance with generally accepted actuarial principles and practices that are consistent with the Actuarial Standards of Practice promulgated by the Actuarial Standards Board and the applicable Guides to Professional Conduct, amplifying opinion and supporting recommendations of the American Academy of Actuaries. The results shown in this section are not based on the assumptions and methodologies adopted by the Board of Trustees. For those results, see the July 1, 2006 actuarial valuation report.

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 16, 2006

Date

Brent A. Banister

Brent A. Banister, F.S.A.

October 16, 2006

Date

Summary of Valuation Results Under Prescribed Assumptions

Actuarial Valuation as of July 1, 2006

<u>Summary of Contribution Requirements</u>	<u>Amount</u>
1. Annual covered compensation for members members included in valuation	\$ 27,488,381
2. Total normal cost mid-year	8,130,950
3. Unfunded actuarial accrued liability	(6,226,013)
4. Amortization of unfunded actuarial accrued liability over 30 years	(508,442)
5. Budgeted expenses (provided by the System)	209,884
6. Total required contribution (2) + (4) + (5)	\$ 7,832,392
7. Estimated member contribution	2,023,855
8. Required employer contributions (6 – 7). not less than \$0	\$ 5,808,537
9. Previous year's actual contribution	
a. Member	2,058,456
b. Employer	<u>791,343</u>
c. Total	\$ 2,849,799

<u>Summary of Costs</u>	<u>Actuarial Valuation as of July 1, 2006</u>
Required employer contribution for current year	\$5,808,537
Actual employer contributions received in prior year	791,343
Funded Status	
Actuarial accrued liability	\$204,150,196
Actuarial value of assets	210,376,209
Unfunded actuarial accrued liability/(surplus)	(6,226,013)
Funded Ratio	103.0%
Market Value of Assets and Additional Liabilities	
Market value of assets	\$213,717,521
Present value of projected System benefits	273,512,930

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