Uniform Retirement System for Justices and Judges

ADMINISTERED BY THE OKLAHOMA PUBLIC EMPLOYEES RETIREMENT SYSTEM

Financial Statements

June 30, 2012 and 2011

(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, 2012 and 2011, 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. 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, 2012 and 2011, 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 18, 2012, 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 audits.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, beginning on page 3, and the schedules of funding progress and employer's contributions in schedule 1 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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Our audits were conducted for the purpose of forming an opinion on the financial statements 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 financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Cole & Reed P.C.

Oklahoma City, Oklahoma
October 18, 2012

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, 2012 and 2011.

Financial Highlights

- The net assets held in trust for pension benefits totaled approximately $243.8 million at June 30, 2012 compared to $248.2 million at June 30, 2011 and $211.2 million at June 30, 2010. The net assets are available for payment of monthly retirement benefits and other qualified distributions to the Plan's participants. The decrease of $4.4 million and increase of $37.0 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, 2012 the total number of members participating in the Plan was 512 compared to 519 at June 30, 2011 and 493 at June 30, 2010. The total number of retirees was 233 and 235 at June 30, 2012 and 2011 showing a 0.9% decrease and 11.9% increase for each respective years. At June 30, 2010 the total number of retirees was 210.
- At June 30, 2012 the actuarial value of assets was $238.6 million, and the actuarial accrued liability was $249.4 million producing a funded ratio of 95.7% compared to 96.3% at June 30, 2011. The key items responsible for the change in the funded status were the effect ($3.9 million) of contributions less than the actuarial rate and a negative return on actuarial value of assets of $7.8 million. These items were partially offset by a liability gain of $10.1 million. The funded ratio at June 30, 2010 was 81.3%.

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 62 with 10 years of judicial service, 67 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, 2012 and 2011. 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.

Management's Discussion and Analysis (continued)

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, 2012, 2011, and 2010.

Condensed Schedule of Plan Net Assets
($ millions)

	June 30		
	2012	**2011**	**2010**
Assets:			
Cash and cash equivalents	$ 3.9	$ 5.0	$ 3.0
Receivables	10.7	13.0	10.2
Investments	246.6	250.8	213.4
Securities lending collateral	6.0	18.4	20.4
Total assets	267.2	287.2	247.0
Liabilities:			
Other liabilities	17.4	20.6	15.4
Securities lending collateral	6.0	18.4	20.4
Total liabilities	23.4	39.0	35.8
Ending net assets held in trust for benefits	$ 243.8	$ 248.2	$ 211.2

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

	June 30		
	2012	**2011**	**2010**
Member contributions	$ 2.6	$ 2.7	$ 2.6
State and local agency contributions	3.6	3.2	8.7
Net investment income	4.4	44.5	27.1
Total additions	10.6	50.4	38.4
Retirement, death and survivor benefits	14.5	13.1	11.7
Refunds and withdrawals	0.3	0.2	-
Administrative expenses	0.2	0.1	0.1
Total deductions	15.0	13.4	11.8
Total changes in plan net assets	$ (4.4)	$ 37.0	$ 26.6

For the year ended June 30, 2012 plan net assets decreased $4.4 million or 1.8%. Total assets decreased by 7.0% primarily due to a decrease of 67.3% in securities lending collateral. Total liabilities decreased 40.0% primarily due to a decrease in the securities lending cash collateral liability of 67.3%.

Fiscal year 2012 showed a $39.8 million decrease in total additions and a $1.6 million increase in total deductions. Compared to the prior year, additions decreased 79.0% due to a decrease in the fair value of investments of $40.1 million. The 11.6% increase in total deductions was primarily due to a 10.4% increase in retirement, death and survivor benefits. Administrative costs were 30.2% more when compared to the prior year due to a 27.2% increase in the allocation percentage.

Management's Discussion and Analysis (continued)

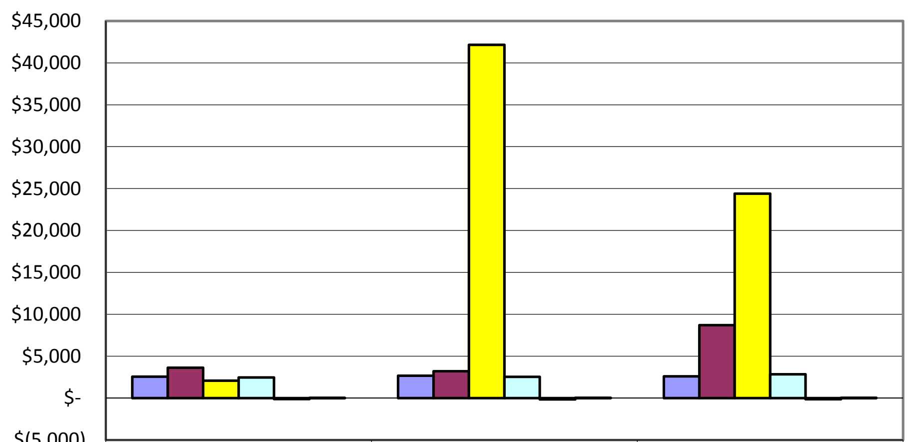
For the year ended June 30, 2011 plan net assets increased $37.0 million or 17.5%. Total assets increased by 16.3% due to increases of 17.5% in investments, 27.2% in receivables, and 30.0% in pending sales of securities. Total liabilities increased 9.0% due to a 33.8% increase in pending purchases of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

Additions to Plan Net Assets

For the year ended June 30, 2012, additions to plan net assets decreased $4.4 million or 1.8% from the prior year. The depreciation in the fair value of investments of $40.1 million is reflective of the struggling market, particularly in domestic and international equities. Interest income decreased $0.1 million or 3.0% as a result of falling interest rates, and securities lending income decreased 65.6% compared to the prior year due to a decrease in the amount of securities lent during the year. Contributions increased $0.3 million or 5.5% because of the statutory increase in the contribution percentage for participating court employers.

Additions to Plan Net Assets
Comparative Data for Fiscal Years Ended June 30, 2012, 2011, and 2010
($ thousands)



	2012	2011	2010
Member contributions	$2,562	$2,668	$2,599
Court employer contributions	3,620	3,193	8,704
Net appreciation (depreciation)	2,068	42,149	24,391
Interest, dividends, and other investment income	2,458	2,535	2,832
Investment expenses	(124)	(157)	(139)
Securities lending income	10	29	33

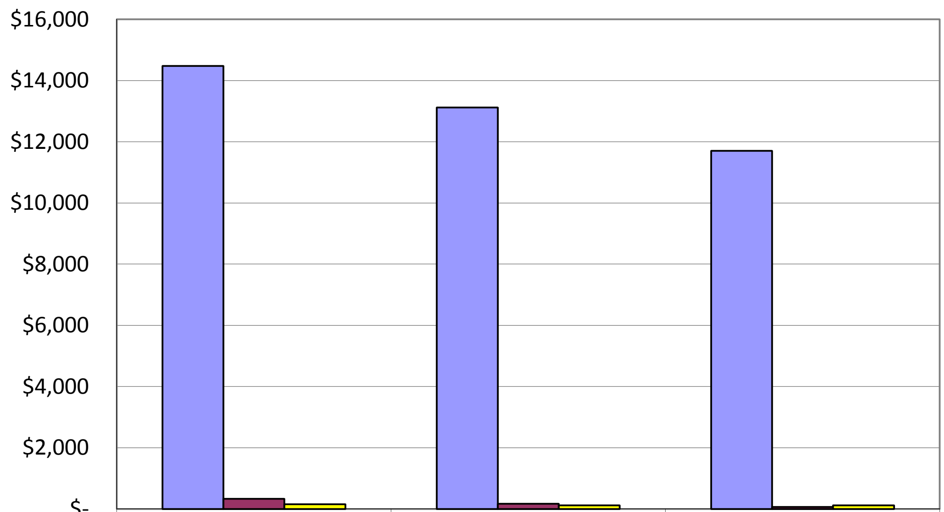
For the year ended June 30, 2011, additions to plan net assets increased $12.0 million or 31.2% from the prior year. The appreciation in the fair value of investments of $17.8 million is reflective of the rise in all markets for the year. Interest income decreased $0.3 million or 10.5% as a result of 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.

Management's Discussion and Analysis (continued)

Deductions to Plan Net Assets

For the year ended June 30, 2012 total deductions increased $1.6 million or 11.6% from the prior year. Retirement, death and survivor benefits increased $1.4 million or 10.4% and the average benefit increased 3.4% despite a 0.9% decrease in the number of retirees. This was attributable to a large increase in the number of retirees during fiscal year 2011 who were receiving a benefit for the entire year during fiscal year 2012 compared to a partial year during fiscal year 2011. Refunds and withdrawals increased 92.2% 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 30.2% when compared to the prior year due to an increased allocation rate of 27.2% and increases in personnel costs and depreciation of capital assets.

Deductions to Plan Net Assets
Comparative Data for Fiscal Years Ended June 30, 2012, 2011, and 2010
(in $000's)



	2012	2011	2010
Retirement, death and survivor benefits	$14,478	$13,118	$11,705
Refunds and withdrawals	331	172	66
Administrative expenses	155	119	115

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.

Management's Discussion and Analysis (continued)

Investments

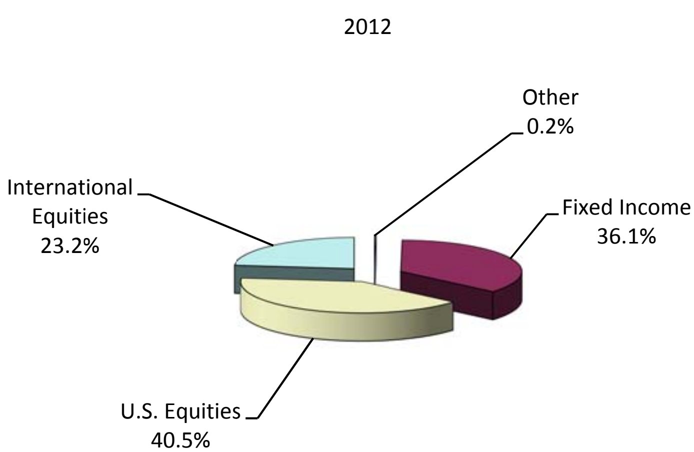
The investment portfolio is reported in the chart below by the asset class of the investment managers' portfolios which includes the cash equivalents in those portfolios. A summary of the Plan's cash equivalents and investments for fiscal years ended June 30, 2012, 2011, and 2010 is as follows:

Cash, Cash Equivalents, and Investment Portfolio
($ millions)

	June 30		
	2012	**2011**	**2010**
Fixed income	$ 95.1	$ 89.8	85.8
U.S. equities	98.4	104.7	83.2
International equities	56.5	60.9	46.8
Other	0.4	0.3	0.5
Total managed investments	250.4	255.7	216.3
Cash equivalents on deposit with State	0.1	0.1	0.1
Securities lending collateral	6.0	18.4	20.4
Total cash, cash equivalents, and investments	$ 256.5	$ 274.2	$ 236.8

The decrease in the Plan's managed investments is reflective of the decrease in domestic and international equity markets for the year. The Plan's overall return for the year ended June 30, 2012 was 1.9%. A 12.1% 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 3.1% and negative 14.3% respectively. International equities were increased $4.3 million during the year due to a reallocation of $3.5 million from large cap equities and $0.8 million from fixed income. Amounts of $6.2 million of U.S. equity index funds and $2.8 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.

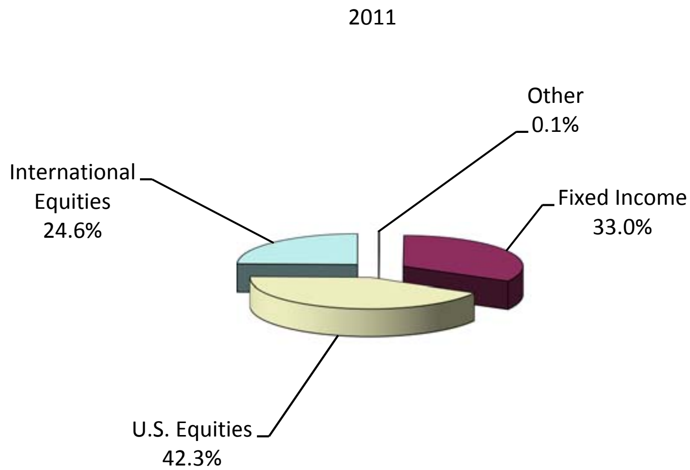
At June 30, 2012 the distribution of the Plan's investments including accrued income and pending trades was as follows:



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.

Management's Discussion and Analysis (continued)

At June 30, 2011 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:

2012	2011	2010
95.7%	96.3%	81.3%

Plan Amendment

No Plan provision changes were enacted by the State Legislature during the session ended in May 2012.

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, 2012 and 2011

	2012	2011
Assets		
Cash equivalents	$ 3,934,372	$ 5,032,606
Receivables:		
Member contributions	201,312	199,879
State and local agency contributions	289,387	249,850
Due from brokers for securities sold	9,746,832	12,070,877
Accrued interest and dividends	424,989	439,422
Total receivables	10,662,520	12,960,028
Investments, at fair value:		
Short-term investments	-	789,848
Government obligations	61,917,046	53,065,445
Corporate bonds	29,723,652	31,363,065
Domestic equities	98,446,697	104,698,605
International equities	56,515,664	60,900,978
Securities lending collateral	6,008,464	18,384,813
Total investments	252,611,523	269,202,754
Total assets	267,208,415	287,195,388
Liabilities		
Due to brokers and investment managers	17,380,530	20,621,565
Securities lending collateral	6,008,464	18,384,813
Total liabilities	23,388,994	39,006,378
Net assets held in trust for pension benefits	$ 243,819,421	$ 248,189,010

See accompanying notes to financial statements.

Statements of Changes in Plan Net Assets

Years Ended June 30, 2012 and 2011

	2012	2011
Additions		
Contributions:		
Members	$ 2,562,347	$ 2,667,908
Participating court employers	3,619,677	3,193,277
Total contributions	6,182,024	5,861,185
Investment income:		
From investing activities:		
Net appreciation in fair value of investments	2,068,115	42,148,970
Interest	2,457,654	2,534,867
Total investment income	4,525,769	44,683,837
Less – Investment expenses	(123,950)	(157,258)
Income from investing activities	4,401,819	44,526,579
From securities lending activities:		
Securities lending income	16,075	65,917
Securities lending expenses:		
Borrower rebates	(4,158)	(31,267)
Management fees	(1,778)	(5,194)
Income from securities lending activities	10,139	29,456
Net investment income	4,411,958	44,556,035
Total additions	10,593,982	50,417,220
Deductions		
Retirement, death and survivor benefits	14,478,117	13,117,911
Refunds and withdrawals	330,831	172,089
Administrative expenses	154,623	118,765
Total deductions	14,963,571	13,408,765
Net (decrease) increase	(4,369,589)	37,008,455
Net assets held in trust for pension benefits		
Beginning of year	248,189,010	211,180,555
End of year	$ 243,819,421	$ 248,189,010

See accompanying notes to financial statements.

Notes to Financial Statements

June 30, 2012 and 2011

(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.

(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:

	2012	2011
Retirees and beneficiaries currently receiving benefits	233	235
Terminated vested participants	13	13
Active participants	266	271
Total	512	519

(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:

For participants who became members prior to January 1, 2012:

- 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

For participants who became members on or after January 1, 2012:

- Age 67 with 8 years of judicial service
- Age 62 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, 2012 and 2011 totaled approximately $30,000 and $35,000, 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.

Notes to Financial Statements (continued)

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, 2012 and 2011 were 11.5% and 10.0%, respectively, of member payroll.

Effective for the fiscal year ended June 30, 2013 the employer contribution rate will increase to 13.0% 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:

	2012	2011
Cash equivalents		
State Treasurer	$ 74,623	$ 80,637
Custodial agent	3,859,749	4,951,969
Total cash and cash equivalents	$ 3,934,372	$ 5,032,606

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, 2012 and 2011 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.

Notes to Financial Statements (continued)

At June 30, 2012, as a result of outstanding checks, the Plan's carrying amount in *OK INVEST* totaled $74,623, and the bank balances totaled $236,386. 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, 2012 and 2011 the carrying amounts of the Plan's custodial agent cash equivalents were the same as the bank balances, $3,859,749 and $4,951,969, 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, 2012 and 2011 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.

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

	2012	2011
U.S. Treasury notes/bonds	$ 20,354,936	$ 11,125,243
U.S. Treasury strips	4,826,178	4,257,867
U.S. TIPS index fund	9,206,814	8,238,243
Government agencies	3,076,648	5,904,119
Government mortgage-backed securities	23,135,003	22,838,006
Municipal bonds	1,007,993	462,428
Corporate bonds	17,284,384	18,533,974
Asset-backed securities	6,807,293	6,071,890
Commercial mortgage-backed securities	3,565,046	5,022,898
Non government backed collateralized mortgage obligations	2,376,403	2,763,690
U.S. equity index fund	98,446,697	104,698,605
International equity index funds	56,515,664	60,900,978
Securities lending collateral	6,008,464	18,384,813
Total investments	$ 252,611,523	$ 269,202,754

The Plan participates in a fixed income and international and domestic equity index funds managed by BlackRock Institutional Trust Company, N.A. (BTC). 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. Each fund is a collective fund which is a group trust and an entity separate from BTC, other funds, and the investing participants. BTC 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 2012 and 2011 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 2012 and 2011 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, 2012 and 2011 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, 2012 and 2011 were $5,892,444 and $17,858,214, respectively, and the collateral received for those securities on loan was $6,008,464 and $18,384,813, 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, 2012 and 2011 the cash collateral investments had an average weighted maturity of 30 and 21 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 default or will otherwise not fulfill its obligations.

Notes to Financial Statements (continued)

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

The *Constrained 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 (S&P). The portfolio should primarily consist of investment grade securities, 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 Constrained Core manager and will add a "plus" of limited exposure to high yield bonds. The total portfolio minimum quality should be A as rated by S&P. No more than 20% of the portfolio shall consist of 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 consist of investment grade securities only.

The *Passive* fixed income style consists of a TIPS index fund. TIPS are securities issued by the U.S. Government that are designed to protect the purchasing power of the investor.

At June 30, 2012 the domestic fixed income portfolio consisted of a constrained core fixed income portfolio, a core plus fixed income portfolio, a rate anticipator portfolio and a passive U.S. TIPS index fund. All components met the stated policy restrictions except the core fixed income portfolio which held $1,294,387 of the portfolio in issues rated below BBB- and the core plus fixed income portfolio which held $363,066 of the portfolio in issues rated below B. At June 30, 2011 the domestic fixed income portfolio consisted of a constrained core fixed income portfolio, a core plus fixed income portfolio, a rate anticipator portfolio and a passive U.S. TIPS index fund. All components met 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. 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, 2012 the Plan held 30.2% of fixed income investments that were not considered to have credit risk and 10.0% in a U.S. TIPS index fund made up of explicitly guaranteed U.S. Treasury Inflation-Protected Securities. 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.

Notes to Financial Statements (continued)

The Plan's exposure to credit risk at June 30, 2012 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	$ 106	$ 2,354	$ 604	$ -	$ -	$ -	$ -	$ -	$ 3,064
Government mortgage-backed securities	321	464	-	-	-	-	-	19,896	20,681
Municipal bonds	219	333	456	-	-	-	-	-	1,008
Corporate bonds	557	2,195	6,850	5,712	1,784	151	-	36	17,285
Asset-backed securities	4,285	1,011	1,019	307	-	153	6	26	6,807
Commercial mortgage-backed securities	2,127	217	763	292	-	-	-	166	3,565
Non government backed collateralized mortgage obligations	1,342	-	28	134	127	-	745	-	2,376
Total fixed income securities exposed to credit risk	$ 8,957	$ 6,574	$ 9,720	$ 6,445	$ 1,911	$ 304	$ 751	$ 20,124	$ 54,786
Percent of total fixed income portfolio	9.8%	7.2%	10.6%	7.0%	2.1%	0.3%	0.8%	22.0%	59.8%

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

	2012		2011	
Credit Rating	***OK INVEST***	**Custodial Agent**	***OK INVEST***	**Custodial Agent**
AAA	49.4 %	13.1 %	79.8 %	22.1 %
AA	46.9	86.1	1.3	—
A1	—	0.8	6.9	77.9
BBB	—	—	—	—
BB	—	—	—	—
NR	3.7	—	12.0	—
	100.0 %	100.0 %	100.0 %	100.0 %

Notes to Financial Statements (continued)

(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.

	2012		2011	
	Fair Value	**Effective duration in years**	**Fair Value**	**Effective duration in years**
U.S. Treasury notes/bonds	$ 20,354,936	9.0	$ 11,125,243	10.0
U.S. Treasury strips	4,826,178	22.1	4,257,867	22.2
U.S. TIPS index fund	9,206,814	8.2	8,238,243	7.6
Government agencies	3,076,648	2.9	5,904,119	3.0
Government mortgage-backed securities	23,135,003	2.2	22,838,006	3.6
Municipal bonds	1,007,993	9.0	462,428	9.1
Corporate bonds	17,284,384	4.5	18,533,974	4.3
Asset-backed securities	6,807,293	1.8	6,071,890	1.2
Commercial mortgage-backed securities	3,565,046	3.8	5,022,898	3.3
Non government backed collateralized mortgage obligations	2,376,403	1.9	2,763,690	2.5
Total fixed income	$ 91,640,698		$ 85,218,358	
Portfolio duration		5.9		5.7

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, 2012 and 2011 the Plan held $6,807,293 and $6,071,890, respectively, in asset-backed securities.

Mortgage-backed securities are securities backed by mortgages issued by public and private institutions. At June 30, 2012 and 2011 the Plan held $23,135,003 and $22,838,006, 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 $3,565,046 and $5,022,898, respectively, in commercial mortgage-backed securities.

Notes to Financial Statements (continued)

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, 2012 and 2011 the Plan held $2,376,403 and $2,763,690, 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:

	2012		2011	
Maturities (in days)	***OK INVEST***	**Custodial Agent**	***OK INVEST***	**Custodial Agent**
0 - 14	14.1 %	45.4 %	20.2 %	18.7 %
15 - 30	0.8	8.2	0.8	14.7
31 - 60	0.8	10.6	1.4	16.4
61 - 90	0.7	10.5	1.3	24.8
91 - 180	2.6	4.3	4.3	11.8
181 - 364	3.4	16.3	3.9	13.6
365 - 730	12.1	4.7	9.3	—
Over 730	65.5	—	58.8	—
	100.0 %	100.0 %	100.0 %	100.0 %

(5) Funded Status and Actuarial Information

(a) Funded Status and Funding Progress

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

	2012		2011	
Actuarial value of the assets (a)	$ 238,553,638		$ 237,626,663	
Actuarial accrued liability (AAL) (b)	$ 249,378,900		$ 246,792,232	
Total unfunded actuarial accrued liability (UAAL) (b-a)	$ 10,825,262		$ 9,165,569	
Funded ratio (a/b)		95.7%		96.3%
Covered payroll	$ 33,336,632		$ 34,700,819	
UAAL as a percentage of covered payroll		32.5%		26.4%

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, 2012 is as follows:

Notes to Financial Statements (continued)

Funding Method

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

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

Asset Valuation Method

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

Amortization

The funding policy amortizes the UAAL on a level percent of payroll method over a 20-year closed period. At June 30, 2012 there are 15 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, 2012 and 2011 are as follows:

- Salary increases – 5.25% per year
- Post-retirement benefit increases – No increases assumed
- 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.

Notes to Financial Statements (continued)

(7) 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 April 2012, the GASB issued Statement No. 65, *Items Previously Reported as Assets and Liabilities* (GASB 65). GASB 65 provides further guidance on determining which balances currently reported as assets and liabilities should instead be reported as deferred outflows or deferred inflows of resources. GASB 65 is effective for periods beginning after December 15, 2012, and will be applied on a retroactive basis.

In June 2012, the GASB issued Statement No. 67, *Financial Reporting for Pension Plans* (GASB 67). GASB 67 replaces the requirements of Statement No. 25, *Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans* and Statement 50, *Pension Disclosures*, as they relate to pension plans that are administered through trusts or similar arrangements meeting certain criteria. GASB 67 builds upon the existing framework for financial reports of defined benefit pension plans, which includes a statement of fiduciary net position (the amount held in a trust for paying retirement benefits) and a statement of changes in fiduciary net position. GASB 67 enhances note disclosures and required supplementary information (RSI) for both defined benefit and defined contribution pension plans. GASB 67 also requires the presentation of new information about annual money-weighted rates of return in the notes to the financial statements and in 10-year RSI schedules. The requirements of GASB 67 are effective for fiscal years beginning after June 15, 2013.

In June 2012, the GASB issued Statement No. 68, Accounting and Financial Reporting for Pensions (GASB 68). GASB 68 replaces the requirements of Statement No. 27, Accounting for Pensions by State and Local Governmental Employers and Statement No. 50 as they relate to governments that provide pensions through pension plans administered as trusts or similar arrangements that meet certain criteria. GASB 68 requires governments providing defined benefit pensions to recognize their long-term obligation for pension benefits as a liability for the first time, and to more comprehensively and comparably measure the annual costs of pension benefits. GASB 68 also enhances accountability and transparency through revised and new note disclosures and RSI. The requirements of GASB 68 are effective for fiscal years beginning after June 15, 2014.

OPERS is currently evaluating the effects the above GASB Pronouncements will have on its financial statements.

Required Supplementary Information

(Unaudited)
June 30, 2012
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)
6/30/2007	$ 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
6/30/2012	238,553,638	249,378,900	10,825,262	95.7	33,336,632	32.5

Schedule of Employer Contributions

Year Ended June 30,	Annual Required Contribution	Percentage Contributed
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
2012	7,412,732	48.8

Supplementary Information

Schedule of Investment Expenses

Years Ended June 30, 2012 and 2011

Schedule 2

	2012	2011
Investment management fees		
Fixed Income Managers:		
BlackRock Institutional Trust Company, N.A.	$ 42,048	$ 39,445
Hoisington Investment Management	13,830	13,676
Metropolitan West Asset Management, LLC	21,192	57,241
U.S. Equity Managers:		
BlackRock Institutional Trust Company, N.A.	11,264	11,435
International Equity Managers:		
BlackRock Institutional Trust Company, N.A.	26,642	28,398
Total investment management fees	114,976	150,195
Investment consultant fees		
Strategic Investment Solutions, Inc.	7,927	6,004
Investment custodial fees		
Northern Trust Company	1,047	1,059
Total investment expenses	$ 123,950	$ 157,258

See accompanying independent auditors' report.

Supplementary Information

Schedule of Administrative Expenses

Years Ended June 30, 2012 and 2011

Schedule 3

	2012	2011
Professional / Consultant services	$ 10,524	$ 6,440
Allocated administrative expenses (see note below)	144,099	112,325
	$ 154,623	$ 118,765

Note to Schedule of Administrative Expenses

Administrative overhead expenses, including personnel and other supporting services costs, which are paid for by the Plan, are allocated to three other retirement funds also administered by OPERS. The allocation is based on OPERS' estimate of the cost of service provided by the Plan to the other funds.

See accompanying independent auditors' report.

Supplementary Information

Schedule of Professional/Consultant Fees

Years Ended June 30, 2012 and 2011

Schedule 4

		2012	2011
Professional/Consultant	**Service**		
Cavanaugh Macdonald Consulting, Inc.	Actuarial	$ 4,264	$ 1,794
Milliman, Inc.	Actuarial	-	516
Cole & Reed PC	External Auditor	2,286	1,797
Finley & Cook, PLLC	Internal Auditor	2,965	1,142
CEM Benchmarking, Inc.	Performance Measurement Consulting	1,009	793
Principal Technologies, Inc.	Executive Search	-	285
Glass Lewis & Co.	Proxy Services	-	113
		$ 10,524	$ 6,440

See accompanying independent auditors' report.

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, 2012, and have issued our report thereon dated October 18, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

Management of the Plan is responsible for establishing and maintaining effective 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 18, 2012