

CORRECTIONS OFFICER RETIREMENT PLAN

A PENSION TRUST FUND OF THE STATE OF ARIZONA

SEVENTEENTH COMPREHENSIVE ANNUAL FINANCIAL REPORT

FOR THE FISCAL YEAR ENDED

JUNE 30, 2003

This report was prepared by the staff of the CORP

1020 East Missouri Avenue

Phoenix, Arizona 85014

(602) 255-5575

Fax (602) 255-5572

www.psprs.com

**STATE OF ARIZONA
CORRECTIONS OFFICER RETIREMENT PLAN
SEVENTEENTH COMPREHENSIVE ANNUAL FINANCIAL REPORT**

CONTENTS

INTRODUCTORY SECTION

Fund Managers' Report	3
Letter of Transmittal	4
Certificate of Achievement for Excellence in Financial Reporting	7
The Retirement Board and Administrative Organization	8
Organizational Chart	9
Summary of Plan Provisions (See Note 1 in Notes to Financial Statements)	20

FINANCIAL SECTION

Independent Auditor's Report	13
Management's Discussion and Analysis	14

Basic Financial Statements

Statements of Plan Net Assets.....	18
Statements of Changes in Plan Net Assets.....	19
Notes to Financial Statements.....	20
<small>(These Notes are an Integral Part of the Financial Statements)</small>	

Required Supplementary Information

Schedule of Funding Progress	27
Schedule of Employer Contributions.....	28
Supporting Schedule of Changes in Fund Balance Reserves	29
Supporting Schedule of Administrative and Investment Expenses	30
Supporting Schedule of Payments to Consultants	30
Supplemental Schedule of Cash Receipts and Cash Disbursements	31

INVESTMENT SECTION

Fund Objectives	35
Investment Performance Data	36
Supporting Schedule of Commissions Paid to Brokers	40
Summary of Changes in Investment Portfolio	41
Detailed List of Investments Acquired	42
Detailed List of Sales and Redemption of Investments	48

Detailed List of Investments Owned	52
--	----

ACTUARIAL SECTION

Actuarial Certification Statement	63
Aggregate Actuarial Balance Sheet, June 30, 2003	64
Summary of Valuation Methods and Assumptions	65
Solvency Test	68
Summary of Active Member Data	69
Summary of Inactive Member Data	70
Schedule of Retirants and Beneficiaries.....	70
Schedule of Experience Gain / (Loss).....	71

STATISTICAL SECTION

Schedule of Revenues by Source and Expenses by Type.....	75
Schedule of Benefit Expenses by Type	76
Summary of Retired Member and Survivor Data	77
Summary of Benefit Increases	78
Participating Employers	80
Schedule of Changes in Employer Reserves – Year Ended June 30, 2003 And Unfunded Accrued Normal Costs at June 30, 2002	81
Schedule of Changes in Refundable Member Reserves Fiscal Year Ended June 30, 2003	82
Earnings Distribution, Fiscal Year Ended June 30, 2003	83
Summary of Growth of the Plan	84

INTRODUCTORY SECTION

CORRECTIONS OFFICER RETIREMENT PLAN
SEVENTEENTH COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED
JUNE 30, 2003

Fund Managers' Report

Letter of Transmittal

Certificate of Achievement for
Excellence in Financial Reporting

The Retirement Board and
Administrative Organization

Organizational Chart

Summary of Plan Provisions
(See Note 1 in Notes to Financial Statements)

**PUBLIC SAFETY PERSONNEL RETIREMENT SYSTEM
CORRECTIONS OFFICER RETIREMENT PLAN
ELECTED OFFICIALS' RETIREMENT PLAN**

1020 East Missouri Avenue
Phoenix, Arizona 85014-2613

Jack M. Cross, C.P.A., C.F.A.
Administrator

TELEPHONE: (602) 255-5575
FAX: (602) 255-5572

James A. Nielsen, C.P.A., J.D.
Assistant Administrator

September 29, 2003

The Honorable Janet Napolitano
Governor of the State of Arizona
State Capitol
Phoenix, Arizona 85007

Dear Governor Napolitano:

The Fund Manager of the Public Safety Personnel Retirement System respectfully submits the Seventeenth Comprehensive Annual Financial Report of the Corrections Officer Retirement Plan for the fiscal year ended June 30, 2003, in accordance with the provisions of A.R.S. 38-883.

We are pleased to report that the Plan is still in good financial and actuarial condition in spite of the difficult investment environment of the past few years. The Plan's current funding level is 106.9%. Stakeholders continue to benefit greatly from our outstanding current and past performance. In fact, funding levels have increased from a low of 69.0% in 1987 to a high of 140.6% three years ago. The average employer contribution rate, as a percentage of gross payroll is 3.95% for the 2003/04 fiscal year. While the average contribution rate has increased this past year, and may continue to do so for some time, the average contribution rate for our employer groups is still below the normal cost of the Plan at 6.79%, due to our investment earnings.

We realize that we are now in a different investment environment, even from just a few years ago. In order to maintain prudent funding levels, we are reducing our assumed earnings rate from 9.0% to 8.75%, effective July 1, 2004, with subsequent annual reductions of one-quarter of one percent each year thereafter until the rate is reduced to 8.0%. We believe this to be a more realistic rate for our Plan to achieve. Additionally, we will continue to follow a sensible long-term investment approach as well as continuing to control costs. Set forth below are some of the highlights for the fiscal year ending June 30, 2003.

We are pleased to report that for the current year the Plan had a total rate of return of 6.15%. This return is very good compared to similar pension plans nationwide. Additionally, the Plan continues to perform well against the market indexes (S&P 500/NYSE stock and Shearson Lehman Government/Corporate bond) on a long-term basis. The 5, 10 and 15-year total rates of return, including realized as well as unrealized gains and losses, for the total fund were -0.01%, 7.18% and 9.02%, respectively. The 1, 5, 10 and 15-year rates of return for the equity portfolio were 3.63%, -3.79%, 7.56% and 10.36%, respectively. The 1, 5, 10 and 15-year rates of return for the fixed income portfolio were 10.38%, 6.69%, 7.33% and 8.78%, respectively.

Benefits paid to retired corrections officers and their beneficiaries for the fiscal year totaled \$22,506,792 compared to \$17,576,451 for the prior year. Total administrative and investment expenses increased from \$463,464 last year to \$497,975 this year. Costs have increased only 126% during the past sixteen years. This increase is very low since the assets managed have increased over 800%, the Plan's membership has increased over 100%, and inflation has increased over 50% during this period.

We sincerely appreciate the opportunity of serving the State and County Corrections Officers.

Respectfully submitted,

Pat Cantelme, Chairman

Ron Snodgrass, Member

Wendy Hancock, Member

Carter Olson, Member

Kevin Keogh, Member

**PUBLIC SAFETY PERSONNEL RETIREMENT SYSTEM
CORRECTIONS OFFICER RETIREMENT PLAN
ELECTED OFFICIALS' RETIREMENT PLAN**

1020 East Missouri Avenue
Phoenix, Arizona 85014-2613
www.psprs.com

Jack M. Cross, C.P.A., C.F.A.
Administrator

TELEPHONE: (602) 255-5575
FAX: (602) 255-5572

James A. Nielsen, CPA, JD
Assistant Administrator

September 29, 2003

The Fund Manager
Public Safety Personnel Retirement System
State of Arizona
Phoenix, Arizona

Gentlemen:

There is presented, herewith, the Seventeenth Comprehensive Annual Financial Report of the operations and financial conditions of the Corrections Officer Retirement Plan, State of Arizona, for the fiscal year ended June 30, 2003. Incorporated in this report are the audited financial statements and other financial data from the June 30, 2003, report of Barrows & Schatza, P.L.C., Certified Public Accountants and auditors for the Plan. Also included are the Actuarial Certification Statement and the Actuarial Balance Sheet from the June 30, 2003, Actuarial Valuation prepared by the Plan's actuary, Rodwan & Nichols, Consulting Actuaries.

This report has been organized into five sections: (1) the Introductory Section containing general information regarding the operations of the Corrections Officer Retirement Plan; (2) the Financial Section containing the new Management's Discussion and Analysis and, the financial reports and schedules of the funds administered by the Corrections Officer Retirement Plan; (3) the Investment Section containing detailed lists of the investment transactions and portfolios of the Plan, along with investment performance; (4) the Actuarial Section containing actuarial information regarding the funding of the pension trusts; and, (5) the Statistical Section containing statistical data pertaining to the benefits paid by the Corrections Officer Retirement Plan and growth of the Plan.

TRANSFER OF ASSETS

House Bill 2310 was passed by the 37th Legislature during the second regular session of 1986. This bill created the Corrections Officer Retirement Plan, provided for the transfer of assets into the new Plan, made the Fund Manager of the Public Safety Personnel Retirement System responsible for the investment and administration of the Plan and made all of its provisions effective July 1, 1986. The bill required the transfer of member account balances plus the matching employer account balances from the Arizona State Retirement System for all new members of the Plan. The bill did not require the transfer of unallocated investment earnings or employer contributions made on behalf of terminated employees and still on deposit in the Arizona State Retirement System. This caused the Plan to start at a distinct disadvantage (only 69% funded); but, through prudent investment over several years, this problem has been overcome as the Plan is now 106.9% funded.

FINANCIAL INFORMATION

The primary responsibility for the integrity and objectivity of the financial statements and related financial data rests with the management of the Plan. The financial statements were prepared in conformity with generally accepted accounting principles appropriate for government-sponsored defined benefit pension plans. Management believes that all other financial information included in this annual report is consistent with those financial statements.

It is the Plan's policy to maintain a control-conscious environment through an effective system of accounting controls. These controls are adequate to provide reasonable assurance that assets are safeguarded against loss or unauthorized use and to produce the records necessary for the preparation of financial information. There are limits inherent in all systems of internal control based on the recognition that the costs of such plans should be related to the benefits to be derived. Management believes the Plan's controls provide this appropriate balance.

The Plan uses the accrual basis of accounting for both revenues and expenses. Contributions to the Plan are based on principles of level-cost financing with current service financed as a level percent of payroll on a current basis and prior service amortized as a level percent of payroll over a rolling twenty (20) year period.

REVENUES

Revenues to the Plan are derived from three sources: member contributions, employer contributions, and investment income. As shown by the Schedule of Revenues by Source included in the Statistical Section later in this report, the Plan suffered an investment loss this fiscal year that was offset by member contributions and employer contributions. Please refer to the Statistical Section for a ten-year history of revenues and expenses.

ADMINISTRATIVE AND INVESTMENT EXPENSES

The 2002/2003 Administrative and Investment Expenses of the Administrative Office totaled \$497,975 compared to \$463,464 for the prior year. Costs have risen 126% during the past sixteen years, which is a compounded annual rate of increase of 5.58%. A dedicated staff and constantly improving internal expertise has allowed management to keep costs minus inflation very low for the past

sixteen years even though membership and assets managed have increased substantially during this same period (over 100% and over 800%, respectively).

INVESTMENTS

Since the Plan is well funded, management takes a moderately conservative approach to investing. The Plan invests primarily in bonds rated A or better and blue chip common stock. A detailed summary of the investment portfolio and all investment transactions is presented in the Investment Section. At year-end, the investment portfolio was made up of 7.68% U. S. Government Securities, 18.10% Corporate Bonds, 6.97% Corporate Notes, 6.79% Other Investments, 0.27% insured Money Market Funds and 60.19% Common Stocks. All investments are held in trust by the Arizona subsidiary of one of the largest banks in the world.

Even with this relatively conservative investment philosophy, the fixed income portfolio has outperformed the Lehman Government/Corporate Bond Index in nine of the last sixteen years and the equity portfolio has outperformed the applicable Index (NYSE until 98/99, S&P 500 thereafter) in eleven of the past sixteen years. The Plan's performance resulted in a 15-year total rate of return of 9.02%. Graphs depicting the fund's extraordinary performance since 1986, the year internal staff took over the portfolio management, can be found in the Investment Section.

ECONOMIC OUTLOOK

We realize that we are now in a different investment environment, even from just a few years ago. In order to maintain prudent funding levels, the Fund Manager reduced the assumed earnings rate from 9.0% to 8.75%, effective July 1, 2004, with subsequent annual reductions of one-quarter of one percent each year thereafter until the rate is reduced to 8.0%. We believe this is a more realistic rate for our Plan to achieve. Our employer groups continue to benefit greatly from our outstanding past and current performance. Additionally, we will continue to follow a sensible long-term investment approach as well as continuing to control costs.

ACTUARIAL AND FUNDING INFORMATION

Funding a retirement plan on a sound actuarial reserve basis involves the accumulation of substantial reserves to guarantee the payment of promised benefits. These reserves are invested and the rate of investment earnings, over time, is a major factor in determining the employer contribution requirement to meet the calculated level cost of the Plan.

There is no single all-encompassing test to measure a retirement plan's funding progress and current status. A traditional measure is the ratio of assets to unfunded accumulated normal costs, often referred to as the "percent funded." The percent funded for the Plan at June 30, 2003, is 106.9%, which is well ahead of schedule.

The Plan is funded through a member contribution of 8.50% of gross payroll, an employer contribution set by an actuarial valuation expressed as a percent of gross payroll and a distribution of the net earnings of the Plan. While each employer has a different contribution rate, the average for the entire Plan for the 2003/2004 fiscal year would be 3.95% of gross payroll; however, employer contributions cannot fall below 2% as a result of 2000 legislation.

POST RETIREMENT BENEFIT INCREASES

State law provides for an annual benefit increase for retirees or their survivors either two years after retirement, regardless of age, or when the retiree or survivor attains age 55 and has been retired for a year. These increases are dependent upon the production of excess earnings on a portion of the Plan's assets and are limited to four percent of the average benefit being paid.

Below is a schedule of the increase in monthly benefits granted since this program began:

July 1, 1993 - \$ 5.00
July 1, 1996 - \$10.00
July 1, 1997 - \$15.00
July 1, 1998 - \$25.00
July 1, 1999 - \$32.41
July 1, 2000 - \$38.96
July 1, 2001 - \$39.79
Cumulative total - \$166.16
July 1, 2002 - 4.0%
July 1, 2003 - 4.0%
July 1, 2004 - 4.0%

Effective July 1, 2002, benefit increases are limited to a maximum of 4% of the benefit being received on the preceding June 30 and contingent upon sufficient excess investment earnings for the fund. A benefit increase schedule showing how these amounts were calculated can be found in the Statistical Section.

CERTIFICATE OF ACHIEVEMENT

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the CORP for its comprehensive annual financial report for the fiscal year ended June 30, 2002. This was the ninth consecutive year that the Plan has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government unit must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe our current comprehensive annual financial report continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

SUMMARY

The Plan's actuary, Rodwan & Nichols, summarized the results of the latest Actuarial Valuation as of June 30, 2003, as follows:

The results of the actuarial valuations of the Arizona Corrections Officer Retirement Plan indicate that benefit obligations are being funded as incurred. Valuation assets are 106.9% of actuarial accrued liability. This excellent level of accrued funding is primarily attributable to favorable investment returns.

The Plan has made excellent progress during the past seventeen years. Funding has increased from 69% to 106.9%. Investment and administrative expenses increased only 126% during the past seventeen years while total assets and membership were up 809% and 123% respectively. Employer contribution rates have dropped to less than 3.95% on average. All this was accomplished even while improving benefits to members. The service multiplier has been increased from 2% to 2.5%; members can now retire after 20 years of credited service at any age or if the sum of their age and years of credited service equals 80; survivor and disability benefits have been improved and a substantial health insurance subsidy has been added.

I am proud to have been part of the Plan's management team and I look forward to the Plan's continued success in the future.

Respectfully submitted,



Jack M. Cross, C.P.A., CFA
Administrator

Certificate of Achievement for Excellence in Financial Reporting

Presented to

Corrections Officer Retirement Plan, Arizona

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2002

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



President

Executive Director

**STATE OF ARIZONA
CORRECTIONS OFFICER RETIREMENT PLAN
THE RETIREMENT BOARD AND ADMINISTRATIVE ORGANIZATION**

THE FUND MANAGER

		<u>Term Expires</u>
Pat Cantelme Retired Firefighter City of Phoenix	Chairman	January 2005
Ron Snodgrass Police Officer City of Phoenix	Member	January 2004
Wendy Hancock Public Member	Member	January 2005
Carter Olson Pinal County Attorney	Member	January 2006
Kevin Keogh Finance Director City of Phoenix	Member	January 2006

PROFESSIONAL ADVISORS

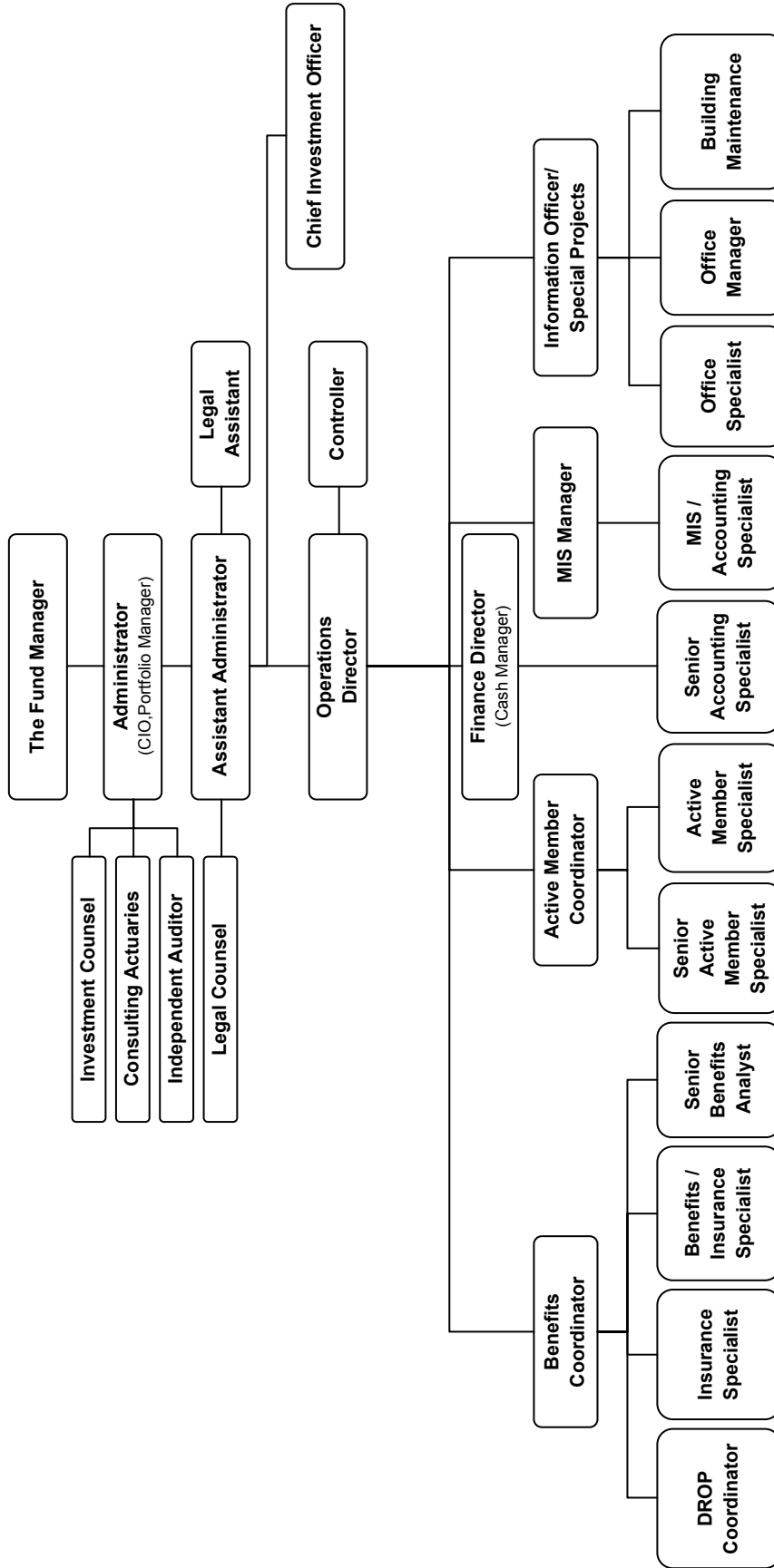
Standard & Poor's Securities, Inc.	Investment Counsel
Rodwan & Nichols	Consulting Actuaries
Barrows & Schatza, P.L.C.	Independent Auditors
Lieberman, Dodge, Gerding, Kothe & Anderson, Ltd.	Legal Counsel

ADMINISTRATIVE STAFF

Jack M. Cross, CPA, CFA	Administrator
James A. Nielsen, CPA, JD	Assistant Administrator
Tracey D. Peterson, CPA, CFE	Operations Director
Jared A. Smout	Finance Director
Karen L. Lewis, CPA	Controller
Donald B. Mineer	DROP Coordinator/Special Projects Assistant
LaDawn M. Snodgrass	Active Member Coordinator
Sheryl D. Saltsman	Benefits Coordinator
Deborah S. Irwin	Senior Active Member Specialist
Joann L. Lowey	Senior Benefits Analyst
Lilian L. Leung	Senior Accounting Specialist
Kathleen A. Mattoon	Office Specialist
Annette L. Jorgensen	Insurance Specialist
Lori A. Boyle	Office Manager
Scott D. Willard	MIS/Accounting Specialist
D. Steven Williams	Legal Assistant
Tiffani M. Wright	Active Member Specialist
Alliene Jonas	Benefits/Insurance Specialist
Devin Delap	Building Maintenance

1020 East Missouri Avenue | Phoenix, Arizona 85014
Telephone (602) 255-5575 | Fax (602) 255-5572
www.psprs.com

**STATE OF ARIZONA
CORRECTIONS OFFICER RETIREMENT PLAN
ORGANIZATIONAL CHART
JUNE 30, 2003**



FINANCIAL SECTION

**CORRECTIONS OFFICER RETIREMENT PLAN
SEVENTEENTH COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED
JUNE 30, 2003**

Independent Auditor's Report
Management's Discussion and Analysis
Statements of Plan Net Assets
Statements of Changes in Plan Net Assets
Notes to Financial Statements
Schedule of Funding Progress
Schedule of Employer Contributions
Supporting Schedule of Changes In Fund Balance Reserves
Supporting Schedule of Administrative and Investment Expenses
Supporting Schedule of Payments to Consultants
Supplemental Schedule of Cash Receipts and Cash Disbursements



INDEPENDENT AUDITOR'S REPORT

**FUND MANAGER
STATE OF ARIZONA PUBLIC SAFETY
PERSONNEL RETIREMENT SYSTEM
PHOENIX, ARIZONA**

We have audited the accompanying statements of plan net assets of the **STATE OF ARIZONA CORRECTIONS OFFICER RETIREMENT PLAN** as of June 30, 2003 and 2002, and the related statements of changes in plan net assets for the years then ended, appearing on pages 18 and 19, respectively. 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 generally accepted auditing standards. 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 financial status of the **STATE OF ARIZONA CORRECTIONS OFFICER RETIREMENT PLAN** as of June 30, 2003 and 2002, and the results of its operations and the changes in fund balances for the years then ended in conformity with generally accepted accounting principles.

As discussed in Note 2 to the financial statements, the **STATE OF ARIZONA CORRECTIONS OFFICER RETIREMENT PLAN** adopted the provisions of the Governmental Accounting Standards Board Statements No. 34, *Basis Financial Statements and Management's Discussion and Analysis for State and Local Governments*, No. 37, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments – Omnibus*, and No. 38, *Certain Financial Statement Note Disclosures* for fiscal year end June 30, 2002.

Our audit was made for the purpose of forming an opinion on the financial statements taken as a whole. The accompanying supplementary information, Management's Discussion and Analysis, Schedule of Funding Progress and Schedule of Employer Contributions, are required by the Governmental Accounting Standards Board and are not a required part of the basic financial statements. Also, the accompanying additional information, contained on pages 29 to 31, are not required disclosures under Governmental Accounting Standards Board (GASB) statement No. 25 and are not a required part of the basic financial statements. The additional information schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly presented in all material respects in relation to the basic financial statements taken as a whole.

Barrows & Schatza, P.L.C.

September 8, 2003

**STATE OF ARIZONA
CORRECTIONS OFFICER RETIREMENT PLAN
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2003 AND 2002**

The Corrections Officer Retirement Plan's discussion and analysis is designed to assist the reader in focusing on significant financial issues, provide an overview of the Plan's financial activity, identify changes in the Plan's financial position and identify any issues or concerns.

Since the Management's Discussion and Analysis (MD&A) is designed to focus on the current year's activities, resulting changes and currently known facts, it is intended to be read in conjunction with the Transmittal Letter, Financial Statements and Notes to the Financial Statements.

Financial Highlights

Key financial highlights for 2003 are as follows:

- The Plan had a total rate of return of 6.15% this year. Our stock portfolio had a return of 3.63% and our bond portfolio had a return of 12.13%. We continue to perform well against the market indexes on a long-term basis. The 15-year rate of return for the equity portfolio and fixed income portfolio were 10.36% and 8.78%, respectively, compared to the market index of 10.00% and 8.66%, for the same time period.
- As of the close of the fiscal year 2003, the Future Benefit Increase Reserve was \$30.7 million. This will enable another 4% increase for qualifying retirees or their survivors for the ninth consecutive year.
- Retirement benefits paid totaled \$22.5 million for the current fiscal year, compared to \$17.6 million for the previous year. This represents a 28% increase from the prior year. The majority of this increase is the result of increased health insurance benefits and cost of living adjustments (COLAs) paid to the retirees or their survivors of the Plan.

Using this Comprehensive Annual Financial Report (CAFR)

This annual report consists of a series of financial statements and notes to those financial statements. These statements are organized so the reader can understand the Plan as an operating entity. The statements and notes then proceed to provide an increasingly detailed look at specific financial activities.

The Statement of Net Assets and The Statement of Changes in Net Assets

These statements include all assets and liabilities of the Plan using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies.

These two statements report the Plan's *net assets* and changes in them. Net assets are the difference between assets and liabilities, one way to measure the financial health, or *financial position*. Over time, *increases or decreases* in the net assets are one indicator of the *financial health* of the Plan.

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the financial statements. The notes can be found immediately following *The Statement of Net Assets* and *The Statement of Changes in Net Assets*.

Required Supplemental Information

The basic financial statements are followed by a section of required supplemental information. This section includes the Schedule of Funding Progress and the Schedule of Employer Contributions.

The Schedule of Funding Progress shows the ratio of assets as a percentage of the actuarial accrued liability (funding ratio) and the ratio of unfunded actuarial accrued liabilities to member payroll. The trend in these two ratios provides information about the financial strength of the Plan. Improvement is indicated when the funding ratio is increasing and the ratio of the unfunded actuarial liability to payroll is decreasing.

The Schedule of Employer Contributions shows the Annual Required Contributions by fiscal year. The purpose of this schedule is to provide information about the required contributions of the employers and the extent to which those contributions are being made. The information should assist users in understanding the changes and possible reasons for the changes in the Plan's funding status over time.

Other Supplemental Information

The Other Supplemental Information Section includes the Supporting Schedule of Changes in Fund Balance Reserves, Supporting Schedule of Payments to Consultants, Supplemental Schedule of Cash Receipts and Cash Disbursements, Schedule of Changes in Employer Reserves, Schedule of Changes in Refundable Member Reserves, and Schedule of Earnings Distribution. The total columns and information provided on these schedules carry forward to the applicable financial statement.

Financial Analysis

Net Assets

The Plan's Net Assets totaled \$622.9 million at the close of the fiscal year 2003, compared to \$586.3 million at the close of the previous fiscal year. This is a 7% increase from the prior year. The majority of the increase is the result of market conditions and investment earnings.

CORRECTIONS OFFICER RETIREMENT PLAN NET ASSETS

	<u>2003</u>		<u>2002</u>	
	<u>Book Cost*</u>	<u>Fair Value</u>	<u>Book Cost*</u>	<u>Fair Value</u>
Current Assets	\$ 4,483,390	\$ 4,483,390	\$ 3,638,271	\$ 3,638,271
Investments	<u>779,475,853</u>	<u>815,187,159</u>	<u>815,183,172</u>	<u>756,240,172</u>
Total Assets	<u>783,959,243</u>	<u>819,670,549</u>	<u>818,821,443</u>	<u>759,878,443</u>
Other Liabilities	<u>196,640,894</u>	<u>196,732,033</u>	<u>171,959,641</u>	<u>173,549,970</u>
Total Liabilities	<u>196,640,894</u>	<u>196,732,033</u>	<u>171,959,641</u>	<u>173,549,970</u>
Total Net Assets	<u>\$ 587,318,349</u>	<u>\$ 622,938,516</u>	<u>\$ 646,861,802</u>	<u>\$ 586,328,473</u>

*Cost information is provided for reference only.

The largest portion of the Plan's Net Assets (60%) are invested in Equity Securities; 18% is invested in high quality Corporate Bonds; 8% is invested in Government Securities; 7% is invested in Cash or cash equivalents; and, the remaining 7% is invested in Other investments.

Changes in Net Assets

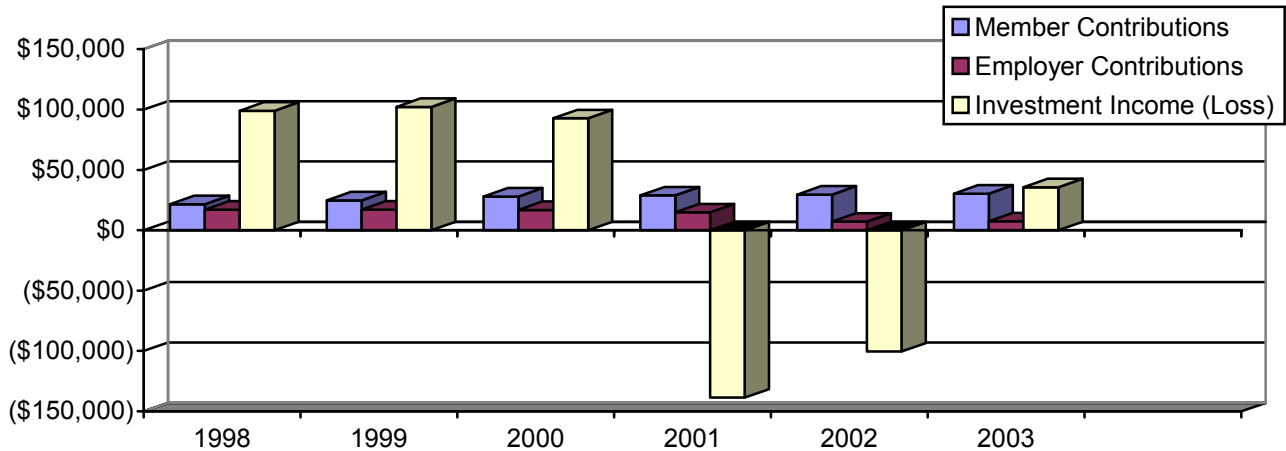
Market conditions and investment earnings have attributed to the majority of the increase in net assets, as noted earlier. Additional key elements of this increase are as follows:

CORRECTIONS OFFICER RETIREMENT PLAN CHANGES IN NET ASSETS

	<u>2003</u>	<u>2002</u>
Additions:		
Contributions	\$ 37,728,509	\$ 36,633,478
Net Investment Income (Loss)	35,698,266	(100,518,025)
Transfers	<u>3,189,325</u>	<u>1,325,465</u>
Total Additions	<u>76,616,100</u>	<u>(62,559,082)</u>
Deductions:		
Pension Benefits	22,506,792	17,576,451
Terminated Members Refunds	16,022,697	14,271,104
Administrative Expenses	427,150	397,110
Transfers	<u>1,049,418</u>	<u>2,060,223</u>
Total Deductions	<u>40,006,057</u>	<u>34,304,888</u>
Change in Net Assets	36,610,043	(96,863,970)
Net Assets, Beginning of Year	<u>586,328,473</u>	<u>683,192,443</u>
Net Assets, End of Year	<u>\$ 622,938,516</u>	<u>\$ 586,328,473</u>

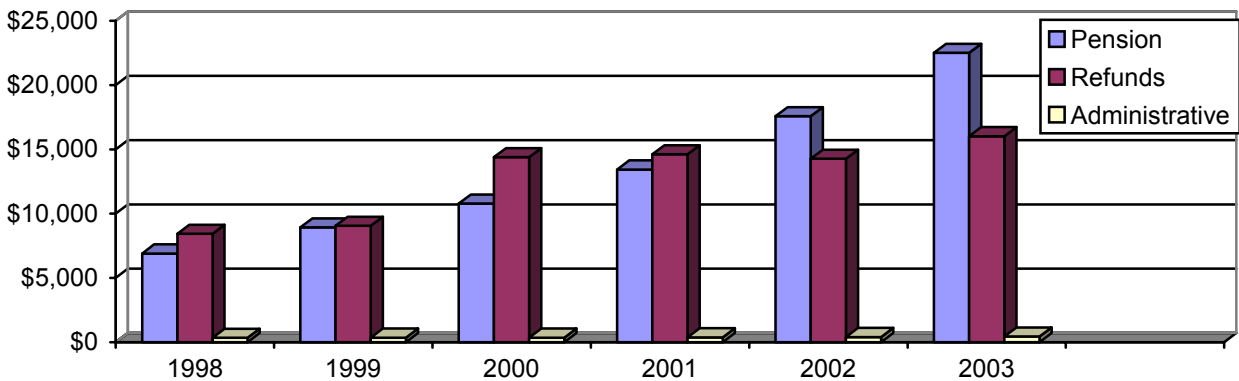
Total contributions and net investment income increased \$137.3 million from those of the prior year, due primarily to market conditions and investment earnings. Total contributions increased from the previous year by \$1.1 million. This slight increase is primarily due to an increase in employer contribution rates. Member contribution rates are set by Statute and were unchanged from the previous fiscal year. Investment Income increased from the previous year by \$136.2 million. The Investment Section of this report reviews the results of investment activity for 2003.

Trend in Revenues – by Type
(Member and Employer Contributions, Investment Income (Loss) (in 000's)



The primary expenses of the Plan include the payment of pension benefits to members and beneficiaries, refunds of contributions to former members who terminated employment during the year and the cost of administering the Plan. Total deductions for fiscal year 2003 were \$40.0 million, an increase of 17% over the prior fiscal year. Pension benefits, to include health insurance subsidies, 20-year retirement, and cost of living adjustments, increased by \$4.9 million or 28% from the previous year. Refunds of contributions to former members increased \$1.8 million or 13% from the previous year. Administrative expenses increased \$30,040 or 8% from the previous year.

Trend in Expenses – by Type
(Pension Benefits, Refunds and Administrative Expenses) (in 000's)



Economic Factors and Employer Rates

Revenues to the Plan are derived from three sources: member contributions, employer contributions and investment income. Member contribution rates are set by Statute and will remain unchanged at 8.50%. Employer contribution rates are determined annually by an actuarial valuation. The valuation encompasses the rate of investment earnings and the accumulation of substantial reserves to guarantee payment of promised benefits.

Investment gains and losses are smoothed over a four-year period to stabilize the employer contribution rates from year to year. The Fund Manager, the five member governing board, decided that the current smoothing rate over a four-year period should remain unchanged at this time. However, the Fund Manager did reduce the assumed earnings rate from 9.0% to 8.75%, effective July 1, 2004, with reductions in quarter increments each year thereafter until the rate is reduced to 8.0%. The Fund Manager did reserve the right to address these issues annually or on an as needed basis.

Additionally, we have met our fund objectives by annually adjusting employer contribution rates based on the recommendations made by the actuarial valuations. The Plan's funding goal is for the actuarial value of the assets to be equal to the actuarial accrued liabilities within any twenty-year period. For the current fiscal year end, our funding ratio is 106.9%. The average employer rate, as a percentage of gross payroll, is 3.95% for the 2003/04 fiscal year. While the employer rate has increased this past year, and may continue to do so for some time, the average contribution rate for our employers is still below the normal cost of the Plan of 6.79%. Employers continue to benefit greatly from our outstanding past and current investment performance.

Management believes, and actuarial studies concur, that the Plan is in a financial position to meet its current obligations. We believe the current financial position will continue to improve due to a prudent conservative long-term investment approach, cost controls and strategic planning.

Requests for Information

This report is designed to provide a general overview of the Corrections Officer Retirement Plan's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to: Corrections Officer Retirement Plan, Operations Director, 1020 E. Missouri, Phoenix, AZ 85014.

**STATE OF ARIZONA
CORRECTIONS OFFICER RETIREMENT PLAN
STATEMENTS OF PLAN NET ASSETS
AS OF JUNE 30, 2003 AND 2002**

ASSETS	2003	2002
Receivables		
Members' Contributions	\$ 94,640	\$ 212,464
Employers' Contributions	25,741	51,302
Interest and Dividends	4,363,009	3,374,505
Total Receivables	4,483,390	3,638,271
	<i>[Book Cost - For Reference Only]</i>	<i>[Book Cost - For Reference Only]</i>
Investments at Fair Value (Note 2)		
U.S. Government Securities	\$ 44,764,695	\$ 77,651,963
Corporate Bonds	105,515,904	108,644,665
Corporate Notes	40,633,249	29,485,869
Corporate Stocks	350,794,899	403,055,869
Other Investments	39,584,740	22,816,690
Money Market Account	1,541,472	1,568,476
Collateral Held in Trust for Securities on Loan	196,640,894	171,959,641
Total Investments	\$ 779,475,853	\$ 815,183,173
Total Plan Assets	819,670,549	759,878,443
Liability- Collateral Subject to Return to Borrower	(196,732,033)	(173,549,970)
Net Assets Held in Trust for Pension Benefits	\$ 622,938,516	\$ 586,328,473
Net Asset Reserves		
Refundable Members' Reserve	\$ 152,453,715	\$ 142,887,876
Employers' Reserve	439,775,618	408,988,533
Future Benefit Increase Reserve	30,709,183	34,452,064
Total Net Asset Reserves	\$ 622,938,516	\$ 586,328,473

A schedule of funding progress is presented immediately following the notes to the financial statements. The accompanying notes are an integral part of these financial statements.

**STATE OF ARIZONA
CORRECTIONS OFFICER RETIREMENT PLAN
STATEMENTS OF CHANGES IN PLAN NET ASSETS
FOR THE YEARS ENDED JUNE 30, 2003 AND 2002**

	2003	2002
Additions		
Contributions		
Members' Contributions (Notes 1 and 3)	\$ 30,330,914	\$ 29,532,366
Employers' Contributions (Notes 1 and 3)	7,397,595	7,101,112
Total Contributions	37,728,509	36,633,478
Net Appreciation (Depreciation)		
in Fair Value of Investments (Note 2)	16,545,588	(118,846,900)
Interest	16,006,765	15,650,221
Dividends	2,950,093	2,405,209
Securities Lending Activities		
Securities Lending Income	\$ 2,670,163	\$ 5,046,809
Borrower Rebates	(2,259,956)	(4,524,055)
Agents Share of Income	(143,562)	(182,955)
Net Securities Lending Income (Note 2)	266,645	339,799
	35,769,091	(100,451,671)
Less Investment Expense	(70,825)	(66,354)
Net Investment Income	35,698,266	(100,518,025)
Amounts Transferred from Other State-Sponsored Pension Plans and Service Credits Purchased	3,189,325	1,325,465
Total Additions	76,616,100	(62,559,082)
Deductions		
Pension and Insurance Benefits (Note 1)	22,506,792	17,576,451
Refunds to Terminated Members (Note 1)	16,022,697	14,271,104
Administrative Expenses	427,150	397,110
Amounts Transferred to Other State-Sponsored Pension Plans	1,049,418	2,060,223
Total Deductions	40,006,057	34,304,888
Net Increase (Decrease)	36,610,043	(96,863,970)
Net Assets Held In Trust for Pension Benefits		
Beginning of Year - July 1	586,328,473	683,192,443
End of Year - June 30	\$ 622,938,516	\$ 586,328,473

The accompanying notes are an integral part of these financial statements.

**STATE OF ARIZONA
CORRECTIONS OFFICER RETIREMENT PLAN
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2003 AND 2002**

NOTE 1 - PLAN DESCRIPTION

Organization

The Corrections Officer Retirement Plan (CORP), a pension trust fund of the State of Arizona, is an agent multiple-employer public employee retirement plan established by Title 38, Chapter 5, Article 6 of the Arizona Revised Statutes, to provide benefits for prison and jail employees of certain state, county and local governments. The Fund Manager of the Public Safety Personnel Retirement System (PSPRS) and 16 Local Boards jointly administer the Plan.

The Fund Manager is a five-member board. Effective August 6, 1999, it became the Governor's responsibility to appoint all members of the Fund Manager, who serve a fixed three-year term. The Fund Manager is responsible for the investment of the plan's assets, setting employer contribution rates in accordance with an actuarial study, adopting a budget, hiring personnel to administer the plan, setting up records, setting up accounts for each member and each Local Board, paying benefits and the general protection and administration of the Plan.

Each employer participating in the Plan has a five-member Local Board. The chief elected official of the organization appoints three members and two members are elected by the active members of the eligible group. In general, each member serves a fixed four-year term. Each Local Board is responsible for determining eligibility for membership, service credits, eligibility for benefits, timing of benefit payments, and the amount of benefits for its eligible group of employees. The various governing bodies pay all costs associated with the administration of the Local Boards.

The addition or deletion of eligible groups does not require the approval of the other participating employers. The Fund Manager approves new eligible groups for participation. The CORP is not reported as a component unit of any other organization. The Local Boards are reported as component units of their respective sponsoring organization.

The Fund Manager of the CORP is also responsible for the investment and general administration of two other statewide retirement plans—the Public Safety Personnel Retirement System and the Elected Officials' Retirement Plan. The investments and expenses of these plans are held and accounted for separately from those of the CORP. Since none of the plans have the authority to impose their will on any of the other plans, each plan is reported as its own stand-alone government.

At June 30, 2003 and 2002, the number of participating local government employer groups was:

	2003	2002
Counties	11	10
Dispatchers	3	0
State Agencies	2	2
Total Employers	16	12

Any county or city in the State of Arizona may elect to have its eligible employees (generally, prison or jail personnel who have direct inmate contact) covered by the CORP. At June 30, 2003 and 2002, statewide CORP membership consisted of:

	2003	2002
Retirees and beneficiaries currently receiving benefits	1,363	1,218
Terminated vested employees	497	125
Current employees		
Vested	2,287	2,205
Non-vested	8,677	8,259
Total Members	12,824	11,807

CORP provides retirement benefits as well as death and disability benefits. Generally, all benefits vest after 10 years of credited service. A summary of benefits and Plan provisions follows:

SUMMARY OF BENEFITS

Purpose (A.R.S. § 38-900.01.B)

To provide a uniform, consistent and equitable statewide program for those eligible corrections officers as defined by the Plan.

Eligibility (A.R.S. §38-881)

- A. For a county, a county detention officer or a non-uniformed employee of a sheriff's department whose customary employment is at least forty hours per week and whose primary duties require direct inmate contact, if the county elects to join the Plan.
- B. For the State Department of Corrections, correctional service officers, state correctional program officers and certain other designated positions within the department that are prescribed by statute and whose customary employment is for at least forty hours per week.
- C. For the State Department of Juvenile Corrections, youth corrections officers, youth program officers and certain other designated positions within the department that are prescribed by statute and whose customary employment is for at least forty hours per week.
- D. For a city or town, a city or town detention officer whose customary employment is for at least forty hours per week, if the city or town elects to join the Plan.
- E. For an employer in the Public Safety Personnel Retirement System, full-time dispatchers whose customary employment is for at least forty hours per week, if the employer elects to join the Plan.

Contributions (A.R.S. §38-891)

Each member shall contribute 8.5% of salary to the Plan on a pre-tax basis by payroll deduction. Each employer shall contribute a level percent of salary as determined by actuarial valuation to ensure proper funding for the Plan but not less than 2% of salary.

Credited Service (A.R.S. §38-881)

Service in a designated position for which member contributions have been made to the Plan or transferred to the Plan from another retirement system for public employees of this state.

Average Monthly Salary (A.R.S. §38-881)

One thirty-sixth (1/36) of aggregate salary paid a member during the highest three consecutive years out of the last ten years of service.

Salary (A.R.S. §38-881)

The base salary, base wages, shift differential pay and holiday pay paid to a member in a designated position for personal services rendered to a participating employer that is paid on a regular monthly, semimonthly or biweekly payroll basis.

Normal Retirement Date (A.R.S. § 38-885.B)

Commences first day of month following completion of twenty years of service, except that for a full-time dispatcher, upon completion of twenty-five years of service, a member's sixty-second birthday and completion of ten years of service, or the month where the sum of the member's age and years of credited service equals eighty.

The amount of monthly normal pension is based on credited service and average monthly salary as follows:

For retirement with twenty years of credited service but less than twenty-five years of credited service, 50% of average monthly salary for the first twenty years of credited service, plus 2% of average monthly salary for each year of credited service between twenty and twenty-five. (A.R.S. §38-885.C, ¶ 1)

For retirement with less than twenty years of credited service, 2-1/2 % of average monthly salary times the member's

years of credited service. (A.R.S. §38-885.C, ¶ 2)

For retirement with twenty-five or more years of credited service, 50% of average monthly salary for the first twenty years of credited service, plus 2-1/2% of average monthly salary for each year of credited service above twenty years, up to a maximum of 80% of average monthly salary. (A.R.S. §38-885.C, ¶ 1)

Accidental Disability Retirement (A.R.S. §38-881, ¶ 1)

A physical or mental condition which totally and permanently prevents an employee from performing a reasonable range of duties within the employee's department, was incurred in the performance of the employee's duties and was the result of either physical contact with inmates, responding to a confrontational situation with inmates or a job-related motor vehicle accident and was not the result of a physical or mental condition or injury that existed or occurred before the member's date of membership in the Plan.

The Local Board shall base eligibility for an accidental disability or a total and permanent disability on medical evidence and determination that such a disability exists. No credited service requirement. The monthly pension is fifty percent (50%) of the member's average monthly salary. The Local Board may require periodic medical re-evaluations until the member reaches age 62. Accidental disability or a total and permanent disability pension terminates if the Local Board finds the retired member no longer meets the requirements for the disability pension. (A.R.S. §38-886)

Total And Permanent Disability Retirement (A.R.S. §38-881, ¶ 22)

A physical or mental condition which totally and permanently prevents a member from engaging in any gainful employment, is the direct and proximate result of the member's performance of their duty as an employee and is not the result of a physical or mental condition or injury that existed or occurred before the member's date of membership in the Plan.

The Local Board shall base eligibility for an accidental disability or a total and permanent disability on medical evidence and determination that such a disability exists. No credited service requirement. The monthly pension is fifty percent (50%) of the member's average monthly salary. The Local Board may require periodic medical re-evaluations until the member reaches age 62. Accidental disability or a total and permanent disability pension terminates if the Local Board finds the retired member no longer meets the requirements for the disability pension. (A.R.S. §38-886)

Survivor Pension

The surviving spouse of a member who dies in service or after retirement is eligible for benefits as follows:

Surviving spouse of retired member; Four-fifths (80%) of retired member's pension at time of death. Requires two years of marriage at time of death. Terminates on death of surviving spouse. (A.R.S. §38-887)

Surviving spouse of a non-retired member; 40% of deceased member's average monthly salary. Requires two years of marriage at time of death. Terminates on death of surviving spouse. For a member killed in the line of duty, the spouse's pension is 100% of deceased member's average monthly benefit compensation. (A.R.S. §38-888)

The surviving spouse pension commences on first day of month following death of member.

Death Benefits (A.R.S. §38-904)

1. If an active or inactive member dies and no pension is payable, the member's beneficiary is entitled to receive two times the member's contributions to the CORP.
2. If there is no eligible surviving spouse or if the pension of the surviving spouse is terminated, surviving unmarried children of a deceased retired or active member are entitled to a pension until age 18, or age 23 if a full-time student. A disabled child is also entitled to a pension if the disability began before age 23. The amount of the pension is an equal share of the surviving spouse's pension.

Termination Refund (A.R.S. §38-884.C)

Upon termination of employment, for any reason other than death or retirement, a member shall, within twenty days after filing an application with the Fund Manager, receive a lump-sum payment, equal to his accumulated contributions, as of

the date of termination, less any benefits paid or any amounts owed to the Plan. A member forfeits all membership rights and credited service in the Plan upon receipt of refund of contributions. If the member has 5 or more years of credited service upon termination they shall receive an additional amount according to the schedule below.

5 to 5.9—25% of member contributions deducted from the member's salary pursuant to ARS 38-891.B

6 to 6.9—40% of member contributions deducted from the member's salary pursuant to ARS 38-891.B

7 to 7.9—55% of member contributions deducted from the member's salary pursuant to ARS 38-891.B

8 to 8.9—70% of member contributions deducted from the member's salary pursuant to ARS 38-891.B

9 to 9.9—85% of member contributions deducted from the member's salary pursuant to ARS 38-891.B

10 or more—100% of member contributions deducted from the member's salary pursuant to ARS 38-891.B, plus interest at 3% if left on deposit after 30 days.

Transfer Of Contributions (A.R.S. §38-908)

A member who terminates employment with an employer and accepts a position with the same or another employer participating in the Plan shall have their credited service transferred to their record with the new employer if they leave their accumulated contributions on deposit with the Plan. The period not employed shall not be considered as credited service. (Use Form C1A)

Reemployment And Repayment Of Contributions (A.R.S. §38-884.H)

A member who terminates and takes a refund of his contributions may elect only upon reemployment within two years with the same employer in a designated position, to recover the prior credited service if the member submits a written election to reinstate the forfeited credited service within 90 days after reemployment and reimburses the Plan within one year. The amount required to reinstate the credited service is the amount previously withdrawn plus interest at the rate of 9% compounded annually from the date of withdrawal to the date of repayment. (Use Form C1B)

Reemployment After Retirement (A.R.S. §38-884.J)

A retired member who becomes an employee in a designated position subsequent to retirement shall have the pension suspended during reemployment in a designated position and shall not make contributions to the Plan nor accrue credited service during such reemployment.

Transfer Into Or Out Of Plan (A.R.S. §38-901)

A member, who changes employment or transfers or is assigned to a non-eligible position, because of a change in duties or otherwise, may elect one of the following options:

1. Leave service credits and contributions on account with the CORP.
2. Apply for a refund of accumulated member contributions (forfeiting all service credits and membership rights).
3. Transfer all service credits to the Arizona retirement system or plan applicable to the new position pursuant to the requirements for transfer between Arizona state retirement systems.

A member who begins employment with a participating employer in this Plan and who has credited service from a different Arizona state retirement system may transfer or redeem prior service to this Plan pursuant to the requirements for transfer between Arizona state retirement systems.

Redemption Of Prior Service (A.R.S. §38-884.I)

Active members who previously contributed to the Plan but who refunded their contributions thereby forfeiting credited service under the Plan may redeem some or all of this credited service. The member must pay the actuarial present value of the increase of credited service resulting from the purchase of forfeited time in order to redeem this service. (Use Form C2)

Purchase Of Prior Active Military Service (A.R.S. §38-907)

A member may purchase up to four years of prior active military time even if the member will receive a military

pension¹. The member must pay the actuarial present value of the increase of credited service resulting from this purchase. (Use Form 18)

Transfer Between State Retirement Systems (A.R.S. §38-921 and §38-922)

Members of any of the four Arizona state retirement systems or plans who have credited service under another Arizona state retirement system or plan may transfer or redeem the credited service to their current Arizona state retirement system or plan by paying or transferring the full actuarial present value of the credited service into their current Arizona retirement system or plan with approval of the Fund Manager or retirement boards involved. A reduced credited service amount may be transferred based on the transfer of the actuarial present value of the credited service under the prior Arizona state system or plan. (Use Form U-2)

Cola Benefit Increases (A.R.S. §38-905)

Effective July 1 of each year, each retired member or survivor of a retired member may be entitled to a permanent benefit increase in their base benefit. The maximum amount of the increase is four percent (4%) of the benefit being received on the preceding June 30 and is contingent upon sufficient excess investment earnings for the fund. To be eligible for the increase the member or survivor must be age 55 or older on July 1 of the current year and was receiving benefits on or before July 31 of the previous year. A member or survivor is also eligible if they were receiving benefits on or before July 31 of the two previous years regardless of age.

Health Insurance Premium Subsidy (A.R.S. §38-906)

For CORP retirees or survivors who have elected group health and accident insurance coverage provided and administered by the state or another CORP employer, the CORP will pay up the following amounts:

Single		Family		
Not Medicare Eligible	Medicare Eligible	All Not Medicare Eligible	All Medicare Eligible	One with Medicare
\$150.00	\$100.00	\$260.00	\$170.00	\$215.00

Until June 30, 2005, a retiree or survivor who lives in a non-service area receives up to the following amounts in addition to the subsidy listed above after they have paid an out-of-pocket expense as set forth below. A non-service area is defined as an area in this state where the state retiree group insurance program or employer’s retiree health insurance program does not provide or administer a health maintenance organization (HMO) for which the member or survivor is eligible. The subsidy consists of up to the following amounts:

Single		Family		
Not Medicare Eligible	Medicare Eligible	All Not Medicare Eligible	All Medicare Eligible	One with Medicare
\$300.00 <u>after \$125.00 paid out-of-pocket</u>	\$170.00 <u>after \$100.00 paid out-of-pocket</u>	\$600.00 <u>after \$425.00 paid out-of-pocket</u>	\$350.00 <u>after \$200.00 paid out-of-pocket</u>	\$470.00 <u>after \$400.00 paid out-of-pocket</u>

State Taxation Of CORP Benefits (A.R.S. §38-896 and §43-1022)

Effective tax year commencing January 1, 1989, all CORP retirement benefits in excess of \$2,500 annually will be subject to Arizona state tax.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND PLAN ASSET MATTERS

Basis of Accounting

CORP financial statements are prepared using the accrual basis of accounting. Member and employer contributions are recognized as revenues when they are due and payable in the period in which employee services are performed. Benefits are recognized when due and payable in accordance with the terms of the Plan. Refunds are due and payable by state law within 20 days of receipt of a written application for a refund. Refunds are recorded when paid. Furniture and

¹ Pursuant to *Cantwell v. County of San Mateo*, 631 F.2d 631, 637 (9th Cir. 1980), cert. denied, 450 U.S. 998 (1981), the Plan must allow its participants to use up to 48 months of their prior active duty military service on account with the federal government to purchase a corresponding period of credited service with the Plan, notwithstanding any prohibition in § 38-907(A)(3) to the contrary.

equipment purchases, which are not material in amount, are expensed in the year of purchase. Investment income net of administrative and investment expenses is allocated to each employer group based on the average relative fund size for each employer group for that year.

The Plan implemented Statement No. 25 of the Governmental Accounting Standards Board (GASB) for Fiscal Year End 1997. As such, the Plan reports assets on a Fair Value Basis. Certain cost information is provided for reference only and to comply with state law.

The Plan implemented GASB Statement No. 34 for the Fiscal Year End 2002. The purpose of Statement No. 34 is to enhance the understandability and usefulness of state and local government financial reports. To accomplish this, Statement No. 34 requires supplemental information titled Management's Discussion and Analysis (MDA), which precedes the basic financial statements. The MDA will provide an analytical overview of the government's financial activities.

Other GASB Statements were required to be implemented in conjunction with GASB Statement No. 34. Therefore, the Plan has also implemented the following GASB Statements in the current fiscal year: Statement No. 37 – Basic Financial Statements – and MDA for State and Local Governments-Omnibus; and, Statement No. 38 – Certain Financial Statement Note Disclosures.

By state statute, this Plan is required to provide information in the financial statements used to calculate Net Effective Yield. Net Effective Yield includes only realized gains and losses. The Net Realized Gain (Loss) used in this calculation totaled \$(79,607,908) for FYE 2003 and \$(6,739,215) for FYE 2002.

Investments

CORP investments are reported at Fair Value. Fair Values are determined as follows: Short-term investments are reported at Fair Value, which approximates Cost. Equity securities are valued at the last reported sales price. Fixed-income securities are valued using the last reported sales price or the estimated fair market value as determined by one of the world's largest and most prominent fixed-income broker/dealers. Investments that do not have an established market are reported at estimated fair value. Investment income is recognized as earned.

Statutes enacted by the Arizona Legislature authorize the Fund Manager to make investments in accordance with the "Prudent Man" rule. The Fund Manager is not limited to so-called "Legal Investments for Trustees." (A.R.S. §38-848.D) In making every investment, the Fund Manager shall exercise the judgment and care under the circumstances then prevailing which men of ordinary prudence, discretion and intelligence exercise in the management of their own affairs, not in regard to speculation but in regard to the permanent disposition of their funds, considering the probable income from their funds as well as the probable safety of their capital, provided:

- 1) That not more than seventy percent of the pension fund shall be invested at any given time in corporate stocks, based on cost value of such stocks irrespective of capital appreciation.
- 2) That not more than five percent of the pension fund shall be invested in securities issued by any one institution, agency or corporation, other than securities issued as direct obligations of and fully guaranteed by the United States Government.
- 3) That not more than five percent of the voting stock of any one corporation shall be owned.
- 4) That corporate stocks eligible for purchase shall be restricted to stocks that, except for bank stocks and insurance stocks, are either:
 - a) Listed or approved on issuance for listing on an exchange registered under the Securities Exchange Act of 1934, as amended (15 United States Code §78a through §7811);
 - b) Designated or approved on notice of issuance for designation on the national market system of a national securities association registered under the Securities Exchange Act of 1934, as amended (15 United States Code §78a through §7811);
 - c) Listed or approved on issuance for listing on an exchange registered under the laws of this [Arizona] state or any other state; or
 - d) Listed or approved on issuance for listing on an exchange of a foreign country with which the United States is maintaining diplomatic relations at the time of purchase, except that no more than ten percent of the pension fund shall be invested in foreign equity securities on these exchanges, based on the cost value of the stocks irrespective of capital appreciation.

A.R.S. §38-848.D

The Plan's investment portfolio is in compliance with state law.

Statement No. 3 of the GASB requires government entities to categorize investments for the purpose of giving an indication of the level of risk assumed by the entity at year-end. Category 1 includes investments that are insured or registered or for which securities are held by the Plan or its agent in the name of the Plan. Category 2 includes uninsured and unregistered investments for which the securities are held by the counterparty, or by its trust department or agent but

not in the Plan's name.

All investments of the Plan (other than those held by broker/dealers under the security loan program and those investments categorized as "Other Investments") meet the criteria of Category 1. "Other Investments", which primarily consists of loans and real estate investments, are not considered securities for purposes of credit risk classification. Substantially all investments are held in the name of the Plan by its custodian bank.

Money Market Account

The money market account is on deposit with an Arizona bank. These deposits are insured by federal depository insurance. The money market account is subject to the general depository laws of the State of Arizona, which require deposits to be either insured by the Federal Deposit Insurance Corporation or collateralized by certain securities including U.S. Government obligations and first mortgages.

Securities Lending Income

The Plan is party to a securities lending agreement with a bank. The bank, on behalf of the Plan, enters into agreements with brokers to loan securities and have the same securities returned at a later date. The loans are fully collateralized primarily by cash. Collateral is marked-to-market on a daily basis. Non-cash collateral can be sold only upon borrower default. The Plan requires collateral of at least 102% of the fair value of the loaned U.S. Government or corporate security. Securities on loan are carried at fair value. As of June 30, 2003 and 2002 the fair value of securities on loan was \$189,453,989 (consisting of Stocks-\$110,724,564, Corporate Bonds-\$32,694,683, and Treasuries and Agencies-\$46,034,742) and \$168,900,191 (consisting of Stocks-\$69,902,309, Corporate Bonds-\$19,004,357, and Treasuries and Agencies-\$79,993,525), respectively. The Plan receives a negotiated fee for its loan activities and is indemnified for broker default by the securities lending agent. The Plan participates in a collateral investment pool. All security loans may be terminated on demand by either the lender or the borrower. The total cash collateral investments received for unmatched loans (any loan for which the cash collateral has not been invested for a specific maturity) will have a maximum effective duration of 233 days. And, at least 20% of total collateral investments shall be invested on an overnight basis. All matched loans shall have matched collateral investments. At June 30, 2003, the weighted average maturity was 3 days for all investments purchased with cash collateral from unmatched loans. The Plan has no credit risk because the amounts owed to the borrowers exceed the amounts the borrowers owe to the Plan. Under this program, the Plan has not experienced any defaults or losses on these loans.

NOTE 3 - CONTRIBUTIONS REQUIRED AND CONTRIBUTIONS MADE

The Retirement Plan's funding policy provides for periodic employer contributions at actuarially determined rates that, expressed as percentages of annual covered payroll, are designed to accumulate sufficient assets to pay benefits when due. The normal cost and actuarial accrued liability are determined using an entry age actuarial funding method. Unfunded actuarial accrued liabilities and assets in excess of actuarial accrued liabilities are being amortized as a level percent of payroll over a rolling twenty (20) year period. Beginning with fiscal year 2001-2002, the employer contribution rate shall not be less than two percent of compensation.

During the year ended June 30, 2003, contributions totaling \$37,728,509 (\$7,397,595 employer and \$30,330,914 member) was made in accordance with contribution requirements determined by an actuarial valuation of the Plan as of June 30, 2001. The employer contributions consisted of approximately \$20,660,705 for normal cost less (\$13,263,110) for amortization of the assets in excess of the actuarial accrued liability in aggregate. Employer contributions represented 3.95% of covered payroll. [6.79% for normal costs and (2.84)% for amortization of assets in excess of the actuarial accrued liability in aggregate.] Member contributions represented 8.50% of covered payroll and are attributable to normal costs.

During the year ended June 30, 2002, contributions totaling \$36,633,478 (\$7,101,112 employer and \$29,532,366 member) was made in accordance with contribution requirements determined by an actuarial valuation of the Plan as of June 30, 2000. The employer contributions consisted of approximately \$17,024,540 for normal cost less (\$9,923,428) for amortization of the assets in excess of the actuarial accrued liability in aggregate. Employer contributions represented 2.09% of covered payroll. [4.90% for normal costs and (2.81)% for amortization of assets in excess of the actuarial accrued liability in aggregate.] Member contributions represented 8.50% of covered payroll and are attributable to normal costs.

NOTE 4 – REQUIRED SCHEDULES

The Schedule of Funding Progress and the Schedule of Employer Contributions are presented immediately following the notes to the financial statements.

**STATE OF ARIZONA
CORRECTIONS OFFICER RETIREMENT PLAN
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF FUNDING PROGRESS**

While not any one or two numeric indices can fully describe the financial condition of a retirement plan, the ratio of unfunded actuarial accrued liabilities to active member payroll is significant. The ratio of unfunded actuarial accrued liabilities to member payroll is a relative index of condition where inflation is present in both items. Observation of the ratio over a period of years gives an indication of funding achievement. The smaller the index, the stronger the plan's condition. Shown below is a Comparative Schedule (\$ in thousands) since legislation was enacted in 1987, setting up a 40-year amortization schedule. Effective June 30, 1997, Unfunded (Excess) Actuarial Accrued Liabilities are being amortized on a level percent method over a rolling twenty (20) year period.

Actuarial Valuation Date	Actuarial Value of Assets (a)²	Actuarial Accrued Liability (AAL) at Entry Age (b)	Unfunded (Excess) AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
6-30-87	\$ 47,550	\$ 68,932	\$ 21,382	69.0%	\$ 102,910	20.8%
6-30-88	\$ 69,842	\$ 76,884	\$ 7,042	90.8%	\$ 117,234	6.0%
6-30-89 ¹	\$ 88,756	\$ 99,113	\$ 10,357	89.6%	\$ 134,520	7.7%
6-30-90 ¹	\$ 108,973	\$ 122,578	\$ 13,605	88.9%	\$ 136,693	10.0%
6-30-91 ¹	\$ 138,901	\$ 146,300	\$ 7,399	94.9%	\$ 153,351	4.8%
6-30-92	\$ 168,553	\$ 163,640	\$ (4,913)	103.0%	\$ 156,257	-3.1%
6-30-93 *	\$ 198,692	\$ 184,299	\$ (14,393)	107.8%	\$ 166,831	-8.6%
6-30-94 ¹	\$ 223,902	\$ 221,487	\$ (2,415)	101.1%	\$ 177,717	-1.4%
6-30-95	\$ 265,006	\$ 254,189	\$ (10,817)	104.3%	\$ 198,603	-5.4%
6-30-96 *	\$ 319,255	\$ 290,518	\$ (28,737)	109.9%	\$ 224,686	-12.8%
6-30-97 ¹	\$ 393,904	\$ 355,590	\$ (38,314)	110.8%	\$ 249,203	-15.4%
6-30-98	\$ 484,956	\$ 410,531	\$ (74,425)	118.1%	\$ 261,700	-28.4%
6-30-99	\$ 592,152	\$ 443,676	\$ (148,476)	133.5%	\$ 305,478	-48.6%
6-30-00	\$ 704,991	\$ 501,323	\$ (203,668)	140.6%	\$ 339,440	-60.0%
6-30-01	\$ 776,177	\$ 554,387	\$ (221,790)	140.0%	\$ 339,783	-65.3%
6-30-02	\$ 782,446	\$ 632,238	\$ (150,208)	123.8%	\$ 330,428	-45.5%
6-30-03	\$ 758,579	\$ 709,298	\$ (49,281)	106.9%	\$ 358,161	-13.8%

* One-time cost-of-living adjustments for retired members and survivors, effective July 1 were included in this valuation. Future increases for retirees and their survivors are dependent upon excess earnings created by the Plan.

1. Reflects significant Plan amendments or assumption changes.

2. Excludes the amount held in reserve for future benefit increases. Beginning 6-30-95, includes an amount for partial recognition of the difference between market value and book value of Plan assets amortized over a four-year period.

AAL is calculated using the entry-age normal method. Significant assumptions used in determining AAL include: (a) a rate of return on the investment of present and future assets of 9.0% per year compounded annually; (b) projected salary increases of 6.5% per year compounded annually, attributable to an assumed inflation rate of 5.5% and other across-the-board factors of 1.0%; and (c) additional projected salary increases ranging from 0.0% to 3.0% per year, depending on age, attributable to seniority/merit.

**STATE OF ARIZONA
CORRECTIONS OFFICER RETIREMENT PLAN
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF EMPLOYER CONTRIBUTIONS**

Fiscal Year Ended June 30	Employer Contributions	
	Annual Required Contributions	Percentage Contributed
1990	\$8,250,984	100.00%
1991	\$9,764,220	100.00%
1992	\$9,492,656	100.00%
1993	\$10,099,143	100.00%
1994	\$10,032,668	100.00%
1995	\$10,565,831	100.00%
1996	\$14,371,254	100.00%
1997	\$16,704,445	100.00%
1998	\$17,063,015	100.00%
1999	\$17,109,704	100.00%
2000	\$16,876,163	100.00%
2001	\$14,927,396	100.00%
2002	\$7,101,112	100.00%
2003	\$7,397,595	100.00%

**STATE OF ARIZONA
CORRECTIONS OFFICER RETIREMENT PLAN
SUPPORTING SCHEDULE OF CHANGES IN FUND BALANCE RESERVES
FOR THE YEARS ENDED JUNE 30, 2003 AND 2002**

	Refundable Members' Reserve	Employers' Reserve	Future Benefit Increase Reserve
Balance - June 30, 2001	\$132,404,039	\$ 504,968,350	\$ 45,820,054
Distribution of Revenues and Expenses			
Members' Contributions	29,532,366		
Employers' Contributions		7,101,112	
Earnings (Loss) on Investments Net of Investment Expenses		(100,518,025)	
Pension and Insurance Benefits		(17,576,451)	
Refunds to Terminated Members	(11,196,107)	(3,074,997)	
Administrative Expenses		(397,110)	
Distribution of Transfers			
Excess Investment Earnings to be used for Future Benefit Increases		-	-
Earnings (Loss) on Excess Investment Earnings Account Assets		6,717,220	(6,717,220)
Amount Utilized by Benefit Increases Granted		4,650,770	(4,650,770)
Net Transfers to Other State-Sponsored Pension Plans	(74,444)	(660,314)	
Inter-System Transfers -- Employer Account Balances Transferred for Refund Interest	121,462	(121,462)	
Inter-System Transfers -- Member Account Balances Transferred to Employers' Reserve due to Retirement	(7,899,440)	7,899,440	
Balance - June 30, 2002	\$142,887,876	\$ 408,988,533	\$ 34,452,064
Distribution of Revenues and Expenses			
Members' Contributions	30,330,914		
Employers' Contributions		7,397,595	
Earnings (Loss) on Investments Net of Investment Expenses		35,698,266	
Pension and Insurance Benefits		(22,506,792)	
Refunds to Terminated Members	(12,249,563)	(3,773,134)	
Administrative Expenses		(427,150)	
Distribution of Transfers			
Excess Investment Earnings to be used for Future Benefit Increases		-	-
Earnings (Loss) on Excess Investment Earnings Account Assets		(2,136,028)	2,136,028
Amount Utilized by Benefit Increases Granted		5,878,909	(5,878,909)
Net Transfers from Other State-Sponsored Pension Plans	394,919	1,744,988	
Inter-System Transfers -- Employer Account Balances Transferred for Refund Interest	116,696	(116,696)	
Inter-System Transfers -- Member Account Balances Transferred to Employers' Reserve due to Retirement	(9,027,127)	9,027,127	
Balance - June 30, 2003	\$152,453,715	\$ 439,775,618	\$ 30,709,183

**STATE OF ARIZONA
CORRECTIONS OFFICER RETIREMENT PLAN
SUPPORTING SCHEDULE OF ADMINISTRATIVE AND INVESTMENT EXPENSES
SUPPORTING SCHEDULE OF PAYMENTS TO CONSULTANTS
FOR THE YEAR ENDED JUNE 30, 2003**

	Administrative	Investment	Total
Accounting and Auditing Services	\$ 5,250	\$ -	\$ 5,250
Actuarial Services	19,025	-	\$ 19,025
Computer Equipment	10,023	1,291	\$ 11,314
Contractual Services	16,903	2,178	\$ 19,081
DC ER Match	13,918	2,689	\$ 16,607
Educational Expenses	12,238	5,648	\$ 17,886
Furniture and Equipment	2,175	280	\$ 2,455
Occupancy Expenses	12,838	551	\$ 13,389
Office Supplies	3,806	360	\$ 4,166
Payroll Taxes and Fringe Benefits	43,496	8,407	\$ 51,903
Postage Expenses	13,767	589	\$ 14,356
Printing, Publications and Subscriptions	8,910	213	\$ 9,123
Professional Services	14,043	603	\$ 14,646
Salaries and Wages	245,635	47,473	\$ 293,108
Telephone Expenses	4,177	285	\$ 4,462
Travel Expenses	946	258	\$ 1,204
	\$ 427,150	\$ 70,825	\$ 497,975

Consultants

	Fees Paid
Standard & Poor's Securities, Inc. - Investment Counsel	\$ (1)
Rodwan & Nichols - Consulting Actuaries	19,025
Barrows & Schatza, P.L.C. - Auditors	5,250
Lieberman, Dodge, Gerding, Kothe & Anderson, Ltd. - Legal Counsel	14,646
	\$ 38,921

(1) This service was provided to the Plan without charge by Standard & Poor's Securities, Inc.
The value of their services is approximately \$22,500

**STATE OF ARIZONA
CORRECTIONS OFFICER RETIREMENT PLAN
SUPPLEMENTAL SCHEDULE OF
CASH RECEIPTS AND CASH DISBURSEMENTS
FOR THE YEARS ENDED JUNE 30, 2003 AND 2002**

	<u>2003</u>	<u>2002</u>
RECEIPTS		
Members' Contributions	\$ 30,448,739	\$ 29,515,623
Employers' Contributions	7,423,156	7,077,607
Interest	15,227,596	15,525,850
Dividends	2,842,897	2,397,604
Securities Lending Income	274,758	344,065
Amounts Transferred from Other		
State-Sponsored Pension Plans	3,189,325	1,325,465
Maturities and Sales of		
U.S. Government Securities	32,887,268	22,778,322
Corporate Bonds	19,927,201	14,438,688
Corporate Notes	1,716,843,618	2,242,731,375
Other Investments	11,519,415	5,053,278
Common Stock	85,692,224	65,923,488
Net Decrease in Money Market Fund	27,004	236,027
Total Receipts	1,926,303,201	2,407,347,392
DISBURSEMENTS		
Pension Benefits	22,506,792	17,576,451
Refunds to Terminated Members	16,011,467	14,271,104
Investment and Administrative Expenses	497,975	435,653
Amounts Transferred to Other		
State-Sponsored Pension Plans	1,049,418	2,060,223
Acquisitions of		
U.S. Government Securities	-	12,955,313
Corporate Bonds	26,625,323	27,652,322
Corporate Notes	1,727,990,998	2,255,216,836
Other Investments	28,287,466	3,758,145
Common Stock	103,333,762	73,421,346
Net Increase in Money Market Fund	-	-
Total Disbursements	1,926,303,201	2,407,347,392
DECREASE IN CASH	-	-
BEGINNING CASH BALANCE - July 1	-	-
ENDING CASH BALANCE - June 30	\$ -	\$ -

INVESTMENT SECTION

CORRECTIONS OFFICER RETIREMENT PLAN
SEVENTEENTH COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED
JUNE 30, 2003

Fund Objectives

Investment Performance Data

Supporting Schedule of Commissions Paid to Brokers

Summary of Changes in Investment Portfolio

Detailed List of Investments Acquired

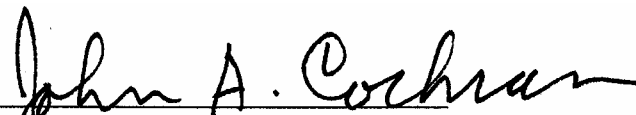
Detailed List of Sales and Redemption of Investments


Detailed List of Investments Owned

FUND OBJECTIVES

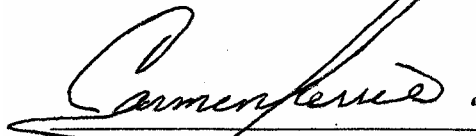
1. The intent of the Public Safety Personnel Retirement System, the Elected Officials' Retirement Plan and the Corrections Officer Retirement Plan (hereinafter referred to as the Plan) is to provide the Plan participants benefits as defined in Title 38, chapter 5, articles 3, 4 and 6 of the Arizona Revised Statutes.
2. The Fund Manager and the Administrator will discharge their duties with respect to the Plan solely in the interest of the Plan participants, beneficiaries and employer sponsors. In making every investment, the Fund Manager shall exercise the judgment and care under the circumstances then prevailing which men of ordinary prudence, discretion and intelligence exercise in the management of their own affairs, not in regard to speculation but in regard to the permanent disposition of their funds, considering the probable income from their funds as well as the probable safety of their capital, provided these investments are made in conformity with all applicable laws.
3. The intention of the Plan is to maintain the benefit level as stated in Title 38, chapter 5, articles 3, 4 and 6 of the Arizona Revised Statutes and as amended from time to time by the Arizona State Legislature. In order to maintain this benefit level the Plan will annually adjust the employer contribution rate based on the recommendations made by the annual actuarial valuations. The Plan's funding goal is for the Plan assets to be equal to Plan liabilities within any twenty-year period.
4. It is the intent of the Plan to level off or reduce the employer contribution rate to the Plan as well as to provide the opportunity for increased benefits for retirees as the legislature may from time to time enact, through the systematic growth of the investments of the fund.
5. The primary objective of the investment program of the Plan is a reasonable, long-range total rate of return. Inherent in this goal is the preservation and enhancement of capital through effective management of the portfolio in order to take advantage of attractive opportunities various market sectors have to offer.


Adopted this 17th day of June, 1998, by the Fund Manager.


John A. Cochran, Ph.D., Chairman


F. Michael Geddes, Member


Donald L. De Ment, Member


Carmen Torrie, Member


Tony West, Member

Added 11-57-92
Revised 11-55-97
Revised 06-45-98

STANDARD
& POOR'S

55 Water Street
New York, NY 10041-0003
212 438 1000 Tel
212 438 3909 Fax

August 28, 2003

The Fund Manager
Corrections Officer Retirement Plan
of the State of Arizona
1020 East Missouri Avenue
Phoenix, Arizona 85014

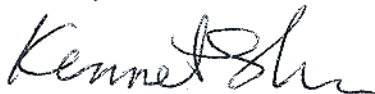
Dear Sirs:

The attached charts and tables depict the investment performance for the Corrections Officer Retirement Plan of the State of Arizona. The performance results shown are based entirely on data provided by the plan's staff and does not constitute an audit on Standard & Poor's part. We note that Standard & Poor's has assumed that all data that has been supplied by the staff is accurate and complete and that Standard & Poor's has not taken steps to verify same. We also note that the performance was calculated under the assumption that cash inflows and outflows take place uniformly throughout each month.

The performance data include realized and unrealized capital gains and losses, as well as interest and dividend income earned by the fund. We believe these computations were performed in accordance with accepted AIMR procedures.

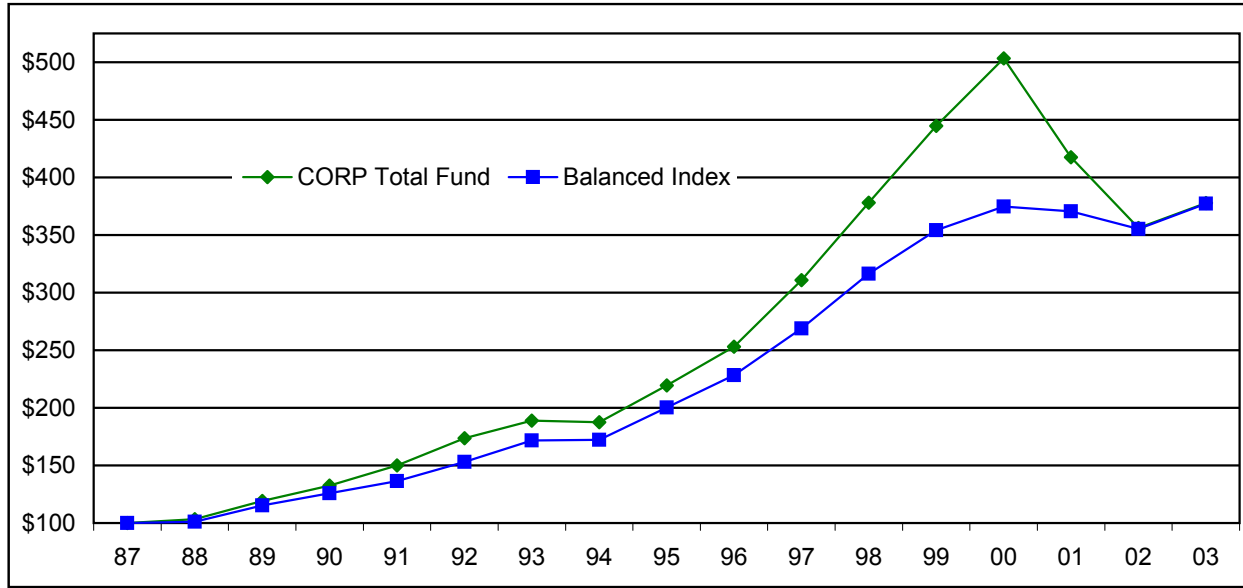
Based on the foregoing, during the past fiscal year, the stock portfolio outperformed the NYSE and S&P 500 indices, while the bond portfolio underperformed the Lehman Government/Credit Index. The overall fund outperformed a custom benchmark, using bond and stock indices weighted in a fixed proportion. The overall fund has attained a rate of return over the past sixteen years (since inception) that compares favorably with this custom index.

Sincerely,



Kenneth Shea
Managing Director-Global Equity Research

**Investment Performance Data
Cumulative Return - Total Fund
Corrections Officer Retirement Plan**



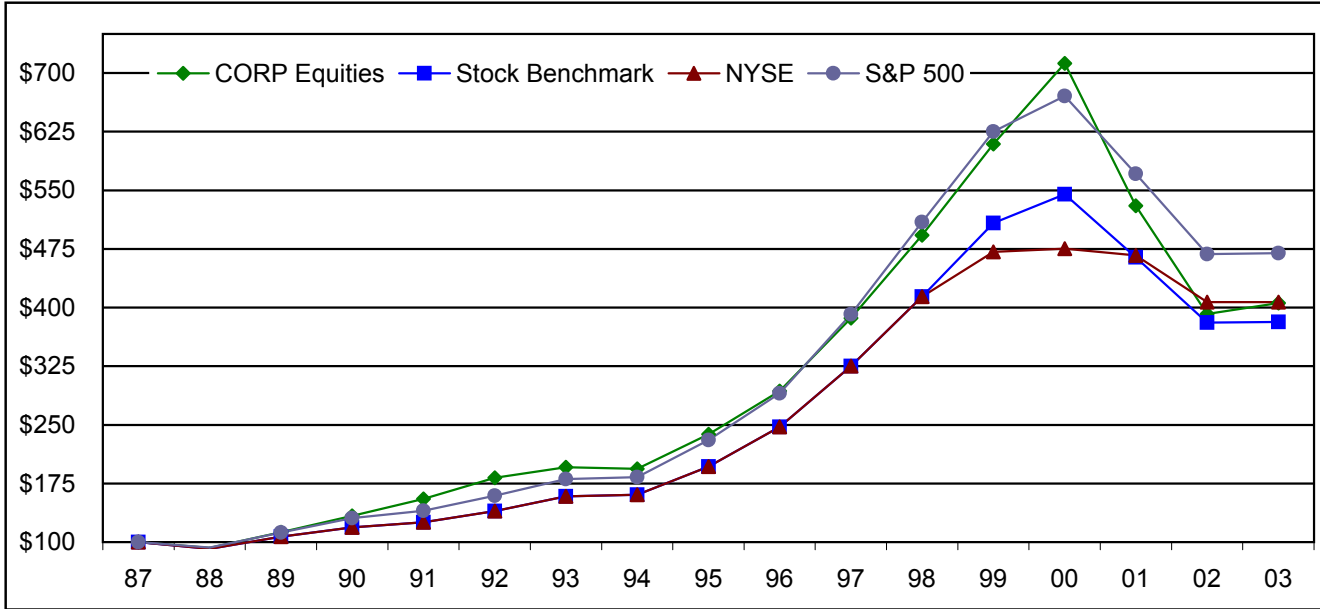
FYE	Fair Value	Contribution	Total Return	Balanced Index*
06-30-03	\$ 618,455,126	\$ (4,167)	6.15%	6.18%
06-30-02	\$ 582,690,201	\$ 3,569,034	-14.73%	-4.13%
06-30-01	\$ 679,572,838	\$ 15,092,575	-17.07%	-1.07%
06-30-00	\$ 803,140,980	\$ 20,812,944	13.22%	5.75%
06-30-99	\$ 689,508,750	\$ 19,793,597	17.60%	11.94%
06-30-98	\$ 567,501,186	\$ 22,020,935	21.68%	17.66%
06-30-97	\$ 446,443,126	\$ 21,510,046	22.74%	17.87%
06-30-96	\$ 344,052,534	\$ 17,224,177	15.30%	13.98%
06-30-95	\$ 282,566,544	\$ 13,323,271	17.11%	16.30%
06-30-94	\$ 228,725,251	\$ 12,344,638	-0.70%	0.25%
06-30-93	\$ 218,076,361	\$ 14,234,677	8.79%	12.26%
06-30-92	\$ 186,696,553	\$ 14,047,050	15.67%	12.12%
06-30-91	\$ 148,567,837	\$ 18,448,295	13.23%	8.32%
06-30-90	\$ 113,343,482	\$ 12,540,673	11.24%	9.21%
06-30-89	\$ 90,034,663	\$ 11,245,876	15.21%	13.98%
06-30-88	\$ 67,462,178	\$ 17,014,108	3.40%	1.19%
06-30-87	\$ 48,123,723			
Annualized Returns			3-year	-9.12%
			5-year	-0.01%
			10-year	7.18%
			15-year	9.02%

*The Balanced Index is calculated using the following formula: 45% Stock Benchmark + 45% Lehman Government/Credit + 10% 91 Day T-bill.

Our investment universe is the New York Stock Exchange (NYSE) prior to July 21, 1997. Prior to FYE June 30, 1998, the Fund's stock benchmark was the NYSE Composite. S&P 500 is the stock benchmark for each FYE thereafter. The Lehman Government/Credit bond index includes more than 5,000 publicly traded bond issues of \$25 million or more rated Baa or better for a total market value of more than \$2 trillion.

Prior to 1990, the weightings in each asset class were calculated using the fiscal year-end market values. Since 1990, the asset class weightings have been calculated using the average weightings of the quarter's beginning and ending market values.

**Investment Performance Data
Cumulative Return - Domestic Equities
Corrections Officer Retirement Plan**

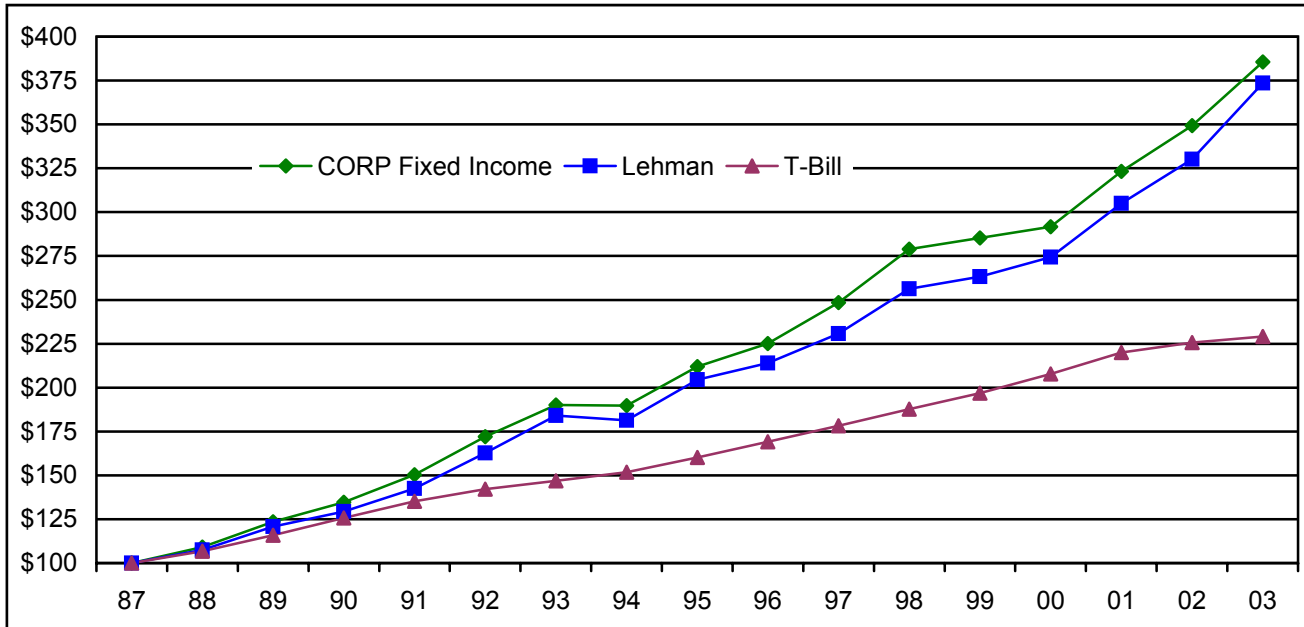


FYE	Fair Value	Contribution	Total Return	Stock* Benchmark	NYSE Index	S&P 500	
06-30-03	\$ 367,493,574	\$ 14,569,963	3.63%	0.25%	-0.05%	0.25%	
06-30-02	\$ 341,648,828	\$ 5,214,130	-26.10%	-17.99%	-12.80%	-17.99%	
06-30-01	\$ 455,399,449	\$ (12,369,993)	-25.59%	-14.83%	-1.77%	-14.83%	
06-30-00	\$ 626,591,339	\$ 28,405,378	16.94%	7.25%	0.84%	7.25%	
06-30-99	\$ 509,408,904	\$ 17,401,223	23.69%	22.76%	13.86%	22.76%	
06-30-98	\$ 393,669,809	\$ 33,176,239	27.37%	27.29%	27.29%	30.16%	
06-30-97	\$ 282,295,331	\$ 24,635,056	31.78%	31.51%	31.51%	34.71%	
06-30-96	\$ 192,410,171	\$ 19,911,538	23.35%	25.91%	25.91%	26.00%	
06-30-95	\$ 136,792,031	\$ (8,954,375)	22.83%	22.40%	22.40%	26.06%	
06-30-94	\$ 120,009,219	\$ 9,254,903	-1.14%	1.24%	1.24%	1.23%	
06-30-93	\$ 112,232,875	\$ 35,940,119	7.38%	13.32%	13.32%	13.52%	
06-30-92	\$ 88,979,250	\$ 19,472,103	17.42%	11.59%	11.59%	13.45%	
06-30-91	\$ 58,385,625	\$ 13,099,368	16.47%	5.50%	5.50%	7.39%	
06-30-90	\$ 38,044,750	\$ 12,336,990	18.39%	11.25%	11.25%	16.44%	
06-30-89	\$ 21,228,125	\$ (430,650)	21.75%	16.81%	16.81%	20.53%	
06-30-88	\$ 17,925,000	\$ 4,678,349	-7.46%	-8.57%	-8.57%	-6.92%	
06-30-87	\$ 14,739,500						
Annualized Returns			3-year	-17.09%	-11.20%	-5.05%	-11.20%
			5-year	-3.79%	-1.61%	-0.34%	-1.61%
			10-year	7.56%	9.19%	9.89%	10.02%
			15-year	10.36%	10.00%	10.47%	11.39%

*Our investment universe is the New York Stock Exchange (NYSE) prior to July 21, 1997. Prior to FYE June 30, 1998, the Fund's stock benchmark was the NYSE Composite. S&P 500 is the stock benchmark for each FYE thereafter.

Prior to 1990, the weightings in each asset class were calculated using the fiscal year-end market values. Since 1990, the asset class weightings have been calculated using the average weightings of the quarter's beginning and ending market values.

**Investment Performance Data
Cumulative Return - Fixed Income
Corrections Officer Retirement Plan**



FYE	Fair Value	Contribution	Total Return	Lehman*	91-Day T-Bill	
06-30-03	\$ 250,961,552	\$ (14,574,131)	10.38%	13.14%	1.53%	
06-30-02	\$ 241,041,374	\$ (1,645,095)	8.10%	8.24%	2.57%	
06-30-01	\$ 224,173,388	\$ 27,462,568	10.78%	11.14%	5.89%	
06-30-00	\$ 176,549,641	\$ (7,592,434)	2.28%	4.29%	5.53%	
06-30-99	\$ 180,099,846	\$ 2,392,374	2.25%	2.69%	4.90%	
06-30-98	\$ 173,831,382	\$ (11,155,304)	12.30%	11.08%	5.28%	
06-30-97	\$ 164,147,795	\$ (3,125,010)	10.32%	7.76%	5.43%	
06-30-96	\$ 151,642,363	\$ (2,687,361)	6.26%	4.65%	5.52%	
06-30-95	\$ 145,774,513	\$ 22,277,646	11.71%	12.75%	5.52%	
06-30-94	\$ 108,716,032	\$ 3,089,735	-0.21%	-1.45%	3.37%	
06-30-93	\$ 105,843,386	\$ (7,458,392)	10.45%	13.15%	3.37%	
06-30-92	\$ 97,717,303	\$ (5,425,053)	14.54%	14.17%	5.19%	
06-30-91	\$ 90,182,212	\$ (5,348,927)	11.55%	10.21%	7.55%	
06-30-90	\$ 75,298,732	\$ 203,683	9.01%	7.11%	8.50%	
06-30-89	\$ 68,806,538	\$ 11,676,526	13.18%	12.33%	8.47%	
06-30-88	\$ 49,537,189	\$ 12,335,759	9.18%	7.47%	6.75%	
06-30-87	\$ 33,384,223					
Annualized Returns			3-year	9.75%	10.82%	3.31%
			5-year	6.69%	7.83%	4.07%
			10-year	7.33%	7.33%	4.54%
			15-year	8.78%	8.66%	5.22%

*The Lehman Government/Credit bond index includes more than 5,000 publicly traded bond issues of \$25 million or more and rated Baa or better for a total market value of more than \$2 trillion.

Prior to 1990, the weightings in each asset class were calculated using the fiscal year-end market values. Since 1990, the asset class weightings have been calculated using the average weightings of the quarter's beginning and ending market values.

Our Fixed Income is comprised of all Bonds, Notes, Other Investments and Money Market securities.

**STATE OF ARIZONA
CORRECTIONS OFFICER RETIREMENT PLAN
SUPPORTING SCHEDULE OF COMMISSIONS PAID TO BROKERS
FISCAL YEAR ENDED JUNE 30, 2003**

Broker	Number of Shares Traded	Average Commission	Commissions
Greenberg Financial Group	774,058	0.048	\$ 37,450.90
Investors Capital Corporation	264,000	0.050	\$ 13,200.00
ISI Group, Inc.	558,000	0.048	\$ 26,900.00
Merrill Lynch	623,100	0.039	\$ 24,420.00
Morgan Stanley Dean Witter	671,027	0.048	\$ 32,391.35
Salomon Smith Barney--Phoenix	1,066,894	0.037	\$ 39,369.70
Salomon Smith Barney--Scottsdale	500,927	0.047	\$ 23,346.35
Standard & Poor's Securities	1,035,100	0.050	\$ 51,755.00
U.S. Financial Investments Inc.	652,300	0.048	\$ 31,475.00
UBS/Paine Webber	776,600	0.039	\$ 29,968.80
Wells Fargo / Van Kasper	243,000	0.050	\$ 12,150.00
Wells Fargo Securities	636,100	0.048	\$ 30,585.00
Total Commissions	7,801,106	0.045	\$ 353,012.10

The Plan typically pays \$.05 per share traded plus SEC charges on sale transactions. Over the Counter stocks are typically traded net of commissions. The firms with an average commission of less than \$.05 have traded Over the Counter net of commissions for the Plan.

STATE OF ARIZONA
CORRECTIONS OFFICER RETIREMENT PLAN
SUMMARY OF CHANGES IN INVESTMENT PORTFOLIO
FOR THE FISCAL YEAR ENDED JUNE 30, 2003

Description	Balance June 30, 2002		Maturities and Sales	(Premium) Discount	Balance June 30, 2003		Percent at Fair Value	
	Fair Value	Book Value			Fair Value	Book Value		
U.S. Treasury Obligations	2.3%	13,645,950.00	10,968,678.42	-	2,061.11	14,626,570.00	10,970,739.53	2.4%
Federal Agency Obligations	12.0%	70,121,863.61	66,683,284.69	-	32,889,329.29	36,371,801.23	33,793,955.40	5.9%
Total U.S. Government Securities	14.3%	83,767,813.61	77,651,963.11	-	32,889,329.29	50,998,371.23	44,764,694.93	8.3%
Corporate Bonds	17.7%	103,402,524.81	108,644,664.97	26,625,323.21	29,734,092.03	118,203,720.03	105,515,903.93	19.1%
Total Bond Portfolio	32.0%	187,170,338.42	186,296,628.08	26,625,323.21	62,623,421.32	169,202,091.26	150,280,598.86	27.4%
Corporate Notes	5.1%	29,485,869.10	29,485,869.10	1,727,990,998.20	1,716,843,618.02	-	40,633,249.28	6.6%
Common Stock	58.6%	341,648,827.89	403,055,868.68	103,333,761.50	155,594,730.67	-	350,794,899.51	59.4%
Other Investments	3.9%	22,816,690.01	22,816,690.01	28,287,465.54	11,519,415.01	-	39,584,740.54	6.4%
Money Market Account	0.4%	1,568,475.97	1,568,475.97	-	27,004.37	-	1,541,471.60	0.2%
Total Portfolio	100.0%	582,690,201.39	643,223,531.84	1,886,237,548.45	1,946,608,189.39	(17,931.11)	582,834,959.79	100.0%

STATE OF ARIZONA
CORRECTIONS OFFICER RETIREMENT PLAN
INVESTMENTS ACQUIRED
JULY 1, 2002 THROUGH JUNE 30, 2003

BONDS ACQUIRED

Security	Coupon	Maturity	Purchase Price	Par Value	Principal	(Premium) Discount	Accrued Interest	Total Amount	Book Yield
CORPORATE BONDS									
AMERICAN UNITED LIFE INS CO	7.750	3/30/2026	106.62500	500,000.00	533,125.00	(33,125.00)	6,135.42	539,260.42	7.27%
AT&T BROADBAND CORP	9.455	11/15/2022	101.97585	994,320.00	1,013,966.28	(19,646.28)	31.06	1,013,997.34	9.27%
AT&T CORP	6.500	3/15/2013	87.34801	1,000,000.00	873,480.05	126,519.95	(171.01)	873,309.04	7.44%
BAYER HYPO-VEREINSBANK	8.741	6/30/2031	84.98900	2,000,000.00	1,699,780.00	300,220.00	14,568.33	1,714,348.33	10.28%
BAYER HYPO-VEREINSBANK	8.741	6/30/2031	81.37500	1,000,000.00	813,750.00	186,250.00	35,449.61	849,199.61	10.74%
BAYER HYPO-VEREINSBANK	8.741	6/30/2031	81.12500	1,000,000.00	811,250.00	188,750.00	34,478.39	845,728.39	10.77%
DELTA AIR LINES	7.379	5/18/2010	100.00000	1,609,326.14	1,609,326.14	-	57,396.89	1,666,723.03	7.38%
GENERAL MOTORS NOVA SCOTIA FINANCE	6.850	10/15/2008	104.35000	1,000,000.00	1,043,500.00	(43,500.00)	5,518.06	1,049,018.06	6.56%
GMAC	8.000	11/1/2031	100.00000	2,000,000.00	2,000,000.00	-	33,777.78	2,033,777.78	8.00%
GMAC	6.875	8/28/2012	103.43900	5,000,000.00	5,171,950.00	(171,950.00)	87,847.22	5,259,797.22	6.65%
HOUSEHOLD FINANCE CORP	6.500	11/15/2008	91.67500	2,000,000.00	1,833,500.00	166,500.00	54,527.78	1,888,027.78	7.09%
HOUSEHOLD FINANCE CORP	7.625	5/17/2032	90.32500	2,000,000.00	1,806,500.00	193,500.00	60,576.39	1,867,076.39	8.44%
LEGRAND S.A.	8.500	2/15/2025	76.95000	2,000,000.00	1,539,000.00	461,000.00	41,083.33	1,580,083.33	11.05%
NORTHWEST AIR LINES	7.041	4/1/2022	98.25000	2,402,082.19	2,360,045.74	42,036.45	27,718.63	2,387,764.37	7.17%
SEARS ROEBUCK ACCEPTANCE	7.000	6/1/2032	83.75000	1,000,000.00	837,500.00	162,500.00	33,250.00	870,750.00	8.36%
SEARS ROEBUCK ACCEPTANCE	7.000	6/1/2032	79.10000	2,000,000.00	1,582,000.00	418,000.00	55,611.11	1,637,611.11	8.85%
SECURITY BENEFIT	8.750	5/15/2016	109.66500	1,000,000.00	1,096,650.00	(96,650.00)	26,250.00	1,122,900.00	7.98%
TOTAL CORPORATE BONDS				28,505,728.33	26,625,323.21	1,880,405.12	574,048.99	27,199,372.20	8.28%
TOTAL BONDS ACQUIRED				28,505,728.33	26,625,323.21	1,880,405.12	574,048.99	27,199,372.20	8.28%

**STATE OF ARIZONA
CORRECTIONS OFFICER RETIREMENT PLAN
INVESTMENTS ACQUIRED
JULY 1, 2002 THROUGH JUNE 30, 2003
SHORT TERM INVESTMENTS MATURED**

Page 1 of 2

Description	Cost	Amount of Interest	Maturity Value
ALABAMA POWER COMPANY	3,998,460.00	1,540.00	4,000,000.00
ALCON FINANCE	14,347,857.92	2,142.08	14,350,000.00
AMSTEL FUNDING	7,997,262.22	2,737.78	8,000,000.00
AMSTERDAM FUNDING CORP	13,497,561.53	2,438.47	13,500,000.00
ASSET ONE SECURITIZATION	29,634,045.53	15,954.47	29,650,000.00
ASSET SECURT. COOPERATIVE	4,996,527.78	3,472.22	5,000,000.00
ATLANTIS ONE FUNDING	4,749,525.00	475.00	4,750,000.00
AUTOBAHN FUNDING CORP	121,109,344.16	40,655.84	121,150,000.00
BARCLAYS U.S. FUNDING CORP	4,749,678.05	321.95	4,750,000.00
BARTON CAPITAL CORP	14,366,752.50	8,247.50	14,375,000.00
BAVARIA FINANCE FUNDING	4,499,788.75	211.25	4,500,000.00
BEETHOVEN FUNDING CORPORATION	75,919,304.58	30,695.42	75,950,000.00
BRYANT PARK FUNDING LLC	13,991,151.67	8,848.33	14,000,000.00
CARGILL INC	3,999,871.11	128.89	4,000,000.00
CBA (DELAWARE) FINANCE INC	5,499,445.42	554.58	5,500,000.00
CENTRICA PLC	4,996,786.11	3,213.89	5,000,000.00
CHARTA CORP	5,798,187.50	1,812.50	5,800,000.00
CHECK POINT CHARLIE INC	33,126,337.61	23,662.39	33,150,000.00
CLIPPER RECEIVABLES	22,098,643.65	1,356.35	22,100,000.00
CONCORD MINUTEMAN CAPITAL	11,695,337.35	4,662.65	11,700,000.00
CONSOLIDATED EDISON COMPANY	5,124,491.77	508.23	5,125,000.00
COOPERATIVE ASSN OF TRACTOR DEALERS	51,339,987.29	10,012.71	51,350,000.00
CROWN POINT CAPITAL	67,881,677.27	18,322.73	67,900,000.00
DAKOTA NOTES	999,604.44	395.56	1,000,000.00
DEALERS CAPITAL ACCEPTANCE	10,999,527.22	472.78	11,000,000.00
DEALERS CAPITAL ACCESS TRUST INC.	2,499,875.00	125.00	2,500,000.00
EAGLE FUNDING CAPITAL	118,179,407.94	20,513.31	118,199,921.25
EMINENT FUNDING	16,984,087.91	15,912.09	17,000,000.00
ENTERPRISE FUNDING CORPORATION	8,496,626.25	3,373.75	8,500,000.00
FALCON ASSET SECURITIZATION	4,498,750.00	1,250.00	4,500,000.00
FORRESTAL FUNDING MASTER TRUST	9,397,288.33	2,711.67	9,400,000.00
FORTIS FUNDING	5,497,363.75	2,636.25	5,500,000.00
GALLEON CAPITAL	67,817,412.21	7,587.79	67,825,000.00
GE CAPITAL CORP	1,999,338.89	661.11	2,000,000.00
GENERAL ELECTRIC COMPANY	3,998,670.00	1,330.00	4,000,000.00
GIRO MULTI-FUNDING US CORP	13,792,647.42	7,352.58	13,800,000.00
GOTHAM FUNDING	29,789,718.61	10,281.39	29,800,000.00
HALOGEN CAPITAL COMPANY	33,294,568.39	5,431.61	33,300,000.00
HANNOVER FUNDING	8,497,214.17	2,785.83	8,500,000.00
HOLDENBY CAPITAL COMPANY LLC	9,498,703.33	1,296.67	9,500,000.00
HOLLAND LIMITED SECURITIZATION	39,484,296.97	15,703.03	39,500,000.00
HUDSON AMERICAN REALTY	18,240,998.13	9,001.87	18,250,000.00
KITTY HAWK FUNDING CORP	6,498,401.25	1,598.75	6,500,000.00
LEXINGTON PARKER CAPITAL CORP	11,993,483.33	6,516.67	12,000,000.00
LIBERTY STREET FUNDING	3,999,805.56	194.44	4,000,000.00
LONG LANE MASTER TRUST IV	24,385,830.78	14,169.22	24,400,000.00
MARKET STREET FUNDING	25,546,938.88	3,061.12	25,550,000.00
MAXIMILIAN CAPITAL CORP	14,987,362.78	12,637.22	15,000,000.00
MERRILL LYNCH & CO, INC.	14,949,190.73	809.27	14,950,000.00
NAPEXIS BANQUES POPULAIRES	4,399,076.00	924.00	4,400,000.00
NATIONAL AUSTRALIA FUNDING	8,996,875.28	3,124.72	9,000,000.00
NEPTUNE FUNDING	31,739,847.64	10,152.36	31,750,000.00

**STATE OF ARIZONA
CORRECTIONS OFFICER RETIREMENT PLAN
INVESTMENTS ACQUIRED
JULY 1, 2002 THROUGH JUNE 30, 2003
SHORT TERM INVESTMENTS MATURED**

Page 2 of 2

Description	Cost	Amount of Interest	Maturity Value
NORDDEUTSCHE LANDESBANK	10,994,420.00	5,580.00	11,000,000.00
OLD LINE FUNDING	19,744,745.35	5,254.65	19,750,000.00
PARADIGM FUNDING	22,796,106.40	3,893.60	22,800,000.00
PREFERRED RECEIVABLES FUNDING CORP	9,996,875.01	3,124.99	10,000,000.00
RECEIVABLES CAPITAL CORP	4,998,611.11	1,388.89	5,000,000.00
REGENCY MARKETS NO. 1	19,240,274.04	9,725.96	19,250,000.00
SAINT GERMAIN HOLDINGS LTD	10,694,388.36	5,611.64	10,700,000.00
SIGMA FINANCE	15,998,505.56	1,494.44	16,000,000.00
SPECIAL PURPOSE ACCTS. REC.	8,993,594.45	6,405.55	9,000,000.00
STARBIRD FUNDING CORPORATION	64,535,114.08	14,535.92	64,549,650.00
STEAMBOAT FUNDING	47,435,771.68	14,228.32	47,450,000.00
SUNBELT FUNDING CORP	26,082,994.66	17,005.34	26,100,000.00
SYDNEY CAPITAL CORP	6,997,675.56	2,324.44	7,000,000.00
THREE CROWNS FUNDING	197,471,836.92	28,163.08	197,500,000.00
THREE RIVERS FUNDING	3,499,402.08	597.92	3,500,000.00
THUNDER BAY FUNDING	6,494,925.00	5,075.00	6,500,000.00
TORONTO DOMINION HOLDING	4,997,569.44	2,430.56	5,000,000.00
TOTAL FINA ELF SA	11,249,325.90	674.10	11,250,000.00
TRANSAMERICA ASSET FUNDING	24,789,334.31	10,665.69	24,800,000.00
TRANSAMERICA FINANCE CORP	5,249,523.12	476.88	5,250,000.00
TRIPLE A-1 FUNDING	31,942,895.99	7,104.01	31,950,000.00
UBS AMERICAS INC	22,698,514.44	1,485.56	22,700,000.00
UBS FINANCE (DELAWARE)	44,067,612.49	7,387.51	44,075,000.00
VICTORIA REC	3,498,203.33	1,796.67	3,500,000.00
WELLS FARGO & COMPANY	9,496,378.06	3,621.94	9,500,000.00
WINDMILL FUNDING CORPORATION	3,499,873.61	126.39	3,500,000.00
WORLD OMNI VEHICLE LEASING	2,498,211.11	1,788.89	2,500,000.00
TOTAL SHORT TERM INVESTMENTS MATURED	1,716,843,618.02	505,953.23	1,717,349,571.25

**STATE OF ARIZONA
CORRECTIONS OFFICER RETIREMENT PLAN
INVESTMENTS ACQUIRED
JULY 1, 2002 THROUGH JUNE 30, 2003**

COMMON STOCK ACQUIRED

Page 1 of 2

Company	No. Shares	Dividend Rate	Annual Income	Book Yield	Average Cost	Book Cost
ACCREDITO HEALTH	13,400		-	0.00%	18.53	248,269.60
ADVANCED ENERGY INDUSTRIES	12,100		-	0.00%	10.44	126,302.66
ALCOA INC	37,800	0.60	22,680.00	3.17%	18.93	715,425.24
ALLTEL CORPORATION	15,000	1.40	21,000.00	2.62%	53.52	802,759.50
AMBAC FINANCIAL GROUP INC	32,000	0.40	12,800.00	0.70%	56.95	1,822,414.12
AMERICAN STATES WATER	6,900		-	0.00%	24.22	167,107.20
AMSURG CORPORATION	9,800		-	0.00%	26.01	254,927.58
ANIXTER INTERNATIONAL	10,400		-	0.00%	24.48	254,628.92
AT&T CORP	38,400	0.75	28,800.00	4.45%	16.84	646,775.04
ATMI INC	11,900		-	0.00%	21.33	253,809.15
AUTOZONE INC	16,000		-	0.00%	87.45	1,399,203.20
BANK OF AMERICA CORPORATION	71,000	3.20	227,200.00	4.64%	68.93	4,893,688.50
BLACK BOX CORPORATION	8,500	0.20	1,700.00	0.67%	30.05	255,425.00
BOSTON COMMUNICATIONS GROUP	17,200		-	0.00%	15.04	258,727.40
BOSTON SCIENTIFIC CORPORATION	47,000		-	0.00%	42.79	2,010,944.77
CABOT OIL & GAS	10,500		-	0.00%	23.85	250,444.20
CACI INTERNATIONAL	7,700		-	0.00%	32.73	252,025.62
CAL DIVE INTL	12,500		-	0.00%	21.99	274,921.73
CARDINAL HEALTH INC.	18,000	0.12	2,160.00	0.20%	58.76	1,057,593.60
CATERPILLAR INC	15,900	1.40	22,260.00	3.11%	45.07	716,549.40
CEPHALON INC	5,500		-	0.00%	46.26	254,430.00
CHELSEA PROPERTY GROUP	32,000	2.14	68,480.00	6.41%	33.39	1,068,420.08
COCA-COLA CO	64,000	0.88	56,320.00	1.76%	49.94	3,196,152.00
COINSTAR INC	16,900		-	0.00%	15.64	264,348.60
COMMERCE BANCORP, INC.	32,000	0.66	21,120.00	1.54%	42.83	1,370,661.30
COMMUNITY FIRST BANKSHARES	9,700	0.88	8,536.00	3.35%	26.27	254,791.46
CORINTHIAN COLLEGES, INC	64,000		-	0.00%	40.00	2,560,220.32
CULLEN/FROST BANKERS	8,100	0.96	7,776.00	3.12%	30.73	248,886.83
CUNO INC	4,100		-	0.00%	32.94	135,066.00
DEAN FOODS	56,000		-	0.00%	44.13	2,471,544.12
DOWNEY FINANCIAL	6,500	0.36	2,340.00	0.92%	39.28	255,330.50
E.I. du PONT de NEMOURS AND CO	20,000	1.40	28,000.00	3.92%	35.74	714,728.00
EASTMAN KODAK COMPANY	24,700	1.80	44,460.00	6.21%	28.98	715,746.72
EVERGREEN RESOURCES	5,600		-	0.00%	45.12	252,683.04
FACTSET RESEARCH SYSTEMS	7,700		-	0.00%	31.54	242,883.74
FAIR ISAAC & CO	25,600	0.08	2,048.00	0.15%	52.23	1,337,091.58
FEDEX CORPORATION	32,000	0.20	6,400.00	0.41%	48.82	1,562,119.13
FLEXTRONICS INTERNATIONAL	77,000		-	0.00%	10.88	837,730.00
GANNETT COMPANY	33,600	0.96	32,256.00	1.31%	73.39	2,465,809.66
GENERAL MOTORS CORPORATION	23,200	2.00	46,400.00	6.53%	30.64	710,801.60
GILEAD SCIENCES, INC	59,000		-	0.00%	34.87	2,057,216.20
HAIN CELESTIAL GROUP	16,500		-	0.00%	15.29	252,331.44
HARTFORD FINANCIAL SERVICES GROUP	56,000	1.08	60,480.00	2.18%	49.60	2,777,375.00
HELIX TECHNOLOGY	10,400	0.16	1,664.00	1.32%	12.15	126,409.19
HILB, ROGAL & HAMILTON	8,000	0.37	2,960.00	1.17%	31.50	251,962.32
HONEYWELL INTERNATIONAL INC	33,600	0.75	25,200.00	3.52%	21.31	715,928.64
HUDSON UNITED BANCORP	8,100	1.20	9,720.00	3.86%	31.10	251,871.60
INAMED CORPORATION	1,000		-	0.00%	42.63	42,625.00
INTEGRA LIFESCIENCES HOLDINGS	11,100		-	0.00%	22.66	251,567.00
INTERACTIVECORP	95,000		-	0.00%	35.39	3,362,183.50
INTERNATIONAL BUSINESS MACH.	17,000	0.64	10,880.00	0.75%	85.39	1,451,645.30
INTERNATIONAL PAPER COMPANY	21,000	1.00	21,000.00	2.91%	34.35	721,347.90
JEFFERIES GROUP	6,400		-	0.00%	39.08	250,085.30
JOHNSON & JOHNSON CO	78,000	0.96	74,880.00	1.70%	56.60	4,414,555.30
JP MORGAN CHASE & CO	33,300	1.36	45,288.00	6.34%	21.44	713,952.00
KAYDON CORP	13,500	0.48	6,480.00	2.55%	18.85	254,466.85

**STATE OF ARIZONA
CORRECTIONS OFFICER RETIREMENT PLAN
INVESTMENTS ACQUIRED
JULY 1, 2002 THROUGH JUNE 30, 2003**

COMMON STOCK ACQUIRED

Page 2 of 2

Company	No. Shares	Dividend Rate	Annual Income	Book Yield	Average Cost	Book Cost
LANDRY'S RESTAURANTS	14,900	0.10	1,490.00	0.59%	17.00	253,339.02
LANDSTAR SYSTEMS, INC	9,800		-	0.00%	57.21	560,617.20
LENNAR CORP Class A	18,000	0.05	900.00	0.07%	76.78	1,382,110.62
MANITOWOC COMPANY INC.	6,600	0.28	1,848.00	1.44%	19.50	128,686.14
MEDTRONIC, INC.	25,000	0.29	7,250.00	0.60%	48.04	1,200,940.00
MEN'S WEARHOUSE	16,900		-	0.00%	15.10	255,238.28
MENTOR CORPORATION	13,100	0.08	1,048.00	0.47%	17.04	223,163.67
MICROCHIP TECHNOLOGY INC.	16,000	0.10	1,600.00	0.36%	27.72	443,542.24
MICROSOFT CORPORATION	72,000	0.08	5,760.00	0.15%	54.75	3,941,741.25
NATIONAL CITY CORP	49,000	1.28	62,720.00	3.98%	32.13	1,574,596.00
NBTY INC	13,900		-	0.00%	18.28	254,091.69
NOKIA CORPORATION	148,000	0.26	38,480.00	1.62%	16.05	2,375,143.20
O'REILLY AUTOMOTIVE	9,200		-	0.00%	27.09	249,245.48
PACIFIC SUNWEAR OF CALIFORNIA	12,500		-	0.00%	20.36	254,506.25
PAXAR CORP	17,700		-	0.00%	10.65	188,469.95
PEPSICO INC.	46,000	0.64	29,440.00	1.46%	43.78	2,014,028.06
PERFORMANCE FOOD GROUP	8,400		-	0.00%	33.02	277,356.95
PFIZER INC.	40,000	0.60	24,000.00	1.88%	31.85	1,274,000.00
PHOTRONICS, INC	19,200		-	0.00%	13.15	252,524.91
POLARIS INDUSTRIES	5000	1.24	6,200.00	2.50%	49.69	248,465.30
PROCTER & GAMBLE COMPANY	63,000	1.64	103,320.00	1.82%	89.95	5,667,103.96
PROVIDENT BANKSHARES	10,800		-	0.00%	23.34	252,064.69
QUEST DIAGNOSTIC	23,000		-	0.00%	53.64	1,233,660.00
QUIKSILVER, INC	8,000		-	0.00%	32.04	256,344.80
REGENERON PHARMACEUTICALS	12,500		-	0.00%	20.23	252,891.04
REGIS CORPORATION	10,100	0.12	1,212.00	0.48%	25.14	253,948.20
REHAB CARE GROUP	6,800		-	0.00%	18.49	125,745.51
RELIANCE STEEL & ALUMINUM	16,300	0.24	3,912.00	1.55%	15.53	253,201.72
RESMED INC	8,500		-	0.00%	30.08	255,716.68
RESPIRONICS INC	6,900		-	0.00%	35.14	242,436.79
ROADWAY CORPORATION	7,100		-	0.00%	35.96	255,339.43
SBC COMMUNICATIONS INC.	36,700	1.53	56,151.00	7.81%	19.60	719,228.25
SCOTTS CO'A'	4,800		-	0.00%	52.43	251,649.30
SMURFIT-STONE CONTAINER CORP	42,000		-	0.00%	14.98	629,028.32
ST. JUDE MEDICAL	30,000		-	0.00%	38.69	1,160,750.69
STEEL DYNAMICS	21,100		-	0.00%	12.15	256,330.73
SURMODICS INC	8,100		-	0.00%	31.30	253,498.05
SWIFT ENERGY	27,500		-	0.00%	8.87	243,791.80
SYSCO CORPORATION	66,000	0.44	29,040.00	1.55%	28.45	1,877,787.68
SYSTEMS & COMPUTER TECH	16,500		-	0.00%	7.44	122,739.78
TECHNE COPR	9,400		-	0.00%	26.94	253,277.36
TENET HEALTHCARE CORPORATION	29,000		-	0.00%	48.54	1,407,567.20
TRACTOR SUPPLY CO.	7,100		-	0.00%	35.25	250,275.00
TRIUMPH GROUP	4,500		-	0.00%	28.05	126,225.00
TYSON FOODS, INC.	159,000	0.16	25,440.00	1.36%	11.73	1,864,838.56
UNITED NATURAL FOODS	9800		-	0.00%	25.54	250,306.16
VIACOM INC.	25,000		-	0.00%	47.93	1,198,212.50
VORNADO REALTY TRUST	82,000	2.72	223,040.00	6.71%	40.52	3,322,689.50
WAL-MART STORES	105,000	0.36	37,800.00	0.68%	53.18	5,583,954.90
WATSON WYATT 'A'	12,700		-	0.00%	19.99	253,929.45
WATTS INDUSTRIES 'A'	15,600	0.24	3,744.00	1.47%	16.38	255,458.75
WILLIAMS COMPANIES, INC.	87,000	0.04	3,480.00	0.52%	7.66	666,179.80
WINTRUST FINANCIAL	9,000	0.16	1,440.00	0.57%	28.20	253,755.00
YELLOW CORPORATION	9,900		-	0.00%	25.77	255,119.04
TOTAL COMMON STOCK ACQUIRED			1,590,603.00	1.54%		103,333,761.50

**STATE OF ARIZONA
CORRECTIONS OFFICER RETIREMENT PLAN
INVESTMENTS ACQUIRED
JULY 1, 2002 THROUGH JUNE 30, 2003
OTHER INVESTMENTS ACQUIRED**

Name	Coupon	Maturity	Purchase Price	Book Cost
<i>BRIDGE FINANCIAL</i>				
BRIDGE FINANCIAL-GRAND INN				48,963.64
TOTAL BRIDGE FINANCIAL ACQUIRED				48,963.64
<i>DESERT TROON EQUITY</i>				
DESERT TROON-DTR, LLC				4,800,000.00
TOTAL DESERT TROON EQUITY ACQUIRED				4,800,000.00
<i>DIVERSIFIED FUNDING GROUP</i>				
TIERRA DEL RIO (TDR), L.L.C.	12.000	10/22/2004		2,364,000.00
TOTAL DESERT TROON EQUITY ACQUIRED				2,364,000.00
<i>PIVOTAL EQUITY</i>				
PIVOTAL PROMONTORY-LOANS	10.000			1,930,500.00
PIVOTAL PROMONTORY				337,500.00
SPA AT RED CANYON				87,750.00
CENTURY PLAZA HOTEL				135,000.00
NXTV,L.L.C.				135,000.00
TOTAL PIVOTAL ACQUIRED				2,625,750.00
<i>MISCELLANEOUS</i>				
APEX CAPITAL FUND 1, LLC	11.000			46,779.90
DESERT TROON FINANCE, LLC	10.000	8/27/2005		13,537,500.00
PIVOTAL DEBT FUND	10.000	12/1/2011		4,360,500.00
PROSPECTOR EQUITY CAPITAL	0.000	6/1/2009		40,341.05
VALLEY VENTURES III	8.000	9/17/2006		463,630.95
TOTAL MISCELLANEOUS ACQUIRED				18,448,751.90
TOTAL OTHER INVESTMENTS ACQUIRED				28,287,465.54

**STATE OF ARIZONA
CORRECTIONS OFFICER RETIREMENT PLAN
SALES AND REDEMPTION OF INVESTMENTS
JULY 1, 2002 THROUGH JUNE 30, 2003**

BONDS SOLD

Security	Coupon	Maturity	Par Value	Sale Price	Accrued Interest	Principal	Amortized Cost	Gain or (Loss)	Amount Due
FEDERAL AGENCY OBLIGATIONS									
Detailed information for the redemptions of Federal Agency Obligations are too lengthy to include in this report; therefore, only totals are given.									
TOTAL FEDERAL AGENCY OBLIGATIONS						32,889,329.29	32,889,329.29		
CORPORATE BONDS									
AT&T BROADBAND CORP	9.455	11/15/2022	320.00	0.00000	-	320.00	-	320.00	320.00
AT&T CORP	6.500	3/15/2013	1,000,000.00	102.07800	24,916.67	1,020,780.00	876,516.53	144,263.47	1,045,696.67
AT&T CORPORATES	8.350	1/15/2025	1,000,000.00	101.40008	(3.44)	1,014,000.78	1,014,000.78	-	1,013,997.34
AT&T CORPORATES	6.500	3/15/2029	1,000,000.00	87.32818	27.26	901,810.95	873,281.78	28,529.17	901,838.21
AUTO BOND RECEIVABLE TRUST	6.400	4/15/2001	76,037.67	100.00000	-	-	76,037.67	(76,037.67)	-
DELTA AIR LINES	7.379	5/18/2010	79,546.94	100.00000	-	79,546.94	79,546.94	-	79,546.94
HOUSEHOLD FINANCE CORP	6.500	11/15/2008	2,000,000.00	102.30000	12,277.78	2,046,000.00	1,838,000.00	208,000.00	2,058,277.78
HOUSEHOLD FINANCE CORP	7.625	5/17/2032	2,000,000.00	110.75000	25,416.67	2,215,000.00	1,808,112.50	406,887.50	2,240,416.67
LEGRAND S.A.	8.500	2/15/2025	2,000,000.00	80.25000	68,000.00	1,605,000.00	1,542,414.82	62,585.18	1,673,000.00
LIBERTY MUTUAL INSURANCE	7.875	10/15/2026	300,000.00	88.50000	2,231.25	265,500.00	283,100.17	(17,600.17)	267,731.25
LUMBERMANS MUTUAL CASUALTY CO	9.150	7/1/2026	6,000,000.00	9.25000	-	555,000.00	6,802,635.60	(6,247,635.60)	555,000.00
MERRILL LYNCH & COMPANY	8.000	6/1/2007	1,000,000.00	114.87500	11,333.33	1,148,750.00	1,000,000.00	148,750.00	1,160,083.33
NORTHWEST AIR LINES	7.935	4/1/2019	90,000.36	114.70539	-	103,235.26	103,235.26	-	103,235.26
ROYAL & SUN ALLIANCE INSURANCE	8.950	10/15/2029	2,000,000.00	51.37500	87,511.11	1,027,500.00	2,183,395.85	(1,155,895.85)	1,115,011.11
SEARS ROEBUCK & CO.	9.375	11/1/2011	1,000,000.00	104.00000	12,239.58	1,040,000.00	1,000,000.00	40,000.00	1,052,239.58
SECURITY NATIONAL MORTGAGE LOAN	7.870	8/25/2030	617,540.14	100.00000	-	617,540.14	617,540.14	-	617,540.14
STANDARD CHARTERED BANK	8.000	5/30/2031	3,000,000.00	113.12000	78,000.00	3,393,600.00	3,140,643.28	252,956.72	3,471,600.00
WORLDCOM INC.	8.250	5/15/2031	3,000,000.00	22.10000	-	663,000.00	3,061,475.78	(2,398,475.78)	663,000.00
XEROX CAPITAL TRUST I CAP SEC.	8.000	2/1/2027	3,275,000.00	67.50000	28,383.33	2,210,625.00	3,434,154.93	(1,223,529.93)	2,239,008.33
TOTAL CORPORATE BONDS			29,438,445.11		350,333.54	19,907,209.07	29,734,092.03	(9,826,882.96)	20,257,542.61
TOTAL BONDS SOLD			29,438,445.11		350,333.54	52,796,538.36	62,623,421.32	(9,826,882.96)	53,146,871.90

**STATE OF ARIZONA
CORRECTIONS OFFICER RETIREMENT PLAN
SALES AND REDEMPTION OF INVESTMENTS
JULY 1, 2002 THROUGH JUNE 30, 2003**

COMMON STOCK SOLD

Company	Shares Sold	Sale Price	Amount	Commission + SEC Fee	Net Amount	Book Cost	Gain (Loss) on Sale	% Gain on Sale
AMERICAN INT'L GROUP	92,000	248.7968	4,575,024.80	4,737.73	4,570,287.07	3,603,799.59	966,487.48	26.82%
AMERICAN STATES WATER	6,900	128.7584	177,680.04	353.34	177,326.70	167,107.20	10,219.50	6.12%
APACHE CORPORATION	70,100	419.4159	4,260,624.39	3,633.27	4,256,991.12	3,388,147.00	868,844.12	25.64%
APPLIED MATERIALS	438,000	152.1631	6,020,998.80	21,561.29	5,999,437.51	3,839,389.94	2,160,047.57	56.26%
BANK ONE SETTLEMENT			10,470.94		10,470.94		10,470.94	100.00%
BIAGEN INC	63,000	67.84685	2,138,599.65	3,214.38	2,135,385.27	3,302,525.41	(1,167,140.14)	-35.34%
BJ SERVICES COMPANY	159,000	326.2804	5,223,930.71	8,112.08	5,215,818.63	6,074,494.42	(858,675.79)	-14.14%
BJ'S WHOLESALE CLUB, INC.	116,000	188.3494	2,189,991.90	5,865.98	2,184,125.92	4,635,191.94	(2,451,066.02)	-52.88%
BROADWING INC.	139,000	12.3332	264,014.30	3,457.99	260,556.31	3,434,036.66	(3,173,480.35)	-92.41%
CABLEVISION SYSTEMS CORP	75,000	33.6724	627,143.76	3,768.90	623,374.86	3,434,502.78	(2,811,127.92)	-81.85%
CABOT OIL & GAS	10,500	24.9372	261,840.60	537.26	261,303.34	250,444.20	10,859.14	4.34%
CHEVRONTXACO CORP	31,000	73.3171	2,272,830.10	1,618.42	2,271,211.68	2,594,661.20	(323,449.52)	-12.47%
CISCO SYSTEMS	86,000	26.5357	1,141,362.40	4,334.36	1,137,028.04	746,525.52	390,502.52	52.31%
COVAD COMMUNICATIONS GROUP	410,500	18.7044	513,113.58	8,225.53	504,888.05	15,871,207.45	(15,366,319.40)	-96.82%
CYTYC CORPORATION	164,000	77.7053	1,842,701.50	7,974.75	1,834,726.75	2,689,521.74	(854,794.99)	-31.78%
ELECTRONICS BOUTIQUE HOLDINGS COR	24,500	51.5549	319,583.31	1,234.64	318,348.67	893,449.08	(575,100.41)	-64.37%
EXPRESS SCRIPTS	45,000	100.8705	2,269,615.90	2,318.32	2,267,297.58	948,275.57	1,319,022.01	139.10%
EXXON MOBIL CORP	17,294	35.77	618,606.38	893.66	617,712.72	638,732.61	(21,019.89)	-3.29%
FACTSET RESEARCH SYSTEMS	7,700	71.4223	275,042.57	397.88	274,644.69	242,863.74	31,760.95	13.08%
FLEETBOSTON FINANCIAL CORPORATION	62,000	47.6727	1,479,460.37	3,144.54	1,476,315.83	2,350,477.80	(874,161.97)	-37.19%
GLOBALSTANFATE CORP	13,000	44.6198	290,078.20	658.74	289,419.46	449,577.61	(160,158.15)	-35.62%
HEALTHSOUTH CORP	33,000	5.554	183,282.00	1,655.52	181,626.48	495,904.20	(314,277.72)	-63.37%
HOME DEPOT	72,000	134.8871	1,884,422.07	3,664.22	1,880,757.85	928,640.27	952,117.58	102.53%
INAMED CORPORATION	1,000	49.26	49,260.00	52.31	49,207.69	42,625.00	6,582.69	15.44%
INTEGRA LIFESCIENCES HOLDINGS	11,100	57.3835	319,391.55	569.96	318,821.59	251,567.00	67,254.59	26.73%
INTEL CORPORATION	246,000	88.4621	4,360,060.70	12,431.26	4,347,629.44	5,250,330.85	(902,701.41)	-17.19%
JDS UNIPHASE CORPORATION	170,000	25.8975	493,583.69	5,714.52	487,869.17	11,999,266.90	(11,511,397.73)	-95.93%
JEFFERIES GROUP	6,400	116.6829	248,872.19	331.66	248,540.53	250,085.30	(1,544.77)	-0.62%
JP MORGAN CHASE & CO	138,000	86.8905	2,921,648.83	5,299.97	2,916,348.86	4,870,314.10	(1,953,965.24)	-40.12%
KIMBERLY-CLARK CORPORATION	92,000	224.6489	4,167,956.56	4,725.48	4,163,231.08	4,897,193.98	(733,962.90)	-14.99%
LENNAR CORP Class B	5,400	145.4582	390,739.62	288.30	390,451.32	217,017.85	173,433.47	79.92%
LEXMARK INTERNATIONAL GROUP	30,000	119.335	1,789,651.08	1,553.88	1,788,097.20	2,187,502.51	(399,405.31)	-18.26%
LSI LOGIC	197,000	56.0698	949,662.69	6,965.68	942,697.01	7,498,339.90	(6,555,642.89)	-87.43%
MEN'S WEARHOUSE	16,900	36.9533	312,329.76	859.63	311,470.13	255,238.28	56,231.85	22.03%
NABORS INDUSTRIES, LTD	14,000	40.3	564,200.00	716.99	563,483.01	763,962.49	(200,479.48)	-26.24%
NATIONAL-OILWELL, INC.	53,000	132.0085	1,154,217.58	2,687.79	1,151,529.79	2,056,240.40	(904,710.61)	-44.00%
NBTY INC	13,900	31.3177	218,023.91	705.21	217,318.70	254,091.69	(36,772.99)	-14.47%
NEWS CORPORATION	38,500	20.1136	774,373.60	1,948.31	772,425.29	873,168.88	(100,743.59)	-11.54%
NOBLE CORPORATION	15,000	71.5182	536,408.38	766.16	535,642.22	673,529.68	(137,887.46)	-20.47%
P.F. CHANG'S CHINA BISTRO	12,000	229.5573	551,009.53	625.81	550,383.72	317,329.20	233,054.52	73.44%
PAXAR CORP	17,700	20.4066	180,646.92	893.46	179,753.46	188,469.95	(8,716.49)	-4.62%
PHARMACEUTICAL PRODUCT DEV., INC	62,000	67.1817	1,402,084.12	3,142.21	1,398,941.91	1,491,164.60	(92,222.69)	-6.18%
PROVIDENT BANKSHARES	10,800	73.696	264,909.35	552.41	264,356.94	252,064.69	12,292.25	4.88%
QUORUM HEALTH GROUP INTEREST			19,894.63		19,894.63		19,894.63	100.00%

**STATE OF ARIZONA
CORRECTIONS OFFICER RETIREMENT PLAN
SALES AND REDEMPTION OF INVESTMENTS
JULY 1, 2002 THROUGH JUNE 30, 2003**

COMMON STOCK SOLD

Company	Shares Sold	Sale Price	Amount	Commission + SEC Fee	Net Amount	Book Cost	Gain (Loss) on Sale	% Gain on Sale
REGENERON PHARMACEUTICALS	12,500	7.42	92,750.00	379.35	92,370.65	252,891.04	(160,520.39)	-63.47%
ROADWAY CORPORATION	7,100	29.8083	211,638.93	364.91	211,274.02	255,339.43	(44,065.41)	-17.26%
SAFEMAY INC	87,000	112.9526	1,625,464.84	4,413.49	1,621,051.35	2,932,572.90	(1,311,521.55)	-44.72%
SANMINA CORP.	98,600	26.381	427,903.04	2,972.07	424,930.97	2,563,231.86	(2,138,300.89)	-83.42%
SCHOLASTIC CORPORATION	36,000	25.8056	929,001.60	1,827.97	927,173.63	1,030,367.35	(103,193.72)	-10.02%
SCOTTS COA'	4,800	47.6177	228,564.96	250.70	228,314.26	251,649.30	(23,335.04)	-9.27%
SEARS, ROEBUCK AND COMPANY	31,000	52.2365	810,125.65	1,574.39	808,551.26	1,747,036.98	(938,485.72)	-53.72%
SEITEL, INC	80,000	1.6923	24,313.55	289.55	24,024.00	1,495,549.90	(1,471,525.90)	-98.39%
SIEBEL SYSTEMS	47,000	8.9076	418,657.20	2,362.61	416,294.59	1,640,190.70	(1,223,896.11)	-74.62%
SOLETRON	185,000	29.2736	689,724.00	6,076.65	683,647.35	7,664,567.78	(6,980,920.43)	-91.08%
SPRINT CORPORATION (PCS GROUP)	94,000	5.9312	294,204.40	4,708.87	289,495.53	2,506,826.20	(2,217,330.67)	-88.45%
SWIFT ENERGY	27,500	32.3378	291,164.21	1,388.64	289,775.57	243,791.80	45,983.77	18.86%
SYMANTEC CORPORATION	147,000	449.0005	6,413,068.22	7,559.00	6,405,509.22	3,639,041.05	2,766,468.17	76.02%
TARGET CORP	123,000	158.6271	3,894,462.98	6,267.25	3,888,195.73	3,536,884.98	351,310.75	9.93%
TECHNE COPR	9,400	29.0088	272,682.72	482.77	272,199.95	253,277.36	18,922.59	7.47%
TENET HEALTHCARE CORPORATION	132,500	88.3298	2,261,207.60	6,693.09	2,254,514.51	4,543,283.90	(2,288,769.39)	-50.38%
TRAVELERS PROPERTY CASUALTY			19.96		19.96		19.96	100.00%
TRAVELERS PROPERTY CASUALTY-CL A	12,327	31.1035	191,721.10	622.14	191,098.96	244,717.81	(53,618.85)	-21.91%
TRAVELERS PROPERTY CASUALTY-CL B	25,327	31.4216	397,503.01	1,278.32	396,224.69	542,581.40	(146,356.71)	-26.97%
TXU CORP	77,000	24.95	960,575.00	3,878.92	956,696.08	3,163,685.74	(2,206,989.66)	-69.76%
TYCO INTERNATIONAL LTD.	62,958	28.4	905,428.80	3,190.28	902,238.52	2,121,537.80	(1,219,299.28)	-57.47%
TYSON FOODS, INC.	28,000	16.9508	237,311.20	1,411.12	235,900.08	328,399.24	(92,499.16)	-28.17%
UNITED RENTALS, INC	26,000	19.6933	170,712.90	1,305.16	169,407.74	565,450.60	(396,042.86)	-70.04%
VALERO ENERGY CORPORATION	33,000	31.6148	1,043,288.40	1,681.41	1,041,606.99	1,650,970.20	(609,363.21)	-36.91%
VISHAY INTERTECHNOLOGY INC	15,000	9.4501	141,751.50	754.27	140,997.23	399,508.96	(258,511.73)	-64.71%
VODAFONE GROUP PLC	71,000	16.7215	1,187,226.50	3,585.74	1,183,640.76	1,464,438.62	(280,797.86)	-19.17%
WATERS CORPORATION	32,000	19.8518	635,257.60	1,619.13	633,638.47	1,097,552.00	(463,913.53)	-42.27%
WHIRLPOOL CORP	16,000	46.8985	750,376.00	822.59	749,553.41	1,240,507.30	(490,953.89)	-39.58%
WORLDCOM INC.	80,500	0.102	8,211.00	0.25	8,210.75	2,649,879.29	(2,641,668.54)	-99.69%
TOTAL COMMON STOCK SOLD	4,887,706		86,023,659.83	209,954.44	85,813,705.39	155,594,730.67	(69,781,025.28)	-44.85%

STATE OF ARIZONA
CORRECTIONS OFFICER RETIREMENT PLAN
SALES AND REDEMPTION OF INVESTMENTS
JULY 1, 2002 THROUGH JUNE 30, 2003
OTHER INVESTMENTS SOLD

Name	Coupon	Maturity	Book Cost	Capital Gains (Loss)
<i>BRIDGE FINANCIAL</i>				
BRIDGE FINANCIAL-Dynamite Mtn Ranch	12.750	6/30/2002	401,415.01	-
TOTAL BRIDGE FINANCIAL SOLD			401,415.01	-
<i>PIVOTAL</i>				
PIVOTAL PROMONTORY-LOANS	10.000		1,255,500.00	-
TOTAL PIVOTAL SOLD			1,255,500.00	-
<i>MISCELLANEOUS</i>				
DESERT TROON FINANCE, LLC	10.000	8/27/2005	8,122,500.00	-
PIVOTAL DEBT FUND	10.000	12/1/2011	1,740,000.00	-
TOTAL MISCELLANEOUS SOLD			9,862,500.00	-
TOTAL OTHER INVESTMENTS SOLD			11,519,415.01	-

**STATE OF ARIZONA
CORRECTIONS OFFICER RETIREMENT PLAN
INVESTMENTS OWNED
JUNE 30, 2003**

Page 1 of 3

BOND PORTFOLIO

Par Value	Security	Coupon	Maturity	Book Cost	Book Price	Current Price	Current Value	Gain or (Loss)	Annual Income	Book Yield	YTM	Duration
U.S. TREASURY OBLIGATIONS												
4,000,000.00	U.S. TREASURY BOND	9.125	5/15/2009	4,001,316.69	100.03292	106.87500	4,275,000.00	273,683.31	365,000.00	9.12	7.67	4.75
1,000,000.00	U.S. TREASURY BOND	7.500	11/15/2016	967,943.83	96.79438	135.75000	1,357,500.00	389,556.17	75,000.00	7.75	4.04	9.00
3,000,000.00	U.S. TREASURY BOND	9.125	5/15/2018	3,000,000.00	100.00000	155.09400	4,652,820.00	1,652,820.00	273,750.00	9.13	4.15	8.45
2,000,000.00	U.S. TREASURY BOND	8.125	8/15/2019	2,001,479.01	100.07395	144.62500	2,892,500.00	891,020.99	162,500.00	8.12	4.25	9.22
1,000,000.00	U.S. TREASURY BOND	8.000	11/15/2021	1,000,000.00	100.00000	144.87500	1,448,750.00	448,750.00	80,000.00	8.00	4.42	9.95
11,000,000.00	TOTAL U.S. TREASURY OBLIGATIONS			10,970,739.53			14,626,570.00	3,655,830.47	956,250.00	8.72	5.22	7.43
FEDERAL AGENCY OBLIGATIONS												
169,491.78	GNMA Pool #173878	9.000	8/15/2016	167,690.92	98.93749	111.44100	188,883.33	21,192.41	15,254.26	9.10	3.18	5.42
126,110.37	GNMA Pool #174481	9.000	7/15/2016	122,130.03	96.84376	111.44100	140,538.66	18,408.63	11,349.93	9.29	3.18	5.51
258,460.90	GNMA Pool #176431	9.000	8/15/2016	250,222.47	96.81250	111.44100	288,031.41	37,808.94	23,261.48	9.30	3.18	5.54
101,919.66	GNMA Pool #185289	9.000	9/15/2019	99,180.58	97.31251	111.52500	113,665.90	14,485.32	9,172.77	9.25	3.18	5.43
38,152.13	GNMA Pool #190095	9.000	12/15/2016	36,208.75	94.90623	111.44100	42,517.12	6,308.37	3,433.69	9.48	3.18	5.76
75,132.38	GNMA Pool #202505	9.000	10/15/2019	73,465.38	97.78125	111.52500	83,791.39	10,326.01	6,761.91	9.20	3.18	6.43
108,604.64	GNMA Pool #217956	10.000	11/15/2017	107,388.85	98.87869	115.06200	124,962.67	17,575.82	10,860.46	10.11	8.69	5.65
102,463.18	GNMA Pool #226529	9.000	6/15/2018	94,298.14	92.03124	111.53000	114,277.18	19,979.04	9,221.69	9.78	3.18	6.42
22,054.49	GNMA Pool #232237	9.000	1/15/2020	21,468.65	97.34367	111.51000	24,592.96	3,124.31	1,984.90	9.25	3.18	6.52
41,170.62	GNMA Pool #234937	9.000	3/15/2018	38,031.37	92.37502	111.53000	45,917.59	7,886.22	3,705.36	9.74	3.18	6.32
166,037.43	GNMA Pool #238600	10.000	11/15/2017	164,947.85	99.34377	115.06200	191,045.99	26,098.14	16,603.74	10.07	8.69	5.62
25,744.78	GNMA Pool #238840	9.000	5/15/2018	23,862.19	92.68749	111.53000	28,713.15	4,850.96	2,317.03	9.71	3.18	6.35
17,881.94	GNMA Pool #248951	9.000	5/15/2018	16,899.45	94.50009	111.53000	19,943.73	3,045.28	1,609.37	9.52	3.18	6.23
23,206.88	GNMA Pool #250556	9.000	6/15/2018	22,554.20	97.18756	111.53000	25,882.63	3,328.43	2,088.62	9.26	3.18	6.08
79,622.16	GNMA Pool #256195	9.000	8/15/2018	75,342.48	94.62501	111.53000	88,802.60	13,460.12	7,165.99	9.51	3.18	6.30
63,417.70	GNMA Pool #285597	9.000	3/15/2020	60,524.28	95.43752	111.51000	70,717.08	10,192.80	5,707.59	9.43	3.18	6.70
81,546.10	GNMA Pool #285803	9.000	3/15/2020	77,902.01	95.53125	111.51000	90,932.06	13,030.05	7,339.15	9.42	3.18	6.69
29,707.28	GNMA Pool #298952	9.000	4/15/2021	29,707.28	100.00000	111.44900	33,108.47	3,401.19	2,673.66	9.00	3.18	6.68
20,758.54	GNMA Pool #303324	9.000	4/15/2021	20,758.54	100.00000	111.44900	23,135.19	2,376.65	1,868.27	9.00	3.18	6.68
35,555.62	GNMA Pool #304625	9.000	3/15/2021	35,544.50	99.96873	111.44900	39,626.38	4,081.88	3,200.01	9.00	3.18	6.66
74,585.07	GNMA Pool #305187	9.000	6/15/2021	74,561.74	99.96872	111.44900	83,124.31	8,562.57	6,712.66	9.00	3.18	6.72
271,802.42	GNMA Pool #330725	8.000	7/15/2022	270,018.72	99.34375	109.05100	296,403.26	26,384.54	21,744.19	8.05	3.24	7.30
1,281,168.91	GNMA Pool #375887	7.000	5/15/2024	1,198,693.66	93.56250	106.23900	1,361,869.74	163,176.08	89,681.82	7.48	2.11	8.59
407,816.09	GNMA Pool #377589	7.500	8/15/2025	406,669.12	99.71875	106.80800	435,580.21	28,911.09	30,586.21	7.52	2.89	8.22
525,190.14	GNMA Pool #386038	7.000	6/15/2024	492,940.18	93.85937	106.23900	558,271.87	65,331.69	36,763.31	7.46	2.11	8.59
348,198.08	GNMA Pool #389845	8.000	9/15/2024	341,995.80	98.21875	108.60200	378,150.08	36,154.28	27,855.85	8.15	3.24	7.94
544,361.60	GNMA Pool #398831	8.000	8/15/2026	543,511.05	99.84375	108.40500	590,115.19	46,604.14	43,548.93	8.01	3.24	8.26
279,008.92	GNMA Pool #403979	8.500	10/15/2024	274,257.03	98.29687	109.27900	304,898.16	30,641.13	23,715.76	8.65	4.02	7.79
409,477.86	GNMA Pool #421711	7.500	4/15/2026	408,966.01	99.87500	106.74300	437,088.95	28,122.94	30,710.84	7.51	2.89	8.37
372,082.20	GNMA Pool #427556	7.500	3/15/2026	370,977.63	99.70314	106.74300	397,171.70	26,194.07	27,906.17	7.52	2.89	8.36
968,505.06	GNMA Pool #432701	8.000	6/15/2026	968,505.06	100.00000	108.40500	1,049,907.91	81,402.85	77,480.40	8.00	3.24	8.21
972,222.21	GNMA Pool #434101	7.000	12/15/2028	953,081.58	98.03125	105.77700	1,028,387.49	75,305.91	68,055.55	7.14	2.11	9.38
593,304.86	GNMA Pool #434237	6.000	3/15/2029	549,455.92	92.60937	104.96700	622,774.31	73,318.39	35,598.29	6.48	2.77	10.51
145,333.12	GNMA Pool #439645	8.000	9/15/2026	145,242.29	99.93750	108.40500	157,548.37	12,306.08	11,626.65	8.01	3.24	8.27
283,320.31	GNMA Pool #441619	7.500	11/15/2029	282,213.59	99.60937	106.30700	301,189.32	18,975.73	21,249.02	7.53	2.89	9.20

**STATE OF ARIZONA
CORRECTIONS OFFICER RETIREMENT PLAN
INVESTMENTS OWNED
JUNE 30, 2003**

BOND PORTFOLIO

Page 2 of 3

Par Value	Security	Coupon	Maturity	Book Cost	Book Price	Current Price	Current Value	Gain or (Loss)	Annual Income	Book Yield	YTM	Duration
826,247.49	GNMA Pool #458918	7.000	8/15/2028	811,271.75	98.18750	105.77700	873,979.81	62,708.06	57,837.32	7.13	2.11	9.29
925,530.94	GNMA Pool #475872	7.000	7/15/2028	918,011.01	99.18750	105.77700	978,998.86	60,987.85	64,787.17	7.06	2.11	9.17
2,419,646.83	GNMA Pool #499876	7.000	6/15/2029	2,406,792.45	99.46875	105.69600	2,557,469.91	150,677.46	169,375.28	7.04	2.11	9.36
1,537,755.56	GNMA Pool #499905	7.000	5/15/2029	1,526,702.93	99.28125	105.69600	1,625,346.12	98,643.19	107,642.89	7.05	2.11	9.36
1,114,080.09	GNMA Pool #499907	7.000	5/15/2029	1,087,950.21	95.85937	105.69600	1,177,538.09	109,587.88	77,985.61	7.30	2.11	9.69
613,028.76	GNMA Pool #507496	7.000	6/15/2029	594,254.75	96.93750	105.69600	647,946.88	53,692.13	42,912.01	7.22	2.11	9.60
331,688.81	GNMA Pool #510958	7.000	5/15/2029	329,304.79	99.28125	105.69600	350,581.80	21,277.01	23,218.22	7.05	2.11	9.36
139,955.86	GNMA Pool #512888	7.000	7/15/2029	135,669.70	96.93749	105.69600	147,927.75	12,258.05	9,796.91	7.22	2.11	9.62
512,504.30	GNMA Pool #513367	7.000	8/15/2029	490,722.89	95.75000	105.69600	541,696.54	50,973.65	35,875.30	7.31	2.11	9.76
1,687,709.92	GNMA Pool #530611	6.500	5/15/2031	1,686,259.57	99.91406	105.00900	1,772,247.31	85,987.74	109,701.71	6.51	1.67	10.01
2,379,718.58	GNMA Pool #530631	6.500	6/15/2031	2,369,121.70	99.55470	105.00900	2,498,918.68	129,796.98	154,681.71	6.53	1.67	10.07
858,861.13	GNMA Pool #539629	6.500	4/15/2031	855,640.41	99.62500	105.00900	901,881.48	46,241.07	55,825.97	6.52	1.67	10.02
384,400.95	GNMA Pool #548963	6.500	3/15/2031	383,439.94	99.75000	105.00900	403,655.59	20,215.65	24,986.06	6.52	1.67	9.99
347,922.46	GNMA Pool #549915	6.500	5/15/2031	346,617.75	99.62500	105.00900	365,349.90	18,732.15	22,614.96	6.52	1.67	10.04
6,821,999.21	GNMA Pool #552514	6.500	4/15/2032	6,798,548.58	99.65625	105.00300	7,163,303.83	364,755.25	443,429.95	6.52	1.67	10.24
1,619,380.56	GNMA Pool #560189	6.500	4/15/2031	1,615,332.14	99.75000	105.00900	1,700,495.33	85,163.19	105,259.74	6.52	1.67	10.01
1,458,311.49	GNMA Pool #780076	8.000	2/15/2025	1,433,132.90	98.27344	108.88700	1,587,911.63	154,778.73	116,664.92	8.14	3.24	8.04
791,962.45	GNMA Pool #780220	7.500	8/15/2025	791,714.99	99.96875	107.01200	847,494.86	55,779.87	59,397.18	7.50	2.89	8.20
422,946.89	GNMA Pool #780896	7.000	11/15/2028	414,252.64	97.94436	105.80300	447,490.50	33,237.86	29,606.28	7.15	2.11	9.37
34,257,067.71	TOTAL FEDERAL AGENCY OBLIGATIONS			33,793,955.40	98.64813		36,371,801.23	2,577,845.83	2,410,414.15	7.13	2.24	9.29
CORPORATE BONDS												
2,500,000.00	AGL CAPITAL TRUST	8.170	6/1/2037	2,543,007.06	101.72028	114.83600	2,870,900.00	327,892.94	204,250.00	8.03	7.02	11.70
2,030,000.00	AMERICAN UNITED LIFE INS CO	7.750	3/30/2026	2,027,255.91	99.86482	104.74600	2,126,343.80	99,087.89	157,325.00	7.76	7.32	11.09
8,000,000.00	ANTHEM INSURANCE COMPANY INC	9.000	4/1/2027	8,513,775.59	106.42219	134.28600	10,742,880.00	2,229,104.41	720,000.00	8.46	6.23	9.59
994,000.00	AT&T BROADBAND CORP	9.455	11/15/2022	1,013,310.24	101.94268	136.29600	1,354,782.24	341,472.00	93,982.70	9.27	6.22	9.07
1,000,000.00	BANC ONE CORP	8.000	4/29/2027	1,024,185.97	102.41860	131.34700	1,313,470.00	289,284.03	80,000.00	7.81	5.61	10.76
2,000,000.00	BANKERS TRUST CORP 144A	8.090	12/1/2026	2,000,000.00	100.00000	114.77600	2,295,520.00	295,520.00	161,800.00	8.09	6.82	10.87
4,000,000.00	BAYER HYPO-VEREINSBANK	8.741	6/30/2031	3,338,606.80	83.46517	105.13800	4,205,520.00	866,913.20	349,640.00	10.47	8.27	13.00
1,500,000.00	COUNTRYWIDE CAPITAL I	8.000	12/15/2026	1,500,000.00	100.00000	113.10600	1,696,590.00	196,590.00	120,000.00	8.00	6.87	10.94
1,529,779.20	DELTA AIR LINES	7.379	5/18/2010	1,529,779.20	100.00000	102.72900	1,571,526.87	41,747.67	112,882.41	7.38	6.88	5.59
2,000,000.00	DELTA AIRLINES SERIES 01-1B	7.711	9/18/2011	1,991,612.23	99.58061	84.17500	1,683,500.00	(308,112.23)	154,220.00	7.74	10.71	6.14
1,000,000.00	DISCOVER CREDIT	9.100	4/13/2012	1,000,000.00	100.00000	130.59000	1,305,900.00	305,900.00	91,000.00	9.10	4.86	6.33
5,250,000.00	FARMERS INSURANCE EXCHANGE	8.625	5/1/2024	4,930,518.16	93.91463	97.50000	5,118,750.00	188,231.84	452,812.50	9.18	8.89	10.69
2,000,000.00	FIRST EMPIRE CAPITAL TRUST I	8.234	2/1/2027	2,143,930.87	107.19654	116.62900	2,332,580.00	188,649.13	164,680.00	7.68	6.81	10.02
3,000,000.00	FIRST HAWAIIAN CAPITAL TRUST	8.343	7/1/2027	3,152,402.24	105.08007	119.24600	3,577,380.00	424,977.76	250,290.00	7.94	6.72	10.21
500,000.00	FIRST UNION CAPITAL II	7.950	11/15/2029	454,862.43	90.97249	126.96300	634,815.00	179,952.57	39,750.00	8.74	5.92	12.56
1,000,000.00	FORD HOLDINGS INC	9.375	3/1/2020	1,116,757.86	111.67579	105.22600	1,052,260.00	(64,497.86)	93,750.00	8.39	8.77	7.79
1,000,000.00	FORD MOTOR COMPANY	9.500	9/15/2011	999,662.97	99.96630	115.04200	1,150,420.00	150,757.03	95,000.00	9.50	7.01	5.78
1,000,000.00	FORD MOTOR CREDIT	7.250	10/25/2011	1,015,592.91	101.55929	102.80700	1,028,070.00	12,477.09	72,500.00	7.14	6.81	6.39
2,500,000.00	GENERAL AMERICAN LIFE INSURANCE (7.625	1/15/2024	2,247,629.36	89.90517	107.77900	2,694,475.00	446,845.64	190,625.00	8.48	6.91	11.88
1,000,000.00	GENERAL MOTORS NOVA SCOTIA FINAN	6.850	10/15/2008	1,042,161.54	104.21615	104.99500	1,049,950.00	7,788.46	68,500.00	6.57	5.78	4.48
5,000,000.00	GMAC	6.875	8/28/2012	5,168,906.64	103.37813	99.76600	4,988,300.00	(180,606.64)	343,750.00	6.65	6.91	6.63
2,000,000.00	GMAC	8.000	11/1/2031	2,000,000.00	100.00000	98.11600	1,962,320.00	(37,680.00)	160,000.00	8.00	8.17	11.61

**STATE OF ARIZONA
CORRECTIONS OFFICER RETIREMENT PLAN
INVESTMENTS OWNED
JUNE 30, 2003**

BOND PORTFOLIO

Par Value	Security	Coupon	Maturity	Book Cost	Book Price	Current Price	Current Value	Gain or (Loss)	Annual Income	Book Yield	YTM	Duration
1,000,000.00	GOLDMAN SACHS GROUP INC.	8.000	3/1/2013	997,501.37	99.75014	126.53900	1,265,390.00	267,888.63	80,000.00	8.02	4.53	6.85
5,000,000.00	GOODRICH CORPORATION	7.100	11/15/2027	4,568,023.76	91.36048	98.57800	4,928,900.00	360,876.24	355,000.00	7.77	7.23	13.07
1,000,000.00	HUNTINGTON BANKS SUB NTS	6.600	6/15/2018	922,068.74	92.20687	116.73100	1,167,310.00	245,241.26	66,000.00	7.16	5.00	10.57
3,000,000.00	JOHN HANCOCK MUTUAL LIFE INS CO	7.375	2/15/2024	2,841,746.25	94.72488	117.89100	3,536,730.00	694,983.75	221,250.00	7.79	5.86	11.48
4,000,000.00	JPM CAPITAL TRUST II	7.950	2/1/2027	4,156,016.15	103.90040	115.13600	4,605,440.00	449,423.85	318,000.00	7.65	6.67	10.57
1,000,000.00	KEY CORP CAPITAL III	7.750	7/15/2029	957,210.48	95.72105	122.64400	1,226,440.00	269,229.52	77,500.00	8.10	6.02	12.06
2,000,000.00	LEHMAN BROTHERS HOLDINGS INC	8.800	3/1/2015	2,172,869.68	108.64348	132.94400	2,658,880.00	486,010.32	176,000.00	8.10	5.00	6.86
2,130,000.00	LIBERTY MUTUAL INSURANCE	7.875	10/15/2026	2,010,853.19	94.40625	85.11300	1,812,906.90	(197,946.29)	167,737.50	8.34	9.47	11.70
3,000,000.00	NATIONWIDE MUTUAL INS CO	7.500	2/15/2024	2,888,898.97	96.29663	104.55500	3,136,650.00	247,751.03	225,000.00	7.79	7.08	11.19
2,692,519.65	NORTHWEST AIR LINES	7.041	4/1/2019	2,920,225.27	108.45697	107.47800	2,893,866.27	(26,359.00)	213,651.43	7.32	7.14	8.60
2,402,082.19	NORTHWEST AIR LINES	8.309	2/1/2027	2,360,412.88	98.26528	98.33700	2,362,135.56	1,722.68	169,130.61	7.17	7.20	10.94
2,000,000.00	PMI CAPITAL	8.300	2/1/2027	2,055,272.03	102.76360	105.14000	2,102,800.00	47,527.97	166,180.00	8.09	7.83	10.40
2,000,000.00	PRINCIPAL MUTUAL LIFE INSURANCE C	7.875	3/1/2024	1,917,665.47	95.88327	104.24700	2,084,940.00	167,274.53	157,500.00	8.21	7.47	10.94
1,000,000.00	PRUDENTIAL INSURANCE CO OF AMERI	8.300	7/1/2025	982,679.08	98.26791	127.64100	1,276,410.00	293,730.92	83,000.00	8.45	6.02	10.64
3,000,000.00	ROCKWELL INTERNATIONAL	6.700	1/15/2028	2,743,635.85	91.45453	115.01400	3,450,420.00	706,784.15	201,000.00	7.33	5.57	13.51
2,500,000.00	SAFECO CAPITAL TRUST	8.072	7/15/2037	2,514,946.93	100.59788	115.78000	2,894,500.00	379,553.07	201,800.00	8.02	6.87	11.94
3,000,000.00	SEARS ROEBUCK ACCEPTANCE	7.000	6/1/2032	2,433,571.19	81.11904	111.85500	3,355,650.00	922,078.81	210,000.00	8.63	6.12	15.75
1,000,000.00	SECURITY BENEFIT	8.750	5/15/2016	1,090,827.70	109.08277	121.56700	1,215,670.00	124,842.30	87,500.00	8.02	6.30	7.34
2,000,000.00	SECURITY MUTUAL LIFE NEW YORK	9.375	12/15/2016	2,184,181.03	109.20905	131.42300	2,628,460.00	444,278.97	187,500.00	8.58	5.96	7.26
837,441.62	SECURITY NATIONAL MORTGAGE LOAN	7.870	8/25/2030	837,441.62	100.00000	106.81800	894,538.39	57,096.77	65,906.66	7.87	7.29	11.26
1,000,000.00	SOUTHERN COMPANY CAPITAL TRUST	8.190	2/1/2037	1,071,724.72	107.17247	117.26100	1,172,610.00	100,885.28	81,900.00	7.64	6.87	11.05
2,000,000.00	UNION CARBIDE CORP	7.875	4/1/2023	1,936,977.42	96.84887	101.03300	2,020,660.00	83,682.58	157,500.00	8.13	7.77	10.72
2,000,000.00	UNION CENTRAL LIFE	8.200	11/1/2026	2,021,043.46	101.05217	110.99900	2,219,980.00	198,936.54	164,000.00	8.11	7.22	10.66
1,000,000.00	US WEST COMMUNICATIONS	7.500	6/15/2023	957,062.30	95.70623	96.00000	960,000.00	2,937.70	75,000.00	7.84	7.90	11.14
2,000,000.00	USF&G CAPITAL II, SERIES B	8.470	1/10/2027	2,181,548.33	109.07742	114.08200	2,281,640.00	100,091.67	169,400.00	7.77	7.22	9.68
3,000,000.00	ZURICH CAPITAL TRUST I	8.376	6/1/2037	3,037,542.08	101.25140	109.81800	3,294,540.00	256,997.92	251,280.00	8.27	7.57	11.53
106,365,822.66	TOTAL CORPORATE BONDS			105,515,903.93	99.20095		118,203,720.03	12,687,816.10	8,505,493.81	8.06	6.93	10.37
151,622,890.37	BOND PORTFOLIO TOTALS			150,280,598.86	99.11472		169,202,091.26	18,921,492.40	11,872,157.96	7.90	5.77	9.92

**STATE OF ARIZONA
CORRECTIONS OFFICER RETIREMENT PLAN
INVESTMENTS OWNED
JUNE 30, 2003**

CORPORATE NOTES

Date Acquired	Description	Interest Rate	Maturity Date	Cost	Amount of Interest	Maturity Value
6/30/2003	UBS FINANCE (DELAWARE)	1.300	7/1/2003	4,299,844.72	155.28	4,300,000.00
6/30/2003	MERRILL LYNCH & CO, INC.	1.120	7/2/2003	4,299,732.44	267.56	4,300,000.00
6/25/2003	ASSET ONE SECURITIZATION	1.020	7/9/2003	6,122,570.42	2,429.58	6,125,000.00
6/26/2003	NORDDEUTSCHE LANDESBANK	1.100	7/9/2003	5,122,964.24	2,035.76	5,125,000.00
6/30/2003	STEAMBOAT FUNDING	1.130	7/10/2003	4,298,650.28	1,349.72	4,300,000.00
6/26/2003	CROWN POINT CAPITAL	1.070	7/11/2003	5,122,715.10	2,284.90	5,125,000.00
6/27/2003	INTERNATIONAL LEASE FINANCE	1.020	7/18/2003	5,246,876.25	3,123.75	5,250,000.00
6/25/2003	WORLD OMNI VEHICLE LEASING	1.000	7/25/2003	6,119,895.83	5,104.17	6,125,000.00
TOTAL CORPORATE NOTES				40,633,249.28	16,750.72	40,650,000.00

**STATE OF ARIZONA
CORRECTIONS OFFICER RETIREMENT PLAN
INVESTMENTS OWNED
JUNE 30, 2003**

Page 1 of 4

COMMON STOCK PORTFOLIO

Shares	Description	Div Rate	Book Cost per Share	Book Cost	Market Price	Market Value	Annual Income	Gain or (Loss) Amount
154,000	ABBOTT LABORATORIES	0.98	29.640	4,564,582.15	43.760	6,739,040.00	150,920.00	2,174,457.85
13,400	ACCREDITO HEALTH	-	18.528	248,269.60	21.650	290,110.00	-	41,840.40
106,000	ADOBE SYSTEMS	0.05	34.155	3,620,406.40	32.070	3,399,420.00	5,300.00	(220,986.40)
12,100	ADVANCED ENERGY INDUSTRIES	-	10.438	126,302.66	14.300	173,030.00	-	46,727.34
32,000	ALBERTO CULVER CO	0.42	54.318	1,738,172.71	51.100	1,635,200.00	13,440.00	(102,972.71)
37,800	ALCOA INC	0.60	18.927	715,425.24	25.500	963,900.00	22,680.00	248,474.76
131,000	ALLSTATE CORPORATION	0.92	30.121	3,945,857.11	35.650	4,670,150.00	120,520.00	724,292.89
93,000	ALLTEL CORPORATION	1.40	61.869	5,753,846.45	48.220	4,484,460.00	130,200.00	(1,269,386.45)
32,000	AMBAC FINANCIAL GROUP INC	0.40	56.950	1,822,414.12	66.250	2,120,000.00	12,800.00	297,585.88
124,000	AMERICAN EXPRESS	0.40	35.209	4,365,955.88	41.810	5,184,440.00	49,600.00	818,484.12
78,000	AMERICAN INT'L GROUP	0.21	39.172	3,055,395.31	55.180	4,304,040.00	16,224.00	1,248,644.69
24,000	AMERICAN STANDARD COMPANY INC	-	76.561	1,837,451.75	73.930	1,774,320.00	-	(63,131.75)
184,000	AMGEN	-	39.087	7,192,026.57	65.940	12,132,960.00	-	4,940,933.43
9,800	AMURG CORPORATION	-	26.013	254,927.58	30.530	299,194.00	-	44,266.42
100,000	ANALOG DEVICES, INC.	-	77.776	7,777,626.20	34.820	3,482,000.00	-	(4,295,626.20)
10,400	ANIXTER INTERNATIONAL	-	24.484	254,628.92	23.430	243,672.00	-	(10,956.92)
113,505	APACHE CORPORATION	0.40	46.032	5,224,803.00	65.060	7,384,635.30	45,402.00	2,159,832.30
38,400	AT&T CORP	0.75	16.843	646,775.04	19.250	739,200.00	28,800.00	92,424.96
11,900	ATMI INC	-	21.329	253,809.15	24.950	296,905.00	-	43,095.85
16,000	AUTOZONE INC	-	87.450	1,399,203.20	75.970	1,215,520.00	-	(183,683.20)
71,000	BANK OF AMERICA CORPORATION	3.20	68.925	4,893,688.50	79.030	5,611,130.00	227,200.00	717,441.50
71,000	BJ SERVICES COMPANY	-	38.204	2,712,510.09	37.360	2,652,560.00	-	(59,950.09)
8,500	BLACK BOX CORPORATION	0.20	30.050	255,425.00	36.120	307,020.00	1,700.00	51,595.00
17,200	BOSTON COMMUNICATIONS GROUP	-	15.042	258,727.40	16.910	290,852.00	-	32,124.60
47,000	BOSTON SCIENTIFIC CORPORATION	-	42.786	2,010,944.77	61.100	2,871,700.00	-	860,755.23
95,000	CABLEVISION SYSTEMS CORP	-	45.793	4,350,370.18	20.760	1,972,200.00	-	(2,378,170.18)
7,700	CACI INTERNATIONAL	-	32.731	252,025.62	34.300	264,110.00	-	12,084.38
12,500	CAL DIVE INTL	-	21.994	274,921.73	21.780	272,250.00	-	(2,671.73)
54,000	CANADIAN NATIONAL RAILWAY	0.74	47.152	2,546,230.04	48.260	2,606,040.00	39,981.60	59,809.96
18,000	CARDINAL HEALTH INC.	0.12	58.755	1,057,593.60	64.300	1,157,400.00	2,160.00	99,806.40
15,900	CATERPILLAR INC	1.40	45.066	716,549.40	55.660	884,994.00	22,260.00	168,444.60
5,500	CEPHALON INC	-	46.260	254,430.00	41.050	225,775.00	-	(28,655.00)
32,000	CHELSEA PROPERTY GROUP	2.14	33.388	1,068,420.08	40.310	1,289,920.00	68,480.00	221,499.92
82,666	CHOICEPOINT INCORPORATED	-	39.016	3,225,282.80	34.520	2,853,630.32	-	(371,652.48)
374,000	CISCO SYSTEMS	-	8.681	3,246,517.95	16.790	6,279,460.00	-	3,032,942.05
285,333	CITIGROUP, INC.	0.80	40.557	11,572,185.97	42.800	12,212,252.40	228,266.40	640,066.43
64,000	COCA-COLA CO	0.88	49.940	3,196,152.00	46.410	2,970,240.00	56,320.00	(225,912.00)
16,900	COINSTAR INC	-	15.642	264,348.60	18.930	319,917.00	-	55,568.40
290,000	COMCAST CORP-SPECIAL CL A	-	32.639	9,465,307.56	28.990	8,407,100.00	-	(1,058,207.56)
32,000	COMMERCE BANCORP, INC.	0.66	42.833	1,370,661.30	37.100	1,187,200.00	21,120.00	(183,461.30)

**STATE OF ARIZONA
CORRECTIONS OFFICER RETIREMENT PLAN
INVESTMENTS OWNED
JUNE 30, 2003**

Page 2 of 4

COMMON STOCK PORTFOLIO

Shares	Description	Div Rate	Book Cost per Share	Book Cost	Market Price	Market Value	Annual Income	Gain or (Loss) Amount
9,700	COMMUNITY FIRST BANKSHARES	0.88	26.267	254,791.46	27.230	264,131.00	8,536.00	9,339.54
31,000	CONSTELLATION ENERGY GROUP INC	1.04	43.805	1,357,939.50	34.300	1,063,300.00	32,240.00	(294,639.50)
64,000	CORINTHIAN COLLEGES, INC	-	40.003	2,560,220.32	48.310	3,091,840.00	-	531,619.68
8,100	CULLEN/FROST BANKERS	0.96	30.727	248,886.83	32.100	260,010.00	7,776.00	11,123.17
4,100	CUNO INC	-	32.943	135,066.00	36.210	148,461.00	-	13,395.00
64,000	CYTYC CORPORATION	-	16.400	1,049,569.46	10.550	675,200.00	-	(374,369.46)
84,000	DEAN FOODS	-	29.423	2,471,544.12	31.500	2,646,000.00	-	174,455.88
6,500	DOWNNEY FINANCIAL	0.36	39.282	255,330.50	41.300	268,450.00	2,340.00	13,119.50
20,000	E.I. du PONT de NEMOURS AND CO	1.40	35.736	714,728.00	41.640	832,800.00	28,000.00	118,072.00
24,700	EASTMAN KODAK COMPANY	1.80	28.978	715,746.72	27.350	675,545.00	44,460.00	(40,201.72)
61,500	ELECTRONICS BOUTIQUE HOLDINGS CORP.	-	36.467	2,242,739.52	22.940	1,410,810.00	-	(831,929.52)
246,000	EMC CORP	-	9.335	2,296,411.47	10.470	2,575,620.00	-	279,208.53
5,600	EVERGREEN RESOURCES	-	45.122	252,683.04	54.310	304,136.00	-	51,452.96
139,000	EXPRESS SCRIPTS	-	21.073	2,929,117.84	68.410	9,508,990.00	-	6,579,872.16
258,000	EXXON MOBIL CORP	1.00	36.934	9,528,912.55	35.910	9,264,780.00	258,000.00	(264,132.55)
25,600	FAIR ISAAC & CO	0.08	52.230	1,337,091.58	51.450	1,317,120.00	2,048.00	(19,971.58)
32,000	FEDEX CORPORATION	0.20	48.816	1,562,119.13	62.030	1,984,960.00	6,400.00	422,840.87
77,000	FLEXTRONICS INTERNATIONAL	-	10.880	837,730.00	10.430	803,110.00	-	(34,620.00)
25,000	FORTUNE BRANDS, INC.	1.08	52.062	1,301,538.40	52.200	1,305,000.00	27,000.00	3,461.60
33,600	GANNETT COMPANY	0.96	73.387	2,465,809.66	76.810	2,580,816.00	32,256.00	115,006.34
31,000	GENENTECH, INC.	-	45.046	1,396,422.90	72.120	2,235,720.00	-	839,297.10
23,200	GENERAL MOTORS CORPORATION	2.00	30.638	710,801.60	36.000	835,200.00	46,400.00	124,398.40
64,000	GENZYME CORPORATION	-	57.565	3,684,187.80	41.860	2,679,040.00	-	(1,005,147.80)
59,000	GILEAD SCIENCES, INC	-	34.868	2,057,216.20	55.550	3,277,450.00	-	1,220,233.80
85,000	GLOBAL SANTAFE CORP	0.15	34.583	2,939,545.89	23.340	1,983,900.00	12,750.00	(955,645.89)
16,500	HAIN CELESTIAL GROUP	-	15.293	252,331.44	15.970	263,505.00	-	11,173.56
56,000	HARTFORD FINANCIAL SERVICES GROUP	1.08	49.596	2,777,375.00	50.360	2,820,160.00	60,480.00	42,785.00
10,400	HELIX TECHNOLOGY	0.16	12.155	126,409.19	13.090	136,136.00	1,664.00	9,726.81
8,000	HILB, ROGAL & HAMILTON	0.37	31.495	251,962.32	34.040	272,320.00	2,960.00	20,357.68
150,000	HOME DEPOT	0.24	12.898	1,934,667.22	33.120	4,968,000.00	36,000.00	3,033,332.78
33,600	HONEYWELL INTERNATIONAL INC	0.75	21.307	715,928.64	26.850	902,160.00	25,200.00	186,231.36
8,100	HUDSON UNITED BANCORP	1.20	31.095	251,871.60	34.150	276,615.00	9,720.00	24,743.40
95,000	INTERACTIVECORP	-	35.391	3,362,183.50	39.330	3,736,350.00	-	374,166.50
78,000	INTERNATIONAL BUSINESS MACH.	0.64	44.463	3,468,140.08	82.500	6,435,000.00	49,920.00	2,966,859.92
21,000	INTERNATIONAL PAPER COMPANY	1.00	34.350	721,347.90	35.730	750,330.00	21,000.00	28,982.10
124,000	JABIL CIRCUIT	-	20.729	2,570,343.92	22.100	2,740,400.00	-	170,056.08
48,000	JACOBS ENGINEERING GROUP INC.	-	30.230	1,451,042.40	42.150	2,023,200.00	-	572,157.60
110,000	JOHNSON & JOHNSON CO	0.96	55.798	6,137,768.10	51.700	5,687,000.00	105,600.00	(450,768.10)
33,300	JP MORGAN CHASE & CO	1.36	21.440	713,952.00	34.180	1,138,194.00	45,288.00	424,242.00
13,500	KAYDON CORP	0.48	18.849	254,466.85	20.800	280,800.00	6,480.00	26,333.15

**STATE OF ARIZONA
CORRECTIONS OFFICER RETIREMENT PLAN
INVESTMENTS OWNED
JUNE 30, 2003**

Page 3 of 4

COMMON STOCK PORTFOLIO

Shares	Description	Div Rate	Book Cost per Share	Book Cost	Market Price	Market Value	Annual Income	Gain or (Loss) Amount
61,000	KINDER MORGAN, INC.	1.60	54.093	3,299,641.00	54.650	3,333,650.00	97,600.00	34,009.00
14,900	LANDRY'S RESTAURANTS	0.10	17.003	253,339.02	23.600	351,640.00	1,490.00	98,300.98
48,000	LANDSTAR SYSTEMS, INC	-	51.593	2,476,477.20	62.560	3,002,880.00	-	526,402.80
72,000	LENNAR CORP Class A	0.05	48.909	3,521,421.21	71.500	5,148,000.00	3,600.00	1,626,578.79
47,000	LEXMARK INTERNATIONAL GROUP	-	72.917	3,427,087.27	70.770	3,326,190.00	-	(100,897.27)
6,600	MANITOWOC COMPANY INC.	0.28	19.498	128,686.14	22.300	147,180.00	1,848.00	18,493.86
382,500	MBNA CORP	0.32	12.841	4,911,670.06	20.840	7,971,300.00	122,400.00	3,059,629.94
60,000	MEDIMMUNE, INC.	-	59.457	3,567,406.00	36.370	2,182,200.00	-	(1,385,206.00)
25,000	MEDTRONIC, INC.	0.29	48.038	1,200,940.00	47.970	1,199,250.00	7,250.00	(1,690.00)
13,100	MENTOR CORPORATION	0.08	17.035	223,163.67	19.400	254,140.00	1,048.00	30,976.33
64,000	MICROCHIP TECHNOLOGY INC.	0.10	26.323	1,684,698.74	24.750	1,584,000.00	6,144.00	(100,698.74)
452,000	MICROSOFT CORPORATION	0.08	36.228	16,374,899.26	25.640	11,589,280.00	36,160.00	(4,785,619.26)
31,302	MOHAWK INDUSTRIES	-	71.168	2,227,696.41	55.530	1,738,200.06	-	(489,496.35)
62,000	MOODY'S CORPORATION	0.18	36.088	2,237,441.82	52.710	3,268,020.00	11,160.00	1,030,578.18
78,000	NABORS INDUSTRIES, LTD	-	54.569	4,256,362.43	39.530	3,083,340.00	-	(1,173,022.43)
49,000	NATIONAL CITY CORP	1.28	32.135	1,574,596.00	32.710	1,602,790.00	62,720.00	28,194.00
93,000	NOBLE CORPORATION	-	44.902	4,175,884.00	34.300	3,189,900.00	-	(985,984.00)
148,000	NOKIA CORPORATION	0.26	16.048	2,375,143.20	16.430	2,431,640.00	38,198.80	56,496.80
9,200	O'REILLY AUTOMOTIVE	-	27.092	249,245.48	33.470	307,924.00	-	58,678.52
63,000	OXFORD HEALTH PLANS, INC.	-	26.972	1,699,244.08	42.030	2,647,890.00	-	948,645.92
174,000	P.F. CHANG'S CHINA BISTRO	-	26.444	4,601,273.44	49.210	8,562,540.00	-	3,961,266.56
12,500	PACIFIC SUNWEAR OF CALIFORNIA	-	20.361	254,506.25	24.080	301,000.00	-	46,493.75
32,000	PACTIV CORPORATION	-	16.002	512,060.80	19.710	630,720.00	-	118,659.20
124,000	PEPSICO INC.	0.64	46.842	5,808,390.36	44.500	5,518,000.00	79,360.00	(290,390.36)
8,400	PERFORMANCE FOOD GROUP	-	33.019	277,356.95	37.000	310,800.00	-	33,443.05
187,750	PFIZER INC.	0.60	26.180	4,915,259.78	34.150	6,411,662.50	112,650.00	1,496,402.72
19,200	PHOTONICS, INC	-	13.152	252,524.91	17.190	330,048.00	-	77,523.09
109,000	PLANTRONICS, INC.	-	26.820	2,923,352.10	21.670	2,362,030.00	-	(561,322.10)
5,000	POLARIS INDUSTRIES	1.24	49.693	248,465.30	61.400	307,000.00	6,200.00	58,534.70
63,000	PROCTER & GAMBLE COMPANY	1.64	89.954	5,667,103.96	89.180	5,618,340.00	103,320.00	(48,763.96)
31,000	QUALCOMM INCORPORATED	0.20	45.695	1,416,551.20	35.940	1,114,140.00	6,200.00	(302,411.20)
47,000	QUEST DIAGNOSTIC	-	70.715	3,323,601.60	63.800	2,998,600.00	-	(325,001.60)
16,000	QUIKSILVER, INC	-	16.022	256,344.80	16.490	263,840.00	-	7,495.20
10,100	REGIS CORPORATION	0.12	25.143	253,948.20	29.050	293,405.00	1,212.00	39,456.80
6,800	REHAB CARE GROUP	-	18.492	125,745.51	14.650	99,620.00	-	(26,125.51)
16,300	RELIANCE STEEL & ALUMINUM	0.24	15.534	253,201.72	20.700	337,410.00	3,912.00	84,208.28
8,500	RESMED INC	-	30.084	255,716.68	39.200	333,200.00	-	77,483.32
6,900	RESPIRONICS INC	-	35.136	242,436.79	37.230	256,887.00	-	14,450.21
133,000	SAFEWAY INC	-	33.708	4,483,128.70	20.460	2,721,180.00	-	(1,761,948.70)
239,400	SANMINA CORP.	-	25.996	6,223,506.12	6.320	1,513,008.00	-	(4,710,498.12)

STATE OF ARIZONA
CORRECTIONS OFFICER RETIREMENT PLAN
INVESTMENTS OWNED
JUNE 30, 2003

Page 4 of 4

COMMON STOCK PORTFOLIO

Shares	Description	Div Rate	Book Cost per Share	Book Cost	Market Price	Market Value	Annual Income	Gain or (Loss) Amount
36,700	SBC COMMUNICATIONS INC.	1.53	19.598	719,228.25	25.550	937,685.00	56,151.00	218,456.75
135,000	SCHOLASTIC CORPORATION	-	28.621	3,863,877.55	29.780	4,020,300.00	-	156,422.45
108,500	SCP POOL CORPORATION	-	26.600	2,886,050.61	34.390	3,731,315.00	-	845,264.39
109,000	SEI INVESTMENTS COMPANY	0.14	39.375	4,291,880.30	31.990	3,486,910.00	15,260.00	(804,970.30)
47,000	SIEBEL SYSTEMS	-	34.898	1,640,190.70	9.483	445,701.00	-	(1,194,489.70)
42,000	SMURFIT-STONE CONTAINER CORP.	-	14.977	629,028.32	13.010	546,420.00	-	(82,608.32)
124,000	ST. JUDE MEDICAL	-	40.256	4,991,743.59	57.500	7,130,000.00	-	2,138,256.41
21,100	STEEL DYNAMICS	-	12.148	256,330.73	13.790	290,969.00	-	34,638.27
8,100	SURMODICS INC	-	31.296	253,498.05	30.520	247,212.00	-	(6,286.05)
173,000	SYMANTEC CORPORATION	-	24.755	4,282,680.95	43.910	7,596,430.00	-	3,313,749.05
66,000	SYSCO CORPORATION	0.44	28.451	1,877,787.68	30.040	1,982,640.00	29,040.00	104,852.32
16,500	SYSTEMS & COMPUTER TECH	-	7.439	122,739.78	8.810	145,365.00	-	22,625.22
87,000	T. ROWE PRICE GROUP INC	0.68	39.603	3,445,415.80	37.770	3,285,990.00	59,160.00	(159,425.80)
7,100	TRACTOR SUPPLY CO.	-	35.250	250,275.00	47.360	336,256.00	-	85,981.00
4,500	TRIUMPH GROUP	-	28.050	126,225.00	28.170	126,765.00	-	540.00
228,000	TYCO INTERNATIONAL LTD.	0.05	33.698	7,683,068.39	18.980	4,327,440.00	11,400.00	(3,355,628.39)
131,000	TYSON FOODS, INC.	0.16	11.729	1,536,439.32	10.620	1,391,220.00	20,960.00	(145,219.32)
9,800	UNITED NATURAL FOODS	-	25.541	250,306.16	28.360	277,928.00	-	27,621.84
25,000	VIACOM INC.	-	47.929	1,198,212.50	43.660	1,091,500.00	-	(106,712.50)
139,000	VISHAY INTERTECHNOLOGY INC	-	26.634	3,702,116.34	13.200	1,834,800.00	-	(1,867,316.34)
235,000	VODAFONE GROUP PLC	0.29	20.626	4,847,085.56	19.650	4,617,750.00	69,043.00	(229,335.56)
82,000	VORNADO REALTY TRUST	2.72	40.521	3,322,689.50	43.600	3,575,200.00	223,040.00	252,510.50
102,000	WALGREEN COMPANY	0.15	16.146	1,646,919.02	30.100	3,070,200.00	15,300.00	1,423,280.98
210,000	WAL-MART STORES	0.36	54.191	11,380,109.10	53.670	11,270,700.00	75,600.00	(109,409.10)
12,700	WATSON WYATT 'A'	-	19.994	253,929.45	23.180	294,386.00	-	40,456.55
15,600	WATTS INDUSTRIES 'A'	0.24	16.376	255,458.75	17.850	278,460.00	3,744.00	23,001.25
180,000	WILLIAMS COMPANIES, INC.	0.04	24.040	4,327,108.63	7.900	1,422,000.00	7,200.00	(2,905,108.63)
9,000	WINTRUST FINANCIAL	0.16	28.195	253,755.00	29.790	268,110.00	1,440.00	14,355.00
9,900	YELLOW CORPORATION	-	25.770	255,119.04	23.290	230,571.00	-	(24,548.04)
				350,794,899.51	367,493,573.58		3,425,702.80	16,698,674.07

**STATE OF ARIZONA
CORRECTIONS OFFICER RETIREMENT PLAN
INVESTMENTS OWNED
JUNE 30, 2003**

OTHER INVESTMENTS PORTFOLIO

Security	Coupon	Maturity	Book Cost	Current Value	Gain or Loss	Annual Income	Book Yield
BRIDGE FINANCIAL LOANS							
BRIDGE FINANCIAL--Grand Inn	12.500	9/25/2000	378,963.64	378,963.64	-	47,370.46	12.5%
TOTAL BRIDGE FINANCIAL LOANS			378,963.64	378,963.64	-	47,370.46	12.5%
DESERT TROON EQUITY							
SEA PORT - DTR1	0.00		3,180,000.00	3,180,000.00	-	-	0.0%
TORREON GC	0.00		540,000.00	540,000.00	-	-	0.0%
TOTAL DESERT TROON EQUITY			3,720,000.00	3,720,000.00	-	-	0.0%
MISCELLANEOUS							
PEBBLECREEK PROPERTIES	10.00	4/1/2005	10,000.00	10,000.00	-	1,000.00	10.0%
PIVOTAL DEBT FUND	10.00	12/1/2011	2,620,500.00	2,620,500.00	-	262,050.00	10.0%
PROSPECTOR EQUITY CAPITAL	0.00	6/1/2009	40,341.05	40,341.05	-	-	0.0%
VALLEY VENTURES III	8.00	9/17/2006	463,630.95	463,630.95	-	37,090.48	8.0%
TOTAL MISCELLANEOUS			3,134,472.00	3,134,472.00	-	300,140.48	9.6%
PIVOTAL EQUITY							
CENTURY PLAZA HOTEL	0.00		8,532,000.00	8,532,000.00	-	-	0.0%
HARBOR BAY CAMPUS	0.00		945,000.00	945,000.00	-	-	0.0%
PIVOTAL PROMONTORY	0.00		4,050,000.00	4,050,000.00	-	-	0.0%
PIVOTAL PROMONTORY-LOANS	10.00		675,000.00	675,000.00	-	67,500.00	10.0%
SPA AT RED CANYON	0.00		1,851,525.00	1,851,525.00	-	-	0.0%
TOTAL PIVOTAL EQUITY			16,053,525.00	16,053,525.00	-	67,500.00	0.4%
TOTAL BEFORE LLC			23,286,960.64	23,286,960.64	-	415,010.93	1.8%
LLC							
DESERT TROON-DTR1,LLC			4,800,000.00	4,800,000.00			
TIERRA DEL RIO (TDR), LLC			2,364,000.00	2,364,000.00			
APEX CAPITAL FUND I, LLC			46,779.90	46,779.90			
DESERT TROON FINANCE, LLC			5,415,000.00	5,415,000.00			
NXTV, LLC			499,500.00	499,500.00			
PIVOTAL 650, LLC			1,471,500.00	1,471,500.00			
PIVOTAL NEWS I, LLC			1,701,000.00	1,701,000.00			
TOTAL LLC			16,297,779.90	16,297,779.90			
TOTAL OTHER INVESTMENTS PORTFOLIO			39,584,740.54	39,584,740.54			

ACTUARIAL SECTION

CORRECTIONS OFFICER RETIREMENT PLAN
SEVENTEENTH COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED
JUNE 30, 2003

Actuarial Certification Statement

Aggregate Actuarial Balance Sheet, June 30, 2003

Summary of Valuation Methods and Assumptions

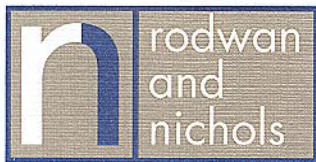
Solvency Test

Summary of Active Member Data

Summary of Inactive Member Data

Schedule of Retirants and Beneficiaries

Schedule of Experience Gain / (Loss)



Enrolled Actuaries and Consultants

September 29, 2003

The Fund Manager
Arizona Corrections Officer Retirement Plan
1020 East Missouri
Phoenix, Arizona 85014-2613

Attention: Jack Cross, Administrator

The purpose of the annual actuarial valuations of the Arizona Corrections Officer Retirement Plan is to determine the liabilities and funding requirements for the participating groups. We certify that the June 30, 2003 annual actuarial valuations were made in accordance with recognized actuarial methods.

Data for the annual valuations was furnished by the Administrator and was checked by us for internal completeness and year to year consistency, but was not otherwise audited. The actuary prepared all of the schedules in the Actuarial Section and the Schedule of Funding Progress in the Financial Section of the Comprehensive Annual Financial Report.

The actuarial assumptions were adopted by the Fund Manager based upon the recommendations of the actuary and the results of experience studies, the most recent of which covered the 5 year period ended June 30, 1998. The assumptions and methods conform to the parameters established in Governmental Accounting Standards Board Statement 25. Actuarial gains (losses) are amortized as level percents of payroll over 20 years.

The funding value of assets is a smoothed market value which spreads differences between the actual and assumed investment return over a four year period.

On the basis of the June 30, 2003 valuation, it is our opinion that the liabilities of the Retirement Plan are being funded as incurred in accordance with sound actuarial principles.

Respectfully submitted,

Handwritten signature of Sandra W. Rodwan in cursive.

Sandra W. Rodwan

Handwritten signature of Joseph A. Nichols in cursive.

Joseph A. Nichols

Members, American Academy of Actuaries

**Rodwan & Nichols
Consulting Company**

2310 E. Eleven Mile Road
Royal Oak, Michigan 48067
(248) 399-8760
FAX (248) 399-8790

P.O. Box 88
108 S. 5th Street
Savannah, Missouri 64485
(816) 324-5460
FAX (248) 282-5066

**STATE OF ARIZONA
CORRECTIONS OFFICER RETIREMENT PLAN
AGGREGATE ACTUARIAL BALANCE SHEET
JUNE 30, 2003**

Actuarial Assets

Accrued Assets			
Member Accumulated contributions	\$	152,453,715	
Employer and benefit payment reserves		465,573,817	
Funding value adjustment		171,261,089	
Total accrued assets*		<u>171,261,089</u>	\$ 789,288,621
Prospective assets (computed value)			
Member contributions	\$	236,183,709	
Employer normal costs		119,891,664	
Employer unfunded actuarial accrued liability		(49,281,439)	
Total prospective assets		<u>(49,281,439)</u>	<u>306,793,934</u>
Total Actuarial Assets			<u>\$ 1,096,082,555</u>

**Includes \$30,709,183 reserve for payment of ad-hoc pension increases. The net funding value of assets is \$758,579,438.*

Actuarial Present Values (Liability)

Pensions in payment status			
Service pensions	\$	163,050,042	
Disability pensions		11,174,217	
Survivor pensions		27,265,191	
Health insurance		18,247,115	
Total Benefit values		<u>18,247,115</u>	\$ 219,736,565
Prospective pension payments (future retirements)			759,538,009
Prospective health insurance payments (future retirements)			39,797,167
Prospective refunds of member contributions			46,301,631
Reserve for future pension increases			<u>30,709,183</u>
Total Actuarial Present Values (Liability)			<u>\$ 1,096,082,555</u>

Summary of Plan Provisions

See Note 1 in the Notes to the Financial Statements.

Summary of Valuation Methods

Normal Cost. Normal cost and the allocation of actuarial present values between service rendered before and after the valuation date were determined using an individual entry age actuarial cost method having the following characteristics:

- ❖ The annual normal costs for each individual active member, payable from date of hire to date of retirement, are sufficient to accumulate the value of the member's benefit at the time of retirement;
- ❖ Each annual normal cost is a constant percentage of the member's year-by-year projected covered pay.

Actuarial Accrued Liability. The actuarial accrued liability allocated to service rendered prior to the valuation date, including experience gains and losses, was computed using the assumptions summarized in this report. Accrued valuation assets were subtracted from the computed actuarial accrued liability. Any unfunded amount was amortized as level percent of payroll over an open period of 20 years. If accrued valuation assets exceed the actuarial accrued liability, the excess is amortized over an open period of 20 years and applied as a credit to reduce the normal cost which otherwise would be payable.

Active member payroll was assumed to increase % annually for the purpose of computing the amortization payment (credit) as a level percent of payroll.

Summary of Valuation Assumptions

Economic Assumptions

The rate of investment return (net of expenses) used was 9.0 percent a year, compounded annually. The assumption consists of 3.5% for assuming maturity and principal risks and 5.5% in recognition of inflation.

This assumption, adopted by the Fund Manager, as recommended by the Plan's actuary, is used to discount the value of future payments, and was first used for the June 30, 1987 annual valuation.

The rates of salary increase used are in accordance with the following table. The assumption is used to project current salaries to those upon which pension amounts will be based. This assumption, adopted by the Fund Manager, as recommended by the Plan's actuary, was first used for the June 30, 1987 annual valuation.

Sample Annual Rates of Salary Increase

Age	Across-the-Board	Merit and Longevity	Other	Total
20 to 25	5.5%	3.0%	1.0%	9.5%
30	5.5	2.6	1.0	9.1
35	5.5	1.1	1.0	7.6
40 to 50	5.5	0.2	1.0	6.7
55	5.5	0.1	1.0	6.6
60	5.5	-	1.0	6.5
65	5.5	-	1.0	6.5

Demographic Assumptions

- ❖ **Non-Disability Mortality rates:** 1971 Group Annuity Mortality Table Projected to 2000 (Male), female ages set back six years. (first used for June 30, 1999 valuation.)
- ❖ **Disability Mortality Rates:** 1971 Group Annuity Mortality Table Projected to 1984 (Male), female ages set back six years.

Sample Ages	Single Life Retirement Values							
	Non-Disability Table		Disability Table		Non-Disability Table		Disability Table	
	Present Value of \$100 Monthly For Life		Present Value of \$100 Monthly For Life		Future Life Expectancy (Years)		Future Life Expectancy (Years)	
	Men	Women	Men	Women	Men	Women	Men	Women
20					56.86	62.72	55.98	61.84
25					51.98	57.83	51.12	56.96
30					47.12	52.95	46.27	52.09
35					42.29	48.09	41.46	47.24
40	\$12,930	\$13,272	\$12,861	\$13,225	37.51	43.25	36.69	42.42
45	12,522	12,997	12,430	12,933	32.80	38.46	32.01	37.64
50	11,997	12,613	11,879	12,526	28.28	33.73	27.53	32.93
55	11,342	12,112	11,199	11,999	23.98	29.17	23.28	28.40
60	10,513	11,485	10,346	11,347	19.90	24.82	19.27	24.11
65	9,490	10,694	9,308	10,532	16.09	20.70	15.55	20.05
70	8,326	9,710	8,145	9,530	12.69	16.82	12.25	16.27
75	7,124	8,564	6,963	8,382	9.82	13.32	9.49	12.87
80	5,879	7,371	5,748	7,206	7.39	10.36	7.17	10.02
85	4,791	6,120	4,696	5,983	5.57	7.83	5.43	7.59
90	3,864	4,994	3,796	4,893	4.19	5.89	4.10	5.74

Termination of Employment: Service-related rates for first five years of employment and age-related rates after first five years of employment. The sample rates are as follows:

Sample Ages	Years of Service	Percent of Active Members	
		Separating Within the Year	Disabled Within the Year
All	0	30.0%	(all years of service)
	1	25.0	
	2	20.0	
	3	15.0	
	4	12.0	
25	5 and over	7.0	0.08%
30		7.0	0.10
35		7.0	0.12
40		6.0	0.25
45		6.0	0.33
50		5.0	0.40
55		5.0	0.47
60		5.0	0.50

Rates first used for June 30, 1999 valuation

Retirement Rates: Age-related rates based on the following schedule:

**Percent of Active Members Retiring within Year
Following Attainment of Indicated Retirement Age**

Age	Percent of Active Members Retiring During Next Year
40 to 59	25%
60 to 61	30
62 to 64	40
65	100

Active members are eligible to retire at any age with 20 years of service, at age 62 with 10 years of service or when the sum of age and service equals at least 80.

These rates, adopted by the Fund Manager, as recommended by the Plan's actuary, were first used for the June 30, 1999 valuations.

**STATE OF ARIZONA
CORRECTIONS OFFICER RETIREMENT PLAN
SOLVENCY TEST**

SOLVENCY TEST – Testing the financial solvency of a retirement plan can be done in several ways. The funding objective is to meet long-term benefit promises through contributions that remain approximately level from year to year as a percent of member payroll. If the contributions to the plan are level in concept and soundly executed, and if the plan continues its present operations pattern for the indefinite future, the plan will pay all promised benefits when due—the ultimate test of financial soundness.

A short term solvency test is one means of checking a plan's progress under its funding program. In a short term solvency test, the plan's present assets (cash and investments) are compared with:

1. Active member contributions on deposit;
2. The liabilities for future benefits to present retired lives;
3. The liabilities for service already rendered by active members.

In a plan that has been following the discipline of level percent of payroll financing, the liabilities for active member contributions on deposit (liability 1) and the liabilities for future benefits to present retired lives (liability 2) will be fully covered by present assets (except in rare circumstances). In addition, the liabilities for service already rendered by active members (liability 3) will be partially covered by the remainder of present assets. Generally, if the plan has been using level cost financing, the funded portion of liability 3 will increase over time. Liability 3 being fully funded is very rare. All amounts presented are in thousands.

Valuation Date	Aggregate Accrued Liabilities for			Valuation Assets Available for Benefits (2)	Portion of Accrued Liabilities Covered by Net Assets Available for Benefits		
	(1) Active Member Contributions	(2) Retirants And Beneficiaries	(3) Active Members (Employer Financed Portion)		(1)	(2)	(3)
6-30-87	\$ 21,780	\$ 982	\$ 46,170	\$ 47,550	100.0%	100.0%	100.0%
6-30-88	\$ 29,173	\$ 3,062	\$ 44,649	\$ 69,842	100.0%	100.0%	100.0%
6-30-89 ¹	\$ 33,509	\$ 5,473	\$ 60,131	\$ 88,756	100.0%	100.0%	100.0%
6-30-90 ¹	\$ 38,021	\$ 7,177	\$ 77,380	\$ 108,973	100.0%	100.0%	96.4%
6-30-91 ¹	\$ 45,827	\$ 11,457	\$ 89,016	\$ 138,901	100.0%	100.0%	95.0%
6-30-92	\$ 51,610	\$ 16,527	\$ 95,503	\$ 168,553	100.0%	100.0%	98.7%
6-30-93 [*]	\$ 57,143	\$ 21,924	\$ 105,232	\$ 198,692	100.0%	100.0%	100.0%
6-30-94 ¹	\$ 62,219	\$ 26,556	\$ 133,072	\$ 223,847	100.0%	100.0%	100.0%
6-30-95	\$ 67,694	\$ 34,141	\$ 152,354	\$ 265,006	100.0%	100.0%	100.0%
6-30-96 [*]	\$ 74,927	\$ 41,777	\$ 173,814	\$ 319,255	100.0%	100.0%	100.0%
6-30-97 ^{**1}	\$ 82,948	\$ 52,028	\$ 220,614	\$ 393,904	100.0%	100.0%	100.0%
6-30-98	\$ 93,758	\$ 66,343	\$ 250,430	\$ 484,956	100.0%	100.0%	100.0%
6-30-99	\$ 106,390	\$ 95,116	\$ 242,170	\$ 592,152	100.0%	100.0%	100.0%
6-30-00	\$ 119,562	\$ 107,650	\$ 274,111	\$ 704,991	100.0%	100.0%	100.0%
6-30-01	\$ 132,404	\$ 133,492	\$ 288,491	\$ 776,177	100.0%	100.0%	100.0%
6-30-02	\$ 143,888	\$ 185,594	\$ 303,756	\$ 782,446	100.0%	100.0%	100.0%
6-30-03	\$ 152,454	\$ 219,737	\$ 337,107	\$ 758,579	100.0%	100.0%	100.0%

See notes on page 27.

**STATE OF ARIZONA
CORRECTIONS OFFICER RETIREMENT PLAN
SUMMARY OF ACTIVE MEMBER DATA**

Listed below is a summary of Active Members by age group, years of service and annual compensation. The summary points out that there were 10,964 members in the Plan as of June 30, 2003, compared to 10,464 for the prior year.

Attained Age	Years of Service to Valuation Date							Totals	
	0 - 4	5 - 9	10 - 14	15 - 19	20 - 24	25 - 29	30 Plus	No.	Valuation Payroll
< 20	38							38	\$ 1,022,332
20 - 24	874	3						877	\$ 23,688,412
25 - 29	1,492	259	2					1,753	\$ 50,862,827
30 - 34	1,226	558	119	1				1,904	\$ 59,084,709
35 - 39	816	392	271	81				1,560	\$ 50,824,869
40 - 44	651	339	219	213	18			1,440	\$ 49,238,836
45 - 49	517	245	190	191	62	12		1,217	\$ 43,072,829
50 - 54	379	224	161	172	49	17		1,002	\$ 36,472,985
55 - 59	244	181	120	153	37	13		748	\$ 27,970,456
60 - 69	127	103	70	88	19	5	1	413	\$ 15,473,667
70+	8	1	2				1	12	\$ 449,011
Totals	6,372	2,305	1,154	899	185	47	2	10,964	\$ 358,160,933

Listed below is a Comparative Schedule of the changes in active members since 6-30-87:

COMPARATIVE SCHEDULE

Fiscal Year Ended	Employer Units	Active Members	Total Payroll (+000)	Averages			
				Age (years)	Service (years)	Pay	Increase in Average Pay
6-30-87	11	4,936	\$ 102,910	38.0	3.5	\$20,849	
6-30-88	11	5,702	\$ 117,234	37.6	3.4	\$20,560	-1.4%
6-30-89	11	6,246	\$ 134,520	37.4	4.0	\$21,537	4.8%
6-30-90	11	6,478	\$ 136,693	37.8	4.4	\$21,101	-2.0%
6-30-91	11	6,867	\$ 153,351	38.0	4.6	\$22,332	5.8%
6-30-92	11	7,091	\$ 156,257	38.1	5.0	\$22,036	-1.3%
6-30-93	12	7,550	\$ 166,831	38.2	5.2	\$22,097	0.3%
6-30-94	12	7,828	\$ 177,717	38.3	5.3	\$22,703	2.7%
6-30-95	12	8,365	\$ 198,603	38.2	5.3	\$23,742	4.6%
6-30-96	12	8,945	\$ 224,686	38.0	5.2	\$25,119	5.8%
6-30-97	12	9,728	\$ 249,203	38.1	5.3	\$25,617	2.0%
6-30-98	12	9,571	\$ 261,700	38.2	5.5	\$27,343	6.7%
6-30-99	12	10,901	\$ 305,478	37.8	5.2	\$28,023	2.5%
6-30-00	12	11,290	\$ 339,440	38.1	5.3	\$30,066	7.3%
6-30-01	12	11,047	\$ 339,783	38.1	6.6	\$30,758	2.3%
6-30-02	12	10,464	\$ 330,428	38.7	6.0	\$31,578	2.7%
6-30-03	15	10,964	\$ 358,161	38.8	6.0	\$32,667	3.4%

**STATE OF ARIZONA
CORRECTIONS OFFICER RETIREMENT PLAN
SUMMARY OF INACTIVE MEMBER DATA
SCHEDULE OF RETIRANTS AND BENEFICIARIES**

INACTIVE MEMBERS

Attained Age	Years of Service to Valuation Date					Totals
	0 - 4	5 - 9	10 - 14	15 - 19	20+	
< 20	1					1
20 - 29	129	6				135
30 - 39	95	20	10			125
40 - 44	25	4	6	5		40
45 - 49	26	9	13	5		53
50 - 54	17	2	11	11		41
55 - 59	23	8	17	10	4	62
60 - 69	7	3	20	7	3	40
70+						-
Totals	323	52	77	38	7	497

RETIRANTS AND BENEFICIARIES

Valuation Date	Number Removed From Roles	Number Added to Roles	Totals	Annual Pensions	Percent Increase	Average Pension
6/30/1992	2	70	226	\$ 1,631,420	41.5%	\$ 17,606
6/30/1993	5	74	295	\$ 2,203,198	35.0%	\$ 19,182
6/30/1994	4	65	356	\$ 2,710,269	23.0%	\$ 20,707
6/30/1995	8	87	435	\$ 3,456,705	27.5%	\$ 21,608
6/30/1996	12	81	504	\$ 4,274,602	23.7%	\$ 22,541
6/30/1997	12	106	598	\$ 5,305,705	24.1%	\$ 23,508
6/30/1998	15	125	708	\$ 6,884,614	29.8%	\$ 24,584
6/30/1999	21	138	825	\$ 9,642,797	40.1%	\$ 26,211
6/30/2000	25	125	925	\$ 11,042,151	14.5%	\$ 11,937
6/30/2001	40	155	1,040	\$ 13,446,069	21.8%	\$ 12,929
6/30/2002	30	208	1,218	\$ 17,660,064	31.3%	\$ 14,499
6/30/2003	32	177	1,363	\$ 21,653,042	22.6%	\$ 15,886

**STATE OF ARIZONA
CORRECTIONS OFFICER RETIREMENT PLAN
SCHEDULE OF EXPERIENCE GAIN/(LOSS)
YEAR ENDED JUNE 30, 2003**

DERIVATION

(1) UAAL* at start of year	\$	(150,208,099)
(2) Normal cost for year		50,522,411
(3) Funding Method Contribution		(37,728,509)
(4) Interest accrued on (1), (2) and (3)		(10,669,495)
(5) Expected UAAL before changes [(1)+(2)-(3)+(4)]		(148,083,692)
(6) Effect of assumption changes***		None
(7) Effect of cost method changes		1,006,817
(8) Expected UAAL after changes		(147,076,875)
(9) Actual UAAL		(49,281,440)
(10) Gain/(Loss) (8)-(9)	\$	(97,795,435)
(11) As % of AAL** at beginning of year		15.5%

* Unfunded actuarial accrued liability

** Actuarial accrued liability

*** Estimated

STATISTICAL SECTION

**CORRECTIONS OFFICER RETIREMENT PLAN
SEVENTEENTH COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED
JUNE 30, 2003**

Schedule of Revenues by Source and Expenses by Type

Schedule of Benefit Expenses by Type

Summary of Retired Member and Survivor Data

Summary of Benefit Increases

Participating Employers

Schedule of Changes in Employer Reserves – Year Ended June 30, 2003,
and Unfunded Accrued Normal Costs at June 30, 2002

Schedule of Changes in Refundable Member Reserves
Fiscal Year Ended June 30, 2003

Earnings Distribution, Fiscal Year Ended June 30, 2003

Summary of Growth of the Plan

**STATE OF ARIZONA
CORRECTIONS OFFICER RETIREMENT PLAN
SCHEDULE OF REVENUES BY SOURCE AND EXPENSES BY TYPE**

REVENUES						
FYE	Member ** Contributions	Employer		Net Investment Income***	Amounts Transferred From Other Plans	Total
		Contributions*	% of Annual Covered Payroll			
1994	\$11,466,654 34%	\$10,032,668 29%	5.83%	\$12,564,499 37%	\$122,031 0%	\$34,185,852 100%
1995	\$12,759,059 27%	\$10,565,831 22%	5.54%	\$23,730,177 50%	\$305,223 1%	\$47,360,290 100%
1996	\$14,456,281 20%	\$14,371,254 20%	6.66%	\$44,235,782 60%	\$133,429 0%	\$73,196,746 100%
1997	\$16,052,492 14%	\$16,704,445 15%	6.93%	\$80,841,733 71%	\$848,211 1%	\$114,446,881 100%
1998	\$21,647,490 16%	\$17,063,015 12%	6.63%	\$99,003,314 72%	\$201,065 0%	\$137,914,884 100%
1999	\$24,808,816 17%	\$17,109,704 12%	5.98%	\$102,169,586 71%	\$152,695 0%	\$144,240,801 100%
2000	\$28,009,210 20%	\$16,876,163 12%	5.14%	\$92,772,177 67%	\$226,271 0%	\$137,883,821 100%
2001	\$28,966,162 -31%	\$14,927,396 -16%	1.88%	(\$138,559,756) 147%	\$147,192 0%	(\$94,519,006) 100%
2002	\$29,532,366 -47%	\$7,101,112 -11%	1.15%	(\$100,518,025) 161%	\$1,325,465 -2%	(\$62,559,082) 100%
2003	\$30,330,914 40%	\$7,397,595 10%	1.71%	\$35,698,266 47%	\$3,189,325 4%	\$76,616,100 100%

EXPENSES					
FYE	Benefits	Administrative Expenses****	Refunds	Amounts Transferred	
				To Other Plans	Total
1994	\$2,834,598 32%	\$245,568 3%	\$5,024,767 56%	\$868,257 9%	\$8,973,190 100%
1995	\$3,390,108 35%	\$285,989 3%	\$5,779,554 59%	\$369,544 4%	\$9,825,195 100%
1996	\$4,312,487 40%	\$281,224 3%	\$5,979,772 55%	\$212,138 1%	\$10,785,621 100%
1997	\$5,280,996 41%	\$292,893 2%	\$6,918,704 54%	\$249,068 1%	\$12,741,661 100%
1998	\$6,883,596 42%	\$329,550 2%	\$8,416,350 52%	\$661,309 3%	\$16,290,805 100%
1999	\$8,917,450 47%	\$348,302 2%	\$9,043,573 48%	\$561,501 2%	\$18,870,826 100%
2000	\$10,777,009 41%	\$344,542 1%	\$14,385,327 55%	\$842,413 2%	\$26,349,291 100%
2001	\$13,433,499 45%	\$365,742 1%	\$14,609,539 49%	\$1,645,651 4%	\$30,054,431 100%
2002	\$17,576,451 51%	\$397,110 1%	\$14,271,104 42%	\$2,060,223 6%	\$34,304,888 100%
2003	\$22,506,792 56%	\$427,150 1%	\$16,022,697 40%	\$1,049,418 3%	\$40,006,057 100%

NOTE: *Contributions were made in accordance with actuarially determined contribution requirements.

**The member contribution rate is 6.65% of covered payroll, 8.5% after 7/21/98.

***Prior to fiscal year 1996, Investment Income includes only realized gains and losses. See Note 2.

****Prior to fiscal year 1996, Investment Expenses were not broken out from Administrative and Investment Expenses. However, for the fiscal years 1996-present, Investment Expenses are now shown net in Investment Income as opposed to inclusion with Administrative Expenses as in prior reports.

**STATE OF ARIZONA
CORRECTIONS OFFICER RETIREMENT PLAN
SCHEDULE OF BENEFIT EXPENSES BY TYPE**

Fiscal Year	Normal Benefits	Disability Benefits	Survivor Benefits	Insurance Benefits	Totals
1988	\$158,461	\$4,382	\$65,620	-	\$228,463
	69%	2%	29%		100%
1989	\$314,249	\$19,611	\$132,143	-	\$466,003
	68%	4%	28%		100%
1990	\$455,345	\$31,387	\$210,017	-	\$696,749
	65%	5%	30%		100%
1991	\$685,114	\$44,941	\$347,457	\$62,366	\$1,139,878
	60%	4%	31%	5%	100%
1992	\$1,031,785	\$55,783	\$479,846	\$125,620	\$1,693,034
	61%	3%	28%	8%	100%
1993	\$1,390,554	\$77,305	\$661,349	\$162,844	\$2,292,052
	61%	3%	29%	7%	100%
1994	\$1,727,201	\$165,818	\$745,568	\$196,011	\$2,834,598
	61%	6%	26%	7%	100%
1995	\$2,182,356	\$220,204	\$747,598	\$239,950	\$3,390,108
	64%	7%	22%	7%	100%
1996	\$2,831,205	\$273,769	\$915,429	\$292,084	\$4,312,487
	66%	6%	21%	7%	100%
1997	\$3,561,512	\$353,098	\$1,014,073	\$352,313	\$5,280,996
	67%	7%	19%	7%	100%
1998	\$4,713,170	\$481,804	\$1,223,055	\$465,567	\$6,883,596
	68%	7%	18%	7%	100%
1999	\$5,957,350	\$614,275	\$1,801,580	\$544,245	\$8,917,450
	67%	7%	20%	6%	100%
2000	\$7,416,745	\$706,266	\$2,013,181	\$640,817	\$10,777,009
	69%	6%	19%	6%	100%
2001	\$9,266,426	\$849,350	\$2,587,972	\$729,751	\$13,433,499
	69%	6%	19%	6%	100%
2002	\$12,301,106	\$986,621	\$2,494,885	\$1,793,839	\$17,576,451
	70%	6%	14%	10%	100%
2003	\$15,678,608	\$1,045,433	\$3,469,345	\$2,313,406	\$22,506,792
	70%	6%	14%	10%	100%

**STATE OF ARIZONA
CORRECTIONS OFFICER RETIREMENT PLAN
SUMMARY OF RETIRED MEMBER AND SURVIVOR DATA**

The following summary presents an analysis of the benefit changes that have taken place during the past 17 years. The number of retired members and the amount of annual pensions has increased at compounded annual rates of 15.3% and 25.8% over the last five years.

COMPARATIVE SCHEDULE

Year Ended June 30	Retired			Annual Pensions	Average Pension	Ratio of Active to Retired
	Normal	Disability	Survivors Totals			
1987	10		5	\$103,522	\$6,901	329.1 to 1
1988	34		14	\$325,835	\$6,788	118.8 to 1
1989	61		24	\$571,541	\$6,724	73.5 to 1
1990	78	4	33	\$765,738	\$6,659	56.3 to 1
1991	111	5	42	\$1,152,673	\$7,295	43.5 to 1
1992	163	5	58	\$1,631,420	\$7,219	31.4 to 1
1993	214	9	72	\$2,203,198	\$7,468	25.6 to 1
1994	255	17	84	\$2,710,269	\$7,613	22.0 to 1
1995	312	23	100	\$3,456,750	\$7,947	19.2 to 1
1996	365	24	115	\$4,274,602	\$8,481	17.7 to 1
1997	430	32	136	\$5,305,705	\$8,872	16.3 to 1
1998	516	42	150	\$6,884,614	\$9,724	13.5 to 1
1999	599	49	177	\$9,642,797	\$11,688	13.2 to 1
2000	672	55	198	\$11,042,151	\$11,937	12.2 to 1
2001	748	64	228	\$13,446,069	\$12,929	10.6 to 1
2002	903	68	247	\$17,660,064	\$14,499	8.6 to 1
2003	1,029	70	264	\$21,653,042	\$15,886	7.7 to 1

Set forth below is a summary of pensions being paid to retired members and survivors:

SUMMARY OF RETIRED MEMBERS AND SURVIVORS - JUNE 30, 2003

Pensions Being Paid	Number	Annual Pensions	Average Pensions
Retired Members - Service Pensions	1,029	\$ 17,558,542	\$ 17,064
- Disability Pensions	70	\$ 1,089,808	\$ 15,569
Totals	1,099	\$ 18,648,350	\$ 16,968
Survivors of Members - Spouses	247	\$ 2,845,017	\$ 11,518
- Children with Guardians	17	\$ 159,675	\$ 9,393
Totals	264	\$ 3,004,692	\$ 11,381
Total Pensions Being Paid	1,363	\$ 21,653,042	\$ 15,886

	Average Age	Average Service (yrs)	Average Age at Retirement (yrs)
Normal retired members	64.9	18.4	59.9
Disability retired members	51.0	10.4	45.2
Spouse beneficiaries	59.8	11.2	51.5

**STATE OF ARIZONA
CORRECTIONS OFFICER RETIREMENT PLAN
SUMMARY OF BENEFIT INCREASES**

State law provides for an annual benefit increase for retirees or their survivors who are over age fifty-five on the effective day of the increase and for disability retirees regardless of age. These increases are dependent upon the production of excess earnings on part of the assets of the Fund and are limited to four percent of the average benefit being paid to retirees and their survivors. The following schedule summarizes the statutorily-designed process of calculating the monthly benefit increases effective each July 1st.

BENEFIT INCREASE SCHEDULE

Fiscal Year Ended	Excess Yield per Statute*	Excess Earnings Assets**	Excess Earnings	Monthly Benefit Increase Fundable	Maximum per Statutory 4% Cap	Lesser of Two Increase Awarded
6/30/1991	0.50%	\$ 11,456,784	<u>\$ 57,284</u>			
	Amount available:	7-1-92 increase	57,284	None	\$24.64	None
	Investment earnings on balance		5,322			
	Amount utilized:	7-1-92 increase	-			
6/30/1992	0.29%	\$ 16,527,313	<u>\$ 47,929</u>			
	Amount available:	7-1-93 increase	110,535	\$5	\$24.06	\$5.00
	Investment earnings on balance		9,992			
	Amount utilized:	7-1-93 increase	(93,840)			
6/30/1993	0.04%	\$ 21,923,868	<u>\$ 8,770</u>			
	Amount available:	7-1-94 increase	35,457	None	\$24.89	None
	Investment earnings on balance		2,177			
	Amount utilized:	7-1-94 increase	-			
6/30/1994	0.00%	\$ 26,556,396	<u>\$ -</u>			
	Amount available:	7-1-95 increase	37,634	None	\$25.38	None
	Investment earnings on balance		3,880			
	Amount utilized:	7-1-95 increase	-			
6/30/1995	1.31%	\$ 34,140,660	<u>\$ 447,241</u>			
	Amount available:	7-1-96 increase	488,755	\$10	\$26.49	\$10.00
	Investment earnings on balance		53,519			
	Amount utilized:	7-1-96 increase	(397,082)			
6/30/1996	1.95%	\$ 38,930,508	<u>\$ 759,145</u>			
	Amount available:	7-1-97 increase	904,337	\$15	\$28.27	\$15.00
	Investment earnings on balance		100,562			
	Amount utilized:	7-1-97 increase	(674,496)			
6/30/1997	2.12%	\$ 48,380,789	<u>\$ 1,025,673</u>			
	Amount available:	7-1-98 increase	1,356,076	25	\$78.36	\$25.00
	Investment earnings on balance		296,303			
	Amount utilized:	7-1-98 increase	(1,391,471)			
	Amount Transferred by HB 2496		7,310,486			
6/30/1998	12.85%	\$ 61,782,309	<u>\$ 7,939,027</u>			
	Amount available:	7-1-99 increase	15,510,421	\$125.00	\$32.41	\$32.41
	Investment earnings on balance		2,729,834			
	Amount utilized:	7-1-99 increase	(2,369,795)			

BENEFIT INCREASE SCHEDULE

Fiscal Year Ended	Excess Yield per Statute*	Excess Earnings Assets**	Excess Earnings	Monthly Benefit Increase Fundable	Maximum per Statutory 4% Cap	Lesser of Two Increase Awarded
6/30/1999	8.60%	\$ 309,115,721	<u>\$ 26,583,952</u>			
	Amount available: 7-1-00 increase		42,454,412	\$550.00	\$38.96	\$38.96
	Investment earnings on balance		5,612,473			
	Amount utilized: 7-1-00 increase		(3,253,379)			
6/30/2000	4.22%	\$ 354,772,102	<u>\$ 14,971,383</u>			
	Amount available: 7-1-01 increase		59,784,889	\$680.00	\$39.79	\$39.79
	Investment earnings on balance		(10,202,889)			
	Amount utilized:		(3,761,946)			
6/30/2001	0.00%	\$ 342,836,483	<u>\$ -</u>			
	Amount available: 7-1-02 increase		45,820,054	36.5%	4.0%	4.0%
	Investment earnings on balance		(6,717,220)			
	Amount utilized:		(4,650,770)			
6/30/2002	0.00%	\$ 294,470,202	<u>\$ -</u>			
	Amount available: 7-1-03 increase		34,452,064	20.5%	4.0%	4.0%
	Investment earnings on balance		2,136,028			
	Amount utilized:		(5,878,909)			
6/30/2003	0.00%	\$ 285,090,715	<u>\$ -</u>			
	Amount available: 7-1-04 increase		30,709,183	15.0%	4.0%	4.0%

2. Amount equal to retired reserves until 6-30-98 when the assets to be used was changed to one-half of the average net total assets as published in the annual report.

3. Effective 7/1/02, Benefit increases are limited to a maximum of 4% of the benefit being received on the preceding June 30 and is contingent upon sufficient excess investment earnings for the fund.

**STATE OF ARIZONA
CORRECTIONS OFFICER RETIREMENT PLAN
PARTICIPATING EMPLOYERS**

APACHE COUNTY
COCHISE COUNTY
COCONINO COUNTY
DEPARTMENT OF CORRECTIONS
DEPARTMENT OF JUVENILE CORRECTIONS
MARICOPA COUNTY
MOHAVE COUNTY
NAVAJO COUNTY
PIMA COUNTY
PINAL COUNTY
PINAL COUNTY DISPATCHERS
SANTA CRUZ COUNTY
YAVAPAI COUNTY
YUMA COUNTY
TOWN OF MARANA DISPATCHERS
TOWN OF ORO VALLEY DISPATCHERS

STATE OF ARIZONA
CORRECTIONS OFFICER RETIREMENT PLAN
SCHEDULE OF CHANGES IN EMPLOYER RESERVES - YEAR ENDED JUNE 30, 2003
AND UNFUNDED ACCRUED NORMAL COSTS AT JUNE 30, 2002

Sys No.	System	Balance June 30, 2002 (at cost)	Reserve Transfers	Contributions Received	Pension Payment	Enhanced Refunds	Distribution of Earnings (at cost)	Balance June 30, 2003 (at cost)	Unfunded Accrued Normal Costs at June 30, 2002
500	Dept. of Corrections	359,675,761.88	5,994,866.45	4,976,877.80	(16,861,494.43)	(2,639,042.24)	(43,326,313.16)	307,820,656.30	(107,417,226.00)
501	D.Y.T.R.	34,099,543.05	717,269.17	812,067.07	(1,347,169.52)	(215,375.99)	(4,260,553.12)	29,805,780.66	(10,705,457.00)
502	Pinal County	-	1,832,048.53	128,356.27	-	-	(133,100.73)	1,827,304.07	(521,266.00)
505	Maricopa County	68,690,309.26	1,186,455.45	719,953.70	(2,704,992.40)	(581,178.07)	(8,093,292.45)	59,217,255.49	(18,892,572.00)
510	Yuma County	5,330,219.36	107,656.56	93,169.94	(81,868.94)	(149,514.57)	(641,013.57)	4,658,648.78	(2,976,313.00)
515	Pima County	23,794,032.92	369,755.42	295,578.77	(1,004,653.33)	(103,304.38)	(2,872,996.00)	20,478,413.40	(4,227,830.00)
520	Apache County	519,423.81	8,322.82	11,480.66	-	-	(68,271.49)	470,955.80	(286,625.00)
525	Cochise County	2,616,163.93	2,614.71	33,600.34	(133,236.17)	(25,562.61)	(304,113.85)	2,189,466.35	(954,389.00)
530	Coconino County	1,101,890.79	2,088.26	89,812.15	(14,026.44)	-	(170,111.68)	1,009,653.08	(698,060.00)
535	Mohave County	2,590,398.05	8,278.93	35,669.26	(55,895.71)	(45,221.57)	(294,872.48)	2,238,356.48	(2,001,822.00)
540	Santa Cruz County	790,331.04	43,518.73	7,723.34	(18,351.96)	-	(92,156.88)	731,064.27	(630,125.00)
545	Navajo County	974,023.01	34,486.51	17,267.23	(37,398.47)	-	(116,036.62)	872,341.66	(670,024.00)
550	Yavapai County	3,791,828.09	10,833.55	126,030.95	(247,704.71)	(13,934.89)	(470,031.69)	3,197,021.30	(747,656.00)
555	Pinal County Dispatchers	-	337,099.34	28,365.43	-	-	(23,876.73)	341,588.04	(308,417.00)
556	Town of Oro Valley	-	125.63	21,642.63	-	-	(15,639.52)	6,128.74	(202,568.00)
557	Town of Marana	-	-	-	-	-	-	-	-
TOTAL		503,973,925.19	10,655,420.06	7,397,595.54	(22,506,792.08)	(3,773,134.32)	(60,882,379.97)	434,864,634.42	(151,240,350.00)

**STATE OF ARIZONA
CORRECTIONS OFFICER RETIREMENT PLAN
SCHEDULE OF CHANGES IN REFUNDABLE MEMBER RESERVES
FISCAL YEAR ENDED JUNE 30, 2003**

Sys No.	System	Balance	Reserve	Contributions	Withdrawn	Balance
		June 30, 2002	Transfers	Received	Members	June 30, 2003
500	DEPT OF CORRECTIONS	101,898,727.16	(5,972,275.64)	21,650,926.15	(8,652,186.64)	108,925,191.03
501	D.Y.T.R.	11,307,697.50	(1,266,951.08)	2,432,639.99	(1,323,639.40)	11,149,747.01
502	PINAL COUNTY	-	631,747.39	226,377.60	(11,740.16)	846,384.83
505	MARICOPA COUNTY	17,807,609.51	(1,285,217.45)	3,017,657.82	(1,180,360.90)	18,359,688.98
510	YUMA COUNTY	1,522,740.32	(111,771.56)	395,953.02	(324,375.11)	1,482,546.67
515	PIMA COUNTY	6,738,110.32	(453,837.09)	1,251,926.43	(306,980.98)	7,229,218.68
520	APACHE COUNTY	186,411.07	(8,322.82)	48,786.39	(20,360.10)	206,514.54
525	COCHISE COUNTY	632,792.19	(2,614.71)	142,805.78	(46,029.29)	726,953.97
530	COCONINO COUNTY	610,468.44	(18,555.06)	220,241.71	(88,533.59)	723,621.50
535	MOHAVE COUNTY	547,205.70	(8,278.93)	151,603.30	(88,477.00)	602,063.07
540	SANTA CRUZ COUNTY	190,575.15	(43,518.73)	32,824.72	(22,760.35)	157,120.79
545	NAVAJO COUNTY	258,428.82	(36,604.51)	73,382.26	(47,842.29)	247,364.28
550	YAVAPAI COUNTY	1,187,110.97	(48,731.55)	348,336.24	(135,479.93)	1,351,235.73
555	PINAL COUNTY DISPATCHERS	-	109,544.69	28,496.05	-	138,040.74
556	TOWN OF ORO VALLEY	-	(125.63)	308,956.45	(797.38)	308,033.44
557	TOWN OF MARANA	-	-	-	-	-
TOTAL		142,887,877.15	(8,515,512.68)	30,330,913.91	(12,249,563.12)	152,453,715.26

**STATE OF ARIZONA
CORRECTIONS OFFICERS RETIREMENT PLAN
EARNINGS DISTRIBUTION - FISCAL YEAR ENDED JUNE 30, 2003**

Sys No.	System	Employer Reserve June 30, 2002	Employer Reserve June 30, 2003	Member Reserve June 30, 2002	Member Reserve June 30, 2003	Combined Reserves	Mean Balance	Factor	Investment Earnings
500	Dept. of Corrections	351,681,845.93	351,146,969.46	101,898,727.16	108,925,191.03	913,652,733.58	456,826,366.79	71.16%	(43,326,313.16)
501	D.Y.T.R.	33,321,531.00	34,066,333.78	11,307,697.50	11,149,747.01	89,845,309.29	44,922,654.65	7.00%	(4,260,553.12)
502	Pinal County	-	1,960,404.80	-	846,384.83	2,806,789.63	1,403,394.82	0.22%	(133,100.73)
505	Maricopa County	67,191,158.81	67,310,547.94	17,807,609.51	18,359,688.98	170,669,005.24	85,334,502.62	13.29%	(8,093,292.45)
510	Yuma County	5,212,559.09	5,299,662.35	1,522,740.32	1,482,546.67	13,517,508.43	6,758,754.22	1.05%	(641,013.57)
515	Pima County	23,266,168.59	23,351,409.40	6,738,110.32	7,229,218.68	60,584,906.99	30,292,453.50	4.72%	(2,872,996.00)
520	Apache County	507,536.51	539,227.29	186,411.07	206,514.54	1,439,689.41	719,844.71	0.11%	(68,271.49)
525	Cochise County	2,559,738.31	2,493,580.20	632,792.19	726,953.97	6,413,064.67	3,206,532.34	0.50%	(304,113.85)
530	Coconino County	1,073,411.03	1,179,764.76	610,468.44	723,621.50	3,587,265.73	1,793,632.87	0.28%	(170,111.68)
535	MoHAVE County	2,535,697.67	2,533,228.96	547,205.70	602,053.07	6,218,185.40	3,109,092.70	0.48%	(294,872.48)
540	Santa Cruz County	772,460.43	823,221.15	190,575.15	157,120.79	1,943,377.52	971,688.76	0.15%	(92,156.88)
545	Navajo County	952,775.26	988,378.28	258,428.82	247,364.28	2,446,946.64	1,223,473.32	0.19%	(116,036.62)
550	Yavapai County	3,706,492.39	3,667,052.99	1,187,110.97	1,351,235.73	9,911,892.08	4,955,946.04	0.77%	(470,031.69)
555	Pinal County Dispatchers	-	365,464.77	-	138,040.74	503,505.51	251,752.76	0.04%	(23,876.73)
556	Town of Oro Valley	-	21,768.26	-	308,033.44	329,801.70	164,900.85	0.03%	(15,639.52)
557	Town of Marana	-	-	-	-	-	-	0.00%	-
TOTAL		492,781,375.02	495,747,014.39	142,887,877.15	152,453,715.26	1,283,869,981.82	641,934,990.91	100.00%	(60,882,379.97)

**STATE OF ARIZONA
CORRECTIONS OFFICER RETIREMENT PLAN
SUMMARY OF GROWTH OF THE PLAN**

Listed below is a table setting forth the growth of the Plan in some of the major areas since it was started July 1, 1986.

Fiscal Year	Total Assets at Book	Realized Earnings from Investments	Assumed Actuarial Yield	Net Effective Yield	Average Employer Cost
Assets					
Transferred	\$ 35,898,096				
1986-87	\$ 47,550,266	\$ 2,591,092	9.00%	12.57%	6.00%
1987-88	\$ 69,842,267	\$ 4,829,032	9.00%	8.69%	6.00%
1988-89	\$ 88,759,811	\$ 6,981,352	9.00%	9.27%	6.00%
1989-90	\$ 109,000,881	\$ 7,969,987	9.00%	8.44%	6.00% ¹
1990-91	\$ 138,958,392	\$ 11,171,749	9.00%	9.50%	6.35% ²
1991-92	\$ 168,663,770	\$ 15,081,978	9.00%	10.35%	6.16% ^{2,3}
1992-93	\$ 198,727,336	\$ 15,833,256	9.00%	9.04%	6.22%
1993-94	\$ 223,939,998	\$ 12,564,499	9.00%	6.14%	5.83%
1994-95	\$ 261,475,094	\$ 23,730,177	9.00%	10.31%	5.54%
1995-96	\$ 309,150,409	\$ 29,543,144	9.00%	10.95%	6.66% ²
1996-97	\$ 365,414,374	\$ 35,445,750	9.00%	11.12%	6.93% ⁴
1997-98	\$ 426,352,295	\$ 38,356,983	9.00%	10.21%	6.63%
1998-99	\$ 519,862,471	\$ 70,754,167	9.00%	16.23%	5.98% ²
1999-00	\$ 588,205,472	\$ 49,627,757	9.00%	9.39%	5.14%
2000-01	\$ 631,618,088	\$ 29,491,487	9.00%	4.96%	1.88%
2001-02	\$ 646,861,802	\$ 11,656,015	9.00%	1.84%	1.15%
2002-03	\$ 587,318,350	\$ (60,384,405)	9.00%	-9.33%	1.71%
2003-04					3.95%

1. Before changes in benefit provisions.

2. After change in benefit provisions

3. Pursuant to 1990 legislation, the employer contribution rates are determined individually in the annual actuarial valuation rather than fixed by statute as a single rate.

4. After changes in benefit provisions and assumptions

5. A detailed Schedule of Revenues by Source and Expenses by Type can be found in the Statistical Section.