Uniform Retirement System for Justices and Judges

ADMINISTERED BY THE OKLAHOMA PUBLIC EMPLOYEES RETIREMENT SYSTEM

Financial Statements

June 30, 2011 and 2010

(With Independent Auditor's Report Thereon)

COLE + REED P.C.
CERTIFIED PUBLIC ACCOUNTANTS

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CERTIFIED PUBLIC ACCOUNTANTS

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, 2011 and 2010, and the related statements of changes in plan net assets for the years then ended. These financial statements are the responsibility of the Plan's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the net assets of the Plan at June 30, 2011 and 2010, and the changes in its net assets for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated October 20, 2011, on our consideration of the Plan's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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

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Our audits were made for the purpose of forming an opinion on the basic financial statements taken as a whole. The information included in schedules 2 through 4 is presented for purposes of additional analysis and is not a required part of the basic financial statements. The information included 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.

Cole & Reed P.C.

Oklahoma City, Oklahoma
October 20, 2011

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, 2011 and 2010.

Financial Highlights

- The net assets held in trust for pension benefits totaled approximately $248.2 million at June 30, 2011 compared to $211.2 million at June 30, 2010 and $184.6 million at June 30, 2009. The net assets are available for payment of monthly retirement benefits and other qualified distributions to the Plan's participants. The increase of $37.0 million and increase of $26.6 million of the respective years have resulted primarily from the changes in the fair value of the Plan's investments due to volatile equity markets.
- At June 30, 2011 the total number of members participating in the Plan was 519 compared to 493 at June 30, 2010 and 487 at June 30, 2009. The total number of retirees was 235 and 210 at June 30, 2011 and 2010 showing a 11.9% and 5.0% increase for each respective year. At June 30, 2009 the total number of retirees was 200.
- At June 30, 2011 the actuarial value of assets was $237.6 million, and the actuarial accrued liability was $246.8 million producing a funded ratio of 96.3% compared to 81.3% at June 30, 2010. The key items responsible for the change in the funded status were a liability loss of $0.6 million which resulted in an actuarial accrued liability that was higher than expected and the effect ($2.1 million) of contributions of less than the actuarial rate. These were offset by a return on actuarial value of assets of 4.0%. The funded ratio at June 30, 2009 was 84.8%.

Overview of the Financial Statements

The Plan is a single-employer, public employee retirement plan, which is a defined benefit pension plan. The Plan covers all Justices and Judges of the Oklahoma Supreme Court, Court of Criminal Appeals, Workers' Compensation Court, Court of Appeals, and District Courts. Benefits are determined at 4% of the average monthly compensation received as a justice or judge based on the highest thirty-six months of compensation multiplied by the number of years of credited service, not to exceed 100% of the retiree's average monthly salary received as a justice and judge for the highest thirty-six months of compensation. Normal retirement ages under the Plan are 60 with 10 years of judicial service, 65 with 8 years of judicial service or when the sum of the member's age and years of credited service equals or exceeds 80 (Rule of 80). Members become eligible to vest fully upon termination of employment after attaining eight years of service as a justice or judge or the members' contributions may be withdrawn upon termination of employment.

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

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

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

The *statement of changes in plan net assets* presents information showing how the Plan's net assets held in trust for pension benefits changed during the years ended June 30, 2011 and 2010. It reflects contributions by members and participating employers along with deductions for retirement benefits, refunds and withdrawals, and administrative

Management's Discussion and Analysis (continued)

expenses. Investment income during the period is also presented showing income from investing and securities lending activities.

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

The *required supplementary information* presents a schedule of funding progress and a schedule of employer contributions. Schedules of certain expenses and fees paid are presented as *supplementary information*.

Financial Analysis

The following are the condensed Schedules of Plan Net Assets and Changes in Plan Net Assets for the Uniform Retirement System for Justices and Judges for the fiscal years ended June 30, 2011, 2010, and 2009.

Condensed Schedules of Plan Net Assets
($ millions)

	June 30,		
	2011	**2010**	**2009**
Cash equivalents	$ 5.0	$ 3.0	$ 1.2
Receivables	13.0	10.2	7.5
Investments	250.8	213.4	188.0
Securities lending collateral	18.4	20.4	22.5
Total assets	287.2	247.0	219.2
Other liabilities	20.6	15.4	11.8
Securities lending collateral	18.4	20.4	22.8
Total liabilities	39.0	35.8	34.6
Ending net assets held in trust for benefits	$ 248.2	$ 211.2	$ 184.6

Management's Discussion and Analysis (continued)

Condensed Schedules of Changes in Plan Net Assets
($ millions)

	June 30, 2011	June 30, 2010	June 30, 2009
Member contributions	$ 2.7	$ 2.6	$ 2.8
Court employer contributions	3.2	8.7	2.2
Net investment income (loss)	44.5	27.1	(35.7)
Total increase (decrease)	50.4	38.4	(30.7)
Retirement, death and survivor benefits	13.1	11.7	10.5
Refunds and withdrawals	0.2	-	-
Administrative expenses	0.1	0.1	0.1
Total deductions	13.4	11.8	10.6
Total changes in plan net assets	$ 37.0	$ 26.6	$ (41.3)

For the year ended June 30, 2011 plan net assets increased $37.0 million or 17.5%. Total assets increased by 16.3% due to increases of 17.5% in investments, 27.2% in receivables, and 30.0% in pending sales of securities. Total liabilities increased 9.0% due to a 33.8% increase in pending purchases of securities, offset by a 9.7% decrease in the securities lending cash collateral liability.

Fiscal year 2011 showed a $12.0 million increase in total additions and a $1.5 million increase in total deductions. Compared to the prior year, additions increased 31.2% due to an increase in the fair value of investments of $17.8 million partially offset by a decrease in contributions of $5.4 million. The 12.8% increase in total deductions was primarily due to a 12.1% increase in retirement, death and survivor benefits. Administrative costs were 3.6% more when compared to the prior year.

For the year ended June 30, 2010 plan net assets increased $26.6 million or 14.4%. Total assets increased by 12.6% due to increases of 13.5% in investments, 36.0% in receivables, and 40.9% in pending sales of securities. Total liabilities increased 3.4% due to a 30.3% increase in pending purchases of securities, offset by a 9.5% decrease in the securities lending cash collateral liability.

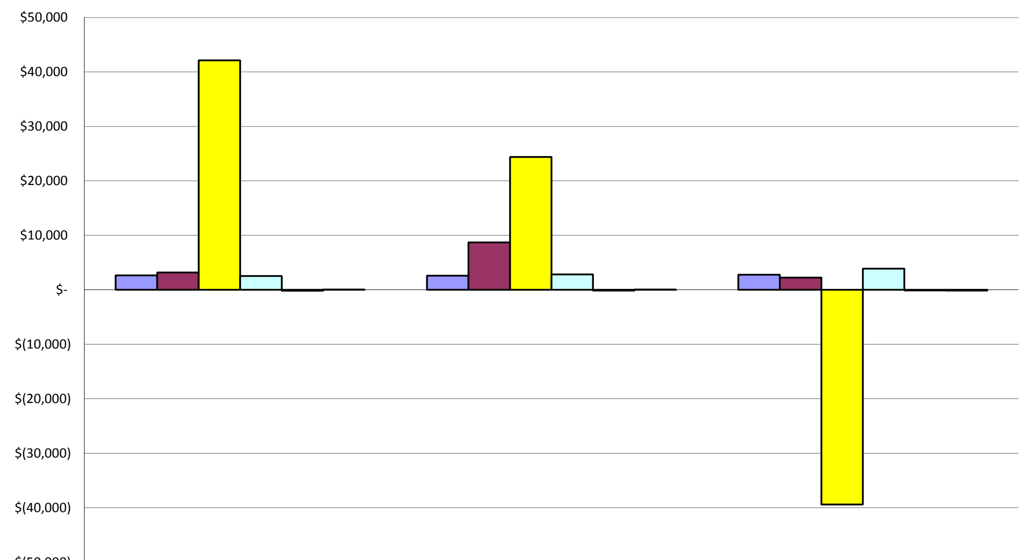
Fiscal year 2010 showed a $69.1 million increase in total additions and a $1.3 million increase in total deductions. Compared to the prior year, additions increased 225.1% due to an increase in the fair value of investments of $63.8 million and an increase in contributions of $6.3 million. The 12.6% increase in total deductions was due primarily to a 12.2% increase in retirement, death and survivor benefits. Administrative costs were 2.1% less when compared to the prior year.

Management's Discussion and Analysis (continued)

Additions to Plan Net Assets

For the year ended June 30, 2011, additions to plan net assets increased $12.0 million or 31.2% from the prior year. The appreciation in the fair value of investments of $17.8 million is reflective of the rise in all markets for the year. Interest income decreased $0.3 million or 10.5% as a result of falling interest rates, and securities lending income remained flat compared to the prior year. Contributions decreased $5.4 million or 48.1% because the $6.0 million legislative appropriation in fiscal 2010 was not repeated in fiscal 2011.

Additions to Plan Net Assets
Comparative Data for Fiscal Years Ended June 30, 2011, 2010, and 2009
(in $000's)



	2011	2010	2009
Member contributions	$2,668	$2,599	$2,775
Court employer contributions	3,193	8,704	2,244
Net appreciation (depreciation)	42,149	24,391	(39,397)
Interest, dividends, and other investment income	2,535	2,832	3,901
Investment expenses	(157)	(139)	(96)
Securities lending income (loss)	29	33	(149)

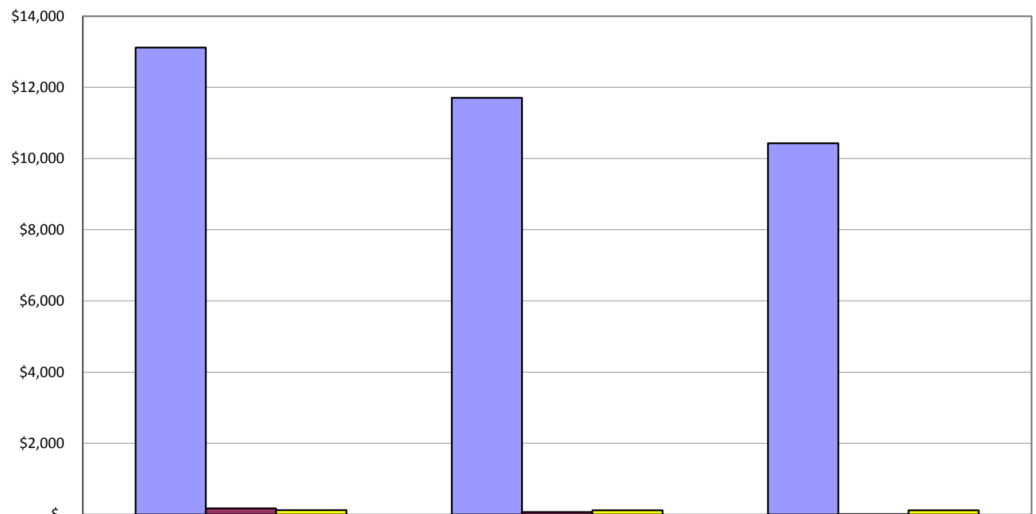
For the year ended June 30, 2010, additions to plan net assets increased $69.1 million or 225.1% from the prior year. The appreciation in the fair value of investments of $63.8 million is reflective of the rise in all markets for the year. Interest income decreased $1.0 million or 26.7% as a result of falling interest rates, and securities lending income increased $182.0 million or 121.9% due only to the elimination of the securities lending collateral deficiency incurred in the prior year. Contributions increased $6.3 million or 125.2% because of an increase in the employer contribution rate from 7.0% to 8.5%, and a $6.0 million appropriation by the State Legislature designated as employer contributions.

Management's Discussion and Analysis (continued)

Deductions to Plan Net Assets

For the year ended June 30, 2011 total deductions increased $1.5 million or 12.8% from the prior year. Retirement, death and survivor benefits increased $1.4 million or 12.1% due to a 11.9% increase in the number of retirees with a 6.2% increase in the average benefit. Refunds and withdrawals increased 159.2% from the prior year because the total amount withdrawn is dependent on contribution amounts of the specific members electing to withdraw contributions each year. Administrative costs increased 3.6% when compared to the prior year due to an increased allocation rate of 1.9% and increases in personnel costs and depreciation of capital assets.

Deductions to Plan Net Assets
Comparative Data for Fiscal Years Ended June 30, 2011, 2010, and 2009
(in $000's)



	2011	2010	2009
Retirement, death and survivor benefits	$13,118	$11,705	$10,430
Refunds and withdrawals	172	66	9
Administrative expenses	119	115	117

For the year ended June 30, 2010 total deductions increased $1.3 million or 12.6% from the prior year. Retirement, death and survivor benefits increased $1.3 million or 12.2% due to a 5.0% increase in the number of retirees with a 6.6% increase in the average benefit. Refunds and withdrawals increased 612.3% from the prior year because the total amount withdrawn is dependent on contribution amounts of the specific members electing to withdraw contributions each year. Administrative costs decreased 2.1% when compared to the prior year due to a decreased allocation rate of 0.6% and the reclassification and capitalization of allocated payroll costs for internally generated computer software.

Management's Discussion and Analysis (continued)

Investments

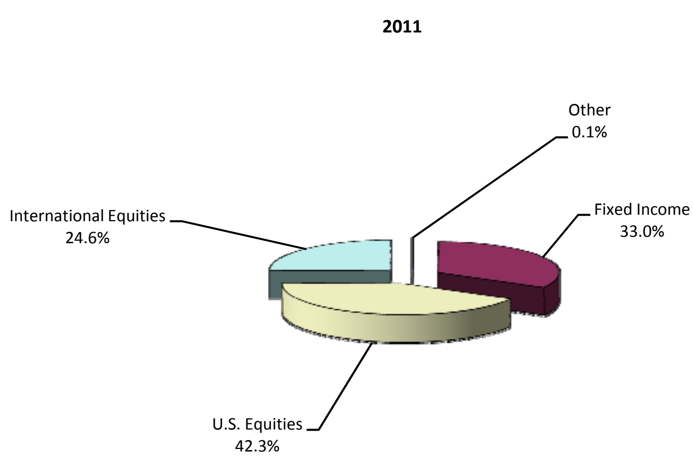
The investment portfolio is reported in the chart below by the asset class of the investment managers' portfolios which includes the cash equivalents in those portfolios. A summary of the Plan's cash equivalents and investments for fiscal years ended June 30, 2011, 2010, and 2009 is as follows:

Cash Equivalents and Investments
($ millions)

	June 30,		
	2011	**2010**	**2009**
Fixed income	$ 89.8	$ 85.8	$ 73.3
U.S. equities	104.7	83.2	74.0
International equities	60.9	46.8	41.4
Other	0.3	0.5	0.5
Total managed investments	255.7	216.3	189.2
Cash equivalents on deposit with State	0.1	0.1	0.1
Securities lending collateral	18.4	20.4	22.5
Total cash equivalents and investments	$ 274.2	$ 236.8	$ 211.8

The increase in the Plan's managed investments is reflective of the increase in all markets for the year. The Plan's overall return for the year ended June 30, 2011 was 21.4%. A 4.3% return for the fixed income component exceeded the market trend for the asset class. Equity index funds correlated closely with market trends with U.S. and international equities showing returns of 32.8% and 30.1% respectively. Amounts of $5.6 million of U.S. equity index funds and $1.7 million of fixed income were used to supplement the cash requirements of monthly retiree benefit payments. The change in securities lending collateral is dependent on the securities loaned by the Plan's master custodian at year end.

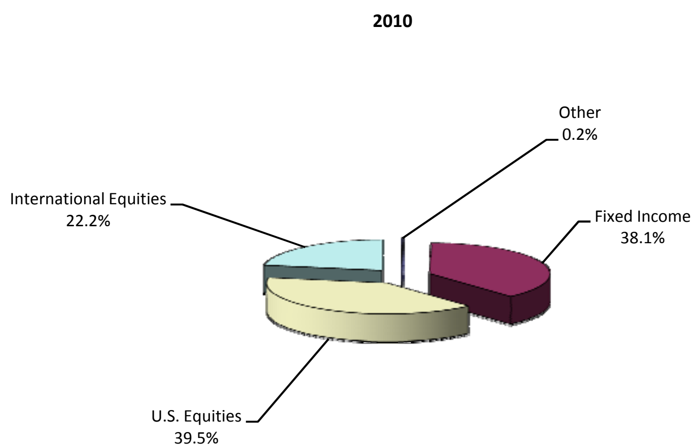
At June 30, 2011 the distribution of the Plan's investments including accrued income and pending trades was as follows:



Management's Discussion and Analysis (continued)

The increase in the Plan's managed investments is reflective of the increase in all markets for the year. The Plan's overall return for the year ended June 30, 2010 was 14.3%. A 13.5% return for the fixed income component exceeded the market trend for the asset class. Equity index funds correlated closely with market trends with U.S. and international equities showing returns of 16.4% and 10.5% respectively. Fixed income holdings were increased by $6.0 million during the year due to reallocations of $3.5 million from the international equity index fund and $2.5 million from the domestic equity index funds. Another $1.9 million of U.S. equity index funds and $4.8 million of fixed income were used to supplement the cash requirements of monthly retiree benefit payments. The change in securities lending collateral is dependent on the securities loaned by the Plan's master custodian at year end.

At June 30, 2010 the distribution of the Plan's investments including accrued income and pending trades was as follows:



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:

2011	2010	2009
96.3%	81.3%	84.8%

Plan Amendment

Three Plan provision changes were enacted by the State Legislature during the session ended in May 2011. The retirement age was increased to age 67 with eight years of judicial service, or age 62 with 10 years of service; cost of living adjustments are no longer considered non-fiscal retirement bills and must now be funded by the Legislature before they can be passed into law; and the OPERS hearing procedures have been brought in line with the Administrative Procedures Act by providing clarification on appeals to administrative decisions by the OPERS Board and by the appointment of hearing examiners.

Management's Discussion and Analysis (continued)

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.

Statements of Plan Net Assets

June 30, 2011 and 2010

Assets	**2011**	**2010**
Cash equivalents	$ 5,032,606	$ 3,034,217
Receivables:		
Member contributions	199,879	201,642
Participating court employer contributions	249,850	214,247
Due from brokers for securities sold	12,070,877	9,287,623
Accrued interest	439,422	484,868
Total receivables	12,960,028	10,188,380
Investments, at fair value:		
Short-term investments	789,848	1,494,699
Government obligations	53,065,445	48,399,213
Corporate bonds	31,363,065	33,460,418
Domestic equity index funds	104,698,605	83,196,021
International equity index fund	60,900,978	46,831,162
Securities lending collateral	18,384,813	20,363,956
Total investments	269,202,754	233,745,469
Total assets	287,195,388	246,968,066
Liabilities		
Due to brokers and investment managers	20,621,565	15,423,555
Securities lending collateral	18,384,813	20,363,956
Total liabilities	39,006,378	35,787,511
Net assets held in trust for pension benefits	$ 248,189,010	$ 211,180,555

See accompanying notes to financial statements.

Statements of Changes in Plan Net Assets

Years Ended June 30, 2011 and 2010

	2011	2010
Additions:		
Contributions:		
Members	$ 2,667,908	$ 2,599,341
Participating court employers	3,193,277	8,704,232
Total contributions	5,861,185	11,303,573
Investment income:		
From investing activities:		
Net appreciation in fair value of investments	42,148,970	24,390,695
Interest	2,534,867	2,832,603
Total investment income	44,683,837	27,223,298
Less – Investment expenses	(157,258)	(139,481)
Income from investing activities	44,526,579	27,083,817
From securities lending activities:		
Securities lending income	65,917	75,763
Securities lending expenses:		
Borrower rebates	(31,267)	(35,605)
Management fees	(5,194)	(7,493)
Income from securities lending activities	29,456	32,665
Net investment income	44,556,035	27,116,482
Total additions	50,417,220	38,420,055
Deductions:		
Retirement, death and survivor benefits	13,117,911	11,705,265
Refunds and withdrawals	172,089	66,389
Administrative expenses	118,765	114,662
Total deductions	13,408,765	11,886,316
Net increase	37,008,455	26,533,739
Net assets held in trust for pension benefits:		
Beginning of year	211,180,555	184,646,816
End of year	$ 248,189,010	$ 211,180,555

See accompanying notes to financial statements.

Notes to Financial Statements

June 30, 2011 and 2010

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

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

(c) Use of Estimates

The preparation of the Plan's financial statements, in conformity with U.S. generally accepted accounting principles, requires the Plan administrator to make significant estimates and assumptions that affect the reported amounts of net assets held in trust for pension benefits at the date of the financial statements and the actuarial information included in Note (5) Funded Status and Actuarial Information and the required supplementary information (RSI) as of the benefit information date, the changes in plan net assets during the reporting period and, when applicable, the disclosures of contingent assets and liabilities at the date of the financial statements. Actual results could differ from those estimates.

(d) Risk and Uncertainties

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

(e) Reclassifications

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

(2) Plan Descriptions and Contribution Information

The following brief description of the Plan is provided for general information purposes only. Participants should refer to Title 20 of the Oklahoma Statutes, Sections 1101 through 1111, for more complete information.

(a) General

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

At June 30 the Plan's membership consisted of

	2011	**2010**
Retirees and beneficiaries currently receiving benefits	235	210
Terminated vested participants	13	12
Active participants	271	271
Total	519	493

Notes to Financial Statements (continued)

(b) Benefits

Benefits are determined at 4% of the member's 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 member's 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, 2011 and 2010 totaled approximately $35,000 and $40,000, respectively.

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

(c) Contributions

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

The contribution rate of all justices and judges is 8% of a member's monthly salary. The member may elect a maximum benefit with no survivor option or one of two types of actuarially reduced retirement benefits that provide for a lifetime benefit to be paid to the member's joint annuitant after the member's 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, 2011 and 2010 were 10.0% and 8.5%, respectively, of member payroll.

Effective for the fiscal year ended June 30, 2012 the employer contribution rate will increase to 11.5% of payroll and will increase 1.5% annually up to 22% for fiscal years ending June 30, 2019 and thereafter.

Prior to July 2009 the Board was authorized to adjust the contribution rate to prevent a funded ratio of the Plan of less than 100%. Effective July 1, 2009 the statutory responsibility of the Board was modified to adjust the employer contribution rate to prevent a funded ratio below the target of "at or near" ninety percent. In May 2010 legislation was enacted to remove the authority of the Board to adjust the employer contribution rate.

(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

	2011	2010
Cash equivalents		
State Treasurer	$ 80,637	$ 64,464
Custodial agent	4,951,969	2,969,753
Total cash equivalents	$ 5,032,606	$ 3,034,217

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

Deposits are exposed to custodial credit risk if they are not covered by depository insurance and the deposits are uncollateralized, collateralized with securities held by the pledging financial institution, or collateralized with securities held by the pledging financial institution's trust department or agency but not in the depositor-government's name. At June 30, 2011 and 2010 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, 2011, as a result of outstanding checks, the Plan's carrying amount in *OK INVEST* totaled $80,637, and the bank balances totaled $221,772. At June 30, 2010, as a result of outstanding checks, the Plan's carrying amount in *OK INVEST* totaled $64,464, and the bank balances totaled $211,946. At June 30, 2011 and 2010 the carrying amounts of the Plan's custodial agent cash equivalents were the same as the bank balances, $4,951,969 and $2,969,753, respectively.

(4) Investments

(a) General

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

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

At June 30, 2011 and 2010 the asset allocation guidelines established by policy were U.S. equities – 40%, international equities – 24%, and domestic fixed income – 36%. The guidelines also establish minimum and maximum percentages for each asset class allocation, and when allocations move outside these limits, portfolios are rebalanced.

Notes to Financial Statements (continued)

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

	2011	2010
U.S. Treasury notes/bonds	$ 11,125,243	$ 14,520,476
U.S. Treasury strips	4,257,867	5,376,214
U.S. TIPS index fund	8,238,243	7,639,778
Government agencies	5,904,119	6,198,616
Government mortgage-backed securities	22,838,006	13,756,582
Municipal bonds	462,428	1,670,536
Corporate bonds	18,533,974	18,571,401
Asset backed securities	6,071,890	6,011,065
Commercial mortgage-backed securities	5,022,898	5,596,209
Non government backed collateralized mortgage obligations	2,763,690	4,013,453
U.S. equity index funds	104,698,605	83,196,021
International equity index fund	60,900,978	46,831,162
Securities lending collateral	18,384,813	20,363,956
Total investments	$ 269,202,754	$ 233,745,469

The Plan participates in a fixed income and international and domestic equity index funds managed by BlackRock Institutional Trust Company, N.A. (BTC). Prior to December 2009 international and domestic equity index funds were managed by Barclays Global Investors, N.A. (BGI). BTC, a subsidiary of BlackRock, Inc., is a national banking association and operates as a limited purpose trust company. Its primary regulator is the Office of the Comptroller of the Currency (OCC), the agency of the U.S. Treasury Department that regulates United States national banks. BGI, a wholly owned subsidiary of Barclays Bank PLC (Barclays), operated as a limited purpose trust company, and its primary regulator was the OCC. In December 2009 BlackRock, Inc. acquired from Barclays all of the outstanding equity interests of subsidiaries of Barclays conducting the business of BGI. Each fund is a collective fund which is a group trust and an entity separate from the manager (BTC and prior to December 2009 BGI), other funds, and the investing participants. BTC, and prior to December 2009 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 2011 and 2010 the Plan invested in a fixed income index fund, two domestic equity index funds and an international equity index fund. The Plan shares the risk of loss in these funds with other participants in proportion to its respective investment. Because the Plan does not own any specific identifiable investment securities of these funds, the risk associated with any derivative investments held in these funds is not apparent. The degree of risk depends on the underlying portfolios of the funds, which were selected by the Plan in accordance with its investment policy guidelines including risk assessment.

(b) Securities Lending

The Plan's investment policy provides for its participation in a securities lending program. The program is administered by the Plan's master custodian and there are no restrictions on the amount of loans that can be made. During 2011 and 2010 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, 2011 and 2010 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, 2011 and

2010 were $17,858,214 and $19,773,155, respectively, and the collateral received for those securities on loan was $18,384,813 and $20,363,956, 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, 2011 and 2010 the cash collateral investments had an average weighted maturity of 21 and 24 days, respectively, and the relationship between the maturities of the custodial agent's investment pool and the Plan's loans is affected by the maturities of the securities loans made by other entities that use the agent's pool, which the Plan cannot determine. The Plan's non-cash collateral is represented by its allocated share of a pool administered by the agent for the Plan and other pool participants.

(c) Credit Risk

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

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

The *Core* manager will invest in a broadly diversified portfolio with characteristics similar to a broad fixed income market index such as the Barclays Capital Aggregate Bond 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 Statistical Rating Organization (NASRO). In the event that a credit rating 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 NASRO 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 NASRO. In the event that a credit rating 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, 2011 the domestic fixed income portfolio consisted of a core fixed income portfolio, a core plus fixed income portfolio, and a rate anticipator portfolio, including a U.S. TIPS index fund. All components met

Notes to Financial Statements (continued)

the stated policy restrictions except the core fixed income portfolio which held $1,036,984 of the portfolio in issues rated below BBB- and the core plus fixed income portfolio which held $200,008 of the portfolio in issues rated below B. At June 30, 2010 the domestic fixed income portfolio consisted of a core fixed income portfolio, a core plus fixed income portfolio, and, a rate anticipator portfolio, including a U.S. TIPS index fund. All components met the stated policy restrictions except the core fixed income portfolio which held $1,462,476 of the portfolio in issues rated below BBB- and the core plus fixed income portfolio which held $146,724 of the portfolio in issues rated below B. The Plan's investment managers have advised retention of the securities after having assessed their risk/reward profiles.

Investments issued by or explicitly guaranteed by the U.S. Government are not considered to have credit risk. At June 30, 2011 the Plan held 21.4% of fixed income investments that were not considered to have credit risk and 9.7% in a U.S. TIPS index fund made up of explicitly guaranteed U.S. Treasury Inflation-Protected Securities. At June 30, 2010 the Plan held 26.4% of fixed income investments that were not considered to have credit risk and 9.2% in a U.S. TIPS index fund made up of explicitly guaranteed U.S. Treasury Inflation-Protected Securities.

The Plan's exposure to credit risk at June 30, 2011 is presented below, in thousands, by investment category as rated by S&P or Moody's Investor Service.

	AAA/Aaa	AA/Aa	A/A	BBB/Baa	BB/Ba	B/B	CCC/Caa	Not Rated or Rating Not Available	Total
Government agencies	$ 4,935	$ —	$ 596	$ —	$ —	$ —	$ —	$ 354	$ 5,885
Government mortgage-backed securities	1,034	—	—	—	—	—	—	18,910	19,944
Municipal bonds	—	105	357	—	—	—	—	—	462
Corporate bonds	2,443	1,779	6,491	5,634	1,220	128	49	790	18,534
Asset-backed securities	4,312	668	555	236	112	150	10	29	6,072
Commercial mortgage-backed securities	3,415	372	1,109	104	23	—	—	—	5,023
Non government backed collateralized mortgage obligations	1,601	—	64	—	388	460	151	100	2,764
Total fixed income securities exposed to credit risk	$ 17,740	$ 2,924	$ 9,172	$ 5,974	$ 1,743	$ 738	$ 210	$ 20,183	$ 58,684
Percent of total fixed income portfolio	20.8%	3.4%	10.8%	7.0%	2.0%	0.9%	0.2%	23.8%	68.9%

The Plan's exposure to credit risk at June 30, 2010 is presented below, in thousands, by investment category as rated by S&P or Moody's Investor Service.

	AAA/Aaa	AA/Aa	A/A	BBB/Baa	BB/Ba	B/B	CCC/Caa	Not Rated or Rating Not Available	Total
Government agencies	$ 3,770	$ 953	$ 751	$ —	$ —	$ —	$ —	$ 700	$ 6,174
Government mortgage-backed securities	—	—	—	—	—	—	—	11,635	11,635
Municipal bonds	78	695	797	101	—	—	—	—	1,671
Corporate bonds	2,328	2,789	6,094	5,521	992	280	—	567	18,571
Asset-backed securities	4,744	414	337	163	113	108	102	30	6,011
Commercial mortgage-backed securities	4,637	85	874	—	—	—	—	—	5,596
Non government backed collateralized mortgage obligations	1,587	—	676	9	446	754	377	164	4,013
Total fixed income securities exposed to credit risk	$ 17,144	$ 4,936	$ 9,529	$ 5,794	$ 1,551	$ 1,142	$ 479	$ 13,096	$ 53,671
Percent of total fixed income portfolio	20.6%	5.9%	11.4%	6.9%	1.9%	1.4%	0.6%	15.7%	64.4%

Notes to Financial Statements (continued)

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

	2011		2010	
Credit Rating	*OK INVEST*	Custodial Agent	*OK INVEST*	Custodial Agent
AAA	79.8 %	22.1 %	87.1 %	31.2 %
AA	1.3	—	0.7	—
A1	6.9	77.9	6.3	68.8
BBB	—	—	—	—
BB	—	—	—	—
NR	12.0	—	5.9	—
	100.0 %	100.0 %	100.0 %	100.0 %

(d) Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment or a deposit. Duration is a measure of a debt investment's exposure to fair value changes arising from changing interest rates based upon the present value of cash flows, weighted for those cash flows as a percentage of the investment's full price. Effective duration estimates the sensitivity of a bond's price to interest rate changes and makes assumptions regarding the most likely timing and amounts of variable cash flows arising from investments such as callable bonds, collateralized mortgage obligations, and other mortgage-backed securities.

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

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

	2011		2010	
	Fair Value	Effective duration in years	Fair Value	Effective duration in years
U.S. Treasury notes/bonds	$ 11,125,243	10.0	$ 14,520,476	9.6
U.S. Treasury strips	4,257,867	22.2	5,376,214	23.0
U.S. TIPS index fund	8,238,243	7.6	7,639,778	3.5
Government agencies	5,904,119	3.0	6,198,616	3.4
Government mortgage-backed securities	22,838,006	3.6	13,756,582	4.2
Municipal bonds	462,428	9.1	1,670,536	9.8
Corporate bonds	18,533,974	4.3	18,571,401	5.0
Asset-backed securities	6,071,890	1.2	6,011,065	0.7
Commercial mortgage-backed securities	5,022,898	3.3	5,596,209	3.8
Non government backed collateralized mortgage obligations	2,763,690	2.5	4,013,453	2.9
Total fixed income	$ 85,218,358		$ 83,354,330	
Portfolio duration		5.7		6.2

Notes to Financial Statements (continued)

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, 2011 and 2010 the Plan held $6,071,890 and $6,011,065, respectively, in asset-backed securities.

Mortgage-backed securities are securities backed by mortgages issued by public and private institutions. At June 30, 2011 and 2010 the Plan held $22,838,006 and $13,756,582, 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 $5,022,898 and $5,596,209, respectively, in commercial mortgage-backed securities.

Collateralized mortgage obligations (CMOs) are mortgage-backed bonds that allocate mortgage cash flows (interest and principal) into different maturity classes, called tranches. This is accomplished by dedicating mortgage cash flows to specific tranches and paying each tranch off, in turn by prespecified rules. In return for a lower yield, CMOs provide investors with increased security about the life of their investment compared to purchasing a pass-through mortgage-backed security. If mortgage rates drop (rise) sharply, prepayment rates will increase (decrease), and CMO tranches may be repaid before (after) the expected maturity. At June 30, 2011 and 2010 the Plan held $2,763,690 and $4,013,453, 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:

	2011		2010	
Maturities (in days)	***OK INVEST***	**Custodial Agent**	***OK INVEST***	**Custodial Agent**
0 - 14	20.2 %	18.7 %	16.8 %	47.0 %
15 - 30	0.8	14.7	0.8	18.0
31 - 60	1.4	16.4	1.5	12.0
61 - 90	1.3	24.8	1.5	15.7
91 - 180	4.3	11.8	5.6	4.8
181 - 364	3.9	13.6	8.7	2.5
365 - 730	9.3	—	13.5	—
Over 730	58.8	—	51.6	—
	100.0 %	100.0 %	100.0 %	100.0 %

Notes to Financial Statements (continued)

(5) Funded Status and Actuarial Information

(a) Funded Status and Funding Progress

The funded status of the Plan as of June 30 is as follows:

	2011		2010	
Actuarial value of the assets (a)	$ 237,626,663		$ 230,010,299	
Actuarial accrued liability (AAL) (b)	$ 246,792,232		$ 282,765,405	
Total unfunded actuarial accrued liability (UAAL) (b-a)	$ 9,165,569		$ 52,755,106	
Funded ratio (a/b)		96.3 %		81.3 %
Covered payroll	$ 34,700,819		$ 35,023,262	
UAAL as a percentage of covered payroll		26.4 %		150.6 %

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

(b) Actuarial Methods and Assumptions

The information presented in the RSI was determined as part of the actuarial valuations at the dates indicated. Additional information as of the latest actuarial valuation, June 30, 2011 is as follows:

Funding Method

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

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

Asset Valuation Method

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

Notes to Financial Statements (continued)

Amortization

The funding policy amortizes the UAAL on a level percent of payroll method over a 20-year closed period. At June 30, 2011 there are 16 years remaining to the amortization period. Prior to July 1, 2007 the funding policy amortized the UAAL on the level dollar method, and the amortization period was 40 years from July 1, 1987.

Assumptions

Significant actuarial assumptions employed by the actuary for funding purposes as of June 30, 2011 and 2010 are as follows:

- Salary increases – 5.25% per year
- Post-retirement benefit increases – 2% per year
- Investment return – 7.5% per annum
- Assumed inflation rate – 3.0%
- Payroll growth – 4.0% per year
- Mortality Rates – RP-2000 Combined Active/Retired Healthy Mortality Table projected to 2010, set back one year.

(6) Federal Income Tax Status

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

(7) Plan Amendment

The State Legislature enacted the following significant plan provisions during the session ended in May 2011.

(a) Retirement Age Increase

Under HB 1010, the retirement age for judges whose judicial service begins on or after January 1, 2012, has increased to age 67 (previously age 65) with eight years of judicial service, or age 62 (previously age 60) with 10 years of service. This bill becomes effective January 1, 2012.

(b) Changes to Funding of Cost of Living Adjustments

Cost of living adjustments (COLAs) for retiring URSJJ members must be passed by the Legislature. Under HB 2132, COLAs are no longer considered “non-fiscal retirement bills” in the Oklahoma Pension Legislation Actuarial Analysis Act. This means COLAs must now be funded by the Legislature before they can be passed into law. This bill becomes effective August 25, 2011.

Notes to Financial Statements (continued)

(c) Clarification on Administrative Hearings and Appeals

Existing law requires suits against OPERS be brought in Oklahoma County. SB 840 provides clarification on appeals to administrative decisions by the OPERS Board. This bill brings the OPERS hearing procedures in line with the Administrative Procedures Act including the appointment of hearing examiners.

(8) New Pronouncements

In December 2010, GASB issued Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements* (GASB 62) which is intended to enhance the usefulness of its Codification by incorporating guidance that previously could only be found in certain FASB and AICPA pronouncements. GASB 62 is effective for financial statements for periods beginning after December 15, 2011.

In June 2011, GASB issued Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position* (GASB 63) which provides financial reporting guidance for deferred outflows of resources and deferred inflows of resources. Previous financial reporting standards do not include guidance for reporting those financial statement elements, which are distinct from assets and liabilities. GASB 63 is effective for financial statements for periods beginning after December 15, 2011.

In June 2011, GASB issued Statement No. 64, *Derivative Instruments: Application of Hedge Accounting Termination Provisions – An Amendment of GASB Statement No. 53* (GASB 64) which clarifies whether an effective hedging relationship continues after the replacement of a swap counterparty or a swap counterparty's credit support provider. GASB 64 sets forth criteria that establish when the effective hedging relationship continues and hedge accounting should continue to be applied. GASB 64 is effective for financial statements for periods beginning after June 15, 2011.
OPERS is currently evaluating the effects the above GASB Pronouncements will have on its financial statements.

Required Supplementary Information

(Unaudited)
June 30, 2011
Schedule 1

Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
6/30/2006	$210,376,209	$205,302,048	($5,074,161)	102.5 %	$27,488,381	-18.5 %
6/30/2007	224,577,704	227,062,193	2,484,489	98.9	32,191,938	7.7
6/30/2008	235,297,077	244,062,321	8,765,244	96.4	32,389,296	27.1
6/30/2009	221,576,179	261,396,022	39,819,843	84.8	33,579,668	118.6
6/30/2010	230,010,299	282,765,405	52,755,106	81.3	35,023,262	150.6
6/30/2011	237,626,663	246,792,232	9,165,569	96.3	34,700,819	26.4

Schedule of Employer Contributions

Year Ended June 30,	Annual Required Contribution	Percentage Contributed
2006	$ 4,441,184	17.8 %
2007	5,936,316	20.6
2008	7,615,245	22.2
2009	8,169,214	27.5
2010	10,778,833	80.8
2011	12,518,554	25.5

Supplementary Information

Schedule of Investment Expenses

Years Ended June 30, 2011 and 2010

Schedule 2

	2011	2010
Investment management fees:		
Fixed Income Managers:		
BlackRock Institutional Trust Company, N.A.	$ 39,445	$ 39,708
Hoisington Investment Management	13,676	16,595
Metropolitan West Asset Management, LLC	57,241	43,428
U.S. Equity Manager:		
BlackRock Institutional Trust Company, N.A.	11,435	9,890
International Equity Managers:		
BlackRock Institutional Trust Company, N.A.	28,398	23,133
Total investment management fees	150,195	132,754
Investment consultant fees:		
Strategic Investment Solutions, Inc.	6,004	5,669
Investment custodial fees:		
Northern Trust Company	1,059	1,058
Total investment expenses	$ 157,258	$ 139,481

See accompanying independent auditors’ report.

Supplementary Information

Schedule of Administrative Expenses

Years Ended June 30, 2011 and 2010

Schedule 3

	2011	2010
Professional / Consultant services	$ 6,440	$ 8,554
Allocated administrative expenses (see note below)	112,325	106,109
	$ 118,765	$ 114,663

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.

Supplementary Information

Schedule of Professional/Consultant Fees

Years Ended June 30, 2011 and 2010

Schedule 4

Professional/Consultant	Service	2011	2010
Cavanaugh Macdonald Consulting, LLC	Actuarial	$ 1,794	$ —
Milliman, Inc.	Actuarial	516	3,020
Cole & Reed, PC	External Auditor	1,797	1,712
Finley & Cook, PLLC	Internal Auditor	1,142	2,196
CEM Benchmarking, Inc.	Performance Measurement Consulting	793	778
EFL Associates, Inc.	Executive Search	—	737
Principal Technologies, Inc.	Executive Search	285	—
Glass Lewis & Co.	Proxy Services	113	111
		$ 6,440	$ 8,554

See accompanying independent auditors' report.

COLE+REED P.C.
CERTIFIED PUBLIC ACCOUNTANTS

Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With *Government Auditing Standards*

Board of Trustees
Uniform Retirement System for Justices and Judges:

We have audited the financial statements of the Uniform Retirement System for Justices and Judges (the Plan), a component unit of the state of Oklahoma, as of and for the year ended June 30, 2011, and have issued our report thereon dated October 20, 2011 which includes explanatory paragraphs related to required supplementary information and other supplementary information. We conducted our audit 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Plan's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Plan's internal control over financial reporting. Accordingly, we do not express an opinion of the effectiveness of the Plan's internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Plan's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards.*

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This report is intended solely for the information and use of the Board of Trustees, the Oklahoma State Auditor and Inspector, and management and is not intended to be and should not be used by anyone other than these specified parties.

Cole & Reed P.C.

Oklahoma City, Oklahoma
October 20, 2011