The Commonwealth of Puerto Rico Judiciary Retirement System

(A Pension Trust Fund of the Commonwealth of Puerto Rico)

Basic Financial Statements for the Years Ended June 30, 2007 and 2006, and Independent Auditors' Report

PARISSI P.S.C.
Certified Public Accountants, Tax & Business Advisors

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Independent Auditors' Report

To the Board of Trustees of
The Commonwealth of Puerto Rico Judiciary Retirement System
San Juan, Puerto Rico

We have audited the accompanying statements of plan net assets of The Commonwealth of Puerto Rico Judiciary Retirement System (the System) (a pension trust fund of the Commonwealth of Puerto Rico) as of June 30, 2007 and 2006 and the related statement of changes in plan net assets for the years then ended. These basic financial statements are the responsibility of the System's management. Our responsibility is to express an opinion on these basic financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in 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 misstatements. 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 statements 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 System as of June 30, 2007 and 2006, and the changes in its net assets for the years then ended in conformity with accounting principles generally accepted in the United States of America.

The management's discuss and analysis on pages 2 through 8 is not a required part of the basic financial statement but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquires of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audits were conducted for the purpose of forming opinions on the financial statement of the System. The schedule of employers' contributions and funding progress for the year ended June 30, 2007 included on pages 23 through 25 are presented for purpose of additional analysis and is not a required part of the basic financial statements. These schedules have been subjected to the auditing procedures applied in the audit of the basic financial statement and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Parissi, P.S.C.

San Juan, Puerto Rico
December 28, 2007

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Introduction

The Commonwealth of Puerto Rico Judiciary Retirement System (the System) administers retirement and other plan member benefits, such as personal, cultural and mortgages loans, occupational and non-occupational disability annuities and death benefits. The System is a pension trust fund of the Commonwealth of Puerto Rico. The pension trust resources are only held in trust to pay retirement benefits to plan members. The System presents the annual basic financial statements and provides a narrative discussion and analysis of the financial activities for the fiscal years ended June 30, 2007 and 2006. The financial performance of the System is discussed and analyzed within the context of the accompanying basic financial statements and disclosures.

Overview of the Basic Financial Statements

The Management's Discussion and Analysis introduces System's basic financial statements. The basic financial statements include: (1) statements of plan net assets, (2) statements of changes in plan net assets, and (3) notes to basic financial statements. The System also includes additional information to supplement the basic financial statements.

Statements of Plan Net Assets and Statements of Changes in Plan Net Assets

Both these statements provide information about the overall status of the System. The System uses accrual basic accounting to prepare its financial statements.

The Statements of Plan Net Assets includes all of the System's assets and liabilities, with the difference reported as net assets held in trust for pension benefits. Overtime, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the System as a whole is improving or deteriorating.

The Statements of Changes in Plan Net Assets reports changes in the System's assets and liabilities during the fiscal year. All current year additions and deductions are included regardless of when cash is received or paid.

Notes to Basic Financial Statements

The notes to basic financial statements provide additional information that is essential for an understanding of the data provided in the Statements of Plan Net Assets and Changes in Plan Net Assets.

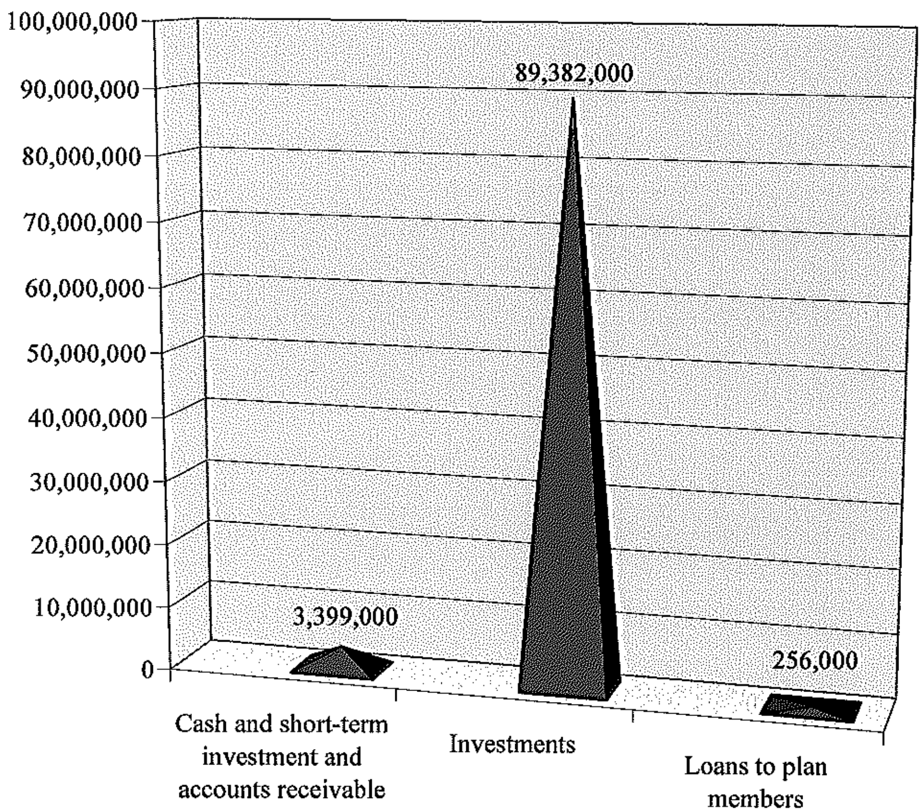
Required Supplementary Information

The required supplementary information consists of two schedules and related notes concerning the funded status of the pension plan administered by the System.

Financial Highlights

The System provides the retirement benefits to the employees of the Judiciary System of Puerto Rico. The System has $93 million in total assets as of June 30, 2007. The amount consists of the following:

- $3.4 million in cash and short-term investments and accounts receivable
- $89.4 million in investments
- $256 thousand in loans plan members



For the fiscal year ended June 30, 2006, the System has $79 million in total assets. The amount consists of the following:

- $2.6 million in cash and short-term investments and accounts receivable
- $75.9 million in investments
- $274 thousand in loans plan members

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The following provides a comparison of certain items within the basic financial statements:

		2007	2006	Total Dollar Change	Total Percentage Change
			(in thousands)		
Assets					
Cash and short-term investments and total accounts receivable	$	3,399	2,635	764	29.0%
Investments at fair value		89,382	75,930	13,452	17.7%
Loans to plan members		256	274	(18)	-6.6%
Total assets		93,037	78,839	14,198	18.0%
Liabilities					
Accounts payable		10,528	5,063	5,465	107.9%
Insurance reserve for loans to plan members and Investment settlements		233	119	114	95.8%
Other liabilities		803	807	(4)	-0.5%
Total liabilities		11,564	5,989	5,575	93.1%
Total net assets held in trust for pension benefits	$	81,473	72,850	8,623	11.8%

		2006	2005	Total Dollar Change	Total Percentage Change
			(in thousands)		
Assets					
Cash and short-term investments and total accounts receivable	$	2,635	3,131	(496)	-15.8%
Investments at fair value		75,930	69,391	6,539	9.4%
Loans to plan members		274	251	23	9.2%
Total assets		78,839	72,773	6,066	8.3%
Liabilities					
Accounts payable and accrued liabilities		5,063	2,204	2,859	129.7%
Insurance reserve for loans to plan members and investment settlements		119	253	(134)	-53.0%
Other liabilities		807	519	288	55.5%
Total liabilities		5,989	2,976	3,013	101.2%
Total net assets held in trust for pension benefits	$	72,850	69,797	3,053	4.4%

	2007	2006	Total Dollar Change	Total Percentage Change
Additions		(in thousands)		
Contributions:				
Employers	$ 6,632	6,727	(95)	-1.4%
Participating employees	2,828	2,960	(132)	-4.5%
Investment income	13,917	6,964	6,953	99.8%
Total additions	23,377	16,651	6,726	40.4%
Deductions				
Retirement and other benefits	13,461	12,283	1,178	9.6%
Refunds of contributions	38	120	(82)	-68.3%
General and administrative	1,255	1,195	60	5.0%
Total deductions	14,754	13,598	1,156	8.5%
Increase in net assets	$ 8,623	3,053	5,570	182.4%

	2006	2005	Total Dollar Change	Total Percentage Change
Additions		(in thousands)		
Contributions:				
Employers	$ 6,727	6,470	257	4.0%
Participating employees	2,960	2,775	185	6.7%
Investment income	6,964	5,416	1,548	28.6%
Total additions	16,651	14,661	1,990	13.6%
Deductions				
Retirement and other benefits	12,283	11,365	918	8.1%
Refunds of contributions	120	124	(4)	-3.2%
General and administrative	1,195	1,226	(31)	-2.5%
Total deductions	13,598	12,715	883	6.9%
Increase in net assets	$ 3,053	1,946	1,107	56.9%

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- The System's total assets at June 30, 2007 exceeded total liabilities by $81.5 million (net assets held in trust for pension benefits). As of June 30, 2006, total assets exceeded liabilities by $72.8 million.
- The fair value of the System's investments, excluding loans to plan members, at June 30, 2007 amounted to $89.4 million compared to $75.9 million at June 30, 2006.
- Loans to plan members decrease to $256,000 at June 30, 2007 compared to $274,000 at June 30, 2006.
- The System's funded ratio of the actuarial accrued liability at June 30, 2005 and 2003 was 40% and 37%, respectively.

The basic financial statements of the System for the fiscal year ended June 30, 2007 present an increase in net assets held in trust for pension benefits of approximately $8.6 million as compared to the fiscal year 2006. This was mainly the result of an increase in net cash of $1.2 million, plus an increase in the fair value of the investments of $13.4 million, offset by a reduction in account receivable and other assets of $389,000 and an increase of $5.6 million in total liabilities due to an increase in cash overdraft and an account payable to the Employee's Retirement System. The increase in net assets held in trust for pension benefits of $3.1 million as of June 30, 2006 when compared to the fiscal year ended June 30, 2005 was mainly the result of an increase in the fair value of the investments of $6.5 million, plus an increase in account receivable of $452,000 offset by a reduction in net cash of $948,000 and an increase of $3 million in total liabilities.

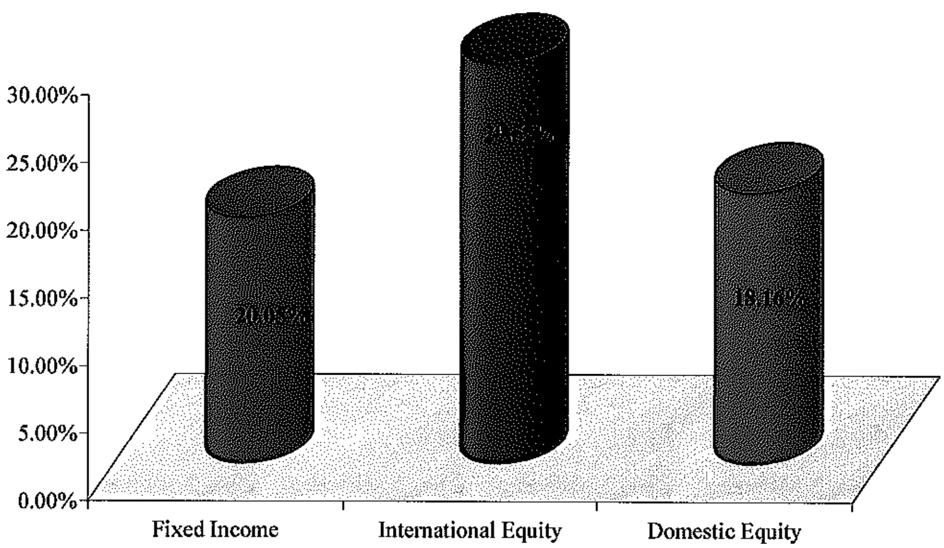
The System's net assets held in trust for benefits include employer and plan member contributions as well as investment income. For fiscal year 2007, employer and plan member contributions decreased by approximately $227,000, from $9.7 million during fiscal year 2006 to $9.5 million during fiscal year 2007. For fiscal year 2006, employer and plan member contributions increased by approximately $442,000, from $9.3 million during fiscal year 2005 to $9.7 million during fiscal year 2006. The System recognized a net appreciation in the fair value of investments of $12.4 and $5.8 million for fiscal year 2007 and 2006, respectively.

Investment and Transactions

At June 30, 2007 and 2006, the System held approximately $256,000 and $274,000, respectively, in loans and interests receivable from plan members. As of June 30, 2007 these loans consist of $17,000 in mortgage loans, $186,000 in personal loans, $42,000 in cultural trip loans, and $11,000 of accrued interest receivable applicable to the pool of loans. As of June 30, 2006 these loans consist of $34,000 in mortgage loans, $182,000 in personal loans, $46,000 in cultural trip loans, and $12,000 of interest receivable applicable to the pool of loans.

The asset allocation is the one that fulfills the System's needs and since it is more adequately balanced, it provides protection in case of a market downturn. For fiscal year 2007, the performance of International Equity is 29.52%, Domestic Equity is 18.16% and Fixed Income is 20.05%.

THE COMMONWEALTH OF PUERTO RICO
JUDICIARY RETIREMENT SYSTEM
Management's Discussion and Analysis
June 30, 2007



For fiscal year 2006, the investment returns of International Equity was 27.73%, Domestic Equity 9.83% and Fixed Income 0.69%.

The System earns additional investment income by lending investment securities to brokers via its custodian's securities lending program. The brokers provide collateral to the System and generally used the borrowed security to over short sales and failed trades. The cash collateral received from the brokers is invested in order to earn interests. For financial statements purposes, the amount of securities that as of June 30, 2007 and 2006 were involved in the securities lending transactions was presented with the required disclosures, according to the current government accounting pronouncements. For the fiscal year 2007 and 2006, income from the custodian securities lending activity amounted to approximately $9,000 each year.

Funding Status

According to the actuarial valuation as of June 30, 2005, the System's unfunded liability amounted to $105 million with a funded ratio of 40 %.

In order to protect the System's financial health, the Commonwealth follows the practice of not allowing an increase in benefits unless an actuarial study is performed or the law provides the financing source.

Increase in Economic Benefits for Retirees

From 2006 to 2007, the Governor of Puerto Rico granted several new benefits to the System's retirees to help them cope with the increase in the cost of living, which consisted of:

- Increase in the Christmas Bonus to $550 annually every December, starting December 2006.
- Increase from $550 to $600 in the Christmas Bonus effective on December 2007.

To avoid any adverse economic impact on the System, these benefits are financed through legislative appropriations in the General Fund.

Requests for Information

The financial report is designed to provide a general overview of the System's finances, comply with related laws and regulations, and demonstrate commitment to public accountability. Questions concerning any of the information provided in this report or requests for additional information should be addressed to the Commonwealth of Puerto Rico Government Employees and Judiciary Retirement Systems Administration, 437 Ponce de León Avenue, Hato Rey, Puerto Rico, 00918.

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The Commonwealth of Puerto Rico
Judiciary Retirement System
(A Pension Trust Fund of the Commonwealth of Puerto Rico)
Statements of Plan Net Assets
June 30, 2007 and 2006

		2007	2006
Assets		(in thousands)	
Cash and short-term investments:			
Deposits at commercial banks	$	2,735	1,599
Deposits with Government Development Bank for Puerto Rico		197	180
Total cash and short-term investments		2,932	1,779
Investments, at fair value:			
Stocks		68,654	56,108
Bonds and notes		20,728	19,822
Total investments		89,382	75,930
Loans and interest receivable from plan members		256	274
Accounts receivable:			
Accrued interest		237	250
Investment sales		179	561
Other		51	45
Total accounts receivable		467	856
Total assets		93,037	78,839
Liabilities			
Due to Commonwealth		5,415	1,902
Due to the Employee's Retirement System of the Government of the Commonwealth of Puerto Rico		5,113	3,161
Escrow funds to plan members and guarantee insurance reserve for loans to plan members		53	52
Investment purchases		180	67
Other liabilities		803	807
Total liabilities		11,564	5,989
Net assets held in trust for pension benefits	$	81,473	72,850

See accompanying notes to basic financial statements.

The Commonwealth of Puerto Rico
Judiciary Retirement System
(A Pension Trust Fund of the Commonwealth of Puerto Rico)
Statements of Changes in Plan Net Assets
Years Ended June 30, 2007 and 2006

		2007	2006
		(in thousands)	
Additions:			
Contributions:			
Employer	$	6,632	6,727
Participating employees		2,828	2,960
		9,460	9,687
Investment income:			
Net appreciation of investments		12,438	5,818
Dividend income		224	205
Interest income		1,447	1,220
		14,109	7,243
Less: Investment expense		192	279
Net investment income		13,917	6,964
Total additions		23,377	16,651
Deductions:			
Annuities		13,461	12,283
Refund to participating employees		38	120
General and administrative		1,255	1,195
Total deductions		14,754	13,598
Net increase		8,623	3,053
Net assets held in trust for pension benefits			
Beginning of year		72,850	69,797
End of year	$	81,473	72,850

See accompanying notes to basic financial statements.

1. ORGANIZATION, AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

The Commonwealth of Puerto Rico Judiciary Retirement System (the System) was created by Act No. 12 on October 19, 1954. The System is a pension trust fund of the Commonwealth of Puerto Rico (the Commonwealth). The System, as a governmental retirement plan, is excluded from the provisions of the Employee Retirement Income Security Act of 1974 (ERISA).

The responsibility for the proper operation and administration of the System is vested on a Board of Trustees, composed of two participating employees and one pensioner, who are appointed by the Governor of the Commonwealth. Also, there are four Commonwealth government agency representatives, which are the Secretary of the Treasury, the President of the Government Development Bank, the Commissioner of Municipalities Affairs, and the Executive Director of the Human Resources Office of the Commonwealth of Puerto Rico.

The System is not an employer. The System's operations are managed by the Employees' Retirement System of the Government of the Commonwealth of Puerto Rico management. Its allocations of administration costs to the System amounted to approximately $1.3 million and $1.2 million for the years ended June 30, 2007 and 2006, respectively.

The following are the significant accounting policies followed by the System in the preparation of its basic financial statements:

Basis of Presentation

The accompanying basic financial statements have been prepared on the accrual basis of accounting in accordance with the provisions of Governmental Accounting Standards Board No. 25 (GASB No. 25), *Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans*. Participating employees and employer's contributions are recognized as additions in the period in which the employee services are rendered. Annuities and refunds are recognized as deductions when due and payable in accordance with the terms of the plan.

During the year ended June 30, 2007 the System adopted the provision of the Statement of Governmental Accounting Standards Board No. 43 (GASB No. 43), *Financial Reporting for Post-employment Benefit Plans Other Than Pension Plans*, the objective of which is to establish uniform standards of financial reporting by state and local governmental entities for other post-employment benefits plan. This statement provides standards for measurement, recognition and display of the asset, liabilities, net assets and changes in net assets and for related disclosure.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted (GAAP) in the United States of America requires management to make estimates and assumptions that affect the reported amounts of net assets held in trust for pension benefits, and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of additions and deductions to net assets held in trust for pension benefits during the reporting period. Actual results could differ from those estimates.

Cash and Short-Term Investments

Cash and short-term investments consist of overnight deposits guaranteed by the custodian bank, and certificates of deposits in the Government Development Bank for Puerto Rico (GDB) and a commercial bank.

Investments

Investments are carried at fair value. The fair value of notes, bonds and stocks are based on quotations obtained from national securities exchanges. Securities transactions are accounted for on the trade date.

Mortgages, acquired from third parties are held to maturity and are not readily marketable. Consequently, these are carried at cost.

Loans to Plan Members

Mortgages, personal and cultural trip loans to plan members are stated at their outstanding principal balance. Maximum amounts that may be granted to plan members for mortgage, personal and cultural trip loans are $100,000, $5,000 and $5,000, respectively. The carrying value of these loans approximates their fair value.

Reserve for Life Insurance on Loans to Plan Members

Premiums collected and benefits claimed are recorded as additions and deductions of the guarantee insurance reserve for life insurance on loans to plan members, respectively.

Allocation of Administrative Expenses

The System's operations are managed by the Employees' Retirement System of the Government of the Commonwealth of Puerto Rico management. Administrative expenses were estimated using an allocation percentage of 4%.

Future Adoption of Accounting Pronouncements

The GASB has issued the following accounting standards that have effective dates after June 30, 2007:

- GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Post-employment Benefits Other than Pensions*, which is effective for fiscal years beginning after December 15, 2006.
- GASB Statement No. 48, *Sales and Pledges of Receivable and Future Revenues and Intra-Entity Transfers of Assets and Future Revenues*, which is effective for fiscal years beginning after December 15, 2007.

- GASB Statement No. 49, *Accounting and Financial Reporting for Pollution Remediation Obligations,* which is effective for fiscal years beginning after December 15, 2007
- GASB Statement No. 50, *Pension Disclosures – an amendment of GASB Statements No. 25 and No. 27,* which is effective for fiscal year beginning after June 15, 2007.
- GASB Statement No. 51, *Accounting and Reporting for Intangible Assets,* which is effective for fiscal years beginning after June 15, 2009.
- GASB Statement No. 52, *Land and Other Real Estate Held as Investments by Endowments,* which is effective for fiscal years beginning after June 15, 2008.

The impact of these statements on the System's basic financial statements has not yet been determined.

2. PLAN DESCRIPTION

The System is a single-employer defined benefit plan sponsored by the Commonwealth. Under the terms of the Act No. 12 of 1954, as amended, all judges of the Judiciary Branch of the Commonwealth are plan members of the System.

At June 30, 2007 and 2006, membership consisted of the following:

	2007	2006
Retirees and beneficiaries currently receiving benefits	330	313
Current participating employees	355	374
Total membership	685	687

The plan members of the System are eligible for the following benefits:

Retirement Annuity

Plan members with 10 years of credited service are eligible for retirement upon reaching 60 years of age.

Plan members are eligible for monthly benefit payments determined by the application of stipulated benefit to the plan member's average compensation. Average compensation is computed based on the last month of compensation. The annuity, for which a plan member is eligible, is limited to a minimum of 25% and a maximum of 75% of the average compensation except for the judges of the Supreme Court for whom the annuity is limited to a minimum of 50% the average compensation and a maximum of 100% of the compensation received by the active members of the Supreme Court.

Reversionary Annuity

A plan member, upon retirement, could elect to receive a reduced retirement annuity giving one or more benefit payments to his/her dependants. The payments would start after the death of the retiree, for an amount not less than $120 yearly or greater than the annuity payments being received by the retiree.

Occupational Disability Annuity

A participating employee, who as a direct result of the performance of his/her occupation is totally and permanently disabled is eligible for a disability annuity of 50% of the compensation, received at the time of the disability.

Non-occupational Disability Annuity

A participating employee totally and permanently disabled for causes not related to his/her occupation, and with no less than 10 years of credited service, is eligible for annuity of 30% of the average compensation of the first 10 years of credited services increased by 1% for every additional year of credited service in excess of 10 years up to a maximum of 50% of the average compensation.

Death Benefits

Occupational:

- Surviving spouse - annuity equal to 50% of the participating employee's salary at the date of the death.
- Children - $10 per month for each child, minor or student, up to a maximum benefit per family of 75% of the participating employee's salary at the date of the death. If no spouse survives or dies while receiving the annuity payments, each child, 18 or under, is eligible to receive an annuity of $20 per month up to the attainment of 18 years of age or the completion of his/her studies.

Non-occupational:

The contributions and interest accumulated as of the date of the death plus an amount equal to the annual compensation at the time of the death.

Post-retirement:

- Surviving spouse and child, 21 or under - up to 60% of the retiree's pension.
- Other designated by the retiree - the excess, if any, of the accumulated contributions at the time of retirement over the total annuity benefits received before death, limited to a minimum of $500.

Refunds

A participating employee who ceases his/her employment with the Commonwealth without right to a retirement annuity has the right to a refund of the contributions to the System plus any interest earned thereon.

Cost of Living Adjustment for Pension Benefits

Act No. 177 of 1997 provides, effective January 1, 1999, for increases of 3%, every three years, of the pensions paid by the System to those plan members with three or more years of retirement. The Act requires further legislation to grant this increase every three years. To protect the financial health of the System the increase granted in 2002 is being financed through grants from the Commonwealth.

3. FUNDING POLICY

The contribution requirement to the System is established by law and is not actuarially determined. Required contributions consist of 20% of applicable payroll for the employer and 8% for the participating employees. Commonwealth contributions should ultimately cover any deficiency between the participating employers' and employees' contributions and the System's pension benefit obligations and administrative costs.

During fiscal years 2007 and 2006, the System received appropriations from the Commowealth to cover special laws for $500,000 and $372,000, respectively. The appropriations are accounted as a reduction of annuity payments.

Calculations of the present value of benefits under the System were made by consulting actuaries as of June 30, 2005, using the projected unit credit actuarial cost method. Significant assumptions underlying the actuarial computations include: (a) assumed rate of return on investments of 8.50%, (b) assumed compound rate of wage increases of 5.00% per year, and (c) assumed mortality rate based on the Group Annuity Table for 1983.

The actuarial accrued liability and the unfunded actuarial accrued liability as of June 30, 2005 were $174.5 and $104.7 million, respectively.

4. CASH AND INVESTMENTS

Cash Deposits

As of June 30, 2007 and 2006, the System's custodial credit risk was approximately $197,000 and $230,000, respectively, which is the bank balance of deposits at the Government Development Bank for Puerto Rico (GDB). These deposits are exempt from the collateral requirement established by the Commonwealth.

Custodial credit risk is the risk that, in an event of a bank failure, the System's deposits might not be recovered. The Commonwealth requires that public funds deposited in commercial banks must be fully collateralized for the amount deposited in excess of federal depository insurance. All securities pledged as collateral are held by the Secretary of the Treasury of the Commonwealth. Deposits at

GDB are uninsured and uncollateralized, as these entities, which are component units of the Commonwealth, are exempt from compliance with the collateralization requirement.

Investments

The following table shows the fair value of the investments in marketable securities held by the System as of June 30, 2007 and 2006 (in thousands):

		2007	2006
Bonds:			
US Government and agencies securities	$	11,421	9,700
US Corporate bonds		9,307	10,122
Total bonds		20,728	19,822
Equity Investments:			
US Corporate stocks		50,192	41,854
Non-US Corporate stocks		18,462	14,254
Total equity investments		68,654	56,108
Total investments	$	89,382	75,930

The System's investments are exposed to custodial credit risk, credit risk, concentration of credit risk, foreign currency risk and interest rate risk. Following is a description of these risks as of June 30, 2007.

Custodial Credit Risk

Custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, the System may not be able to recover the value of the investment or collateral securities that are in the possession of an outside party. At June 30, 2007 and 2006 securities investments were registered in the name of the System and were held in the possession of the System's custodian banks, State Street Bank and Trust, Citibank N.A., and Morgan Stanley.

Credit Risk

All fixed income securities at the time of purchase must be of investment grade quality. The System's investment policy limits the investment in corporate debt securities to the top ratings issued by nationally recognized statistical rating organizations. The policy requires the debt securities portfolio to maintain a minimum weighted average credit quality of either "A" or better using either Standard and Poor's or Moody's Investor Services credit ratings. The following table presents the bonds and notes Moody's ratings as of June 30, 2007 and 2006, respectively (in thousands):

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Moodys Rating	Investment Type	Fair Value 2007	2006
AAA	US Government Bonds	$ 10,498	6,929
AAA	Corporate Bonds	1,715	737
A1	Corporate Bonds	489	728
A2	Corporate Bonds	496	—
A3	Corporate Bonds	1,090	1,246
AA2	Corporate Bonds	301	—
AA3	Corporate Bonds	2,282	1,563
B1	Corporate Bonds	—	953
BA1	Corporate Bonds	—	1,040
BAA1	Corporate Bonds	769	996
BAA2	Corporate Bonds	1,244	991
BAA3	Corporate Bonds	837	1,434
BBB+	Corporate Bonds	—	435
BAA3	Mortgage Backed	—	54
AGY	Mortgage Backed	923	1,793
P-1	Mortgage Backed	84	—
AGY	US Government Bonds	—	923
	Total Bond and Notes	$ 20,728	19,822

Concentration of Credit Risk

No investment in marketable securities in any organization represents 5% or more of the System's net assets held in trust for pension benefits.

Interest Rate Risk

In accordance with its investment policy, the System manages its exposure to declines in fair values by structuring the investment portfolio so that securities mature to meet cash requirements for benefit payments, thereby avoiding the need to sell securities on the open market prior to maturity. Investments in equity securities are not subject to the maximum maturity policy since they do not carry a maturity date. The System is expected to achieve capital preservation and income generation by investing in diversified portfolio of marketable, investment grade core fixed income securities.

The following table summarizes the investments on debt securities of the System at June 30, 2007 (in thousands):

	Maturity from	Fair Value	Investment Maturities (In Years) Less than 1	1-5	More than 5-10	More than 10
U.S Government and Agencies securities	(2007-2037)	$ 11,421	999	1,745	1,108	7,569
Corporate Bonds	(2008-2037)	9,307	84	3,829	1,742	3,652
Total Bonds		$ 20,728	1,083	5,574	2,850	11,221

As of June 30, 2007, investments maturities are as follows:

Maturity	Maximum Maturity
Less than one year	5%
One to five years	27%
More than five to ten years	14%
Mora than ten years	54%

Foreign Currency Risk

The foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment or a deposit.

The international portfolio is expected to achieve long-term, aggressive capital appreciation by investing in Core EAFE (Europe Australasia and the Far East) securities. The portfolio is expected to be broadly diversified with respect to exposures to countries, economic sectors, industries and individual stock. No single issue is expected to exceed 5% (at market) of the portfolio.

As of June 30, 2007 and 2006, the System owned approximately $18.5 and $14.3 million, respectively, in an international equity commingled fund under the custody of Morgan Stanley investment bank, which represented approximately 2.5% of the total commingled fund for each year. This pooled trust has an asset mix and country allocation as shown on the following page:

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Assets Mix	2007 Percent	2006 Percent
Cash and Equivalents	1.51	0.94
Future Contracts	12.14	8.76
Equity Securities	86.35	90.30
Total	100.00	100.00

Country Allocation	Currency	Currency Code	Portfolio %	Portfolio %
Poland	Zlotych	PLN	0.61	0.49
Russia	Rubles	RUB	0.99	1.51
Eastern Europe			1.60	2.00
Austria	Euro	EUR	1.00	0.78
Belgium	Euro	EUR	0.55	0.63
Finland	Euro	EUR	0.95	1.22
France	Euro	EUR	9.39	8.31
Germany	Euro	EUR	11.61	9.98
Greece	Euro	EUR	0.24	0.24
Ireland	Euro	EUR	0.05	0.00
Netherlands	Euro	EUR	2.47	2.51
Italy	Euro	EUR	0.99	0.00
Portugal	Euro	EUR	0.16	0.14
Spain	Euro	EUR	2.02	2.27
Euro Europe			29.43	26.08
Brazil	Real	BRL	1.93	1.27
Colombia	Pesos	COP	0.05	0.00
Mexico	Pesos	MXN	1.05	0.50
Latin America			3.03	1.77
Cyprus	Pounds	CYP	0.04	0.00
Turkey	Lira	TRY	0.22	0.71
Middle East			0.26	0.71
Denmark	Kroner	DKK	0.41	0.40
Norway	Kroner	NOK	1.32	0.45
Sweeden	Krona	SEK	2.61	2.13
Switzerland	Francs	CHF	4.72	5.23
United Kingdom	Pounds	GBP	17.85	20.27
Non-Euro Europe			26.91	28.48
Australia	Dollars	AUD	3.81	3.65
China	Yuan Renmimbi	CNY	1.80	0.00
Hong Kong	Dollars	HKD	1.26	3.38
Indonesia	Rupiahs	IDR	0.48	0.00
Japan	Yen	JPY	24.72	29.70
Malasya	Ringgits	MYR	0.08	0.00
New Zealand	Dollars	NZD	0.01	0.01
Singapore	Dollars	SGD	2.14	1.80
South Korea	Won	KRW	0.56	0.00
Thailand	Baht	THB	0.00	0.43
Taiwan	New Dollars	TWD	0.14	0.00
Pacific			35.00	38.97
Emu	Euro	EUR	0.60	0.60
Africa	Rand	ZAR	0.14	0.45
India	Rupees	INR	1.52	0.00
Other			2.26	1.05
Cash			1.51	0.94
Total			100.00	100.00

Securities Lending Transactions

The System entered into securities lending transactions. The System's securities custodian, as agent, manages the securities lending program and receives liquid collateral. At June 30, 2007 and 2006, the collateral received represents 101.88% and 103.66%, respectively, of the fair value of the securities lent.

Securities lending obligations for which collateral was received at June 30, 2007 and 2006 consisted of the following (in thousand):

		Fair Value	
		2007	**2006**
Securities Lent:			
U.S. Equity	$	4,254	2,388
U.S. Corporate Bond		—	18
Total Security Lent	$	4,254	2,406

The underlying collateral for these securities had a market value of approximately $4.3 million and $2.5 million as of June 30, 2007 and 2006 and was invested as follows (in thousands):

Collateral Description		**2007**		**2006**	
Asset Backed Commercial Paper	$	631	14.56%	63	2.53%
Reverse Repo U.S. Agency Delivered		423	9.76%	350	14.03%
Certificate of Deposits		—	—	189	7.58%
Reverse Repo Corporate Tri-party		3,280	75.69%	—	—
Reverse Repo Mortgage Backed Tri-party		—	—	1,892	75.86%
Total	$	4,334	100.00%	2,494	100.00%

The System has very low credit risk exposure to borrowers. The System's rights to collateral are defined in the contractual agreement. There is excess collateral above 100%. In case of borrower default, the System has immediate rights to collateral. Borrower's creditworthiness is also proactively reviewed by the Lending Agent.

5. LOANS AND INTEREST RECEIVABLE FROM PLAN MEMBERS

The loans receivable from plan members are substantially guaranteed by the contributions of plan members and by other sources, including mortgage deeds and any unrestricted amount remaining in the escrow funds. In addition, collections on loans receivable are received through payroll deductions.

The composition of loans and interest receivable from plan members as of June 30, 2007 and 2006 is summarized as follows (in thousand):

	2007	2006
Loans receivable:		
Mortgage	$ 17	34
Personal	186	182
Cultural trips	42	46
Total loans to plan members	245	262
Accrued interest recievable	11	12
Total loans and interest receivable	$ 256	274

Guarantee Insurance Reserve for Loans to Plan Members

The System provides life insurance that guarantees the payment of the outstanding principal balance of mortgage, personal and cultural trip loans in case of death of a plan member. This coverage is paid in its entirety by the plan members who obtain these loans from the System. The life insurance rates are actuarially determined and do not vary by age, sex or health status.

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Required Supplementary Schedules of Employers' Contributions and Funding Progress

The Commonwealth of Puerto Rico
Judiciary Retirement System
(A Pension Trust Fund of the Commonwealth of Puerto Rico)
Schedule of Employers' Contributions
June 30, 2007
(In thousands)

Year Ended June 30,	Annual Required Contributions	Contributions	Percentage Contributed	(Excess)/ Deficiency
2007	$ Not Available	6,632	N/A	N/A
2006	9,735	6,727	69%	(3,008)
2005	8,707	6,470	74%	(2,237)
2004	8,707	5,556	64%	(3,151)
2003	6,892	5,536	80%	(1,356)
2002	6,892	5,412	79%	(1,480)
2000	9,216	7,300	79%	(1,916)
1999	4,500	7,900	176%	3,400

Annual Required Contribution for the year ended June 30, 2001 is not available.
Information prior to June 30, 2001 is from June 30, 2001 Audited Financial Statements.

See notes to supplementary schedules of employers' contribution and funding progress.

The Commonwealth of Puerto Rico
Judiciary Retirement System
(A Pension Trust Fund of the Commonwealth of Puerto Rico)
Schedule of Funding Progress
June 30, 2007
(In thousands)

Actuarial Valuation Date		Actuarial Value of Plan Assets	Actuarial Accrued Liability - Unit Credit (AAL)	Unfunded AAL (UAAL)	Funded Ratio	Annual Covered Payroll	UAAL as a Percentage of Annual Covered Payroll
June 30, 2005	$	69,797	174,454	104,657	40%	29,331	357%
June 30, 2004		67,851	N/A	N/A	N/A	N/A	N/A
June 30, 2003		61,781	166,732	104,951	37%	25,711	408%
June 30, 2002		60,438	N/A	N/A	N/A	N/A	N/A
June 30, 2001		70,083	162,186	92,103	43%	26,700	345%
June 30, 2000		82,800	135,800	53,000	61%	25,700	206%
June 30, 1999		73,900	118,200	44,300	63%	26,300	168%

Annual Required Contribution for the year ended June 30, 2001 is not available.
Information prior to June 30, 2001 is from June 30, 2001 Audited Financial Statements.

See notes to supplementary schedules of employers' contribution and funding progress.

1. SCHEDULE OF CONTRIBUTIONS

The Schedule of Contributions provides information about the annual required contributions (ARC) and the extent to which contributions made cover the ARC. The ARC is the annual required contribution for the year calculated in accordance with certain parameters, which include actuarial methods and assumptions.

The System's Schedule of Contributions includes both Commonwealth's and participating employee's contributions as the Commonwealth's contributions, ultimately, should cover any deficiency between the participating employees' contributions, the pension benefits and the System's administration costs.

The information was obtained from the last actuarial report as of June 30, 2005

2. SCHEDULE OF FUNDING PROGRESS

The Schedule of Funding Progress provides information about the funded status of the System and the progress being made in accumulating sufficient assets to pay benefits when due. The information was obtained from the last actuarial report as of June 30, 2005.

3. ACTURIAL DATA

The information presented in the required supplementary schedules was determined as part of the actuarial valuations at the dates indicated. Starting July 1, 2001, the actuarial valuation is being performed every two years. Additional information as of the latest actuarial valuation follows:

Valuation Date	June 30, 2005
Actuarial Cost Method	Projected unit credit cost method
Amortization Method	Level percentage of pay
Remaining Amortization Period	21 years
Asset Valuation Method	Market value
Actuarial Assumptions:	
Investment rate of return*	8.50% per annum
Projected salary increases*	5.00% per annum
Mortality rate	Group Annuity Mortality Table for 1983
Cost of living adjustment	None

* Includes inflation at 3.50% per annum

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