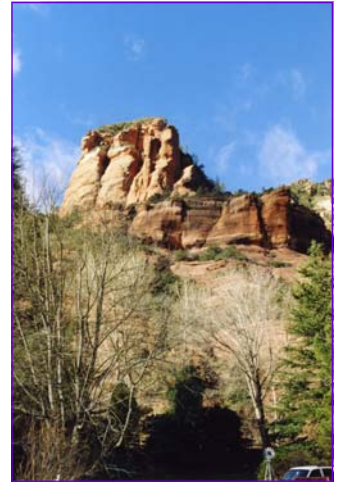


# CORRECTIONS OFFICER RETIREMENT PLAN



23rd COMPREHENSIVE ANNUAL FINANCIAL REPORT  
A PENSION TRUST FUND OF THE STATE OF ARIZONA



FOR THE FISCAL YEAR ENDED JUNE 30, 2009

# Our Vision, Mission & Values

## VISION

- Invest, secure and manage responsibly the retirement funds of its members in accordance with all legal, investment and financial requirements and in a manner consistent with the quality to which its members have become accustomed.

## MISSION

- To be a low cost, highly personalized quality service provider of funds management and benefit services.
- To manage long-term investments with the goal of consistently outperforming over time the composite weighted market return benchmark net of all investment related costs so as to assure the financial integrity of the funds and the security of the benefits these funds provide.

## VALUES

- Do what is best for our members and financial health and integrity of the System.
- Be proactive.
- Committed to high quality, uniform, sustainable service.
- Innovative and cost effective in Plan administration and services.
- Use best practices in HR management.

# **Corrections Officer Retirement Plan**

A Pension Trust Fund of the State of Arizona

## **Twenty-Third Comprehensive Annual Financial Report**

For the Fiscal Year Ended  
June 30, 2009

Prepared by the Staff of PSPRS

Public Safety Personnel Retirement System  
3010 E. Camelback Road, Suite 200  
Phoenix, AZ 85016  
Phone (602)255-5575 Fax (602)255-5572  
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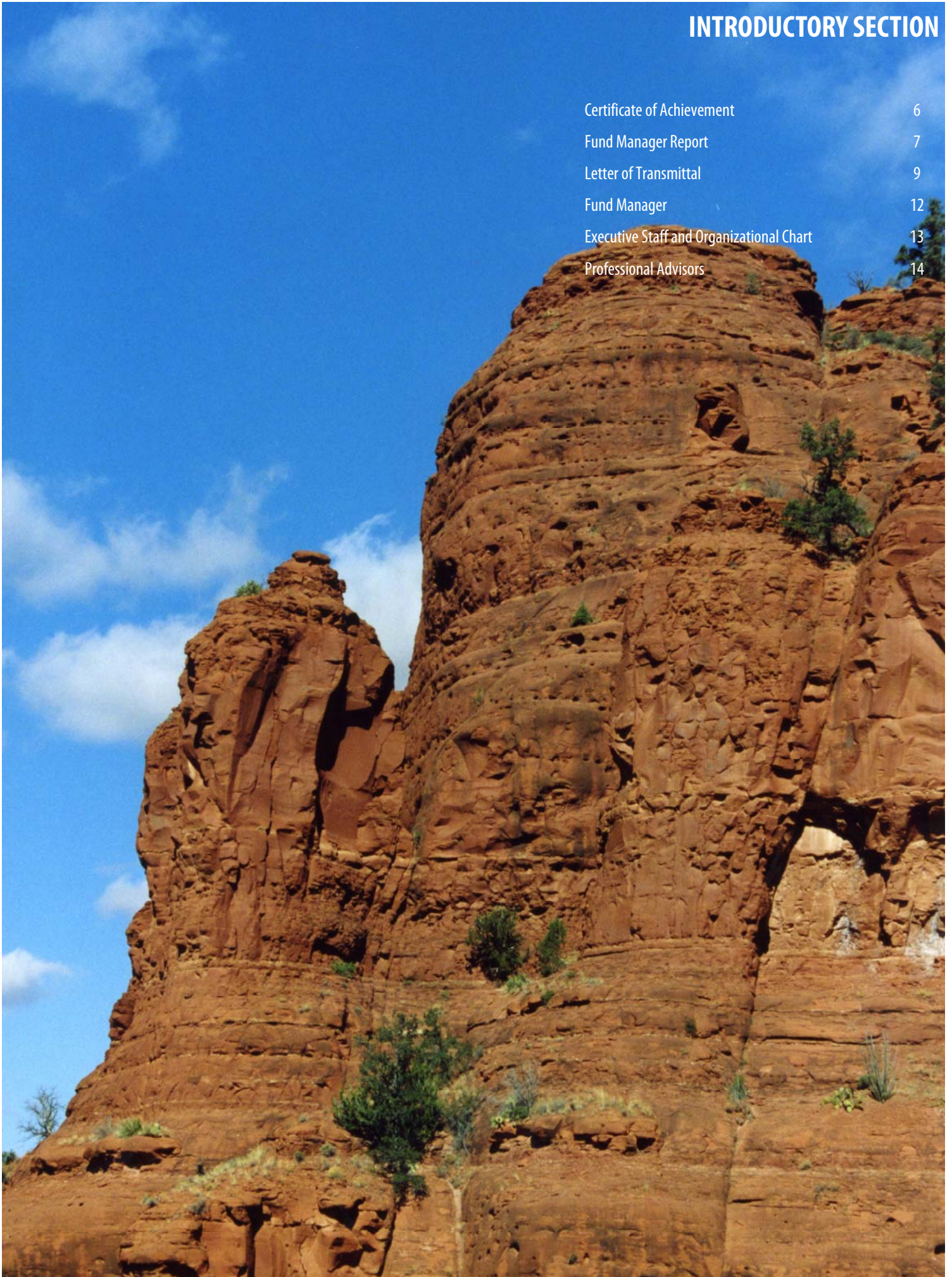
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# Certificate of Achievement for Excellence in Financial Reporting

Presented to

## Arizona Corrections Officer Retirement Plan

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended  
June 30, 2008

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



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

**Mike Galloway**

Fund Manager, Chairman

**Brian Tobin**

Fund Manager, Vice Chairman

**Timothy J. Dunne**

Fund Manager, Member

**Lori Roediger**

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**James M. Hacking**

Administrator

**Ryan Parham**

Chief Investment Officer

**Tracey D. Peterson**

Assistant Administrator-COO

December 1, 2009

The Honorable Janice K Brewer  
Governor of the State of Arizona  
Executive Tower  
1700 W. Washington  
Phoenix, Arizona 85007

Dear Governor Brewer:

The Fund Manager (i.e., the Plan's governing Board) of the Public Safety Personnel Retirement System (PSPRS) respectfully submits the Twenty-third Comprehensive Annual Financial Report (CAFR) for the Corrections Officer Retirement Plan (CORP) for the fiscal year ended June 30, 2009 (FY'09), in accordance with the provisions of A.R.S. Section 38-883.

#### **THE CORP PLAN'S FUNDING RATIO**

As of fiscal year-end, the financial status of the CORP, as reflected in its funding ratio, decreased from 86.8% at June 30, 2008 to 82.6% at June 30, 2009. This reverses the modest increase in the Plan's financial status that occurred last year and resumes the funding ratio erosion that CORP had been experiencing due to asset value losses and negative rates of return in FY'01 and FY'02.

The Plan's FY'09 experience was unfavorable, primarily because the Plan had negative rates of return on its invested assets both this year and the year before. (For further information on the Plan's net assets and changes in net assets, please refer to the subsequent Management's Discussion and Analysis section of this Comprehensive Annual Financial Report (CAFR) which begins on page 18.)

Because CORP uses a seven year averaging process ("smoothing") to determine its fiscal year-end actuarial value of assets, only one-seventh of any fiscal year's investment gain or loss is reflected in that year's results. The remaining six-sevenths are rolled forward and reflected in the results over the next six fiscal years. That means that only one-seventh of the negative returns that the Plan experienced in FY'08 (-7.05%) and FY'09 (-17.99%) are reflected in the FY'09 results. The remainder of those investment losses will gradually and adversely affect the funding status of CORP over the next several years.

If CORP's funding ratio were calculated using fiscal year-end market value, rather than actuarial value, of assets, the Plan's funded status would be only 59.7%, rather than 82.6%. Moving the funding ratio in a steadily upward direction over the next several years is clearly the principal challenge facing the Fund Manager and it is a challenge made all the more difficult because of the Plan's structural design which includes a "Reserve for Future Benefit Increases" that holds the assets that are used to fund the annual post-retirement benefit adjustment for eligible beneficiaries. Under the current statutory design, whenever the System generates an investment return in excess of 9%, one-half of that excess return is allocated to the Reserve; unfortunately, the assets of the Reserve are not counted in the calculation of CORP's funding ratio, nor in the calculation of the employer contribution requirements.

#### **EMPLOYER CONTRIBUTION RATES**

When times were good and the Plan was over-funded, the CORP employers' contribution rates were abnormally low. (Each employer has its own rate that reflects the benefit liability for its own covered group.) For example, early in the current decade the computed aggregate employer contribution was only 1.71% of payroll.

But as the Plan's funding ratio eroded, the employer contribution requirements rose steadily until FY'10 when the aggregate rate declined modestly. However, based on the Plan's FY'09 results, the aggregate employer contribution rate is projected to increase to 8.57% as of July 1, 2010 (i.e., the beginning of FY'11). But only three of the twenty-five groups covered by CORP will experience a contribution rate increase in excess of 1%. Indeed, five of the covered groups will experience a rate decrease of from 1% to 3% of active member payroll.

As we move further into the new fiscal year, the Fund Manager and the System's Administrator will consult with representatives of the Plans' constituency groups and the contributing employers to determine whether a consensus exists with respect to any of a variety of options that could be employed to reduce what otherwise will be the employer contribution rates scheduled for next July 1<sup>st</sup>.

**FISCAL YEAR 2009 INVESTMENT RESULTS**

The FY'09 rate of investment return for CORP was -17.99%. As bad as that may be in an absolute sense, it was over 300 basis points better than the weighted composite rate of return benchmark for the Plan (-21.13%). In addition, on a "peer group" basis, the return placed the Plan slightly below the median return (-17.83%) of the public funds included in the BNY Mellon universe of public funds.

Clearly, the FY'09 investment result was (and will be, as that result is factored into the funding ratio/employer contribution rates over the next seven years) very damaging to the financial status of the Plan. That the result might have been worse is some comfort. Nevertheless, it must be recognized that the investment result was solely attributable to the downturn in the financial markets, especially the equity and residential real estate markets. It was not the result of active decisions made by those responsible for the management of the Plan's assets.

Because CORP's actual rate of return was less than 9%, no new assets flowed into its Reserve for Future Benefit Increases. The Reserve's balance, after subtracting the nearly \$18.2 million cost of the post-retirement adjustment that took effect July 1, 2009, was down to \$15.1 million. Absent an infusion of new assets, the Reserve balance would only be sufficient to finance a partial post-retirement adjustment as of July 1, 2010.

**THE STRATEGY TO IMPROVE THE PLAN'S FUNDING RATION AND DECREASE EMPLOYER CONTRIBUTION REQUIREMENTS**

To improve CORP's funded status and reduce employer contribution rates, the System must generate, on a consistent basis, annual rates of return that meet or exceed the Plan's return expectations. In pursuit of that goal, PSPRS has been, for the last three fiscal years, going through a complete restructuring of the way in which the System manages and invests the assets of its Plans with a view to dramatically increasing asset allocation diversification and diversification within asset classes.

To increase diversification, the Fund Manager has continued to reduce the Plan's exposure to, and over-weight reliance upon, equity investments while increasing its exposure to domestic and international real estate, private equity and other types of alternative investments such as Infrastructure, Commodities, Timber, and other types of Real Assets, as well as Credit Opportunity and Absolute Return strategies. Simultaneously, the Fund Manager has required that internally-managed, publicly traded securities be outsourced to external portfolio managers and index accounts.

As of the end of FY'09, the System has in place all of the structural elements necessary (i.e., investment staff, policies, consultant expertise, etc.) to attain the desired degree of diversification and thereby, in turn, attain with consistency the System's rate of return expectations.

Looking ahead, Fund Manager expects that:

- the investment staff and consultants will continue to source potential investment opportunities that will further the objective of diversification and better position the System for achieving with consistency its rate of return expectations;
- the effort to diversify the System's domestic and international Real Estate exposure will continue and good opportunities to reduce the System's excessive South-west U.S. residential and commercial real estate concentration will be pursued;
- the process of shifting internally-managed securities to external management will continue, concomitant with the effort to reduce the System's allocation to equities while increasing its exposure to Alternatives (that have low or negative correlations to equities) and bring the System's actual asset allocation in line with its asset class targets.

**CONCLUSION**

As members of the Fund Manager, we intend to continue our commitment to make the changes that are necessary to improve the financial status of CORP, moderate the required contributions of the Plan's participating employers and faithfully serve the interests of the Plan's participants and beneficiaries.

We appreciate having the opportunity to serve the State of Arizona, its political subdivisions and its CORP stakeholders and we look forward to continuing to serve as members of the Fund Manager for this System.

Respectfully submitted,

  
\_\_\_\_\_  
**Mike Galloway**  
Fund Manager, Chairman

  
\_\_\_\_\_  
**Brian Tobin**  
Fund Manager, Vice Chairman

  
\_\_\_\_\_  
**Timothy J. Dunne**  
Fund Manager, Member

  
\_\_\_\_\_  
**Lori Roediger**  
Fund Manager, Member

  
\_\_\_\_\_  
**Gregory Ferguson**  
Fund Manager, Member

**PUBLIC SAFETY PERSONNEL RETIREMENT SYSTEM  
CORRECTIONS OFFICER RETIREMENT PLAN  
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**Gregory Ferguson**

Fund Manager, Member

**James M. Hacking**

Administrator

**Ryan Parham**

Chief Investment Officer

**Tracey D. Peterson**

Assistant Administrator-COO

December 1, 2009

The Fund Manager  
Public Safety Personnel Retirement System (PSPRS)  
3010 E. Camelback Road, Suite 200  
Phoenix, Arizona 85016

**Fund Manager Members:**

Here is the Twenty-third Comprehensive Annual Financial Report (CAFR) of the operations and financial condition of the Arizona Corrections Officer Retirement Plan (CORP). This report is for the fiscal year ended June 30, 2009. The Plan is a uniform statewide retirement system that provides retirement, disability and survivor benefits, post-retirement adjustments and health insurance subsidies for state, county and local corrections officers, dispatchers and probation, surveillance and juvenile detention officers.

Arizona Revised Statutes Title 38 requires the Fund Manager to transmit to the Governor and the Legislature this annual report within six months of the close of each fiscal year. Incorporated in this report are the audited financial statements, management's discussion and analysis, other financial data from the year ended June 30, 2009, and the independent auditor's report of Heinfeld, Meech & Co. P.C., Certified Public Accountants and auditors for the System. Also included are the actuarial certification statement and the actuarial balance sheet from the June 30, 2009 actuarial valuation prepared by the System's actuary, Gabriel, Roeder, Smith & Co. (GRS).

**FINANCIAL INFORMATION REPORTING**

The primary responsibility for the integrity and objectivity of the financial statements and related financial data rests with the management of the System. 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 System's policy to have and maintain an effective system of accounting controls. We believe our 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 systems should be related to the benefits to be derived. Management believes the System's controls provide this appropriate balance.

The System uses the accrual basis of accounting for both revenues and expenses. Contributions to the System 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 period of at least twenty but not more than thirty years.

**REVENUES**

Revenues for the Plan are derived from three sources: member contributions, employer contributions, and realized and unrealized returns on the invested assets of the Plan. As shown by the Schedule of Revenues by Source included in the Statistical Section later in this report, the Plan had an investment loss of \$216.3 million this fiscal year. That more than offset the positive flow of revenue from member contributions of \$53.1 million and direct employer contributions of \$56.0 million. Please refer to the Statistical Section for a ten-year history of revenues and expenses.

**ADMINISTRATIVE AND INVESTMENT EXPENSES**

The CORP's FY'09 administrative and investment-related expenses totaled \$5.1 million, up from nearly \$2.2 million the year before. Administrative and investment expenses were approximately 55 basis points of the total assets managed. This is reasonable when compared with other public retirement systems. A dedicated staff and constantly improving internal expertise has enabled management to keep costs relatively low even though assets are being outsourced to external portfolio managers and even though service needs have escalated due to increasing numbers of participants and beneficiaries and the desire to provide consistent support to the CORP network of local boards that have important administrative functions to perform.

**INVESTMENTS**

The total rate of return on the CORP assets for the fiscal year was -17.72% on a gross of fees basis (-17.99% on a net of fees basis). This negative return was the result of

## INTRODUCTORY SECTION

the sharp decline and volatility in the domestic and international equity and real estate markets. The Investment Section of this Report contains, among other things, graphs depicting the Plan's performance, a detailed summary of the investment portfolio, and commissions paid to investment professionals who provide services to PSPRS. All Plan investments were held in trust by BNY Mellon, the System's custodian bank.

### ENACTED LEGISLATION

During FY'09 the State Legislature approved, and the Governor signed, an administrative bill that amends the statutes that govern CORP in order to bring the Plan's provisions into compliance with the requirements of the Internal Revenue Code and Regulations and with other relevant federal laws such as the Uniformed Services Employment and Reemployment Rights Act (USERRA) and the Heroes Earnings Assistance and Relief Tax Act (the "HEART Act").

A second bill was enacted that amends the CORP statutes in order to remedy certain ambiguities, improve efficiency of administration and assure the Plan's statutory provisions and administrative practices conform.

### ACTUARIAL AND FUNDING INFORMATION

Funding a retirement system 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.

The CORP is funded, in part, through a statutory participant contribution rate of 8.41% of gross payroll for those participants to whom was extended ordinary disability benefit protection in FY'08 and a contribution rate of 7.96 % for all other participants in the Plan. The Plan's additional funding comes from the employer contribution that is expressed as a level percent of gross payroll and is reset annually, depending on the results of the Plan's actuarial valuation and from the realized and unrealized returns on the invested assets of the Plan.

While each employer has a different contribution rate, depending on the liability for its group of participating employees, the current aggregate rate for the contributing employers is 7.49%. The aggregate rate that will take effect on July 1, 2010 will be 8.57%. But only three of the twenty-five groups covered by CORP will experience a contribution rate increase in excess of 1%. Indeed, five of the covered groups will experience a rate decrease of from 1% to 3% of active member payroll. The new aggregate rate, while modestly higher than the current rate, is not as high as originally anticipated, given that the System had a -17.99% rate of return on its invested assets during FY'09.

While there is no single all-encompassing test to measure a retirement system's funding progress and current status, the most commonly used measure is the ratio of the actuarial value of assets to actuarial accrued liability, often referred to as the "percent funded." The percent funded for the CORP had been declining for six out of the last seven years through FY'07. At that point in time, the Plan's funding ratio was 84.6%. At June 30, 2008, the ratio was 86.8%. As of June 30, 2009, the funding ratio is 82.6%. However, if the funding ratio were calculated using FY'09 year-end market value of assets, rather than the actuarial value of assets, the CORP's funding ratio would only be 59.7%. This means that the effects of the FY'09 -17.99% return will remain with us for the next several years and will adversely affect the Plan's financial status going forward. Hopefully, the System will experience better-than-expected rates of return in future years that will more than offset the negative FY'09 return.

### POST RETIREMENT BENEFIT INCREASES

State law provides for an annual benefit increase for CORP retirees (or their survivors) 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 limited to a maximum of four percent. A benefit increase schedule can be found in the Statistical Section of this CAFR.

These post retirement increases are funded from a portion of the investment returns in excess of 9%. These assets are accumulated in the CORP's Reserve for Future Benefit Increases. These Reserve assets are invested along with all other assets of the Plan. The Reserve balance, after subtracting the \$18.2 million needed to fund the present value of the July 1, 2009 post retirement increase, was \$15.12 million. Absent an infusion of new assets into the CORP Reserve, the Reserve's balance would only be sufficient to finance a partial post-retirement adjustment as of July 1, 2010.

### 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 System for the CORP's Comprehensive Annual Financial Report for the fiscal year ended June 30, 2008. This was the fifteenth 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 FY'09 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 a certificate.

### NEW DEVELOPMENTS AND MANAGEMENT INITIATIVES

During this past fiscal year, the PSPRS Fund Manager continued its strategic initiative that will change the way in which the CORP's assets are managed and invested. (See the Fund Manager's transmittal letter to the Governor that begins on page ) In addition, there were other developments and initiatives that strengthened System governance, increased administrative efficiency and productivity or improved internal controls.



With respect to initiatives that strengthened System governance, the following are noteworthy:

- The System retained CORTEX Applied Research to conduct a complete review of the PSPRS Governance Policies; the Fund Manager approved the CORTEX recommended modifications. The System's normal practice is to have its Governance Policies reviewed in their entirety every three years.
- The System's staff, with the assistance of a consultant acting in the role of facilitator, undertook and completed before fiscal year-end a project designed to document all of the policies and procedures in use within the organization. There were well over 300 policies and procedures documented; these will now be subject to systematic audit by the System's new internal auditor and compliance officer in order to identify any deficiencies or weaknesses in our controls environment.
- The System conducted an RFP process to secure a new Investment Consultant and Retained Actuary to serve as advisors to the Fund Manager. New England Pension Consultants (NEPC) was retained for the Investment Consultant role; Gabriel, Roeder, Smith & Co. (GRS) was retained as the new actuary.
- The System initiated a comprehensive and multi-year effort to assure that the CORP local board network is properly structured and functioning so as to assure uniform administration of the statutory responsibilities delegated to the local boards. Staff and other resources were dedicated to this initiative. In addition, the System's outreach efforts to provide training and education to local board members were intensified through on-site visits, group meetings/consultations, the development of training modules which were made accessible through the PSPRS web site, and the publication of a monthly local board newsletter.
- Finally, the System's staff provided legal counsel with the inputs for the filing with the Internal Revenue Service of the documents necessary to begin the compliance review process for assuring the continuation of the tax qualified status of the CORP. To the extent that "qualification defects" were identified in the process, legal counsel expects that these will be remedied through the IRS "Employee Plans Compliance Resolution System (EPCRS).

With respect to initiatives that increased administrative efficiency and productivity or improved internal controls, the following were noteworthy:

- The System hired two new key staff personnel -- a new internal auditor and compliance officer to add to the overall internal controls environment and a new Chief Investment Officer, who will provide the staff leadership to further diversify the System's asset deployments, shift internally managed portfolios of publicly traded securities to external investment management firms and reduce the System's allocations to equities while increasing its exposure to various types of "Alternative Investments."
- The System's multi-year document imaging (i.e., scanning) project moved forward with the expectation that it will be completed during the first half of System FY'10 at which time a new "Work Flow" project will be initiated in accordance with the current Strategic Plan. The new Work Flow project is expected to increase efficiency and productivity by eliminating redundancy and duplication of effort and by making documents and records readily available to staff.
- The PSPRS IT Departments initiated a business continuity and disaster recovery project that is expected to provide the System with comprehensive and redundant data base and network back-up and data storage capacities. PSPRS now has an off-site Data Back-up and Disaster Recovery facility located in Denver, Colorado.
- Finally, the System's IT Program Development Unit implemented an "online" system for the receipt of contributions from participating employers and the IT Network and Communications Unit deployed several new network servers and migrated others to the System's VM Ware virtual environment.

### NEW INITIATIVES FOR SYSTEM FISCAL YEAR 2010

As we have moved through the first four months of the new fiscal year (FY'10), some new initiatives have been completed; others are underway; and still others are planned.

- The System's IT Program Development Department plans to create the capability for participants to apply for benefits electronically through their local boards. The Department will also continue its efforts to automate all forms of benefit payments via ACH transfers and bank-issued Debit Cards.
- The Disaster Recovery/Business Continuity Plan will be finalized and a full disaster recovery test will be conducted.
- CORP local board training and support will continue to be a key focus of the new entity within the System's Member Services Division.
- Finally, internal audits of all essential processes will be undertaken in order to identify and remedy any deficiencies in the System's controls environment.

### SUMMARY

This CORP CAFR is a product of the collective efforts of the staff, under the direction of the System's Fund Manager. It is intended to provide complete and reliable information that will facilitate the management decision process and it serves as a means for determining compliance with the System's governance and investment policies and legal requirements. Copies of this report are provided to the Governor, State Auditor, Legislature and all our member constituency groups. We hope all recipients of this report find it informative and useful.

I would like to take this opportunity to express my gratitude to the members of the Fund Manager, the staff, the System's advisors, and all others who have worked so diligently to assure the continued successful operation of the System. I look forward to the challenge of moving the System forward with a program of constructive and comprehensive change that will maintain high quality customer service and maintain the CORP on the path of improving financial status.

Respectfully submitted,



James M. Hacking  
Administrator

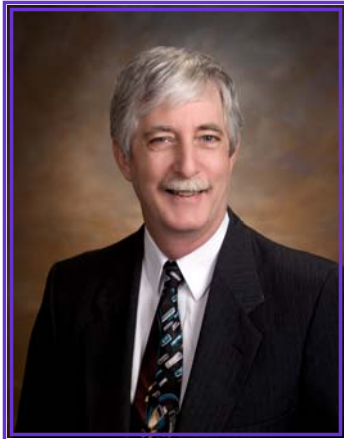
**FUND MANAGER**  
(AS OF JUNE 30, 2009)



**Carter Olson**  
Chairman



**Mike Galloway**  
Vice Chairman



**Tim Dunne**  
Member



**Lori Roediger**  
Member

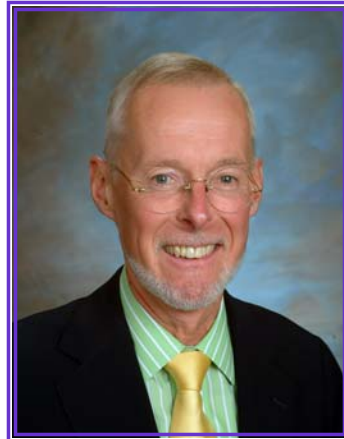


**Brian Tobin**  
Member

EXECUTIVE STAFF AND ORGANIZATIONAL CHART



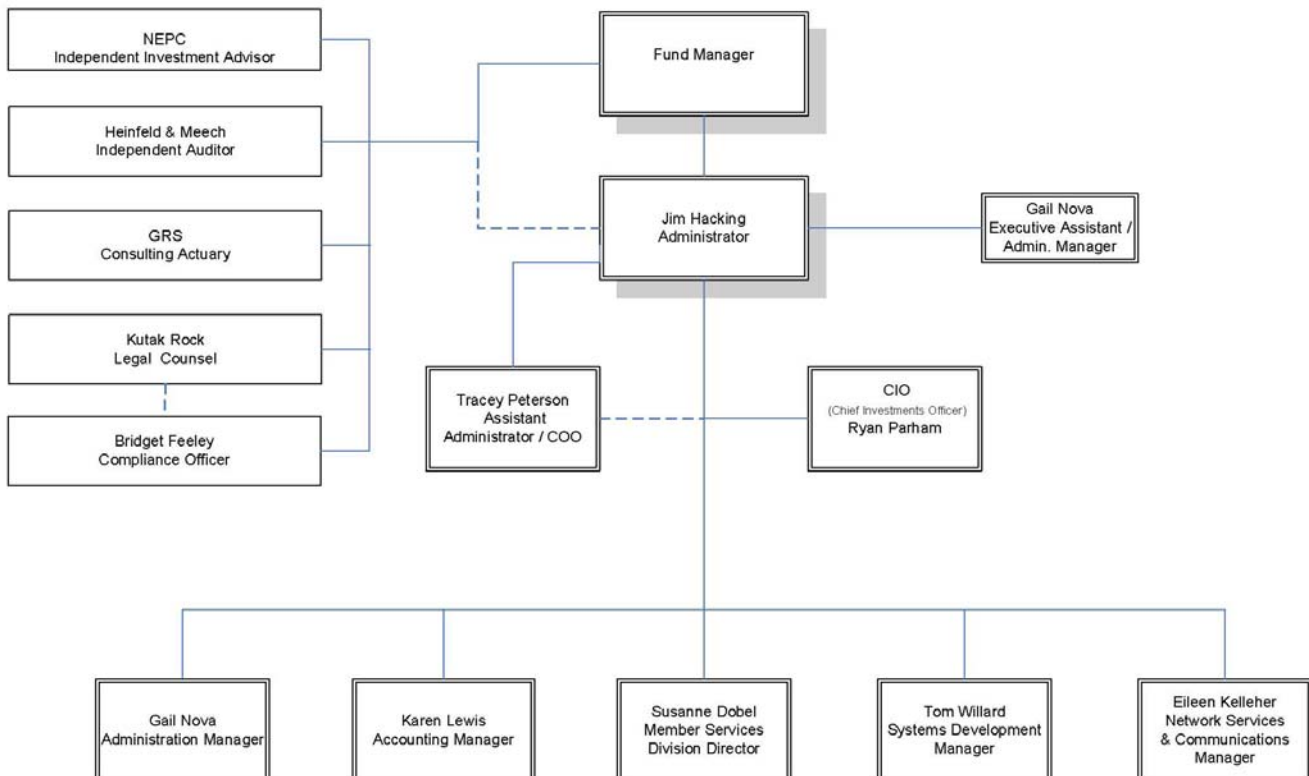
**Ryan Parham**  
Chief Investment Officer



**James M. Hacking**  
Administrator



**Tracey D. Peterson**  
Assistant Administrator  
Chief Operations Officer



**PROFESSIONAL ADVISORS**

Albourne America, LLC

Bank of New York Mellon

Cortex Applied Research, Inc.

Gabriel, Roeder, Smith & Company

Heinfeld Meech & Co., P.C.

HighGround, Inc.

Kutak Rock, LLP

McLagan Partners, Inc.

NEPC, LLC

Public Policy Partners

ORG Portfolio Management, LLC

Step Stone Group, LLC

International Alternative Investment Consultant

Custodian

Governance Advisor

Actuary

Independent Auditors

Legislative Liaison

General Counsel

Human Resource Consultant

Independent Investment Advisor

Legislative Liaison

Real Estate Consultant

Alternative Investment Consultant

A schedule of Administrative Consultant fees may be found in the Financial Section. A schedule of Investment Consultant fees, Brokerage Commissions and Research Expense may be found in the Investment Section.



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HEINFELD, MEECH & CO., P.C.  
CERTIFIED PUBLIC ACCOUNTANTS

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## INDEPENDENT AUDITORS' REPORT

Fund Manager  
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State of Arizona  
Phoenix, Arizona:

We have audited the accompanying Statement of Plan Net Assets of the Corrections Officer Retirement Plan (CORP) as of and for the year ended June 30, 2009, and the related Statement of Changes in Plan Net Assets for the year then ended. These basic financial statements are the responsibility of CORP's management. Our responsibility is to express an opinion on these financial statements based on our audit. The comparative totals as of and for the year ended June 30, 2008, presented in the basic financial statements are included for additional analysis only. Our audit report dated December 12, 2008 expressed an unqualified opinion on those statements; however, we have not performed any auditing procedures on this information since the date of our report.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the net assets of the Corrections Officer Retirement Plan, as of June 30, 2009, and the changes in net assets for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 1, 2009, on our consideration of the Corrections Officer Retirement Plan's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis on pages 18 through 21 and the Schedule of Funding Progress and Schedule of Employer Contributions on pages 35 and 36 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise CORP's basic financial statements. The Introductory Section, Supporting Schedules, Other Supplemental Information, Investment Section, Actuarial Section and Statistical Section are presented for purposes of additional analysis and are not a required part of the basic financial statements. The Supporting Schedules, as listed in the table of contents under the Financial Section, have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The Introductory Section, Other Supplemental Information of the Financial Section, Investment Section, Actuarial Section and Statistical Section have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

*Heinfeld, Meech & Co., P.C.*

HEINFELD, MEECH & CO., P.C.  
Certified Public Accountants

December 1, 2009

**CORP MANAGEMENT DISCUSSION & ANALYSIS**

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 2009 are as follows:

- The Corrections Officer Retirement Plan (CORP) had a total rate of return of -17.99% this year. Our equity portfolio had a return of -22.20%, which outperformed the stock index by 502 basis points. Our fixed income portfolio had a return of -1.93%, which underperformed the index by 713 basis points.
- As of the close of the fiscal year 2009, the Future Benefit Increase Reserve was \$15.1 million. Absent a large infusion of new assets into the CORP reserve, the Reserve's balance would only be sufficient to finance a partial post-retirement adjustment as of July 1, 2010, if any.
- Retirement benefits paid totaled \$57.7 million for the current year, compared to \$51.0 million for the previous year. This represents a 13.1% increase from the prior year. The majority of this increase is the result of the cost of post-retirement adjustments paid to the retirees or their survivors of the Plan.

**OVERVIEW OF THE FINANCIAL STATEMENTS**

*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 accrued 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.

*Supporting Schedules and Supplemental Information*

The Supporting Schedules and Supplemental Information Section include the Supporting Schedule of Changes in Fund Balance Reserves, Supporting Schedule of Payments to Consultants, the Supplemental Schedule of Cash Receipts and Cash Disbursements and the Agency Fund Statement of Changes in Assets and Liabilities (see Note 7). The total columns and information provided on these schedules carry forward to the applicable financial statement.



## FINANCIAL ANALYSIS OF THE PLAN

Comparative Statements are included to provide additional analysis of the changes noted on those schedules.

## SUMMARY COMPARATIVE STATEMENTS OF PLAN NET ASSETS

	As of 06/30/2009	As of 06/30/2008	Change	% Change
Cash and Short-Term Investments	\$ 16,515,717	\$ 58,316,455	\$ (41,800,739)	(71.68%)
Total Receivables	5,513,315	18,382,933	(12,869,618)	(70.01%)
Total Investments	942,245,819	1,088,157,479	(145,911,660)	(13.41%)
Securities Lending Collateral	148,494,789	240,882,045	(92,387,256)	(38.35%)
Net Capital Assets	694,518	733,871	(39,353)	(5.36%)
<b>Total Plan Assets</b>	<b>1,113,464,157</b>	<b>1,406,472,783</b>	<b>(293,008,626)</b>	<b>(20.83%)</b>
Accrued Accounts Payable	1,915,885	1,651,054	264,831	16.04%
Investment Purchases Payable	2,037,367	22,351,839	(20,314,472)	(90.89%)
Securities Lending Collateral	148,494,789	240,882,045	(92,387,256)	(38.35%)
<b>Total Plan Liabilities</b>	<b>152,448,041</b>	<b>264,884,938</b>	<b>(112,436,897)</b>	<b>(42.45%)</b>
<b>Net Assets</b>	<b>\$ 961,016,116</b>	<b>\$ 1,141,587,845</b>	<b>\$ (180,571,729)</b>	<b>(15.82%)</b>

The total net assets held in trust for benefits at June 30, 2009 were \$961.0 million, a 15.82% decrease from \$1.1 billion at June 30, 2008. The decrease in net assets is primarily due to less than favorable financial markets during the fiscal year. The decrease in cash and receivables is attributable to normal fluctuations in investment income receivables during the year. CORP is fully deploying cash in other investments vehicles like exchange traded funds, equities, fixed income and private equity. Detailed information regarding the Plan's investment portfolio is included in the investment section of this report. The decrease in security lending collateral is due to normal fluctuations in the lending program. The investment of the collateral fluctuated in a similar manner.

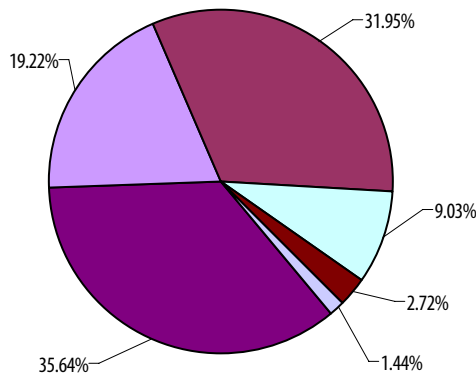
## SUMMARY COMPARATIVE STATEMENTS OF CHANGES IN PLAN NET ASSETS

	2009	2008	Change	% Change
<b>ADDITIONS</b>				
Total Contributions	\$ 107,334,882	\$ 260,624,397	\$ (153,289,515)	(58.82%)
Net Investment Income	(216,313,556)	(68,039,675)	(148,273,881)	(217.92%)
Transfers and Service Purchases	370,781	3,217,224	(2,846,443)	(88.48%)
<b>Total Additions (Reductions)</b>	<b>(108,607,893)</b>	<b>195,801,946</b>	<b>(304,409,839)</b>	<b>(155.47%)</b>
<b>DEDUCTIONS</b>				
Benefits	55,488,890	48,972,663	6,516,227	13.31%
Service Transfers and Refunds	15,410,121	17,075,982	(1,665,862)	(9.76%)
Administrative Expenses	1,064,826	1,102,992	(38,166)	(3.46%)
<b>Total Deductions</b>	<b>71,963,836</b>	<b>67,151,638</b>	<b>4,812,198</b>	<b>7.17%</b>
<b>Net (Decrease) Increase</b>	<b>(180,571,729)</b>	<b>128,650,309</b>	<b>(309,222,038)</b>	<b>(240.36%)</b>
<b>Balance Beginning of Year - July 1</b>	<b>1,141,587,845</b>	<b>1,012,937,536</b>	<b>128,650,309</b>	<b>12.70%</b>
<b>Balance End of Year - June 30</b>	<b>\$ 961,016,116</b>	<b>\$ 1,141,587,845</b>	<b>\$ (180,571,729)</b>	<b>(15.82%)</b>

Employer and employee contributions decreased \$153.3 million in relation to 2008 due to the transfer of membership in the previous year of the Administrative Office of the Courts group with the accompanying assets. The fund manager adopted a number of actuarial changes in 2006 that included extending the period over which unfunded liabilities could be amortized from 20 to 30 years, reducing the salary growth assumption from 6% to 5% and changing the method for calculating the accrued liability from entry age normal method to the projected unit credit method. For FY 2009, CORP recognized a net investment loss of \$216.3 million which compares to a loss of \$68.0 million in the previous year. This 217.92% decrease was due to the less than favorable returns in the financial markets during the fiscal year. Deductions from the CORP net assets held in trust for benefits consist primarily of pension, disability, survivor benefits, member refunds and administrative expenses. For FY 2009, these deductions totaled \$72.0 million, an increase of 7.17% from the \$67.2 million paid during FY 2008.

INVESTMENT ACTIVITIES

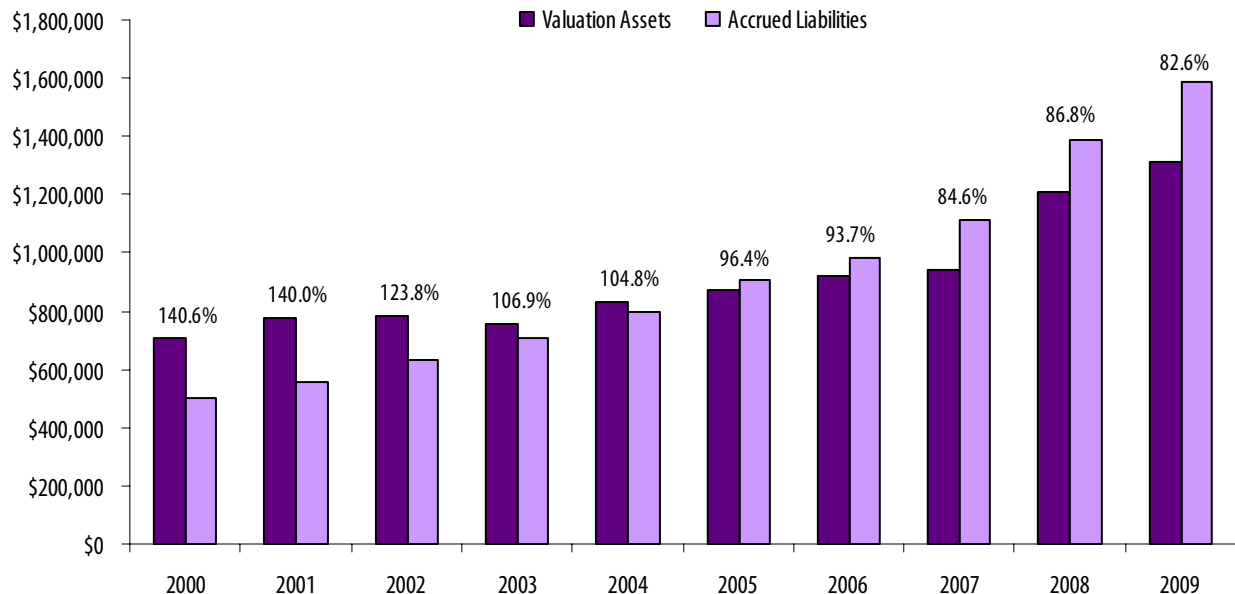
■ Domestic Equity    ■ International Equity    ■ Domestic Fixed Income  
■ Real Estate    ■ Private Equity    ■ Cash



During FY 2008, the fund manager adopted a more diversified asset allocation policy but due to the unfavorable markets during the past two fiscal years the investment total rate of return for FY 2009 was --17.99%. At June 30, 2009, CORP held \$525.5 million in equities. The FY 2009 rate of return for CORP equities was -22.20% versus a benchmark rate of return of -27.22%. At June 30, 2009, CORP held \$294.3 million in fixed income securities. The FY 2009 rate of return for CORP fixed income securities was -1.93% versus a benchmark rate of return of 5.20%. The benchmarks for both equities and fixed income securities are representative of the returns that could be expected in a similar investing environment. More detailed information regarding the Plan's investment portfolio can be found in the investment section of this report.

CORP earns additional income by lending investment securities to brokers. This was done on a pooled basis by our custodial banks, Wells Fargo (July through mid-September 2008) and BNY Mellon (mid-September 2008 through June 2009). The brokers provide collateral and generally use the borrowed securities to cover short trades and failed trades.

HISTORICAL TRENDS



Accounting standards require that the “Statement of Plan Assets” reflect investment asset values at fair market value and include only benefits and refunds due to plan members and beneficiaries and accrued investment and administrative expenses as of the reporting date. Information regarding the actuarial funding status of the plan is provided in the “Schedule of Funding Progress.” The asset value stated in the “Schedule of Funding Progress” is the actuarial value of assets as determined by calculating the ratio of the market value to book value of assets and the actuarial gains/losses smoothed over a seven year period. Actuarial valuations of the CORP assets and benefit obligations for the retirement plan are performed annually. The most recent actuarial valuation available is as of June 30, 2009.

At June 30, 2009, the total funded status of the CORP decreased to 82.6% from 86.8% at FYE 2008. This decrease in funded status is related primarily to investment losses in the current fiscal year as well as investment losses from the fiscal year 2002 being fully reflected. The market value smoothing techniques used in this valuation of the Plan recognize both past and present investment gains and losses. A more detailed discussion of the funding status can be found in the Administrator’s Letter of Transmittal in the Introductory Section of this report.

### IMPLEMENTATION OF GASB 43 AND GASB 45

Historically, the contributions, pension benefits, including the health insurance premium subsidy payments, actuarial accrued liabilities and the funded ratio were reported by the Plan as a single, combined pension benefit. However, beginning in FY ‘07, the Plan was required to implement Government Accounting Standards Board (GASB) Statement No. 43. This statement requires that the system separately report the assets and liabilities associated with the health insurance premium subsidy by discretely presenting the assets and the liabilities separately from the retirement plan.

The Plan is not statutorily authorized to separately account for the assets, income and/or benefit payments of a supplemental health care benefit. Additionally, the Plan does not administer the health insurance premium subsidy through a separate health care plan as defined by the Internal Revenue Code §401(h). As mentioned earlier, the Plan has always recognized, reported and funded the actuarial accrued liability for the health insurance premium benefit as another form of postemployment benefit, similar to the disability benefit. Assets and liabilities are not discretely presented for the disability benefits or any other benefits provided under the plan.

The characteristics of the plan have resulted in unique and unusual reporting of the benefit under the requirements of GASB Statement No. 43. Complying with this statement has resulted in the following changes to the financial statements and actuarial disclosures for the Plan’s pension benefits:

- Contributions and benefits paid totaling \$2,207,889 for the health insurance premium subsidy are not reported on the Statement of Changes in Plan Net Assets with the financial information for the retirement plan. This information is reported separately as an “Agency Fund” (unaudited) and can be found in the Statement of Changes in Assets & Liabilities in the Other Supplementary Information section included in the Financial Section of the report.
- The Schedule of Funding Progress does not include the liability for the health insurance premium subsidy. This will increase the Plan’s funded ratio. The funded ratio without the health insurance premium subsidy liability is calculated as 86.4%. If the liability associated with the health insurance premium subsidy were to be included, the funded ratio is calculated as 82.6%.
- The Schedule of Employer Contributions includes the annual required employer contributions for the retirement plan plus the difference between the annual required contributions calculated for the health insurance premium subsidy and the benefits paid. For FY ‘09, this amounted to a difference of \$4,038,105 added back to the employer contributions, which gives the “appearance” that the contributions for the retirement plan were over funded and the contributions for the health insurance premium subsidy were under funded. If a portion of the plan assets were allocated to both the retirement and health insurance subsidy benefits, the percentage contributed for both benefits would be 100% funded.
- Beginning in FY ‘08, the participating employer groups implemented GASB Statement No. 45. This statement will require the participating employers to report the liabilities associated with the health insurance premium subsidy as well as any other supplemental healthcare benefits provided to the retiree under the healthcare plans that they administer (sponsor).

The management of the Plan maintains that the reporting described above has limitations and decreases the reporting transparency of the health insurance premium subsidy. Management will continue to evaluate options to enhance the reporting of the health insurance premium subsidy benefit payments, employer contributions, and actuarial required disclosures.

### REQUEST 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, 3010 E. Camelback Road, Suite 200, Phoenix, AZ 85016.

**STATEMENT OF PLAN NET ASSETS**  
JUNE 30, 2009 WITH COMPARATIVE TOTALS FOR 2008

	JUNE 30, 2009	JUNE 30, 2008
<b>ASSETS</b>		
Cash and Short-Term Investments	\$ 16,515,717	\$ 58,316,455
<b>RECEIVABLES</b>		
Member Contributions	1,869,727	1,777,843
Employer Contributions	1,946,819	1,588,177
Interest and Dividends	1,659,100	4,014,873
Investment Sales	-	10,996,536
Other	37,669	5,504
<b>Total Receivables</b>	<b>5,513,315</b>	<b>18,382,933</b>
<b>INVESTMENTS AT FAIR VALUE</b> (NOTES 2 AND 3)		
U.S. Government Securities	47,510,077	152,258,675
Corporate Bonds	246,789,941	124,033,952
Corporate Stocks	525,538,297	737,894,545
Alternative Investments	122,407,505	73,970,307
<b>Total Investments</b>	<b>942,245,819</b>	<b>1,088,157,479</b>
Securities Lending Collateral	148,494,789	240,882,045
<b>CAPITAL ASSETS</b> (NOTE 4)		
Land	86,590	86,590
Building	615,531	615,531
Furniture, Fixtures & Equipment	143,131	140,973
<b>Total Capital Assets</b>	<b>845,252</b>	<b>843,094</b>
Accumulated Depreciation	(150,734)	(109,224)
<b>Net Capital Assets</b>	<b>694,518</b>	<b>733,871</b>
<b>TOTAL PLAN ASSETS</b>	<b>1,113,464,157</b>	<b>1,406,472,783</b>
<b>LIABILITIES</b>		
Accrued Accounts Payable	1,915,885	1,651,054
Investment Purchases Payable	2,037,367	22,351,839
Securities Lending Collateral	148,494,789	240,882,045
<b>Total Plan Liabilities</b>	<b>152,448,041</b>	<b>264,884,938</b>
<b>NET ASSETS HELD IN TRUST FOR PENSION BENEFITS</b>	<b>\$ 961,016,116</b>	<b>\$ 1,141,587,845</b>
<b>NET ASSET RESERVES</b>		
Refundable Members' Reserve	323,648,713	296,317,101
Employers' Reserve	622,242,457	804,637,066
Future Benefit Increase Reserve	15,124,946	40,633,678
<b>Total Net Asset Reserves</b>	<b>\$ 961,016,116</b>	<b>\$ 1,141,587,845</b>

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



**STATEMENT OF CHANGES IN PLAN NET ASSETS**  
FISCAL YEAR ENDING 2009 WITH COMPARATIVE TOTALS FOR 2008

	2009	2008
<b>ADDITIONS</b>		
Contributions		
Members' Contributions (NOTES 2,5)	\$ 53,098,136	\$ 111,097,660
Employers' Contributions (NOTES 2,5)	53,807,249	148,655,973
Members' Service Purchase	429,497	870,764
<b>Total Contributions</b>	<b>107,334,882</b>	<b>260,624,397</b>
<b>INVESTMENT INCOME</b>		
Net Appreciation (Depreciation) in Fair Value of Investments (NOTES 2,3)	(246,296,350)	(102,765,251)
Interest	13,721,321	17,870,589
Dividends	18,577,190	16,816,987
Securities Lending Income (NOTE 3)	2,686,311	7,311,167
Borrower Rebates	(614,220)	(5,964,507)
Agents Share of Income	(310,806)	(227,123)
<b>Net Securities Lending Income</b>	<b>1,761,286</b>	<b>1,119,537</b>
<b>Total Investment Income (Loss)</b>	<b>(212,236,553)</b>	<b>(66,958,138)</b>
Less Investment Expense	(4,077,003)	(1,081,537)
<b>Net Investment Income (Loss)</b>	<b>(216,313,556)</b>	<b>(68,039,675)</b>
Transfers Into System & Service Purchases	370,781	3,217,224
<b>Total Additions (Reductions)</b>	<b>(108,607,893)</b>	<b>195,801,946</b>
<b>DEDUCTIONS</b>		
Pension Benefits (NOTE 2)	55,488,890	48,972,663
Refunds To Terminated Members (NOTE 2)	14,879,341	16,211,929
Administrative Expenses	1,064,826	1,102,992
Transfers Out of System	530,780	864,053
<b>Total Deductions</b>	<b>71,963,836</b>	<b>67,151,638</b>
<b>NET INCREASE (DECREASE)</b>	<b>(180,571,729)</b>	<b>128,650,309</b>
<b>NET ASSETS HELD IN TRUST FOR PENSION BENEFITS</b>		
Beginning of Year, July 1	1,141,587,845	1,012,937,536
<b>End of Year, June 30</b>	<b>\$ 961,016,116</b>	<b>\$ 1,141,587,845</b>

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

**CORP NOTES TO THE FINANCIAL STATEMENTS**

**NOTE 1: PLAN DESCRIPTION**

**ORGANIZATION**

The Corrections Officer Retirement Plan (CORP), a pension trust fund of the State of Arizona, is a cost sharing 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) administers the CORP 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, paying benefits and the general protection and administration of the System. Senate Bill 1378, which was enacted August 12, 2005, requires substantial investment experience for the member of the Fund Manager that represents the state as an employer and the public member of the Fund Manager.

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 reported as a component unit of the State of Arizona.

The Fund Manager of the CORP is also responsible for the investment and general administration of two other statewide retirement plans-the Elected Officials’ Retirement Plan and the Public Safety Personnel Retirement System. The investments of these plans were moved into a unitized structure during FY 2008-2009 creating a more efficient investment environment. At the end of the fiscal year the assets, income, gains and losses are allocated to the three entities. The income and expenses not unitized as well as the allocated income/loss are accounted for separately by each plan.

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, 2009 and 2008, the number of participating local government employer groups was:

<b>GROUP</b>	<b>2009</b>	<b>2008</b>
Counties	14	14
Cities	1	0
Dispatchers	8	8
State Agencies	2	2
<b>Total Employers</b>	<b>25</b>	<b>24</b>

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 CORP. At June 30, 2009 and 2008, statewide CORP membership consisted of:

<b>MEMBERSHIP TYPE</b>	<b>RETIREMENT PLAN</b>		<b>INSURANCE SUBSIDY</b>	
	<b>2009</b>	<b>2008</b>	<b>2009</b>	<b>2008</b>
Retirees	2,591	2,428	1,372	1,248
Terminated Vested	1,476	273	0	0
Current Vested	4,146	7,298	0	0
Current Non-Vested	10,434	7,418	0	0
<b>Total Members</b>	<b>18,647</b>	<b>17,417</b>	<b>1,372</b>	<b>1,248</b>

CORP provides retirement benefits as well as death and disability benefits. Generally, all benefits vest after five years of credited service. A summary of benefit 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)

- For a County: A county detention officer and non-uniformed employee's of a sheriff's department whose primary duties require direct inmate contact.
- For the State Department of Corrections and the Department of Juvenile Correction: Specific positions are eligible to participate. Refer to the statute for specific positions.
- For a City or Town, a City or Town Detention Officer.
- For an employer of an eligible group as defined in A.R.S. §38-842, full-time dispatchers.
- For the judiciary, probation, surveillance, and juvenile detention officers and those positions designated by the Local Board.
- For the Department of Public Safety, state detention officers.

Dispatchers hired after November 24, 2009 must participate in the Arizona State Retirement System. A.R.S. § 38-902(C).

## CONTRIBUTIONS (A.R.S. §38-891)

Each member shall contribute 7.96% of salary to the Plan on a pre-tax basis by payroll deduction. Beginning the first pay period ending after 09/26/2008, all non-dispatchers to contribute 8.41% of their salary (unless or until CORP is 100% funded). Each employer shall contribute a level percent of salary as determined by actuarial valuations to ensure proper funding for the Plan, but not less than 6% of salary. For any employer whose actual contribution rate is less than 6% for fiscal year 2006-2007 and each year thereafter, that employer's contribution rate shall be at least 5% and not more than the employer's actual contribution rate.

## CREDITED SERVICE (A.R.S. §38-881.8)

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.

## DETENTION OFFICERS (A.R.S. §38-881; A.R.S. §38-893; A.R.S. §38-902)

Allows Department of Public Safety detention officers to participate in CORP after CORP is 100% funded. For those detention officers designated to participate in CORP on the joinder date, all assets and service from ASRS shall be transferred to CORP, if any.

## JUDICIAL DEPARTMENT (A.R.S. §38-881; A.R.S. §38-891)

The list of positions eligible to participate in CORP is expanded to include a person employed by the Administrative Office of the Courts who has been a member of CORP for a minimum of five years and who has assumed a new position whose responsibilities involve training county probation, surveillance or juvenile detention officers. The person must make a written request to the local judicial board within 90 days of accepting the position. When the employee leaves the position, the position reverts back to a non-designated position.

## AVERAGE MONTHLY SALARY (A.R.S. §38-881.7)

One thirty-sixth (1/36) of aggregate salary that is paid a member during the highest three consecutive years out of the last 10 years of service.

## SALARY (A.R.S. §38-881.41)

Salary is defined as the base salary/wages, shift differential pay, military differential and holiday pay paid to an employee for personal services rendered in a designated position to a participating employer on a regular monthly, semimonthly or biweekly payroll basis. For the purposes of the paragraph above, "base salary/wages" means the amount of compensation each member is regularly paid for personal services rendered before the addition of any extra monies, including overtime pay, shift differential, holiday pay, sale of compensatory time, fringe benefit pay and similar extra payments.

## REVERSE DROP (A.R.S. §38-885.01)

Beginning July 1, 2006, through June 30, 2011, the CORP shall offer the Reverse Deferred Retirement Option Plan (Reverse DROP) to members that are eligible for a normal pension (who is not awarded an accidental, ordinary or total and permanent disability pension) and have at least 24 or more years of credited service (dispatchers must have at least 25 years) may elect to participate in the Reverse DROP.

Under the Reverse DROP, the member must voluntarily and irrevocably elect to terminate employment and receive a normal retirement upon participation in the Reverse DROP. The Reverse DROP date that is the first day of the month immediately following completion of 24 years of credited service (for dispatchers, 25 years of credited service) or a date not more than 60 consecutive months before the date the member elects to participate in the Reverse DROP, whichever is later.

The member's pension will be calculated using the factors of credited service and average monthly benefit compensation in effect on the Reverse DROP Date. The lump sum distribution is credited as though it accrued monthly from the Reverse DROP date to the date the member elected to participate in the Reverse DROP (plus interest equal to the yield on a 5-year Treasury note as of the first day of the month as published by the Federal Reserve Board).

Neither the member nor the employer is entitled to a refund of contributions made between the Reverse DROP date and the date the member elects to participate in the Reverse DROP.

## FINANCIAL SECTION

### NORMAL RETIREMENT (A.R.S. §38-885.B)

Pursuant to A.R.S. § 38-885(B), retirement benefits will commence the first day of month following termination of employment and based on one of the following: (1) completion of 20 years of service (except that for a full-time dispatcher which is 25 years of service), (2) age 62 and completion of 10 years of service, or (3) the month in which employee's age and years of credited service equals 80.

Based on credited service, the normal pension benefit is calculated as follows:

- For retirement with 20 years of credited service but less than 25 years of credited service, 50% of average monthly salary for the first 20 years of credited service, plus 2% of average monthly salary for each year of credited service between 20 and 25. (A.R.S. §38-885.C.1)
- For retirement with less than 20 years of credited service, 2.5% of average monthly salary times the member's years of credited service. (A.R.S. §38-885.C.2)
- For retirement with 25 or more years of credited service, 50% of average monthly salary for the first 20 years of credited service, plus 2.5% of average monthly salary for each year of credited service above 20 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, that was incurred in the performance of the employee's duties, or was the result of either physical contact with inmates, or 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 that existed or occurred before the employee's date of membership in the Plan.

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

### TOTAL AND PERMANENT DISABILITY RETIREMENT (A.R.S. §38-881.36)

A physical or mental condition which totally and permanently prevents a member from engaging in any gainful employment, that is in the direct and proximate result of the member's performance of the employee's duties 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 a total and permanent disability on medical evidence and determination that such a disability exists. The monthly benefit is 50% of the member's average monthly salary (there is no credited service requirement). The Local Board may require periodic medical re-evaluations until the member reaches age 62. Accidental disability terminates if the Local Board finds the retired member no longer meets the requirements for the disability benefit. (A.R.S. § 38-886)

### ORDINARY DISABILITY RETIREMENT (NOT SERVICE CONNECTED) (A.R.S. §38-891)

A physical condition which totally and permanently prevents an employee from performing a reasonable range of duties within the employee's department, or a mental condition that totally and permanently prevents the employee from engaging in any substantial gainful activity, and was not the result of a condition that existed or occurred before the employee's date of membership in the Plan.

The Local Board shall base eligibility for an ordinary disability on medical evidence and determination that such a disability exists. The benefit is a percentage of normal retirement and is based on the employee's years of credited service divided by 20 (dispatchers are divided by 25). The Local Board may require periodic medical re-evaluations until the member reaches age 62. Ordinary disability terminates if the Local Board finds the retired member no longer meets the requirements for the disability benefit. (A.R.S. § 38-886.01)

### SURVIVOR PENSION (A.R.S. §38-887; A.R.S. §38-888)

The surviving spouse of a member who dies in service or after retirement is eligible for benefits, which commence on the first day of the month following the death of the member, as follows:

- Surviving spouse of retired member: 80% of member's pension benefit for their lifetime. Requires two consecutive years of marriage at time of death. (A.R.S. §38-887)
- Surviving spouse of a non-retired member: 40% of member's average monthly salary for their lifetime, or for a member killed in the line of duty, the spouse's pension is 100% of the member's average monthly benefit compensation. (A.R.S. §38-888)

### DEATH BENEFITS (A.R.S. §38-904)

- 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.
- 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) within 20 days after filing an application with the CORP, an member shall receive a lump-sum payment of accumulated contributions (less any benefits paid or any amounts owed to the Plan). The member forfeits all membership rights and credited service in the Plan upon receipt of refund of contributions. If the member has five or more years of credited service, an additional percentage of contributions will be refunded to the member according to the member's years of service as stated 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) (Use Form C1A)**

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.

**JOINDERS; CREDITED SERVICE (A.R.S. §38-902)**

Specific positions and employers may participate in the CORP if the governing body of the employer enters into a joinder agreement to bring such employees into the CORP. The joinder agreement shall be in accordance with the provisions of this Plan. The transfer of the Arizona defined benefit state retirement system or plan shall be transferred within ninety days after the employer's effective date.

**REEMPLOYMENT AND REPAYMENT OF CONTRIBUTIONS (A.R.S. §38-884.H) (Use Form C1B)**

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.

**REEMPLOYMENT AFTER RETIREMENT (A.R.S. §38-884.J)**

A retired member may become re-employed and continue to receive a pension if the employment occurs 12 months or more after retirement effective date December 31, 2008. The retired member shall not contribute to the fund and shall not accrue credited service. If a retired member becomes employed by an employer in a designated position before twelve months after retirement, the retired member's pension shall be suspended during reemployment in a designated position and the retired member shall not make contributions to the Plan nor accrue credited service during such reemployment. Retired CORP members that returned to work, entitled to continue to receive a pension from the plan pursuant to Laws 2006, Chapter 241, section 1 and who is employed by an employer of the CORP as of 9/30/2009 is entitled to again begin receiving the retired member's pension from the plan effective 9/30/2009. (HB 2326, Section 12, Previous return to work retirees).

**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, with the same or another employer of this state or a municipality of this state participating in a different retirement system or plan, is entitled to have all credited service transferred to the 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. §38-909; A.R.S. §38-884.H) (Use Form COSS)**

Active members that have previous service with an agency of the U.S. Government, a state of the U.S., or a political subdivision of a state of the U.S. as a full-time paid corrections officer, or full-time paid certified peace officer may elect to redeem any part of the prior service if the prior service is not on account with any other retirement system. If a former member becomes re-employed with the same employer and, within two years after the former member's termination date and letter to the Plan (within ninety days of reemployment), may elect to purchase some or all of the previously forfeited credited service. 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. A.R.S. § 38-884(H). Form C1B.

**PURCHASE OF PRIOR ACTIVE MILITARY SERVICE (A.R.S. §38-907) (Use Form 18)**

Members may purchase credited service for periods of active military service limited to 48 months before employment with their current employer. Additionally, members can purchase credited service limited to 60 months if called to active duty while working for the current employer.

**TRANSFER BETWEEN STATE RETIREMENT SYSTEMS (A.R.S. §38-921; A.R.S. §38-922) (Use Form U-2)**

Members of any of the four Arizona state retirement System/Plans that have credited service under another Arizona state retirement System/Plan may transfer or redeem the credited service to their current Arizona state retirement System/Plan by paying or transferring the full actuarial present value of the credited service into the current Arizona retirement System/Plan with the approval of the CORP or governing board. 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/Plan.

## FINANCIAL SECTION

### COLA BENEFIT INCREASES (A.R.S. §38-905)

Contingent upon excess investment earnings for the CORP, effective July 1 of each year, eligible retired members or survivors may be entitled to a permanent benefit increase in their base benefit. The maximum amount of the increase is 4% of the benefit being received on the preceding June 30. To be eligible for the increase, the retired member or survivor must be either age 55 or older on July 1 of the current year and receiving benefits on or before July 31 of the previous year, or the retired member or survivor has been receiving benefits on or before July 31 of the previous two years.

### HEALTH INSURANCE PREMIUM SUBSIDY (A.R.S. §38-906; A.R.S. §38-782)

For CORP retirees or survivors, and their eligible dependents, 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

Through June 30, 2009, a retiree or survivor who is eligible for medicare and 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	
Medicare Eligible	Retired Member & one dependent Medicare Eligible	Only Retired Member Medicare Eligible
\$170.00	\$350.00	\$470.00
<b>After \$100.00 out of pocket</b>	<b>After \$200.00 out of pocket</b>	<b>After \$400.00 out of pocket</b>

### STATE TAXATION OF CORP BENEFITS (A.R.S. §38-896; A.R.S. §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.

### DOMESTIC RELATIONS ORDER; PROCEDURES, PAYMENTS (A.R.S. §38-910)

If the member has been involved in a divorce(s), we need a complete copy of the Divorce Decree(s) and attachments, or exhibits if referenced in the Decree. Upon receipt, the Plan will provide additional correspondence to the parties. If the CORP account is required to be split, the employee will need to have a Domestic Relations Order (DRO) prepared. To ensure that the language in the DRO is acceptable to the Plan, provide our office with a draft copy of the DRO for review and approval prior to submitting it to the court.

## 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 when due, pursuant to formal commitments, as well as statutory or contractual requirements. 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, fixtures and equipment purchases costing \$10,000 or more, when acquired, are capitalized at cost. Improvements, which increase the useful life of the property, are also capitalized. Investment income net of administrative and investment expenses are allocated to each employer group based on the average relative fund size for each employer group for that year.

By state statute, the 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 Gains (Losses) used in this calculation totaled \$(173,860,762) for FYE 2009 and \$90,014,666 for FYE 2008. This calculation is independent of the calculation of the change in the fair value of investments and may include unrealized amounts from prior periods.

### ESTIMATES

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of net assets held in trust for pension benefits at June 30, 2009. Actual results could differ from those estimates.

## NOTE 3: CASH AND INVESTMENTS

### CASH

Custodial credit risk for deposits is the risk that in the event of a bank failure, the Plan's deposits may not be returned. The deposits are held in one financial institution with a balance of up to \$100,000 (temporarily increased to \$250,000 per depositor October 3, 2008, through December 31, 2009) insured by the Federal Deposit Insurance Corporation (FDIC). The Plan mitigates custodial credit risk for deposits by requiring the financial institution to pledge securities from an acceptable list in an amount at least equal to 102% of the aggregate amount of the deposits on a daily basis.

In addition to the FDIC insurance coverage on the operating and money market accounts of CORP, Wells Fargo pledged the following securities to Public Safety Personnel Retirement System, CORP, and the Elected Officials' Retirement Plan on June 30, 2009, as collateral:

\$14,565,609	FNIONP	878442	6.50%	Maturity Date	05/01/36
8,775,290	FNCL	896548	6.00%	Maturity Date	07/01/36
4,395,962	FNCL	896548	6.00%	Maturity Date	07/01/36

All monies shall be secured by the depository in which they are deposited and held to the same extent and in the same manner as required by the general depository law of the state. Cash balances represent both operating and cash accounts held by the bank and investment cash on deposit with the investment custodian. Formerly all accounts were held at Wells Fargo Bank. A new custodian bank for investments only (BNY Mellon) was retained in August 2007 (effective October 1, 2007). All deposits are carried at cost plus accrued interest. The following table is a schedule of the aggregate book and bank balances of all cash accounts as of June 30, 2009:

	REPORTED AMOUNT	BANK BALANCE
Pension Trust Fund	\$ 16,512,884	\$ 16,512,884
Operating Fund	2,833	2,833
<b>Total Deposits</b>	<b>\$ 16,515,717</b>	<b>\$ 16,515,717</b>

## 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. Directed real estate and venture capital investments are reported at fair value using appraisals to estimate the fair value. Appraisals will be performed every three years on a rolling schedule unless circumstances warrant otherwise. 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."

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 eighty percent of the combined assets of the system or other plans that the fund manager manages 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 combined assets of the system or other plans that the fund manager manages shall be invested in corporate stock issued by any one corporation, other than corporate stock issued by corporations chartered by the United States Government or corporate stock issued by a bank or insurance company.
- 3) That not more than five percent of the voting stock of any one corporation shall be owned by the system and other plans that the fund manager administers, except that this limitation does not apply to membership interests in limited liability companies.
- 4) That corporate stocks and exchange traded funds eligible for purchase shall be restricted to stocks and exchange traded funds that, except for bank stocks, insurance stocks and membership interests in limited liability companies, 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.
  - D) Listed or approved on issuance for listing on an exchange registered of a foreign country with which the United States is maintaining diplomatic relations at the time of purchase, except that no more than twenty percent of the combined assets of the system and other plans that the fund manager manages shall be invested in foreign securities, based on the cost value of the stocks irrespective of capital appreciation.
  - E) An exchange traded fund that is recommended by the chief investment officer of the system, that is registered under the investment company act of 1940 (15 United States Code Section 80a-1 through 80a-64) and that is both traded on a public exchange and based on a publicly recognized index.

A.R.S. § 38-848.B as amended in 2008 authorized the Fund Manager to commingle the assets of all the plans entrusted to its management, subject to the crediting of receipts and earnings and charging of payments to the appropriate employer, system or plan. As a result, the various assets of the Public Safety Retirement System, Elected Officials' Retirement Plan, and the Corrections Officer Retirement Plan were unitized beginning September 1, 2008 into the PSPRS Trust. Investments for each fund are allocated daily via a constant dollar unitization methodology. Realized and unrealized gains are allocated monthly using the same methodology.

At June 30, 2009, the fair market value of the PSPRS Trust and the allocation for each system and plan was as follows:

PLAN	UNITIZED	PERCENT
PSPRS	\$4,082,266,086	77.08%
CORP	958,074,887	18.07%
EORP	255,479,477	4.85%
<b>TOTAL</b>	<b>\$5,295,820,450</b>	<b>100.00%</b>

A small portion of the assets remain outside the comingled funds, representing less than 2 basis points of the total.

### CUSTODIAL CREDIT RISK

Custodial Credit Risk is the risk that CORP will not be able (a) to recover deposits if the depository financial institution fails or (b) to recover the value of the investment or collateral securities that are in the possession of an outside party if the counterpart to the investment or deposit transaction fails. As of June 30, 2009, CORP has no fund or deposits that were not covered by depository insurance or collateralized with securities held by our custodial banks. Nor does CORP have any investments that are not registered in the name of CORP or the PSPRS Trust and are either held by the counterpart or the counterpart's trust department or agent.

### CREDIT RISK

Credit Risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligation to the Plan. As of June 30, 2009, the Plan's fixed income assets that were not government guaranteed represented 83.9% of the fixed income portfolio.

Each portfolio is managed in accordance with investment guidelines that are specific as to permissible credit quality ranges, exposure levels within individual quality tiers, and the average credit quality of the overall portfolios. According to those guidelines, the fixed income portfolio must have a minimum weighted average quality rating of A3/A-. Fixed income securities must have a minimum quality rating of Baa3/BBB- at the time purchase. The portion of the bond portfolio in securities rated Baa3/BBB- through Baa1/BBB+ must be 20% or less of the fair value of the fixed income portfolio. Included in the fixed income portfolio are cash equivalents or commercial paper.

Commercial Paper must have a minimum quality rating of A-1/P-1 at the time of purchase.

Investments in derivatives are limited to collateralized mortgage obligations (CMO), collateralized bond obligations (CBO), collateralized debt obligations (CDO), and asset-backed securities (ABS).

In preparing this report, collateral for securities lending has been excluded because it is invested in a securities lending collateral investment pool.

The following tables summarize the Plan's fixed income portfolio exposure levels and credit qualities.

#### AVERAGE CREDIT QUALITY AND EXPOSURE LEVELS OF NON-GOVERNMENT GUARANTEED SECURITIES

FIXED SECURITY TYPE	FAIR VALUE JUNE 30, 2009	% OF ALL FIXED INCOME ASSETS	WEIGHTED AVG. CREDIT
Corporate Bonds	\$ 236,407,249	80.3%	A
Mortgages	2,715,329	0.9%	A
CBO	7,465,143	2.6%	BB
CDO	202,220	0.1%	A
<b>Total</b>	<b>\$ 246,789,941</b>	<b>83.9%</b>	

#### RATINGS DISPERSION DETAIL

CREDIT RATING LEVEL	CORPORATE BONDS	MORTGAGES	CBO	CDO
AAA	\$ 79,630,958	\$ 647,662	\$ 0	\$ 0
AA	9,815,045	918,958	0	0
A	37,430,702	361,070	4,205,035	202,143
BBB	35,654,344	0	2,251,199	0
Below BBB	73,876,201	787,639	1,008,909	77
<b>Total</b>	<b>\$ 236,407,249</b>	<b>\$ 2,715,329</b>	<b>\$ 7,465,143</b>	<b>\$ 202,220</b>

### CONCENTRATION OF CREDIT RISK

Concentration of credit risk is the risk of loss that may be attributed to the magnitude of a government's investment in a single issue. Other than bonds used as direct obligations of and fully guaranteed by the U.S. Government, not more than 5% of the Fund or its fixed income portfolio at fair value shall be invested in bonds issued by any one institution, agency or corporation.

### INTEREST RATE RISK

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. This risk is managed within the portfolio using segmented time distributions. It is widely used in the management of fixed income portfolios in that it quantifies the risk of interest rate changes. The Plan does invest in fixed income securities with floating rates that contain coupon adjustment mechanisms in a rising interest rate environment.

The following tables quantify, to the fullest extent possible, the interest rate risk of the Plan's fixed income assets.



**SEGMENTED TIME DISTRIBUTION BY SECURITY TYPE**  
(INCLUDING GOVERNMENT GUARANTEED SECURITIES)

<b>FIXED INCOME SECURITY</b>	<b>&lt;1</b>	<b>1-5</b>	<b>6-10</b>	<b>11-15</b>	<b>16-20</b>	<b>&gt;20</b>
Corporate	\$ 0	\$ 10,283,701	\$ 55,013,212	\$ 12,549,470	\$ 34,674,800	\$ 126,601,394
Agencies	0	2,989,175	12,563,729	2,354,829	21,410,357	8,191,987
CBO	0	2,251,199	2,224,790	0	931,976	2,057,178
CDO	0	0	202,143	0	0	77
<b>Total</b>	<b>\$ 0</b>	<b>\$ 15,524,075</b>	<b>\$ 70,003,874</b>	<b>\$ 14,904,299</b>	<b>\$ 57,017,133</b>	<b>\$ 136,850,636</b>

**CALLABLE BONDS BY SECURITY TYPE**  
(INCLUDING GOVERNMENT GUARANTEED SECURITIES)

<b>FIXED INCOME SECURITY TYPE</b>	<b>FAIR VALUE JUNE 30, 2009</b>	<b>% OF ALL FIXED INCOME ASSETS</b>
Corporate	\$ 1,987,203	0.68%
Agencies	0	0.00%
<b>Total</b>	<b>\$ 1,987,203</b>	<b>0.68%</b>

**FOREIGN CURRENCY RISK**

Foreign currency risk is the risk that changes in the foreign exchange rate will adversely impact the fair value of an investment. The PSPRS is allowed to invest part of its assets in foreign investments. According to Arizona state statutes, no more than twenty per cent of the combined assets of the system and other plans that the fund manager manages shall be invested in foreign securities.

The following table shows the System's exposure to foreign currency risk (U. S. dollars):

**FOREIGN CURRENCY RISK**  
(IN THOUSANDS)

<b>CURRENCY TYPE</b>	<b>FIXED INCOME</b>	<b>PRIVATE EQUITY</b>	<b>REAL ESTATE</b>	<b>TOTAL</b>
Euro Currency Unit	\$ 6,313	\$ 2,391	\$ 124	\$ 8,828
British Pound Sterling	0	0	605	605
<b>Total</b>	<b>\$ 6,313</b>	<b>\$ 2,391</b>	<b>\$ 729</b>	<b>\$ 9,433</b>

**SECURITY LENDING PROGRAM**

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, 2009 the fair value of securities on loan was \$144,776,297 and the collateral was \$148,494,789. 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. All matched loans shall have matched collateral investments.

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. At June 30, 2009, the weighted average maturity was 33 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.

Prior to the current fiscal year, under this program, the Plan has not experienced any defaults or losses on these loans. However, in November 2008 CORP was informed that due to recent market events one or more securities lending collateral vehicles that held assets have been impaired. This potential liability will be realized upon settlement of the recovery process or if there becomes a liquidity issue with the collateral pool. A liability of \$2,037,367 has been recorded as CORP's share.

ASSET CLASS	OUT ON LOAN	TOTAL AVAILABLE TO LOAN	% OF AVAILABLE TO LOAN
Equities	\$ 105,782,035	\$ 525,538,297	20%
Agencies	0	15,671,980	0%
Treasuries	20,930,973	31,838,097	66%
Exchange Traded	18,063,289	246,789,941	7%
<b>Totals</b>	<b>\$ 144,776,297</b>	<b>\$ 819,838,315</b>	<b>18%</b>

**NOTE 4: CAPITAL ASSETS**

These assets are stated at cost, and depreciable assets are depreciated using the straight-line method over the estimated life of the asset. Repairs and maintenance are charged to expense as incurred. Depreciation expense for June 30, 2009 was \$41,510.

The table below is a schedule of the capital asset account balances as of June 30, 2008, and June 30, 2009, and changes to those account balances during the year ended June 30, 2009.

**SCHEDULE OF CAPITAL ASSET ACCOUNT BALANCES**

	LAND	BUILDING AND IMPROVEMENTS	FURNITURE, FIXTURES AND EQUIPMENT	TOTAL CAPITAL ASSETS
<b>CAPITAL ASSETS</b>				
Balance June 30, 2008	\$ 86,590	\$ 615,531	\$ 140,973	\$ 843,094
Additions	0	0	2,158	2,158
Deletions	0	0	0	0
<b>Balance June 30, 2009</b>	<b>86,590</b>	<b>615,531</b>	<b>143,131</b>	<b>845,252</b>
<b>ACCUMULATED DEPRECIATION</b>				
Balance June 30, 2008	0	(56,594)	(52,630)	(109,224)
Additions	0	(16,521)	(24,989)	(41,510)
Deletions	0	0	0	0
<b>Balance June 30, 2009</b>	<b>0</b>	<b>(73,115)</b>	<b>(77,618)</b>	<b>(150,734)</b>
<b>Net Capital Assets</b>	<b>\$ 86,590</b>	<b>\$ 542,416</b>	<b>\$ 65,513</b>	<b>\$ 694,518</b>

**NOTE 5: CONTRIBUTIONS REQUIRED AND CONTRIBUTIONS MADE**

The Retirement System'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 a projected unit credit 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 twenty-eight (28) year period. Beginning July 1, 2006, the minimum employer contribution rate was established at 5%.

During the year ended June 30, 2009, contributions totaling \$109,113,274 (\$56,015,138 employer, and \$53,098,136 member) were made in accordance with contribution requirements determined by an actuarial valuation of the Plan as of June 30, 2007. The employer contributions consisted of approximately \$45,953,225 for normal cost plus \$10,061,913 for amortization of the of the actuarial accrued liability in aggregate. Employer contributions represented 8.65% of covered payroll. [7.10% for normal costs and 1.55% for amortization of assets in excess of the actuarial accrued liability in aggregate.] Member contributions represented 7.96% (Dispatchers) and 8.41% (Non-Dispatchers) of covered payroll and are attributable to normal costs.

**NOTE 6: OTHER BENEFITS**

The PSPRS adopted a supplemental defined contribution plan for all contributing members of an eligible group. An eligible group is defined as the employees of the Fund Manager, PSPRS, the CORP and the EORP. The employees of any of these eligible groups must make an election to participate within two years after the employee first meets the eligibility requirements to participate in the plan. The election to participate is irrevocable and continues for the remainder of the employee's employment with the employer. If an employee elects to participate, the employee must contribute at least 1% of the employee's gross compensation. The IRS maintains that the Employers designate the amounts contributed by each employee. All amounts contributed are subject to the discretion and control of the Employer. Employee contributions and earnings to the plan are immediately vested. Employer contributions, if any, are vested based on the following schedule:

Less than one year of service	0%
One year but less than two	20%
Two years but less than three	40%
Three years but less than four	60%
Four years but less than five	80%
Five years or more	100%

PSPRS administers the supplemental defined contribution plan through Nationwide Retirement Solutions, Inc. All contributions are sent directly to the third party administrator from the participating employer groups.

**NOTE 7: HEALTH INSURANCE SUBSIDY- AGENCY FUND**

The plan description, summary of significant accounting policies, investment policies and contributions required for the health insurance subsidy are the same as the retirement plan and can be found under Notes 1, 2 and 5. The health insurance premium subsidy provided by A.R.S. §38-857 consists of a fixed dollar amount set by statute and paid by the System on behalf of eligible retired members. The subsidized health benefits are provided and administered by the Arizona State Retirement System, Arizona Department of Administration or the participating employer of the retired member. According to Governmental Accounting Standards Board (GASB) Statement No. 43, the health insurance subsidy paid by the System represents other post employment benefits. The Plan does not administer a separate healthcare plan as defined under IRC §401(h) or an equivalent arrangement. In addition, the Plan is not statutorily authorized to maintain a separate account for the health insurance subsidy assets and benefit payments. Therefore, in accordance with GASB No. 43, the healthcare subsidy is reported as an agency fund. All assets of the Plan are available to pay both pension benefits and health insurance subsidy. The pension benefits and health insurance subsidy are funded through employer contributions based on an annual actuarial valuation. Contributions are separately accounted for by employer but are not segregated by contribution type. Contributions in excess of the health benefit subsidy payments are reported in the retirement plan. Therefore, no accumulated assets or liabilities to participating employers are reported in the agency fund. For FY '09, contributions collected for the health insurance subsidy amounted to \$6,245,994 and the health benefit subsidy payments were \$2,207,889. The excess contributions of \$4,038,105 were added to the retirement plan for reporting purposes. Effective FY '08, each participating employer is required by GASB Statement No. 45 to disclose additional information with regard to funding policy, the employer's annual OPEB cost and contributions made, the funded status and funding progress of the employer's individual plan and actuarial methods and assumptions used.

**NOTE 8: PLAN TERMINATION**

CORP and its related plans are administered in accordance with Arizona statutes. These statutes do provide for termination of the plans under A.R.S. 41-3016.18. The plans are scheduled to terminate on July 1, 2016.

**NOTE 9: CONTINGENCIES**

Some of our real estate partners in the investments categorized as "other investments" have obtained third party financing, which is secured by real property. The Plan has entered into Capital Call Agreements with regards to these third party financing arrangements. The Capital Call Agreements, in the unlikely event of default, limit the Plan to the amount of the defaulted payment or the original terms of the investment approved by the Fund Manager, whichever is less. In management's opinion, any loss realized due to current economic conditions will not have a material effect on the financial statements.

As stated in Note 3 – Cash and Investments (under the Security Lending Program heading), the Plan was notified of a situation involving one or more security lending collateral vehicles that held assets which have been impaired as a result of recent market events. An estimate of the unrealized loss is approximately 11.3 million dollars for all three plans and has been recorded as a liability. Management estimates that it may take as long as two years to finalize the settlement that PSPRS administers, including CORP and EORP.

**NOTE 10: FUNDING STATUS AND PROGRESS**

The System's funded status as of the most recent valuation data is as follows:

(IN THOUSANDS)

ACTUARIAL VALUATION DATE	ACTUARIAL VALUE OF ASSETS  (A)	ACTUARIAL ACCRUED LIABILITY  (B)	UNFUNDED AAL(UAAL)  (B-A)	FUNDED RATIO  (A/B)	ANNUAL COVERED PAYROLL  (C)	UAAL AS A % OF COVERED PAYROLL  ((B-A)/C)
06/30/09	\$ 1,309,124	\$ 1,515,563	\$ 206,439	86.4%	\$ 630,825	32.7%

The required schedule of funding progress immediately following the notes to the financial statements presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

The actuarial methods and assumptions used for the pension benefits are as follows:

Valuation Date:	June 30, 2009
Actuarial Cost Method:	Projected Unit Credit
Amortization Method:	Level Percent of Payroll, Closed
Remaining Amortization Period:	27 years closed for unfunded accrued actuarial liability, 20 years open for excess
Asset Valuation Method:	7-Year Smoothed Market Value
Investment Rate of Return:	8.5%
Projected Salary Increases:	5.50-8.50% which includes inflation at 5.50%

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future, and the actuarially determined amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future.

Actuarial calculations reflect a long-term perspective. Consistent with this perspective, actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets. The actuarial calculations are based on the benefits provided under the terms of the Plan in effect at the time of each valuation. These benefits are described in Note 1 under "Summary of Benefits".

**NOTE 11: REQUIRED SCHEDULES**

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

## REQUIRED SUPPLEMENTAL INFORMATION

## SCHEDULE OF FUNDING PROGRESS

(IN THOUSANDS)

ACTUARIAL VALUATION DATE	ACTUARIAL VALUE OF ASSETS (A)	ACTUARIAL ACCRUED LIABILITY (AAL) AT ENTRY AGE (B)	UNFUNDED AAL (EXCESS) (UAAL) (B-A)	FUNDED RATIO (A/B)	COVERED PAYROLL (C)	UAAL AS A PERCENTAGE OF COVERED PAYROLL ((B-A)/C)
06-30-00	\$ 704,991	\$ 501,323	\$ (203,668)	140.6%	\$ 339,440	(60.0%)
06-30-01	776,177	554,387	(221,790)	140.0%	339,783	(65.3%)
06-30-02	782,446	632,238	(150,208)	123.8%	330,428	(45.5%)
06-30-03	758,579	709,298	(49,281)	106.9%	358,161	(13.8%)
06-30-04	833,621	795,775	(37,846)	104.8%	381,942	(9.9%)
06-30-05	872,981	906,025	33,044	96.4%	404,156	8.2%
06-30-06	919,867	981,207	61,340	93.7%	437,743	14.0%
06-30-07	940,126	1,061,811	121,685	88.5%	515,428	23.6%
06-30-08	1,207,026	1,336,662	129,636	90.3%	642,621	20.2%
06-30-09	1,309,124	1,515,563	206,439	86.4%	630,825	32.7%

\* Entry Age Normal Cost method through 6-30-05. Projected Unit Credit method from 6-30-06 to the present.

\* Beginning 6-30-07, funded ratio calculation does not include AAL for the health insurance premium subsidy. If the AAL for the health insurance premium subsidy were included, the funded ratio for 2007, 2008 and 2009 would be 84.6%, 86.8% and 82.6%, respectively.

\* See Notes to the Schedules of Required Supplementary Information.

## SCHEDULE OF EMPLOYER CONTRIBUTIONS

## EMPLOYER CONTRIBUTIONS

FISCAL YEAR ENDED JUNE 30,	ANNUAL REQUIRED CONTRIBUTIONS	PERCENTAGE CONTRIBUTED
2000	16,876,163	100.00%
2001	14,927,396	100.00%
2002	7,101,112	100.00%
2003	7,397,595	100.00%
2004	14,555,335	100.00%
2005	16,291,914	100.00%
2006	24,028,050	100.00%
2007	22,709,507	120.00%
2008	43,858,925	108.00%
2009	53,807,249	108.10%

\* Total Employer Contributions received during FY'07 were \$24,622,693. GASB reporting requires discretely reporting the health insurance subsidy separately from the retirement plan. As a result, the annual required contributions for the health insurance subsidy were calculated to be \$5,742,051. The benefits paid for the health insurance subsidy were \$1,913,186. The difference between the calculated annual required contributions and the benefits paid of \$3,828,865 were then added back to the annual required contributions for the retirement plan. This required calculation resulted in a percent contributed of 120.0% for the retirement plan.

\* Total Employer Contributions received during FY'08 were \$150,729,218. This included \$104,797,048 for a group transfer from Arizona State Retirement System to CORP. This amount was not used in the ARC calculation. GASB reporting requires discretely reporting the health insurance subsidy separately from the retirement plan. As a result, the annual required contributions for the health insurance subsidy were calculated to be \$5,398,020. The benefits paid for the health insurance subsidy were \$2,073,245. The difference between the calculated annual required contributions and the benefits paid of \$3,324,775 were then added back to the annual required contributions for the retirement plan. This required calculation resulted in a percent contributed of 108.0% for the retirement plan.

\* Total Employer Contributions received during FY'09 were \$56,015,138. GASB reporting requires discretely reporting the health insurance subsidy separately from the retirement plan. As a result, the annual required contributions for the health insurance subsidy were calculated to be \$6,245,994. The benefits paid for the health insurance subsidy were \$2,207,889. The difference between the calculated annual required contributions and the benefits paid of \$4,038,105 were then added back to the annual required contributions for the retirement plan. This required calculation resulted in a percent contributed of 108.1% for the retirement plan.

\* See Notes to the Schedules of Required Supplementary Information.



**NOTES TO THE REQUIRED SUPPLEMENTAL INFORMATION****ACTUARIAL METHODS AND ASSUMPTIONS FOR VALUATIONS PERFORMED JUNE 30, 2009**

The projected unit credit actuarial cost method of valuation is used in determining liabilities and normal cost. Differences in the past between assumed experience and actual experience (actuarial gains and losses) become part of actuarial accrued liabilities. Unfunded actuarial accrued liabilities are amortized to produce payments (principal and interest), which are expressed as a percent of payroll. An open 20-year amortization period for excess and a closed 27-year amortization period were used for the June 30, 2009 valuations. The actuarial value of assets is based on a method that fully recognizes expected investment returns and averages unanticipated market return over a 7-year period. The investment return rate assumption used is 8.5% per year, compounded annually (net of investment expenses). Projected salary increase assumptions are based on 5.5%, which include a price inflation assumption of 5.5% per year.

Each of the 25 participating employer groups has its own actuarial study. Data presented here is an aggregation of the data from each individual plan study. The data should not be interpreted as being indicative of the status of any individual plan.

Actuarial valuations are prepared annually as of June 30 for each participating employer. To facilitate budgetary planning needs, employer contribution requirements are provided for each participating employer's fiscal year that commences after the following fiscal year end. For example, the contribution requirements for fiscal year 2009 were determined by actuarial valuations as of June 30, 2007.

## SUPPORTING SCHEDULES INFORMATION

**SCHEDULE OF CHANGES IN FUND BALANCE**  
FOR THE YEARS ENDED JUNE 30, 2009 AND 2008

	REFUNDABLE MEMBERS' RESERVE	EMPLOYERS' RESERVE	FUTURE BENEFIT INCREASE RESERVE
<b>BALANCE AS OF JUNE 30, 2007</b>	<b>\$ 213,688,264</b>	<b>\$ 738,823,211</b>	<b>\$ 60,426,061</b>
DISTRIBUTION OF REVENUES AND EXPENSES			
Members' Contributions	111,097,660		
Employers' Contributions		150,729,218	
Earnings (Loss) on Investments Net of Investment Expenses		(68,039,675)	
Pension and Insurance Benefits		(51,045,908)	
Refunds to Terminated Members	(12,049,460)	(4,162,469)	
Administrative Expenses		(1,102,992)	
DISTRIBUTION OF TRANSFERS			
Excess Investment Earnings to be used for Future Benefit Increases			
Earnings (Loss) on Excess Investment Earnings Account Assets		4,258,829	(4,258,829)
Amount Utilized by Benefit Increases Granted		15,533,554	(15,533,554)
Net Transfers In (Out) and Purchase of Service Credits	870,764		
Inter-System Transfers Member Accounts	1,047,216	1,305,955	
Balances Transferred to Employers' Reserve due to Retirement	(18,337,344)	18,337,344	
<b>BALANCE AS OF JUNE 30, 2008</b>	<b>\$ 296,317,101</b>	<b>\$ 804,637,066</b>	<b>\$ 40,633,678</b>
DISTRIBUTION OF REVENUES AND EXPENSES			
Members' Contributions	53,098,136		
Employers' Contributions		56,015,138	
Earnings (Loss) on Investments Net of Investment Expenses		(216,313,556)	
Pension and Insurance Benefits		(57,696,779)	
Refunds to Terminated Members	(10,965,953)	(3,913,388)	
Administrative Expenses		(1,064,826)	
DISTRIBUTION OF TRANSFERS			
Excess Investment Earnings to be used for Future Benefit Increases			
Earnings (Loss) on Excess Investment Earnings Account Assets		7,311,624	(7,311,624)
Amount Utilized by Benefit Increases Granted		18,197,108	(18,197,108)
Net Transfers In (Out) and Purchase of Service Credits	429,497		
Inter-System Transfers Member Accounts	62,430	(222,429)	
Balances Transferred to Employers' Reserve due to Retirement	(15,292,498)	15,292,498	
<b>BALANCE AS OF JUNE 30, 2009</b>	<b>\$ 323,648,713</b>	<b>\$ 622,242,457</b>	<b>\$ 15,124,946</b>

## SUPPORTING SCHEDULES INFORMATION

**SCHEDULE OF RECEIPTS AND DISBURSEMENTS**  
FOR THE YEARS ENDED JUNE 30, 2009 AND 2008

	2009	2008
<b>RECEIPTS</b>		
Members' Contributions	\$ 53,006,252	\$ 110,686,095
Employers' Contributions	55,624,332	149,956,274
Interest	14,513,439	18,962,722
Dividends	20,135,000	15,459,721
Real Estate Income (Net)	5,845	2,390,646
Securities Lending Income	1,761,286	1,205,465
Transfer In	370,781	3,217,224
Service Purchase	429,498	870,764
Maturities and Sales of:		
U.S. Government Securities	375,881,073	81,591,774
Corporate Bonds	222,210,400	45,965,431
Corporate Notes	0	45,859,630
Other Investments	76,437,274	6,609,768
Common Stock	1,318,719,821	319,751,432
<b>Total Receipts</b>	<b>2,139,095,001</b>	<b>802,526,946</b>
<b>DISBURSEMENTS</b>		
Pension Benefits	57,696,779	51,045,908
Refunds to Terminated Members	14,879,342	16,211,929
Investment and Administrative Expenses	2,304,824	492,968
Transfer Out	530,780	864,053
Acquisitions of:		
U.S. Government Securities	269,172,769	131,065,994
Corporate Bonds	373,705,434	73,103,057
Other Investments	151,675,242	28,487,367
Common Stock	1,310,930,569	443,367,115
<b>Total Disbursements</b>	<b>2,180,895,739</b>	<b>744,638,391</b>
INCREASE (DECREASE) IN CASH	(41,800,738)	57,888,555
BEGINNING CASH BALANCE - July 1	58,316,455	427,900
<b>ENDING CASH BALANCE - June 30</b>	<b>\$ 16,515,717</b>	<b>\$ 58,316,455</b>

## SUPPORTING SCHEDULES INFORMATION

**SCHEDULE OF ADMINISTRATIVE EXPENSES**  
FOR THE YEAR ENDED JUNE 30, 2009

	ADMINISTRATIVE	INVESTMENT	TOTAL
Accounting and Auditing Services	\$ 20,490	\$ 0	\$ 20,490
Actuarial Services	30,092	0	30,092
Building Expense	0	0	0
Communications	6,668	0	6,668
Computer Related Expense	37,369	3,143	40,512
Contractual Services	24,270	0	24,270
Depreciation Expense	41,510	0	41,510
Fund Manager Initiatives	16,419	0	16,419
Furniture and Equipment	153	293	446
Investment Services	0	3,145,503	3,145,503
Legal Services	179,598	287,451	467,049
Local Board Training	181	0	181
Payroll Taxes and Fringe Benefits	151,303	49,693	200,996
Postage Expenses	16,145	0	16,145
Printing & Publications	9,742	0	9,742
Professional Services	71,771	325,275	397,046
Salaries and Wages	439,784	252,208	691,992
Supplies & Services	10,528	0	10,528
Training Expenses	5,629	3,668	9,297
Travel Expense	3,174	9,767	12,942
<b>TOTAL</b>	<b>\$ 1,064,826</b>	<b>\$ 4,077,002</b>	<b>\$ 5,141,828</b>

**SCHEDULE OF CONSULTANT EXPENSES**  
FOR THE YEAR ENDED JUNE 30, 2009

CONSULTANT	FEES PAID
Albourne America, LLC	\$ 39,710
Bridget E. Feeley, Inc.	17,057
Cortex Applied Research, Inc.	4,321
Cushman & Wakefield of Arizona, Inc.	8,664
Ernst & Young LLP	43,122
Heinfeld Meech & Co., PC	21,467
Highground, Inc.	15,162
Interactive Data	10,751
Kutak Rock, LLP	467,049
Light Stone Solutions, LLC	41,683
McLagan Partners, Inc.	5,415
Mellon Global Securities	14,217
ORG Portfolio Management	65,210
Peak Performance Consulting	2,139
Public Policy Partners	17,328
Rodwan Consulting Group	26,492
Wells Fargo Bank	11,990
<b>Total</b>	<b>\$ 811,776</b>

## OTHER SUPPLEMENTAL INFORMATION

**HEALTH INSURANCE PREMIUM SUBSIDY  
AGENCY FUND  
STATEMENT OF CHANGES IN ASSETS & LIABILITIES**

HEALTH INSURANCE PREMIUM SUBSIDY	BEGINNING BALANCE	ADDITIONS	DELETIONS	ENDING BALANCE
ASSETS				
Cash	\$ 0	\$ 2,207,889	\$ 2,207,889	\$ 0
<b>Total Assets</b>	<b>0</b>	<b>2,207,889</b>	<b>2,207,889</b>	<b>0</b>
LIABILITIES				
Benefits Payable	0	2,207,889	2,207,889	\$ 0
<b>Total Liabilities</b>	<b>\$ 0</b>	<b>\$ 2,207,889</b>	<b>\$ 2,207,889</b>	<b>0</b>

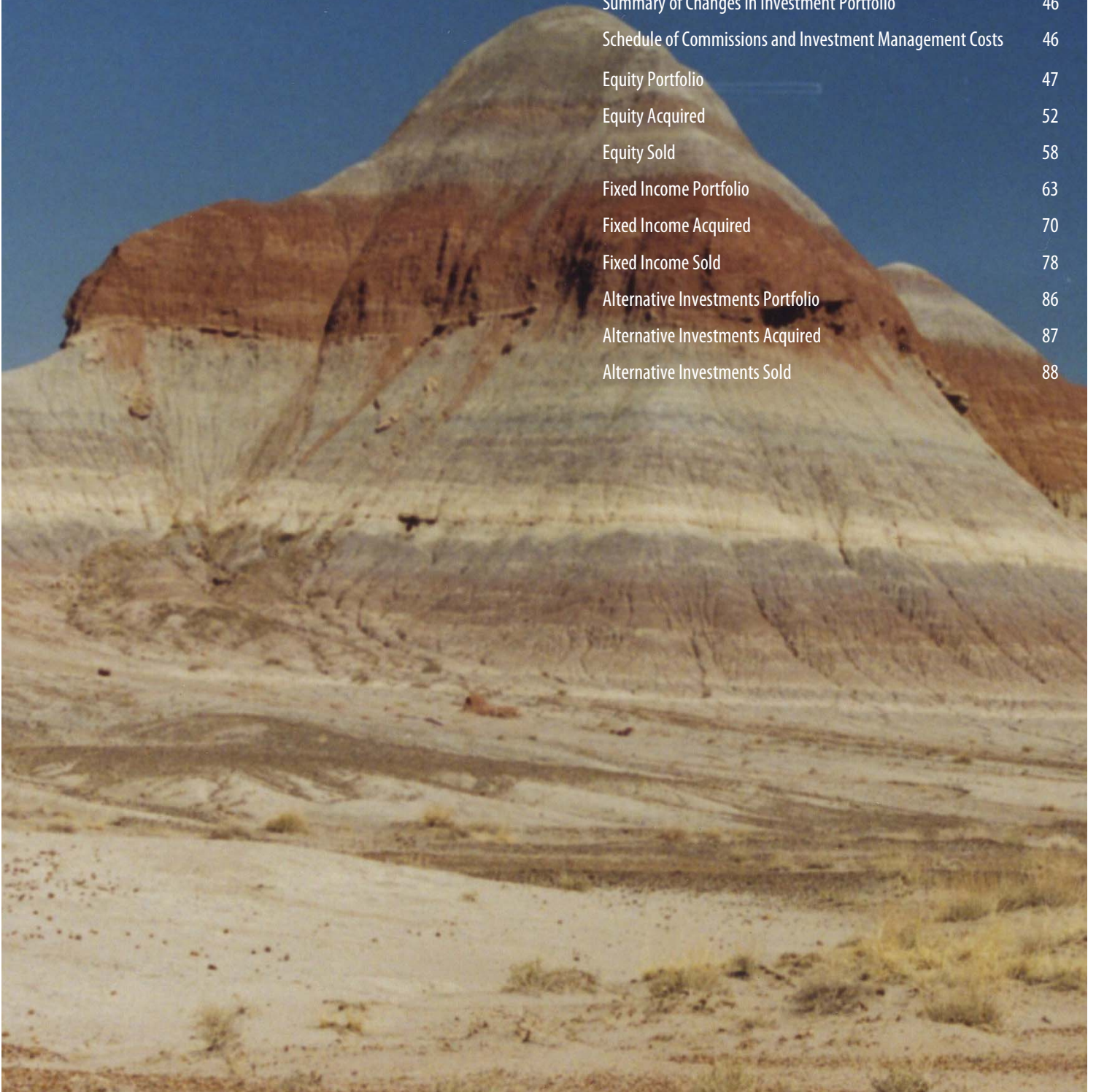
**HEALTH INSURANCE PREMIUM SUBSIDY  
AGENCY FUND  
STATEMENT OF FUNDING PROGRESS  
(IN THOUSANDS)**

ACTUARIAL VALUATION DATE	ACTUARIAL VALUE OF ASSETS (A)	ACTUARIAL ACCRUED LIABILITY (B)	UNFUNDED AAL(UAAL) (B-A)	FUNDED RATIO (A/B)	ANNUAL COVERED PAYROLL (C)	UAAL AS A % OF COVERED PAYROLL ((B-A)/C)
06/30/07	\$ 0	\$ 48,990	\$ 48,990	0.0%	\$ 515,428	9.5%
06/30/08	\$ 0	\$ 53,701	\$ 53,701	0.0%	\$ 642,621	8.4%
06/30/09	\$ 0	\$ 68,731	\$ 68,731	0.0%	\$ 630,825	10.9%

\* GASB reporting requires discreetly reporting the health insurance premium subsidy separately from the retirement plan. As a result, the funded ratio for the retirement plan does not include this portion for the health insurance premium subsidy. If you include the actuarial accrued liabilities for the health insurance premium subsidy with the retirement plan, the funded ratio for 2007, 2008 and 2009 would be 84.6%, 86.8% and 82.6% respectively.



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

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Fund Manager, Vice Chair

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**Tim Dunne**  
Fund Manager, Member

**Gregory Ferguson**  
Fund Manager, Member

**James M. Hacking**  
Administrator

**Ryan Parham**  
Chief Investment Officer

**Tracey D. Peterson**  
Assistant Administrator-COO

November 11, 2009

The Fund Manager and Administrator  
Public Safety Personnel Retirement System

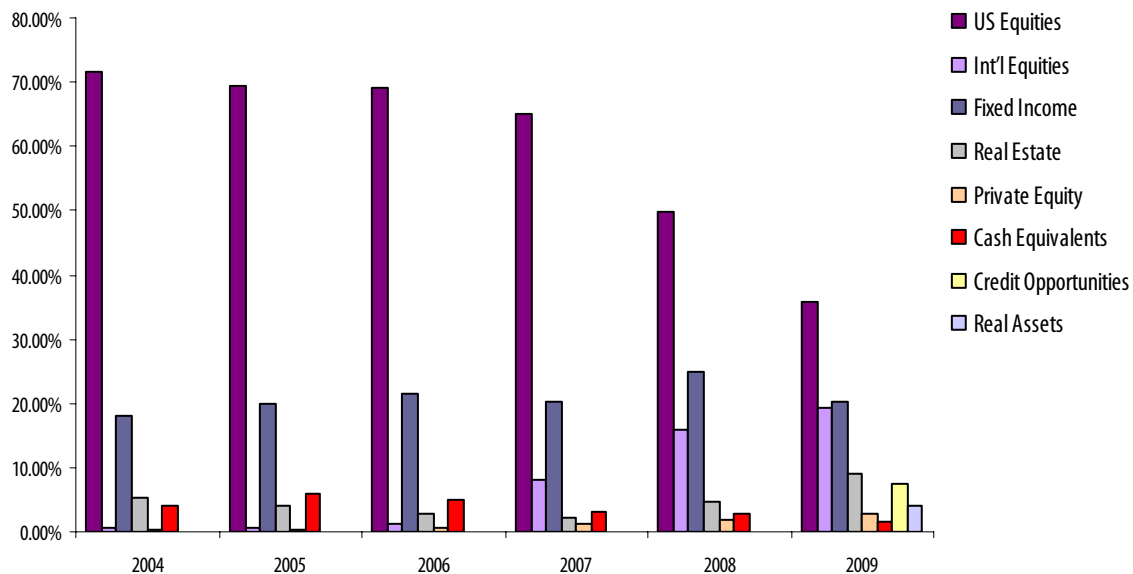
Dear Sirs/ Madam:

As Chief Investment Officer of the Corrections Officer Retirement Plan (CORP), I hereby submit these comments for inclusion in the Comprehensive Annual Financial Report (CAFR) for the fiscal year ending June 30, 2009. Data used in formulating this response has been generated by internal staff after review of and reference to data generated by the CORP custodian bank, BNY-Mellon.

**2008-2009 THE "MELTDOWN" OF THE GLOBAL FINANCIAL SYSTEM**

After the previous "dot com" valuation bubble, the CORP board, staff and consultants began the process of expanding the CORP core investment strategy. That process, which includes moving away from our historical overreliance upon U.S. equities, helped CORP to more reliably weather the tremendous volatility of the 2008-2009 fiscal year. CORP achieved returns which were better than many public funds of similar size, better than most endowments during the year and which exceeded our benchmark by several hundred basis points. Asset allocation changes toward greater diversity helped reduce the volatility we otherwise would have experienced during this global economic shock and recession.

Asset allocations as of June 30<sup>th</sup> 2009 and the previous five years are as follows:



**ALTERNATIVE INVESTMENTS**

As of year end CORP had deployed capital into almost 50 Alternative investments including exposures in:

- |                         |                                |
|-------------------------|--------------------------------|
| US Private Equity       | US Venture Capital             |
| US Real Estate          | International Real Estate      |
| European Private Equity | Real Assets (Including Timber) |
| Dislocated Debt         | Core Capital Assets            |
| US Infrastructure       | European Infrastructure        |

**EXPANDING CAPABILITIES**

In addition to expanding and enhancing our due diligence capabilities the System has continued to utilize and expand the services of three specialist external consulting groups: ORG Real Property, Albourne America LLC, and StepStone Group LL. These are in addition to NEPC, the Fund Manager's generalist consultant.

**PERFORMANCE**

CORP returned -17.99% (net of fees) for FY'09. This negative return outperformed the CORP benchmark return of -21.13% by 314 basis points. This outperformance was primarily the result of active management decisions in asset allocation and securities selections during the year.

**GOALS AND OBJECTIVES**

During FY'10, the System's Investment Staff expects to:

- Review our Asset Allocation, utilizing current capital market assumptions reflecting continuing changes in the global economic landscape;
- Continue deployment in Alternatives, including capitalizing on opportunities in the secondary markets;
- Add "alpha" (excess return) seeking strategies to current index-like exposures in public securities, that are attractive on a risk adjusted basis;
- Continue to deploy portions of the remaining, in-house managed, portfolios to external managers so as to capture attractive investment strategies which are difficult or impossible to replicate internally.

**CONCLUSION**

While certainly not immune from Global Economic Distress, the CORP portfolio is better positioned to withstand similar shocks than it has been in the past. Increased exposure to diverse sources of income will help to produce our expected asset growth with greater consistency and with lower volatility over longer time horizons.

In closing, I would like to thank the CORP Fund Manager members, who are the ultimate fiduciaries for this System, for their willingness to maintain a governance structure that facilitates the pursuit of excellence in all that we do. To the System's participants and beneficiaries, I commit that our sole purpose will be to persevere to ensure that the retirement benefits promised are secure.

Respectfully Submitted,



Ryan P. Parham  
Chief Investment Officer

**FUND INVESTMENT OBJECTIVES**

The objective of the Fund is to ensure the integrity of the Elected Officials' Retirement Plan, Public Safety Personnel Retirement Plan and the Corrections Officer Retirement Plan in order to adequately fund benefit levels for members 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 Legislature. To achieve the objective, the Fund will do the following:

- Maintain a goal for the Fund's assets to be equal to the Fund's liabilities within a twenty year period.
- Annually adjust the employer contribution rates based on the recommendations made by the annual actuarial evaluations.
- Determine a reasonable contribution rate necessary to fund benefits approved by the legislature and then reduce the variation in the employer contribution rate over time to the Fund.
- Preserve and enhance the capital of the Fund through effective management of the portfolio in order to take advantage of attractive opportunities various markets and market sectors have to offer.
- Provide the opportunity for increased benefits for retirees as the legislature may from time to time enact through systematic growth of the investment fund.

Consistent with the Fund objectives, the primary investment objective of the Fund is to maximize long-term real (after inflation) investment returns recognizing established risk (volatility) parameters and the need to preserve capital by:

- Deriving a reasonable asset allocation model that attempts to fully achieve the primary investment objective, over the long term.
- Consistent with these policies and the direction of the Fund Manager, strategically allocating within asset classes and investment styles in order to enhance investment returns. This strategic allocation must at all times be within ranges set forth in these Policies.
- Regularly reviewing the status of investments.
- Regularly assessing the need to adjust the mix, type and composition of the investment classes within the allocation ranges.

The possibility of short-term declines in the market value of the Fund or the Fund's assets is a recognized consequence of achieving potentially higher long-term investment returns.

The time horizon for evaluating total fund investment performance shall be long-term.

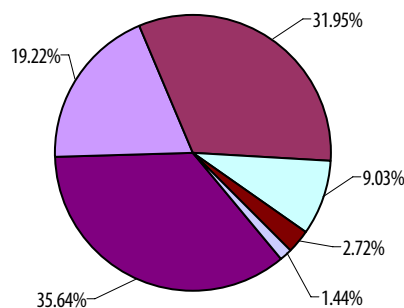
**ANNUALIZED RATES OF RETURN**

	1 YEAR	3 YEAR	5 YEAR	10 YEAR	20 YEAR
CORP Total Fund *	-17.99%	-3.81%	1.02%	0.26%	6.94%
Balanced Index	-21.13%	-5.05%	-1.18%	0.84%	6.22%
CORP Domestic Equity *	-22.20%	-6.00%	-0.64%	-2.47%	7.45%
S&P 500 Index	-27.22%	-7.92%	-2.05%	-2.13%	6.96%
CORP Fixed Income *	-1.93%	2.70%	3.59%	5.35%	7.02%
Fixed Income Index	5.20%	6.15%	4.78%	5.94%	7.02%

\* Time weighted rate of return based on the market rate of return. (Net of fees)

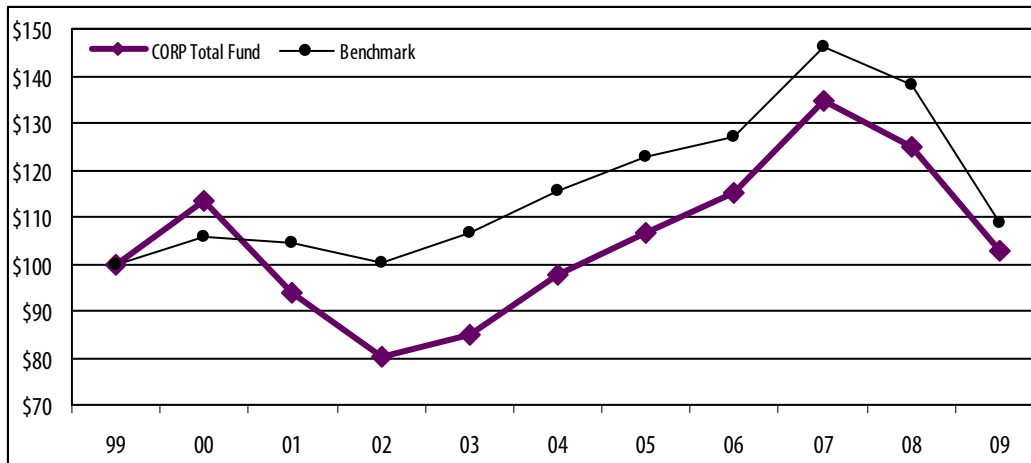
**ASSET ALLOCATION  
JUNE 30, 2009**

- Domestic Equity
- International Equity
- Domestic Fixed Income
- Real Estate
- Private Equity
- Cash

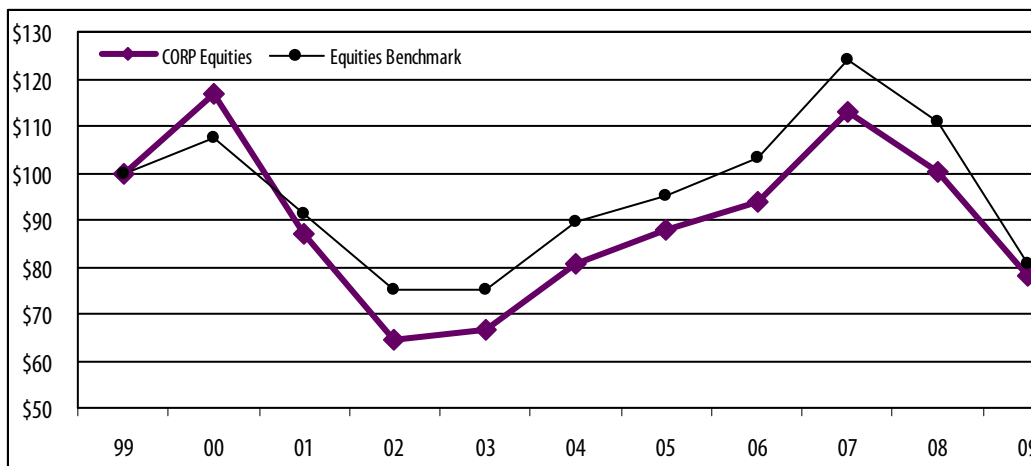


TEN YEAR CUMULATIVE RETURN, BENCHMARK AND INDICIES

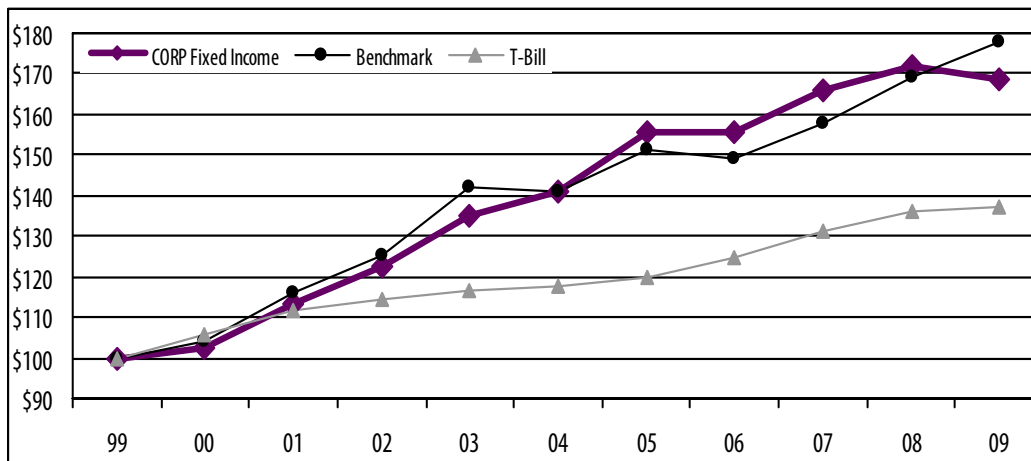
TOTAL FUND



EQUITIES



FIXED INCOME





**EQUITY PORTFOLIO TOP 10 HOLDINGS**  
 JUNE 30, 2009

Shares	Description	Fair Value
977,540	ISHARES TR MSCI EAFE INDEX FD	\$ 44,781,095
1,687,114	VANGUARD INDEX FDS EXTD MKT	44,236,125
738,158	ETF VANGUARD TOTAL STOCK	34,154,573
1,338,409	VANGUARD INTL EQUITY INDEX FDS	28,735,633
3,292,958	VANGUARD STAR FD INSTL	25,981,437
676,986	ISHARES TR MSCI EMERGING MKTS	21,819,265
399,222	ETF VANGUARD PACIFIC ETF	18,460,043
187,003	EXXON MOBIL CORP	13,073,347
572,584	ISHARES MSCI CDA INDEX FD	12,264,742
264,946	VANGUARD INTL EQUITY INDEX FD	9,514,214

**FIXED INCOME PORTFOLIO TOP 10 HOLDINGS**  
 JUNE 30, 2009

Shares	Description	Fair Value
6,000,085	BGI CORE ACTIVE BOND FUND	\$ 110,640,998
236,965	ISHARES TR IBOX \$ HIGH YIELD	18,888,444
14,500,002	GS CREDIT OPPS FUND 2008	14,500,002
10,067,922	BLACKROCK MORTGAGE INVESTORS	10,067,922
9,123,332	US TREAS-CPI INFLAT	8,952,269
6,304,709	PSPRS-APOLLO EUR NPL	8,843,301
7,578,114	HIGHLAND CLO	7,578,114
6,994,769	PSPRS PNM MAC MORTGOPP	6,994,769
7,148,892	US TREAS-CPI INFLATION INDEX	6,945,614
161,184	SPDR SER TR LEHMAN HIGH YIELD	5,672,061

**SUMMARY OF CHANGES IN INVESTMENT PORTFOLIO**

 JUNE 30, 2009  
 (IN THOUSANDS)

DESCRIPTION	JUNE 30, 2008 BALANCE				JUNE 30, 2009 BALANCE			
	PERCENT AT FAIR VALUE	FAIR VALUE	BOOK VALUE	ACQUIRED	MATURED AND SOLD	FAIR VALUE	BOOK VALUE	PERCENT AT FAIR VALUE
US Govt Securities	13.99%	\$ 152,259	\$ 150,981	\$ 269,173	\$ 373,819	\$ 47,510	\$ 46,335	5.04%
Corporate Bonds	11.40%	124,034	132,415	373,705	240,182	246,790	265,938	26.19%
<b>Total Fixed Income</b>	<b>25.39%</b>	<b>276,293</b>	<b>283,396</b>	<b>642,878</b>	<b>614,001</b>	<b>294,300</b>	<b>312,273</b>	<b>31.23%</b>
Common Stock	67.81%	737,895	768,958	1,310,931	1,496,066	525,538	583,823	55.78%
Alternative Investments	6.80%	73,970	55,740	151,675	66,509	122,408	140,906	12.99%
<b>Total Portfolio</b>	<b>100.00%</b>	<b>\$ 1,088,158</b>	<b>\$ 1,108,094</b>	<b>\$ 2,105,484</b>	<b>\$ 2,176,576</b>	<b>\$ 942,246</b>	<b>\$ 1,037,002</b>	<b>100.00%</b>

**SCHEDULE OF COMMISSIONS & INVESTMENT MANAGEMENT COSTS**

YEAR ENDED JUNE 30, 2009

BROKER	NUMBER OF SHARES TRADED	AVERAGE COMMISSION	TOTAL COMMISSIONS
BLOOMBERG TRADEBOOK LLC	17,503,292	.010	\$ 175,033
PENSION FINANCIAL SERVICES INC	7,460,886	.005	37,670
<b>TOTAL COMMISSIONS</b>	<b>24,964,178</b>	<b>.009</b>	<b>\$ 212,703</b>

**EQUITY PORTFOLIO**  
YEAR ENDED JUNE 30, 2009

SHARES	SECURITY	COST	FAIR VALUE	UNREALIZED GAIN (LOSS)
31,998	3M CO	\$ 2,291,072	\$ 1,923,092	\$ (367,979)
62,497	ABBOTT LABS COM	3,589,190	2,939,849	(649,342)
29,559	ADOBE SYS INC DEL COM	1,266,014	836,521	(429,493)
21,580	AES CORP COM	329,315	250,547	(78,768)
19,893	AETNA INC COM NEW	858,172	498,313	(359,860)
17,887	AFLAC INC COM	1,014,204	556,113	(458,091)
6,407	AIR PRODS & CHEMS INC COM	588,471	413,820	(174,651)
24,126	ALCOA INC COM	775,181	249,226	(525,955)
6,571	ALLEGHENY TECHNOLOGIES INC COM	321,993	229,535	(92,458)
19,938	ALLSTATE CORP COM	899,798	486,485	(413,313)
85,297	ALTRIA GROUP INC	1,777,033	1,398,024	(379,009)
14,635	AMAZON.COM INC COM	606,242	1,224,362	618,120
29,812	AMEREN CORP	950,469	742,021	(208,449)
12,913	AMERICAN ELEC PWR INC COM	504,135	373,065	(131,070)
20,045	AMERICAN EXPRESS CO COM	795,366	465,834	(329,532)
111,866	AMERICAN INTL GROUP INC COM	2,404,008	129,765	(2,274,243)
12,593	AMERICAN TOWER CORP	403,292	397,067	(6,225)
47,331	AMGEN INC	2,974,774	2,505,721	(469,054)
16,984	APACHE CORP COM	1,927,045	1,225,381	(701,664)
33,891	APPLE INC	5,745,511	4,827,070	(918,441)
72,365	APPLIED MATLS INC COM	1,296,776	796,736	(500,040)
31,836	ARCHER DANIELS MIDLAND CO COM	758,676	852,239	93,563
214,249	AT & T INC COM	6,465,389	5,321,942	(1,143,447)
26,921	AUTOMATIC DATA PROCESSING INC	1,194,760	954,085	(240,675)
44,790	BANK NEW YORK MELLON CORP COM	1,398,015	1,312,803	(85,212)
231,638	BANK OF AMERICA CORP	7,312,961	3,057,621	(4,255,340)
33,426	BAXTER INTL INC COM	1,973,542	1,770,218	(203,324)
17,092	BEST BUY INC COM	765,218	572,418	(192,800)
1,222,899	BGI FRONTIER MARKETS FUND	5,420,719	6,447,903	1,027,184
37,906	BOEING CO COM	2,485,144	1,611,022	(874,122)
3,614	BOSTON PPTYS INC COM	234,162	172,368	(61,795)
46,471	BOSTON SCIENTIFIC CORP COM	416,823	471,212	54,389
59,741	BRISTOL MYERS SQUIBB CO COM	1,274,882	1,213,349	(61,534)
10,281	CAMPBELL SOUP CO COM	380,649	302,456	(78,193)
15,610	CAPITAL ONE FINL CORP	689,022	341,545	(347,477)
22,495	CELGENE CORP	1,558,869	1,076,137	(482,732)
19,513	CHESAPEAKE ENERGY CORP COM	941,641	386,949	(554,692)
73,557	CHEVRON CORPORATION COM	6,336,204	4,873,166	(1,463,038)
13,533	CHUBB CORP COM	649,712	539,690	(110,022)
225,575	CISCO SYS INC COM	5,425,068	4,206,965	(1,218,103)
217,846	CITIGROUP INC COM	4,136,903	647,004	(3,489,899)
22,993	CITRIX SYS INC COM	695,998	733,247	37,249
7,227	CLOROX CO COM	414,983	403,492	(11,491)
2,873	CME GROUP INC COM	1,039,386	893,783	(145,603)
11,074	COACH INC COM	321,030	297,664	(23,366)

**EQUITY PORTFOLIO**  
YEAR ENDED JUNE 30, 2009

SHARES	SECURITY	COST	FAIR VALUE	UNREALIZED GAIN (LOSS)
71,864	COCA COLA CO COM	\$ 3,753,974	\$ 3,448,757	\$ (305,217)
21,520	COLGATE PALMOLIVE CO	1,636,132	1,522,294	(113,839)
76,066	COMCAST CORP NEW CL A SPL	1,608,030	1,072,527	(535,503)
58,359	CONOCOPHILLIPS	4,768,663	2,454,590	(2,314,074)
6,450	CONSOL ENERGY INC COM	429,321	219,050	(210,271)
7,687	CONSTELLATION BRANDS INC CL A	162,280	97,475	(64,804)
13,822	COSTCO WHSL CORP NEW COM	719,398	632,768	(86,630)
58,237	CVS CAREMARK CORP	2,131,491	1,856,028	(275,463)
78,198	DELL INC COM	1,699,238	1,073,655	(625,582)
18,869	DEVON ENERGY CORP NEW COM	1,925,545	1,028,341	(897,204)
46,684	DISNEY WALT CO COM	1,510,232	1,089,141	(421,091)
24,227	DOMINION RES INC VA NEW COM	1,006,324	809,674	(196,650)
37,166	DOW CHEM CO COM	1,268,463	599,853	(668,610)
31,792	DU PONT E I DE NEMOURS & CO	1,330,811	814,512	(516,298)
93,389	DUKE ENERGY CORP NEW COM	1,490,211	1,362,549	(127,662)
9,142	ECOLAB INC COM	368,677	356,460	(12,216)
15,318	EDISON INTL COM	624,422	481,903	(142,520)
118,109	EMC CORP MASS	1,804,703	1,547,225	(257,477)
19,875	EMERSON ELEC CO COM	716,939	643,939	(73,000)
6,111	ENERGY CORP NEW COM	631,770	473,690	(158,080)
366,959	ETF VANGUARD FINANCIALS ETF	8,105,326	8,834,528	729,202
399,222	ETF VANGUARD PACIFIC ETF	16,586,066	18,460,043	1,873,977
738,158	ETF VANGUARD TOTAL STOCK	35,549,692	34,154,573	(1,395,119)
27,554	EXELON CORP COM	2,092,965	1,411,015	(681,949)
11,094	EXPRESS SCRIPTS INC COM STK	814,387	762,690	(51,697)
187,003	EXXON MOBIL CORP	14,835,953	13,073,347	(1,762,606)
9,395	FAMILY DLR STORES INC	247,506	265,887	18,381
21,718	FEDEX CORP COM	1,798,651	1,207,932	(590,718)
12,476	FIRSTENERGY CORP COM	811,780	483,440	(328,340)
13,415	FISERV INC COM	695,723	613,218	(82,505)
6,450	FRANKLIN RES INC COM	674,049	464,481	(209,568)
10,244	FREEMAN MCMORAN COPPER & GOLD	915,038	513,351	(401,686)
13,117	GENERAL DYNAMICS CORP COM	729,862	726,566	(3,296)
373,915	GENERAL ELEC CO COM	10,066,549	4,382,280	(5,684,269)
14,671	GENERAL MLS INC COM	961,310	821,876	(139,434)
10,128	GENZYME CORP COM	793,033	563,833	(229,200)
36,003	GILEAD SCIENCES INC COM	1,896,626	1,686,370	(210,256)
17,250	GOLDMAN SACHS GROUP INC COM	2,828,473	2,543,332	(285,142)
10,355	GOOGLE INC CL A	4,413,119	4,365,438	(47,681)
8,658	GRAINGER W W INC COM	779,491	708,927	(70,564)
54,204	HALLIBURTON CO COM	2,339,084	1,122,015	(1,217,068)
12,260	HARTFORD FINL SVCS GROUP INC	773,381	145,530	(627,851)
12,521	HCP INC COM	357,780	265,321	(92,459)
103,095	HEWLETT PACKARD CO COM	4,466,967	3,984,634	(482,334)
29,162	HOME DEPOT INC COM	790,861	689,088	(101,774)

**EQUITY PORTFOLIO**  
YEAR ENDED JUNE 30, 2009

SHARES	SECURITY	COST	FAIR VALUE	UNREALIZED GAIN (LOSS)
23,488	HONEYWELL INTL INC COM	\$ 695,597	\$ 737,531	\$ 41,934
52,900	IBM CORP COM	6,439,499	5,523,803	(915,696)
206,335	INTEL CORP	4,718,885	3,414,847	(1,304,038)
13,522	INTERNATIONAL PAPER CO COM	365,770	204,588	(161,182)
2,060	INTUITIVE SURGICAL INC	608,179	337,097	(271,082)
572,584	ISHARES MSCI CDA INDEX FD	10,200,808	12,264,742	2,063,934
78,053	ISHARES TR MSCI EAFE GROWTH	3,571,716	3,605,279	33,563
977,540	ISHARES TR MSCI EAFE INDEX FD	43,568,945	44,781,095	1,212,149
93,953	ISHARES TR MSCI EAFE VALUE	3,799,458	3,961,996	162,539
676,986	ISHARES TR MSCI EMERGING MKTS	17,215,759	21,819,265	4,603,506
162,611	ISHARES TR RUSSELL 2000 INDEX	7,310,655	8,306,164	995,509
25,271	ISHARES TR RUSSELL 3000 INDEX	1,412,123	1,361,329	(50,794)
102,264	JOHNSON & JOHNSON COM	6,993,809	5,808,606	(1,185,203)
136,137	JPMORGAN CHASE & CO COM	5,660,354	4,643,643	(1,016,711)
12,611	KELLOGG CO COM	686,563	587,312	(99,252)
18,151	KEYCORP NEW COM	217,998	95,113	(122,885)
18,964	KIMBERLY CLARK CORP COM	1,102,089	994,266	(107,824)
14,364	KOHL'S CORP COM	706,276	614,059	(92,217)
61,164	KRAFT FOODS INC CL A	1,781,159	1,549,907	(231,251)
50,174	LILLY ELI & CO COM	2,340,640	1,738,044	(602,596)
24,663	LINEAR TECHNOLOGY CORP COM	804,989	575,873	(229,116)
18,610	LOCKHEED MARTIN CORP COM	2,166,938	1,500,890	(666,049)
61,611	LOWES COS INC COM	1,188,596	1,195,878	7,282
42,460	MCDONALD'S CORP COM	2,632,490	2,440,997	(191,492)
34,455	MEDTRONIC INC COM	1,881,267	1,202,150	(679,117)
93,949	MERCK & CO INC COM	2,972,734	2,626,824	(345,910)
29,902	METLIFE INC COM	1,620,707	897,369	(723,338)
18,049	MICROCHIP TECHNOLOGY INC COM	577,763	407,015	(170,748)
292,766	MICROSOFT CORP COM	7,989,572	6,959,037	(1,030,535)
18,651	MONSANTO CO NEW COM	2,042,971	1,386,550	(656,421)
19,727	MORGAN STANLEY	805,433	562,403	(243,031)
24,030	NATIONAL OILWELL VARCO INC	1,771,752	784,829	(986,923)
11,413	NEWMONT MINING CORP HOLDING CO	514,748	466,469	(48,279)
98,109	NEWS CORPORATION CL A	731,936	893,769	161,833
15,800	NORDSTROM INC WASH COM	491,391	314,269	(177,122)
8,459	NUCOR CORP	444,117	375,850	(68,267)
34,006	OCCIDENTAL PETE CORP COM	2,689,405	2,237,905	(451,499)
20,200	OMNICOM GROUP INC USD0.15 COM	856,273	637,912	(218,361)
111,840	ORACLE CORPORATION COM	2,452,655	2,395,616	(57,038)
11,654	PEABODY ENERGY CORP COM	733,605	351,478	(382,127)
52,993	PEPSICO INC COM	3,628,966	2,912,500	(716,466)
273,259	PFIZER INC COM STK USD0.05	5,221,971	4,098,879	(1,123,093)
12,133	PG&E CORP COM	501,440	466,376	(35,063)
71,150	PHILIP MORRIS INTL INC COM	3,621,080	3,103,565	(517,516)
3,614	PLUM CREEK TIMBER CO INC COM	136,237	107,612	(28,625)

**EQUITY PORTFOLIO**  
YEAR ENDED JUNE 30, 2009

SHARES	SECURITY	COST	FAIR VALUE	UNREALIZED GAIN (LOSS)
10,875	PNC FINANCIAL SERVICES GROUP	\$ 1,398,221	\$ 422,061	\$ (976,160)
26,740	PPL CORP COM	1,170,430	881,365	(289,064)
10,210	PRAXAIR INC COM	880,516	725,636	(154,880)
11,943	PRICE T ROWE GROUP INC COM	708,907	497,644	(211,263)
101,090	PROCTER & GAMBLE CO COM	7,053,033	5,165,687	(1,887,346)
10,841	PROLOGIS INT	228,643	87,376	(141,267)
5,685	PUBLIC STORAGE COM	400,632	372,269	(28,363)
15,820	PUBLIC SVC ENTERPRISE GROUP	644,991	516,214	(128,777)
64,826	QUALCOMM INC	3,413,075	2,930,123	(482,952)
11,383	REYNOLDS AMERN INC	485,266	439,609	(45,657)
29,902	ROBERT HALF INTL INC COM	765,500	706,293	(59,207)
9,992	SANDISK CORP	144,478	146,876	2,398
55,423	SCHERING PLOUGH CORP COM	1,075,210	1,392,231	317,021
56,733	SCHLUMBERGER LTD COM	5,269,451	3,069,830	(2,199,621)
292,880	SECTOR SPDR TR SBI INDUSTRIAL	5,341,460	6,431,651	1,090,191
289,086	SELECT SECTOR SPDR FD CONSUMER	5,452,802	6,672,106	1,219,303
61,792	SELECT SECTOR SPDR FUND	1,408,714	1,594,237	185,523
17,436	SEMPRA ENERGY COM	1,009,864	865,324	(144,540)
33,997	SOUTHERN CO COM	1,236,029	1,059,331	(176,697)
57,239	SPRINT NEXTEL CORP COM SER 1	200,729	275,320	74,590
33,941	STAPLES INC COM	821,360	684,919	(136,441)
10,805	STRYKER CORP	572,788	429,374	(143,414)
31,348	TARGET CORP COM	1,662,059	1,237,296	(424,762)
58,684	TEXAS INSTRS INC COM	1,438,356	1,249,979	(188,377)
16,875	THERMO FISHER SCIENTIFIC	745,918	688,010	(57,908)
9,590	TIME WARNER CABLE INC COM	477,821	303,729	(174,092)
38,207	TIME WARNER INC NEW COM NEW	1,398,545	962,445	(436,100)
4,990	TRANSOCEAN LTD ZUG NAMEN-AKT	629,492	370,720	(258,772)
20,778	UNITED PARCEL SVC INC CL B	1,084,326	1,038,695	(45,631)
3,526	UNITED STATES STEEL CORP	154,131	126,004	(28,127)
42,405	UNITED TECHNOLOGIES CORP COM	2,781,364	2,203,380	(577,984)
37,530	UNITEDHEALTH GROUP INC COM	1,142,796	937,505	(205,290)
69,062	US BANCORP DEL COM NEW	2,200,307	1,237,587	(962,721)
273,151	VANGUARD EMERGING MARKETS ETF	6,512,891	8,691,673	2,178,781
1,687,114	VANGUARD INDEX FDS EXTD MKT	39,234,226	44,236,125	5,001,899
264,946	VANGUARD INTL EQUITY INDEX FD	8,684,933	9,514,214	829,281
1,338,409	VANGUARD INTL EQUITY INDEX FDS	29,334,769	28,735,633	(599,136)
3,292,958	VANGUARD STAR FD INSTL	32,006,168	25,981,437	(6,024,731)
10,028	VARIAN MED SYS INC COM	633,348	352,372	(280,975)
102,698	VERIZON COMMUNICATIONS COM	3,606,747	3,155,904	(450,843)
3,714	VORNADO RLTY TR COM	235,798	167,251	(68,547)
76,696	WAL MART STORES INC COM	4,186,814	3,715,170	(471,644)
32,938	WALGREEN CO	1,199,922	968,370	(231,552)
25,295	WASTE MGMT INC DEL COM	777,837	712,308	(65,529)
24,325	WELLPOINT INC	1,284,105	1,237,888	(46,217)



**EQUITY PORTFOLIO**  
YEAR ENDED JUNE 30, 2009

SHARES	SECURITY	COST	FAIR VALUE	UNREALIZED GAIN (LOSS)
141,508	WELLS FARGO & CO NEW COM	\$ 4,294,574	\$ 3,432,975	\$ (861,600)
6,387	WEYERHAEUSER CO COM	354,414	194,356	(160,058)
40,343	WYETH COM	1,746,023	1,831,146	85,123
26,334	YUM BRANDS INC	939,595	877,973	(61,621)
<b>20,224,371</b>	<b>TOTAL EQUITIES</b>	<b>\$ 583,822,814</b>	<b>\$ 525,538,297</b>	<b>\$ (58,284,517)</b>

**EQUITY ACQUIRED**  
DURING THE FISCAL YEAR ENDED JUNE 30, 2009

DESCRIPTION	SHARES	AVG COST	COST
3M CO	45,748	\$ 71.60	\$ 3,275,522
ABBOTT LABS COM	89,154	57.43	5,120,123
ABERCROMBIE & FITCH CO CL A	3,204	52.45	168,039
ADOBE SYS INC DEL COM	43,002	42.83	1,841,776
AES CORP COM	21,580	15.26	329,302
AETNA INC COM NEW	39,307	43.14	1,695,711
AFLAC INC COM	67,368	56.70	3,819,768
AIR PRODS & CHEMS INC COM	6,407	91.85	588,471
ALCOA INC COM	24,126	32.13	775,181
ALLEGHENY TECHNOLOGIES INC COM	19,069	49.00	934,363
ALLIANZ SE ADR	127,187	12.13	1,542,772
ALLSTATE CORP COM	128,547	45.13	5,801,332
ALTRIA GROUP INC	218,596	20.83	4,554,098
AMAZON.COM INC COM	14,635	41.42	606,242
AMDOCS LTD COM	7,998	30.19	241,461
AMEREN CORP	29,812	31.88	950,469
AMERICAN CAP LTD COM	73,925	27.45	2,028,951
AMERICAN ELEC PWR INC COM	12,913	39.04	504,135
AMERICAN EXPRESS CO COM	20,045	39.68	795,366
AMERICAN INTL GROUP INC COM	133,984	21.49	2,879,311
AMERICAN TOWER CORP	17,486	32.02	559,966
AMGEN INC	141,182	62.85	8,873,258
APACHE CORP COM	57,867	113.47	6,566,200
APPLE INC	50,412	169.53	8,546,279
APPLIED MATLS INC COM	114,345	17.92	2,049,057
ARCHER DANIELS MIDLAND CO COM	114,996	23.83	2,740,480
AT & T INC COM	257,157	30.18	7,760,215
AUTOMATIC DATA PROCESSING INC	98,091	44.38	4,353,261
BANK NEW YORK MELLON CORP COM	62,248	31.21	1,942,910
BANK OF AMERICA CORP	568,034	31.33	17,797,593
BAXTER INTL INC COM	46,796	59.04	2,762,981
BED BATH & BEYOND INC COM	86,999	30.66	2,667,374
BEST BUY INC COM	146,964	44.77	6,579,568
BGI FRONTIER MARKETS FUND	1,222,899	4.43	5,420,719
BGI MONEY MARKET	4,267,506	1.00	4,267,506
BOEING CO COM	142,900	65.56	9,368,531
BOSTON PPTYS INC COM	3,614	64.80	234,162
BOSTON SCIENTIFIC CORP COM	64,562	8.97	579,093
BRISTOL MYERS SQUIBB CO COM	59,741	21.34	1,274,882
CAMPBELL SOUP CO COM	10,281	37.03	380,649
CANADIAN NATL RY CO COM	94,330	48.36	4,561,844
CAPITAL ONE FINL CORP	34,440	44.14	1,520,191
CAREER ED CORP COM	16,013	18.75	300,235
CARPENTER TECHNOLOGY CORP COM	1,889	38.81	73,318
CELGENE CORP	76,113	69.30	5,274,654

**EQUITY ACQUIRED**  
DURING THE FISCAL YEAR ENDED JUNE 30, 2009

DESCRIPTION	SHARES	AVG COST	COST
CHATTEM INC COM	676	\$ 70.12	\$ 47,370
CHESAPEAKE ENERGY CORP COM	113,822	48.40	5,509,395
CHEVRON CORPORATION COM	221,320	86.15	19,067,468
CHICOS FAS INC COM	76,973	5.74	441,826
CHUBB CORP COM	67,860	48.01	3,257,951
CISCO SYS INC COM	344,569	24.05	8,286,874
CITIGROUP INC COM	896,877	18.99	17,031,702
CITRIX SYS INC COM	29,925	30.27	905,815
CLARCOR INC	1,692	39.93	67,573
CLOROX CO COM	7,227	57.42	414,983
CME GROUP INC COM	2,873	361.80	1,039,386
COACH INC COM	71,740	28.99	2,079,755
COCA COLA CO COM	134,931	52.24	7,048,417
COLGATE PALMOLIVE CO	64,298	76.03	4,888,560
COMCAST CORP NEW CL A SPL	94,012	21.14	1,987,408
COMMIT TO PUR MUTUAL FD	44,616,244	1.00	44,616,244
CONOCOPHILLIPS	152,771	82.18	12,554,169
CONSOL ENERGY INC COM	22,120	67.05	1,483,190
CONSTELLATION BRANDS INC CL A	34,894	21.11	736,622
CONSTELLATION ENGY GRP INC COM	6,703	66.71	447,148
CORNING INC COM	12,860	20.54	264,153
COSTCO WHSL CORP NEW COM	13,822	52.05	719,398
COVANCE INC COM	2,315	94.34	218,436
COVIDIEN LIMITED	19,999	46.29	925,663
CVS CAREMARK CORP	220,202	36.60	8,059,404
DELL INC COM	78,198	21.73	1,699,238
DEVON ENERGY CORP NEW COM	97,237	102.49	9,965,457
DISNEY WALT CO COM	55,436	32.35	1,793,357
DOMINION RES INC VA NEW COM	24,227	41.54	1,006,324
DOW CHEM CO COM	72,158	34.13	2,462,768
DU PONT E I DE NEMOURS & CO	31,792	41.86	1,330,811
DUKE ENERGY CORP NEW COM	103,211	15.96	1,646,943
ECOLAB INC COM	12,563	40.33	506,611
EDISON INTL COM	15,318	40.76	624,422
EMC CORP MASS	128,785	15.28	1,967,835
EMERSON ELEC CO COM	19,875	36.07	716,939
ENERGEN CORP	18,169	55.84	1,014,557
ENTERGY CORP NEW COM	6,111	103.39	631,770
ETF VANGUARD EXTENDED MKT ETF	380,944	41.91	15,963,856
ETF VANGUARD FINANCIALS ETF	366,959	22.09	8,105,326
ETF VANGUARD PACIFIC ETF	1,351,250	48.66	65,749,072
ETF VANGUARD SMALL-CAPVALUE	152,638	54.45	8,311,659
ETF VANGUARD TOTAL STOCK	1,453,273	56.26	81,760,423
EXELON CORP COM	56,002	75.96	4,253,897
EXPRESS SCRIPTS INC COM STK	31,382	73.41	2,303,772

**EQUITY ACQUIRED**  
DURING THE FISCAL YEAR ENDED JUNE 30, 2009

DESCRIPTION	SHARES	AVG COST	COST
EXXON MOBIL CORP	363,077	\$ 79.67	\$ 28,926,527
FAMILY DLR STORES INC	9,395	26.34	247,506
FEDEX CORP COM	87,622	82.82	7,256,848
FIRSTENERGY CORP COM	12,476	65.07	811,780
FISERV INC COM	25,975	51.86	1,347,083
FMC CORP NEW COM	23,202	73.54	1,706,279
FRANKLIN RES INC COM	36,273	104.50	3,790,548
FREEMONT MCMORAN COPPER & GOLD	10,244	89.32	915,038
FRONTIER COMMUNICATIONS CORP	20,671	11.90	246,029
GARMIN LTD REG SHS	10,187	34.76	354,085
GENENTECH INC	20,288	98.75	2,003,467
GENERAL DYNAMICS CORP COM	18,302	55.64	1,018,345
GENERAL ELEC CO COM	610,925	26.92	16,447,344
GENERAL MLS INC COM	14,671	65.52	961,310
GENZYME CORP COM	10,128	78.30	793,033
GILEAD SCIENCES INC COM	36,003	52.68	1,896,626
GOLDMAN SACHS GROUP INC COM	29,261	163.97	4,797,980
GOOGLE INC CL A	11,244	426.19	4,792,298
GRAINGER W W INC COM	31,292	90.03	2,817,213
HALLIBURTON CO COM	80,915	43.95	3,556,017
HARRIS CORP DEL COM	5,189	52.36	271,713
HARTFORD FINL SVCS GROUP INC	84,268	63.08	5,315,618
HCP INC COM	30,936	28.57	883,962
HEWLETT PACKARD CO COM	103,095	43.33	4,466,967
HOME DEPOT INC COM	206,631	27.12	5,603,836
HOME PROPERTIES INC	398	52.75	20,973
HONEYWELL INTL INC COM	23,488	29.61	695,597
IBM CORP COM	65,393	121.73	7,960,346
INTEL CORP	206,335	22.87	4,718,885
INTERNATIONAL PAPER CO COM	13,522	27.05	365,770
INTUITIVE SURGICAL INC	2,060	295.27	608,179
ISHARES MSCI CDA INDEX FD	1,005,671	21.32	21,438,770
ISHARES TR MSCI EAFE GROWTH	153,670	46.96	7,216,716
ISHARES TR MSCI EAFE INDEX FD	1,924,564	53.29	102,551,030
ISHARES TR MSCI EAFE VALUE	184,973	41.48	7,673,446
ISHARES TR MSCI EMERGING MKTS	1,965,923	24.66	48,471,711
ISHARES TR RUSSELL 2000 INDEX	162,611	44.96	7,310,655
ISHARES TR RUSSELL 3000 INDEX	49,752	65.39	3,253,152
JACOBS ENGR GROUP INC COM	4,091	73.82	302,030
JOHNSON & JOHNSON COM	142,456	68.39	9,742,534
JPMORGAN CHASE & CO COM	244,227	41.58	10,154,538
KELLOGG CO COM	38,952	54.44	2,120,545
KEYCORP NEW COM	31,421	12.01	377,361
KIMBERLY CLARK CORP COM	37,738	58.12	2,193,150
KING PHARMACEUTICALS INC COM	40,087	11.44	458,601

**EQUITY ACQUIRED**  
DURING THE FISCAL YEAR ENDED JUNE 30, 2009

DESCRIPTION	SHARES	AVG COST	COST
KOHL'S CORP COM	33,292	\$ 49.17	\$ 1,636,991
KRAFT FOODS INC CL A	132,292	29.12	3,852,438
LANDSTAR SYS INC COM	2,333	49.02	114,378
LEHMAN BROS HLDGS INC COM	70,188	13.64	957,350
LILLY ELI & CO COM	129,881	46.65	6,058,946
LINEAR TECHNOLOGY CORP COM	49,301	32.64	1,609,177
LOCKHEED MARTIN CORP COM	62,654	116.44	7,295,443
LOGITECH INTERNATIONAL SA	69,576	20.74	1,443,008
LOWES COS INC COM	61,611	19.29	1,188,596
MANITOWOC INC COM	4,286	25.18	107,911
MCAFEE INC	35,735	39.56	1,413,662
MCDONALDS CORP COM	95,309	62.00	5,909,161
MEDTRONIC INC COM	34,455	54.60	1,881,267
MERCK & CO INC COM	134,536	31.64	4,256,969
METLIFE INC COM	82,252	54.20	4,458,061
MICROCHIP TECHNOLOGY INC COM	33,670	32.01	1,077,772
MICROSOFT CORP COM	510,393	27.29	13,928,613
MONSANTO CO NEW COM	18,651	109.53	2,042,971
MORGAN STANLEY	19,727	40.83	805,433
NATIONAL CITY CORP COM	3,443,993	5.04	17,357,726
NATIONAL OILWELL VARCO INC	75,397	74.54	5,620,215
NEWMONT MINING CORP HOLDING CO	11,413	45.10	514,748
NEWS CORPORATION CL A	98,109	7.46	731,936
NOKIA CORP SPON ADR SER A COM	205,831	21.70	4,466,393
NORDSTROM INC WASH COM	49,689	31.10	1,545,313
NUCOR CORP	8,459	52.50	444,117
OCCIDENTAL PETE CORP COM	165,702	79.81	13,224,261
OLIN CORP COM PAR \$1.00	12,721	26.91	342,334
OMNICOM GROUP INC USD0.15 COM	33,430	42.39	1,417,087
ORACLE CORPORATION COM	111,840	21.93	2,452,655
PEABODY ENERGY CORP COM	35,085	62.51	2,193,128
PEPSICO INC COM	149,079	68.48	10,208,912
PETSMART INC	61,294	27.00	1,654,928
PFIZER INC COM STK USD0.05	499,196	19.11	9,539,632
PG&E CORP COM	12,133	41.33	501,440
PHILIP MORRIS INTL INC COM	213,431	52.09	11,117,255
PLUM CREEK TIMBER CO INC COM	3,614	37.70	136,237
PNC FINANCIAL SERVICES GROUP	10,875	128.57	1,398,232
POOL CORP COM	17,076	24.26	414,274
PPL CORP COM	26,740	43.77	1,170,430
PRAXAIR INC COM	10,210	86.24	880,516
PRICE T ROWE GROUP INC COM	63,414	59.36	3,764,283
PROCTER & GAMBLE CO COM	235,842	69.77	16,454,703
PROLOGIS INT	10,841	21.09	228,643
PSYCHIATRIC SOLUTIONS INC	8,976	37.75	338,843



**EQUITY ACQUIRED**  
DURING THE FISCAL YEAR ENDED JUNE 30, 2009

DESCRIPTION	SHARES	AVG COST	COST
PUBLIC STORAGE COM	31,000	\$ 70.47	\$ 2,184,525
PUBLIC SVC ENTERPRISE GROUP	15,820	40.77	644,991
QUALCOMM INC	89,813	52.65	4,728,652
QUIKSILVER INC COM	23,065	7.71	177,828
RESMED INC	12,180	46.80	570,027
REYNOLDS AMERN INC	34,037	42.63	1,451,041
ROBERT HALF INTL INC COM	46,052	25.60	1,178,941
ROHM & HAAS CO COM	2,580	70.65	182,264
RPM INTERNATIONAL INC	27,527	21.60	594,585
SANDISK CORP	32,663	14.46	472,305
SAP AKIENGESELLSCHAFT SPONS	84,656	52.07	4,407,706
SCHERING PLOUGH CORP COM	55,423	19.40	1,075,210
SCHLUMBERGER LTD COM	136,614	94.33	12,887,216
SCOTTS MIRACLE-GRO COMPANY	1,560	26.74	41,727
SEALED AIR CORP NEW COM	36,603	24.23	886,880
SECTOR SPDR TR SBI INDUSTRIAL	292,880	18.24	5,341,460
SELECT SECTOR SPDR FD CONSUMER	289,086	18.86	5,452,802
SELECT SECTOR SPDR FUND	76,149	22.80	1,736,014
SEMPRA ENERGY COM	29,755	57.92	1,723,384
SOUTHERN CO COM	33,997	36.36	1,236,029
SPRINT NEXTEL CORP COM SER 1	121,649	3.51	426,607
STAPLES INC COM	194,793	24.20	4,713,979
STERICYCLE INC COM	3,159	59.30	187,324
STRYKER CORP	10,805	53.01	572,788
TARGET CORP COM	49,773	53.02	2,638,989
TEXAS INSTRS INC COM	175,059	24.51	4,290,702
THERMO FISHER SCIENTIFIC	16,875	44.20	745,918
TIME WARNER CABLE INC COM	9,590	49.82	477,823
TIME WARNER INC NEW COM NEW	38,208	36.60	1,398,549
TRANSOCEAN INC NEW SHS	18,805	128.49	2,416,219
TRANSOCEAN LTD ZUG NAMEN-AKT	24,105	126.15	3,040,760
TRINITY INDS INC	10,467	35.98	376,614
UNITED PARCEL SVC INC CL B	20,778	52.19	1,084,326
UNITED STATES STEEL CORP	8,902	43.72	389,173
UNITED TECHNOLOGIES CORP COM	74,194	65.59	4,866,396
UNITEDHEALTH GROUP INC COM	37,530	30.45	1,142,796
URS CORP NEW	24,697	47.96	1,184,471
US BANCORP DEL COM NEW	163,537	31.86	5,210,275
VANGUARD EMERGING MARKETS ETF	902,836	29.02	26,199,562
VANGUARD EUROPEAN ETF	277,496	44.40	12,320,244
VANGUARD INDEX FDS EXTD MKT	1,859,472	23.26	43,242,459
VANGUARD INDEX FDS SMALL	650,060	13.05	8,483,403
VANGUARD INTL EQUITY INDEX FD	521,621	40.20	20,966,813
VANGUARD INTL EQUITY INDEX FDS	1,585,375	21.92	34,747,682
VANGUARD STAR FD INSTL	3,292,958	9.72	32,006,168

**EQUITY ACQUIRED**  
DURING THE FISCAL YEAR ENDED JUNE 30, 2009

DESCRIPTION	SHARES	AVG COST	COST
VARIAN MED SYS INC COM	33,236	\$ 63.16	\$ 2,099,159
VERIZON COMMUNICATIONS COM	198,848	35.12	6,983,540
VORNADO RLTY TR COM	3,714	63.49	235,806
WACHOVIA CORP NEW COM	218,107	15.89	3,465,727
WAL MART STORES INC COM	94,490	54.59	5,158,162
WALGREEN CO	54,039	36.43	1,968,655
WASHINGTON MUTUAL INC COM	2,815,983	3.82	10,751,590
WASTE MGMT INC DEL COM	25,295	30.75	777,837
WELLPOINT INC	55,785	52.79	2,944,879
WELLS FARGO & CO NEW COM	141,508	30.35	4,294,574
WESTERN DIGITAL CORP DEL COM	7,783	27.26	212,174
WEYERHAEUSER CO COM	6,387	55.49	354,414
WYETH COM	40,343	43.28	1,746,023
YUM BRANDS INC	111,976	35.68	3,995,310
<b>TOTAL EQUITY ACQUIRED</b>	<b>91,165,554</b>	<b>\$ 14.38</b>	<b>\$ 1,310,930,569</b>

**EQUITY SOLD**  
DURING THE FISCAL YEAR ENDED JUNE 30, 2009

DESCRIPTION	SHARES SOLD	SALE PRICE	COST	GAIN (LOSS)	% GAIN (LOSS)
3M CO	50,649	\$ 65.74	\$ 3,795,217	\$ (465,683)	-12.27%
ABBOTT LABS COM	98,757	54.83	3,658,337	1,756,534	48.01%
ABERCROMBIE & FITCH CO CL A	6,314	40.40	271,521	(16,453)	-6.06%
ADOBE SYS INC DEL COM	52,853	37.75	1,309,462	685,557	52.35%
AES CORP COM	20,240	15.26	427,970	(119,108)	-27.83%
AETNA INC COM NEW	50,514	36.31	1,489,829	344,423	23.12%
AFLAC INC COM	112,101	48.53	5,675,420	(234,698)	-4.14%
AIR PRODS & CHEMS INC COM	6,010	91.85	579,443	(27,425)	-4.73%
ALCOA INC COM	22,630	32.13	807,936	(80,834)	-10.01%
ALLEGHENY TECHNOLOGIES INC COM	27,367	37.52	2,037,926	(1,011,174)	-49.62%
ALLIANZ SE ADR	179,987	10.71	2,395,046	(467,079)	-19.50%
ALLSTATE CORP COM	214,359	40.50	8,444,660	236,114	2.80%
ALTRIA GROUP INC	276,799	19.58	5,380,038	39,795	0.74%
AMDOCS LTD COM	15,740	26.76	506,940	(85,776)	-16.92%
AMERICAN CAP LTD COM	73,925	9.96	2,028,951	(1,292,854)	-63.72%
AMERICAN CAP STRATEGIES LTD	32,450	34.74	1,127,290	0	0.00%
AMERICAN ELEC PWR INC COM	12,110	39.04	580,071	(107,297)	-18.50%
AMERICAN EXPRESS CO COM	21,025	39.68	1,150,364	(316,092)	-27.48%
AMERICAN INTL GROUP INC COM	144,167	18.35	6,837,562	(4,192,586)	-61.32%
AMERICAN TOWER CORP	4,892	29.99	156,674	(9,946)	-6.35%
AMGEN INC	212,250	58.71	10,705,584	1,754,653	16.39%
APACHE CORP COM	40,883	99.83	4,639,155	(557,634)	-12.02%
APPLE INC	64,221	151.51	6,934,731	2,795,205	40.31%
APPLIED MATLS INC COM	148,850	16.01	2,565,499	(182,524)	-7.11%
ARCHER DANIELS MIDLAND CO COM	147,251	25.53	3,975,162	(215,813)	-5.43%
AT & T INC COM	201,708	30.74	7,829,548	(1,629,083)	-20.81%
AUTOMATIC DATA PROCESSING INC	151,169	40.00	6,058,191	(10,823)	-0.18%
BANK NEW YORK MELLON CORP COM	48,628	30.19	2,047,011	(578,910)	-28.28%
BANK OF AMERICA CORP	1,147,856	30.74	35,331,416	(49,465)	-0.14%
BAXTER INTL INC COM	13,371	50.62	789,439	(112,623)	-14.27%
BED BATH & BEYOND INC COM	159,399	26.12	5,500,957	(1,336,867)	-24.30%
BEST BUY INC COM	251,572	39.39	10,112,320	(202,009)	-2.00%
BGI MONEY MARKET	4,267,506	1.00	4,267,506	0	0.00%
BOEING CO COM	222,594	58.45	14,878,725	(1,868,467)	-12.56%
BOSTON SCIENTIFIC CORP COM	18,091	7.96	162,270	(18,266)	-11.26%
BRISTOL MYERS SQUIBB CO COM	55,830	21.34	1,609,180	(417,767)	-25.96%
CANADIAN NATL RY CO COM	136,830	46.91	5,255,457	1,163,609	22.14%
CAPITAL ONE FINL CORP	56,920	36.01	4,046,634	(1,996,842)	-49.35%
CAREER ED CORP COM	31,513	16.72	702,163	(175,378)	-24.98%
CARPENTER TECHNOLOGY CORP COM	3,719	35.54	172,233	(40,038)	-23.25%
CELGENE CORP	116,119	61.58	7,252,030	(101,119)	-1.39%
CHATTEM INC COM	1,331	72.04	72,306	23,552	32.57%
CHESAPEAKE ENERGY CORP COM	94,309	35.15	4,567,754	(1,253,114)	-27.43%
CHEVRON CORPORATION COM	147,762	79.95	12,731,264	(917,243)	-7.20%
CHICOS FAS INC COM	140,873	4.23	2,350,705	(1,754,371)	-74.63%

**EQUITY SOLD**  
DURING THE FISCAL YEAR ENDED JUNE 30, 2009

DESCRIPTION	SHARES SOLD	SALE PRICE	COST	GAIN (LOSS)	% GAIN (LOSS)
CHUBB CORP COM	110,227	\$ 46.56	\$ 5,467,048	\$ (335,350)	-6.13%
CISCO SYS INC COM	444,894	22.03	6,613,664	3,185,627	48.17%
CITIGROUP INC COM	1,856,131	18.23	43,529,507	(9,697,317)	-22.28%
CITIZENS COMMUNICATIONS CO	17,600	11.79	207,424	0	0.00%
CITRIX SYS INC COM	35,206	28.76	1,045,758	(33,331)	-3.19%
CLARCOR INC	3,334	35.16	119,252	(2,005)	-1.68%
COACH INC COM	119,767	23.40	3,561,511	(759,529)	-21.33%
COCA COLA CO COM	157,867	48.74	8,068,209	(374,297)	-4.64%
COLGATE PALMOLIVE CO	101,378	69.61	6,372,520	683,979	10.73%
COMCAST CORP NEW CL A SPL	106,211	19.93	2,308,880	(191,766)	-8.31%
COMMIT TO PUR MUTUAL FD	44,616,244	1.00	44,616,244	0	0.00%
CONOCOPHILLIPS	94,412	71.81	7,785,505	(1,006,009)	-12.92%
CONSOL ENERGY INC COM	15,670	53.49	1,053,869	(215,672)	-20.46%
CONSTELLATION BRANDS INC CL A	60,587	18.17	1,103,611	(2,654)	-0.24%
CONSTELLATION ENGY GRP INC COM	13,211	45.28	730,638	(132,466)	-18.13%
CORNING INC COM	34,255	16.73	727,454	(154,496)	-21.24%
COVANCE INC COM	4,559	72.13	316,111	12,745	4.03%
COVIDIEN LIMITED	19,999	35.01	925,663	(225,456)	-24.36%
CULLEN FROST BANKERS INC COM	2,215	54.45	120,054	559	0.47%
CVS CAREMARK CORP	350,304	33.24	11,091,344	551,039	4.97%
DELL INC COM	60,300	21.73	2,309,419	(999,100)	-43.26%
DEVON ENERGY CORP NEW COM	78,369	90.31	8,039,912	(962,167)	-11.97%
DISNEY WALT CO COM	61,032	30.59	1,979,417	(112,604)	-5.69%
DOMINION RES INC VA NEW COM	17,640	43.53	840,491	(72,622)	-8.64%
DOW CHEM CO COM	93,993	29.45	3,736,721	(968,575)	-25.92%
DU PONT E I DE NEMOURS & CO	26,424	44.44	1,149,741	24,541	2.13%
DUKE ENERGY CORP NEW COM	20,322	14.95	325,051	(21,174)	-6.51%
ECOLAB INC COM	3,420	38.62	137,935	(5,835)	-4.23%
EDISON INTL COM	9,230	45.92	499,264	(75,422)	-15.11%
EMC CORP MASS	131,946	14.90	1,574,209	391,267	24.85%
ENERGEN CORP	33,269	41.12	1,516,741	(148,683)	-9.80%
ENTERGY CORP NEW COM	5,730	103.39	712,077	(119,652)	-16.80%
ETF VANGUARD EXTENDED MKT ETF	556,964	38.98	24,848,759	(3,138,183)	-12.63%
ETF VANGUARD PACIFIC ETF	1,551,795	48.40	86,720,651	(11,606,215)	-13.38%
ETF VANGUARD SMALL-CAPVALUE	215,338	48.93	12,766,937	(2,231,452)	-17.48%
ETF VANGUARD TOTAL STOCK	2,190,235	59.25	154,536,732	(24,774,539)	-16.03%
EXELON CORP COM	73,848	65.08	4,412,747	393,274	8.91%
EXPRESS SCRIPTS INC COM STK	50,009	65.52	1,700,807	1,575,627	92.64%
EXXON MOBIL CORP	176,074	78.02	14,090,574	(353,473)	-2.51%
FEDEX CORP COM	138,004	79.10	10,900,573	15,427	0.14%
FIRSTENERGY CORP COM	8,260	72.64	635,457	(35,450)	-5.58%
FISERV INC COM	37,070	48.11	1,597,408	185,857	11.63%
FMC CORP NEW COM	42,082	56.72	2,174,318	212,557	9.78%
FRANKLIN RES INC COM	74,123	87.36	5,526,453	948,659	17.17%
FREEMPORT MCMORAN COPPER & GOLD	9,610	89.32	979,605	(121,240)	-12.38%

**EQUITY SOLD**  
DURING THE FISCAL YEAR ENDED JUNE 30, 2009

DESCRIPTION	SHARES SOLD	SALE PRICE	COST	GAIN (LOSS)	% GAIN (LOSS)
FRONTIER COMMUNICATIONS CORP	20,671	\$ 12.00	\$ 246,029	\$ 2,015	0.82%
GARMIN LTD REG SHS	19,987	26.56	803,787	(272,944)	-33.96%
GENENTECH INC	39,938	90.62	2,763,816	855,485	30.95%
GENERAL DYNAMICS CORP COM	5,185	53.24	288,482	(12,433)	-4.31%
GENERAL ELEC CO COM	648,110	21.86	20,616,322	(6,448,155)	-31.28%
GENZYME CORP COM	9,500	78.30	546,593	197,257	36.09%
GILEAD SCIENCES INC COM	33,760	52.68	366,326	1,412,151	385.49%
GOLDMAN SACHS GROUP INC COM	35,226	132.83	4,806,736	(127,680)	-2.66%
GOOGLE INC CL A	7,460	444.73	4,809,646	(1,492,118)	-31.02%
GRAINGER W W INC COM	52,434	83.10	3,893,301	464,032	11.92%
HALLIBURTON CO COM	26,711	43.94	1,216,934	(43,252)	-3.55%
HARRIS CORP DEL COM	10,226	45.42	487,389	(22,886)	-4.70%
HARTFORD FINL SVCS GROUP INC	141,548	54.22	8,312,315	(638,054)	-7.68%
HCP INC COM	18,415	21.30	526,182	(133,867)	-25.44%
HEWLETT PACKARD CO COM	69,060	46.92	3,540,279	(299,984)	-8.47%
HOME DEPOT INC COM	348,470	23.96	7,934,282	416,663	5.25%
HOME PROPERTIES INC	2,328	53.52	134,708	(10,138)	-7.53%
IBM CORP COM	77,949	118.01	5,369,133	3,829,644	71.33%
INTEL CORP	166,100	22.87	4,677,340	(878,633)	-18.78%
INTERNATIONAL PAPER CO COM	12,680	27.05	402,495	(59,501)	-14.78%
INTUITIVE SURGICAL INC	1,933	295.27	182,191	388,566	213.27%
ISHARES MSCI CDA INDEX FD	704,783	24.19	19,766,028	(2,719,304)	-13.76%
ISHARES TR MSCI EAFE GROWTH	75,617	45.76	3,645,000	(184,782)	-5.07%
ISHARES TR MSCI EAFE INDEX FD	1,946,100	54.34	135,094,024	(29,344,956)	-21.72%
ISHARES TR MSCI EAFE VALUE	91,020	40.44	3,873,988	(193,138)	-4.99%
ISHARES TR MSCI EMERGING MKTS	1,515,536	32.40	58,614,226	(9,513,768)	-16.23%
ISHARES TR RUSSELL 3000 INDEX	44,882	64.66	3,637,097	(734,977)	-20.21%
JACOBS ENGR GROUP INC COM	8,055	67.77	374,193	171,697	45.88%
JOHNSON & JOHNSON COM	132,392	64.61	7,965,081	588,272	7.39%
JPMORGAN CHASE & CO COM	243,690	35.16	9,479,394	(911,803)	-9.62%
KELLOGG CO COM	58,041	48.29	3,020,240	(217,249)	-7.19%
KEYCORP NEW COM	287,169	11.00	3,227,980	(68,224)	-2.11%
KIMBERLY CLARK CORP COM	18,774	47.95	1,091,060	(190,772)	-17.49%
KING PHARMACEUTICALS INC COM	78,087	9.35	1,150,152	(419,648)	-36.49%
KOHL'S CORP COM	46,029	44.17	2,260,870	(227,598)	-10.07%
KRAFT FOODS INC CL A	124,432	27.91	3,565,675	(92,546)	-2.60%
LANDSTAR SYS INC COM	4,597	49.27	148,158	78,334	52.87%
LEHMAN BROS HLDGS INC COM	87,106	13.63	1,676,319	(488,670)	-29.15%
LILLY ELI & CO COM	185,906	40.86	9,732,252	(2,136,450)	-21.95%
LINEAR TECHNOLOGY CORP COM	70,778	29.04	2,405,690	(350,237)	-14.56%
LOCKHEED MARTIN CORP COM	95,544	108.24	9,717,092	624,509	6.43%
LOGITECH INTERNATIONAL SA	97,721	18.43	2,256,626	(455,617)	-20.19%
MANITOWOC INC COM	8,391	22.85	174,079	17,668	10.15%
MCAFEE INC	70,335	34.59	2,381,733	50,990	2.14%
MCDONALDS CORP COM	130,650	59.84	6,069,697	1,747,748	28.79%



**EQUITY SOLD**  
DURING THE FISCAL YEAR ENDED JUNE 30, 2009

DESCRIPTION	SHARES SOLD	SALE PRICE	COST	GAIN (LOSS)	% GAIN (LOSS)
MEDTRONIC INC COM	32,190	\$ 54.60	\$ 1,606,941	\$ 150,633	9.37%
MERCK & CO INC COM	99,247	31.88	4,801,198	(1,637,030)	-34.10%
MERRILL LYNCH & CO INC	54,420	28.35	4,300,999	(2,758,192)	-64.13%
METLIFE INC COM	120,050	43.21	6,254,029	(1,067,098)	-17.06%
MICROCHIP TECHNOLOGY INC COM	47,370	28.67	1,430,364	(72,368)	-5.06%
MICROSOFT CORP COM	673,927	24.75	21,610,832	(4,931,082)	-22.82%
MONSANTO CO NEW COM	14,860	114.25	1,535,715	162,040	10.55%
MORGAN STANLEY	19,485	40.83	959,362	(163,790)	-17.07%
NATIONAL CITY CORP COM	7,672,913	4.73	38,766,024	(2,504,555)	-6.46%
NATIONAL OILWELL VARCO INC	51,367	65.45	3,848,463	(486,421)	-12.64%
NEWMONT MINING CORP HOLDING CO	10,700	45.10	571,551	(88,981)	-15.57%
NOKIA CORP SPON ADR SER A COM	317,531	19.38	6,300,283	(145,340)	-2.31%
NORDSTROM INC WASH COM	74,588	22.19	2,704,088	(1,049,165)	-38.80%
NUCOR CORP	7,935	52.50	456,216	(39,629)	-8.69%
OCCIDENTAL PETE CORP COM	131,696	69.09	10,534,856	(1,436,226)	-13.63%
OLIN CORP COM PAR \$1.00	25,071	22.88	597,099	(23,544)	-3.94%
OMNICOM GROUP INC USD0.15 COM	40,230	38.81	1,680,719	(119,417)	-7.11%
ORACLE CORPORATION COM	104,600	21.93	2,246,214	47,664	2.12%
PEABODY ENERGY CORP COM	23,431	53.15	1,459,523	(214,263)	-14.68%
PEPSICO INC COM	226,986	63.71	12,894,174	1,567,452	12.16%
PETSMART INC	122,499	22.00	3,188,216	(493,001)	-15.46%
PFIZER INC COM STK USD0.05	632,337	18.10	15,443,868	(3,997,466)	-25.88%
PG&E CORP COM	11,380	41.33	505,825	(35,490)	-7.02%
PHILIP MORRIS INTL INC COM	285,781	48.36	13,787,084	32,889	0.24%
PNC FINANCIAL SERVICES GROUP	0	32.00	10	(8)	-75.57%
POOL CORP COM	36,216	19.93	679,019	42,829	6.31%
PPL CORP COM	21,000	43.77	748,375	170,795	22.82%
PRAXAIR INC COM	8,220	89.84	717,997	20,488	2.85%
PRICE T ROWE GROUP INC COM	117,672	51.62	4,440,297	1,633,631	36.79%
PROCTER & GAMBLE CO COM	332,752	65.41	18,916,364	2,849,684	15.06%
PSYCHIATRIC SOLUTIONS INC	17,915	34.67	623,877	(2,704)	-0.43%
PUBLIC STORAGE COM	25,315	70.10	1,783,893	(9,313)	-0.52%
PUBLIC SVC ENTERPRISE GROUP	14,840	40.77	754,506	(149,480)	-19.81%
QUALCOMM INC	109,732	49.37	4,631,054	786,623	16.99%
QUIKSILVER INC COM	45,565	7.76	399,261	(45,694)	-11.44%
RESMED INC	23,970	41.39	935,715	56,388	6.03%
REYNOLDS AMERN INC	22,654	37.15	965,775	(124,193)	-12.86%
ROBERT HALF INTL INC COM	53,350	23.88	1,838,445	(564,577)	-30.71%
ROHM & HAAS CO COM	2,580	77.79	182,264	18,438	10.12%
RPM INTERNATIONAL INC	49,367	17.44	999,844	(138,736)	-13.88%
SANDISK CORP	54,021	14.31	1,669,252	(896,363)	-53.70%
SAP AKIENGESSELLSCHAFT SPONS	141,556	43.76	7,156,003	(961,822)	-13.44%
SCHERING PLOUGH CORP COM	51,710	19.40	1,438,542	(435,368)	-30.26%
SCHLUMBERGER LTD COM	79,881	78.28	7,617,765	(1,364,417)	-17.91%
SCOTTS MIRACLE-GRO COMPANY	3,075	27.66	101,828	(16,746)	-16.45%

**EQUITY SOLD**  
DURING THE FISCAL YEAR ENDED JUNE 30, 2009

DESCRIPTION	SHARES SOLD	SALE PRICE	COST	GAIN (LOSS)	% GAIN (LOSS)
SEALED AIR CORP NEW COM	66,215	\$ 19.04	\$ 1,649,843	\$ (388,931)	-23.57%
SEI INVESTMENT CO COM	4,390	23.01	87,780	13,235	15.08%
SELECT SECTOR SPDR FUND	14,357	26.69	327,300	55,889	17.08%
SEMPRA ENERGY COM	36,419	52.95	1,509,102	419,451	27.79%
SOUTHERN CO COM	21,720	37.51	874,860	(60,143)	-6.87%
SOVRAN SELF STORAGE INC COM	3,394	38.76	156,173	(24,613)	-15.76%
SPRINT NEXTEL CORP COM SER 1	64,410	2.40	225,877	(71,600)	-31.70%
STAPLES INC COM	321,752	22.53	7,187,124	61,588	0.86%
STERICYCLE INC COM	6,219	58.46	277,550	86,034	31.00%
STRATEGIC HOTELS & RESORTS INC	12,929	8.52	269,083	(158,876)	-59.04%
TARGET CORP COM	66,626	48.31	3,808,547	(590,002)	-15.49%
TEXAS INSTRS INC COM	283,975	21.48	7,315,505	(1,215,637)	-16.62%
TIME WARNER CABLE INC COM	0	32.50	2	(1)	-41.18%
TIME WARNER INC	107,350	16.37	1,807,060	(49,740)	-2.75%
TIME WARNER INC NEW COM NEW	0	22.67	4	(2)	-37.61%
TRANSOCEAN INC NEW SHS	18,805	127.20	2,416,219	(24,223)	-1.00%
TRANSOCEAN LTD ZUG NAMEN-AKT	19,115	55.18	2,411,268	(1,356,589)	-56.26%
TRINITY INDS INC	20,617	26.24	722,575	(181,612)	-25.13%
UNITED STATES STEEL CORP	5,376	28.10	235,042	(83,943)	-35.71%
UNITED TECHNOLOGIES CORP COM	92,189	59.12	5,871,432	(421,435)	-7.18%
UNITEDHEALTH GROUP INC COM	35,050	30.45	2,017,689	(950,417)	-47.10%
URS CORP NEW	45,297	38.85	2,009,083	(249,258)	-12.41%
US BANCORP DEL COM NEW	251,365	30.55	7,858,909	(180,078)	-2.29%
VANGUARD EMERGING MARKETS ETF	856,284	29.92	28,026,838	(2,409,856)	-8.60%
VANGUARD EUROPEAN ETF	277,496	37.77	12,320,244	(1,837,985)	-14.92%
VANGUARD INDEX FDS EXTD MKT	172,358	26.03	4,008,233	478,254	11.93%
VANGUARD INDEX FDS SMALL	904,199	11.85	12,804,577	(2,092,590)	-16.34%
VANGUARD INTL EQUITY INDEX FD	496,705	40.37	26,184,314	(6,131,444)	-23.42%
VANGUARD INTL EQUITY INDEX FDS	246,966	18.10	5,412,912	(943,363)	-17.43%
VARIAN MED SYS INC COM	56,408	50.65	2,993,961	(137,158)	-4.58%
VERIZON COMMUNICATIONS COM	258,250	33.20	8,666,999	(93,737)	-1.08%
VORNADO RLTY TR COM	0	34.77	8	(4)	-44.54%
WACHOVIA CORP NEW COM	1,192,407	14.21	25,570,894	(8,626,004)	-33.73%
WAL MART STORES INC COM	43,914	55.27	2,364,526	62,399	2.64%
WALGREEN CO	71,937	32.81	1,746,523	613,608	35.13%
WASHINGTON MUTUAL INC COM	6,039,883	3.49	31,411,430	(10,354,358)	-32.96%
WELLPOINT INC	84,262	48.68	4,589,864	(488,037)	-10.63%
WELLS FARGO & CO NEW COM	80,625	30.27	2,481,365	(40,846)	-1.65%
WESTERN DIGITAL CORP DEL COM	15,358	21.39	366,084	(37,526)	-10.25%
WEYERHAEUSER CO COM	5,990	55.49	420,290	(87,904)	-20.92%
WYETH COM	37,650	43.28	1,820,888	(191,396)	-10.51%
YUM BRANDS INC	177,842	31.70	5,809,307	(171,625)	-2.95%
<b>TOTAL EQUITIES SOLD</b>	<b>95,534,014.6</b>		<b>\$ 1,496,066,112.2</b>	<b>\$ (167,879,246.0)</b>	<b>-11.22%</b>

**FIXED INCOME PORTFOLIO**  
YEAR ENDED JUNE 30, 2009

PAR VALUE	SECURITY	COUPON RATE	MATURITY	COST	FAIR VALUE
U.S. GOVERNMENT SECURITIES					
722,715	FEDERAL HOME LN MTG CORP MTN	6.00%	4/16/2037	\$ 725,599	\$ 733,390
1,806,788	FEDERAL HOME LN MTG CORP MTN	6.00%	6/7/2027	1,809,879	1,887,280
543,218	FHLMC POOL #G0-8168	6.00%	12/1/2036	545,299	568,010
721,384	FHLMC POOL #H1-0069	6.00%	11/1/2036	722,244	751,141
620,632	FHLMC POOL #H1-5010	6.00%	11/1/2036	621,371	646,233
903,394	FHLMC MULTICLASS MTG	5.00%	2/15/2025	862,483	937,136
1,701,601	FNMA GTD REMIC P/T	4.00%	11/25/2022	1,679,053	1,741,334
542,036	FNMA GTD REMIC P/T 03-42 CL PE	5.50%	12/25/2031	534,686	563,290
350,112	FNMA GTD REMIC P/T 05-27 AB	5.50%	2/25/2034	341,822	353,347
2,313,364	FNMA GTD REMIC P/T 05-45 BG	4.50%	6/25/2025	2,158,268	2,316,140
15,773	GNMA POOL #0173878	9.00%	8/15/2016	16,662	17,081
11,393	GNMA POOL #0176431	9.00%	8/15/2016	12,070	12,338
752	GNMA POOL #0202505	9.00%	10/15/2019	787	813
3,245	GNMA POOL #0217956	10.00%	11/15/2017	3,519	3,529
9,266	GNMA POOL #0226529	9.00%	6/15/2018	9,872	10,019
208	GNMA POOL #0232237	9.00%	1/15/2020	213	225
5,547	GNMA POOL #0234937	9.00%	3/15/2018	5,912	5,998
6,236	GNMA POOL #0238600	10.00%	11/15/2017	6,702	6,782
1,754	GNMA POOL #0248951	9.00%	5/15/2018	1,870	1,896
3,707	GNMA POOL #0298952	9.00%	4/15/2021	3,973	4,017
1,579	GNMA POOL #0303324	9.00%	4/15/2021	1,690	1,711
1,963	GNMA POOL #0304625	9.00%	3/15/2021	2,105	2,128
3,467	GNMA POOL #0305187	9.00%	6/15/2021	3,721	3,757
7,776	GNMA POOL #0330725	8.00%	7/15/2022	8,318	8,523
62,799	GNMA POOL #0375887	7.00%	5/15/2024	66,285	68,288
129,592	GNMA POOL #0377589	7.50%	8/15/2025	137,450	142,022
19,135	GNMA POOL #0386038	7.00%	6/15/2024	20,195	20,807
15,606	GNMA POOL #0389845	8.00%	9/15/2024	16,715	17,153
59,765	GNMA POOL #0398831	8.00%	8/15/2026	64,091	65,925
69,522	GNMA POOL #0403979	8.50%	10/15/2024	74,566	75,245
59,116	GNMA POOL #0421711	7.50%	4/15/2026	62,722	64,801
4,323	GNMA POOL #0427556	7.50%	3/15/2026	4,587	4,739
56,675	GNMA POOL #0432701	8.00%	6/15/2026	60,774	62,517
20,749	GNMA POOL #0434101	7.00%	12/15/2028	21,841	22,629
77,847	GNMA POOL #0434237	6.00%	3/15/2029	79,187	81,894
20,799	GNMA POOL #0439645	8.00%	9/15/2026	22,306	22,942
18,936	GNMA POOL #0458918	7.00%	8/15/2028	19,933	20,651
11,818	GNMA POOL #0475872	7.00%	7/15/2028	12,441	12,889
78,140	GNMA POOL #0499876	7.00%	6/15/2029	82,241	85,355
50,298	GNMA POOL #0499905	7.00%	5/15/2029	52,941	54,943
44,314	GNMA POOL #0499907	7.00%	5/15/2029	46,641	48,406
37,422	GNMA POOL #0507496	7.00%	6/15/2029	39,387	40,878
42,763	GNMA POOL #0510958	7.00%	5/15/2029	45,008	46,711
40,548	GNMA POOL #0512888	7.00%	7/15/2029	42,678	44,293

**FIXED INCOME PORTFOLIO**  
YEAR ENDED JUNE 30, 2009

PAR VALUE	SECURITY	COUPON RATE	MATURITY	COST	FAIR VALUE
U.S. GOVERNMENT SECURITIES					
22,856	GNMA POOL #0513367	7.00%	8/15/2029	\$ 24,055	\$ 24,967
132,021	GNMA POOL #0530611	6.50%	5/15/2031	137,479	142,855
91,839	GNMA POOL #0530631	6.50%	6/15/2031	95,636	99,376
27,790	GNMA POOL #0539629	6.50%	4/15/2031	28,938	30,070
32,916	GNMA POOL #0548963	6.50%	3/15/2031	33,939	35,459
13,569	GNMA POOL #0549915	6.50%	5/15/2031	13,990	14,617
117,581	GNMA POOL #0552514	6.50%	4/15/2032	121,185	126,405
116,162	GNMA POOL #0560189	6.50%	4/15/2031	119,766	125,133
217,412	GNMA POOL #0780076	8.00%	2/15/2025	232,068	238,736
230,098	GNMA POOL #0780220	7.50%	8/15/2025	248,855	252,052
8,448	GNMA POOL #0780896	7.00%	11/15/2028	8,878	9,212
11,347	GNMA POOL #0153415	9.00%	4/15/2016	12,000	12,288
3,013	GNMA POOL #0156462	9.00%	7/15/2016	3,189	3,263
6,603	GNMA POOL #0157733	9.00%	5/15/2016	6,987	7,151
5,212	GNMA POOL #0158992	9.00%	6/15/2016	5,438	5,644
5,360	GNMA POOL #0159801	9.00%	9/15/2019	5,733	5,800
3,532	GNMA POOL #0160350	9.00%	5/15/2016	3,695	3,825
11,913	GNMA POOL #0161684	9.00%	7/15/2016	12,622	12,901
10,692	GNMA POOL #0164501	9.00%	8/15/2016	11,319	11,579
20,384	GNMA POOL #0164681	9.00%	10/15/2016	21,594	22,075
8,252	GNMA POOL #0164924	9.00%	9/15/2016	8,715	8,936
8,683	GNMA POOL #0165172	9.00%	6/15/2016	9,185	9,403
4,287	GNMA POOL #0165863	9.00%	8/15/2016	4,541	4,643
7,395	GNMA POOL #0168283	9.00%	8/15/2016	7,832	8,009
2,693	GNMA POOL #0172800	9.00%	8/15/2016	2,849	2,917
6,880	GNMA POOL #0173847	9.00%	9/15/2016	7,264	7,451
3,966	GNMA POOL #0174829	9.00%	9/15/2016	4,186	4,295
4,452	GNMA POOL #0178234	9.00%	11/15/2016	4,722	4,821
2,577	GNMA POOL #0181945	9.00%	4/15/2020	2,762	2,794
457	GNMA POOL #0182127	9.00%	11/15/2016	484	495
2,943	GNMA POOL #0182491	9.00%	12/15/2016	3,121	3,187
1,419	GNMA POOL #0182914	9.00%	10/15/2016	1,498	1,536
7,725	GNMA POOL #0183553	9.00%	8/15/2017	8,203	8,354
4,736	GNMA POOL #0183715	9.00%	11/15/2016	5,024	5,129
29,018	GNMA POOL #0183733	9.00%	1/15/2017	30,801	31,380
1,965	GNMA POOL #0185639	9.00%	11/15/2016	2,073	2,128
21,005	GNMA POOL #0187705	9.00%	1/15/2017	22,270	22,715
10,840	GNMA POOL #0190921	9.00%	12/15/2016	11,483	11,739
6,566	GNMA POOL #0191648	9.00%	5/15/2017	6,974	7,100
4,335	GNMA POOL #0191943	9.00%	7/15/2018	4,618	4,687
9,945	GNMA POOL #0194468	9.00%	12/15/2016	10,527	10,770
2,102	GNMA POOL #0198466	9.00%	2/15/2017	2,231	2,273
7,374	GNMA POOL #0206683	9.00%	4/15/2020	7,892	7,996
10,843	GNMA POOL #0207671	9.00%	7/15/2018	11,559	11,724

**FIXED INCOME PORTFOLIO**  
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PAR VALUE	SECURITY	COUPOIN RATE	MATURITY	COST	FAIR VALUE
U.S. GOVERNMENT SECURITIES					
1,068	GNMA POOL #0208705	9.00%	5/15/2020	\$ 1,140	\$ 1,155
7,891	GNMA POOL #0210798	9.00%	7/15/2018	8,409	8,532
5,867	GNMA POOL #0216520	9.00%	5/15/2017	6,231	6,345
10,985	GNMA POOL #0221509	9.00%	12/15/2016	11,612	11,896
9,666	GNMA POOL #0223282	9.00%	5/15/2018	10,304	10,451
3,342	GNMA POOL #0223307	9.00%	4/15/2018	3,562	3,613
2,926	GNMA POOL #0227210	9.00%	9/15/2017	3,106	3,164
2,767	GNMA POOL #0228184	9.00%	5/15/2018	2,950	2,992
4,354	GNMA POOL #0228233	9.00%	5/15/2018	4,610	4,708
7,330	GNMA POOL #0229731	9.00%	7/15/2017	7,788	7,927
6,166	GNMA POOL #0234450	9.00%	4/15/2018	6,561	6,667
1,383	GNMA POOL #0234695	10.00%	12/15/2017	1,515	1,504
4,000	GNMA POOL #0235280	9.00%	4/15/2018	4,264	4,325
7,734	GNMA POOL #0236041	10.00%	11/15/2017	8,327	8,418
3,990	GNMA POOL #0236835	10.00%	11/15/2017	4,296	4,339
636	GNMA POOL #0236939	9.00%	4/15/2018	678	688
17,936	GNMA POOL #0237138	10.00%	10/15/2017	19,624	19,508
2,681	GNMA POOL #0237195	9.00%	6/15/2018	2,842	2,904
685	GNMA POOL #0238133	9.00%	4/15/2018	725	741
2,874	GNMA POOL #0247506	9.00%	1/15/2020	3,076	3,116
19,099	GNMA POOL #0249621	9.00%	5/15/2018	20,350	20,651
2,949	GNMA POOL #0250933	9.00%	6/15/2018	3,145	3,189
8,195	GNMA POOL #0252052	9.00%	6/15/2018	8,607	8,861
18,312	GNMA POOL #0252055	9.00%	6/15/2018	19,530	19,800
1,503	GNMA POOL #0252306	9.00%	4/15/2018	1,598	1,625
3,083	GNMA POOL #0252538	9.00%	5/15/2018	3,284	3,334
1,907	GNMA POOL #0257869	9.00%	9/15/2019	2,040	2,063
756	GNMA POOL #0262845	9.00%	3/15/2020	810	820
12,220	GNMA POOL #0266545	9.00%	1/15/2019	13,038	13,224
14,619	GNMA POOL #0271090	9.00%	10/15/2019	15,623	15,820
3,371	GNMA POOL #0271897	9.00%	9/15/2019	3,572	3,648
4,263	GNMA POOL #0273548	9.00%	9/15/2019	4,562	4,614
8,704	GNMA POOL #0274140	9.00%	9/15/2019	9,306	9,419
3,386	GNMA POOL #0277907	9.00%	11/15/2019	3,625	3,664
3,340	GNMA POOL #0284420	9.00%	2/15/2020	3,574	3,622
2,734	GNMA POOL #0285593	9.00%	2/15/2020	2,928	2,965
9,557	GNMA POOL #0286371	9.00%	2/15/2020	10,208	10,335
2,144	GNMA POOL #0286427	9.00%	4/15/2020	2,203	2,325
4,622	GNMA POOL #0287851	9.00%	4/15/2020	4,953	5,012
8,448	GNMA POOL #0290000	9.00%	4/15/2020	9,042	9,161
3,860	GNMA POOL #0290057	9.00%	6/15/2020	4,138	4,186
3,344	GNMA POOL #0291136	9.00%	4/15/2020	3,573	3,626
8,897	GNMA POOL #0319521	8.00%	2/15/2022	9,500	9,752
41,378	GNMA POOL #0337419	7.00%	6/15/2023	43,689	44,967



**FIXED INCOME PORTFOLIO**  
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PAR VALUE	SECURITY	COUPON RATE	MATURITY	COST	FAIR VALUE
U.S. GOVERNMENT SECURITIES					
28,293	GNMA POOL #0345731	8.00%	5/15/2024	\$ 30,304	\$ 31,098
6,989	GNMA POOL #0352219	8.00%	4/15/2023	7,476	7,673
45,747	GNMA POOL #0352964	7.00%	5/15/2024	48,286	49,745
87,636	GNMA POOL #0366756	7.00%	3/15/2024	92,510	95,295
50,840	GNMA POOL #0371734	7.00%	4/15/2024	53,660	55,284
38,769	GNMA POOL #0386030	7.00%	5/15/2024	40,919	42,157
8,763	GNMA POOL #0390014	7.00%	6/15/2024	9,250	9,529
51,118	GNMA POOL #0391992	7.00%	3/15/2024	53,961	55,586
8,686	GNMA POOL #0402544	7.50%	4/15/2026	9,216	9,522
36,937	GNMA POOL #0405618	7.50%	4/15/2026	39,191	40,489
5,222	GNMA POOL #0406811	7.50%	1/15/2026	5,539	5,724
8,620	GNMA POOL #0417666	7.50%	8/15/2025	9,142	9,446
9,042	GNMA POOL #0427558	7.50%	4/15/2026	9,594	9,912
30,468	GNMA POOL #0429356	7.50%	3/15/2026	32,325	33,398
16,155	GNMA POOL #0430384	8.00%	8/15/2026	17,254	17,820
35,459	GNMA POOL #0433892	7.00%	7/15/2028	37,327	38,671
6,793	GNMA POOL #0438772	8.00%	8/15/2026	7,285	7,493
7,137	GNMA POOL #0438778	8.00%	8/15/2026	7,654	7,872
26,408	GNMA POOL #0450368	7.00%	8/15/2028	27,800	28,801
49,021	GNMA POOL #0464692	7.00%	7/15/2028	51,607	53,462
34,455	GNMA POOL #0466888	7.00%	7/15/2028	36,270	37,576
68,601	GNMA POOL #0469797	7.00%	12/15/2028	72,209	74,815
47,778	GNMA POOL #0470493	7.00%	6/15/2029	50,285	52,189
46,034	GNMA POOL #0472997	7.00%	6/15/2029	48,450	50,284
7,066	GNMA POOL #0478875	7.50%	11/15/2029	7,501	7,756
34,652	GNMA POOL #0478881	7.50%	11/15/2029	36,785	38,037
45,466	GNMA POOL #0482784	7.00%	10/15/2028	47,861	49,585
17,239	GNMA POOL #0485451	6.50%	5/15/2031	17,772	18,570
44,100	GNMA POOL #0486539	7.00%	9/15/2028	46,423	48,096
11,547	GNMA POOL #0486761	7.00%	12/15/2028	12,155	12,593
10,197	GNMA POOL #0487221	7.00%	5/15/2029	10,732	11,139
36,389	GNMA POOL #0487222	7.00%	5/15/2029	38,299	39,749
41,983	GNMA POOL #0493996	7.00%	7/15/2029	44,185	45,859
44,168	GNMA POOL #0500931	7.00%	6/15/2029	46,856	48,056
285,075	GNMA POOL #0503019	6.00%	3/15/2029	289,966	299,896
171,896	GNMA POOL #0505728	7.00%	6/15/2029	180,919	187,769
30,984	GNMA POOL #0506075	7.00%	11/15/2029	32,608	33,845
28,578	GNMA POOL #0509328	7.00%	6/15/2029	30,078	31,216
8,498	GNMA POOL #0510100	7.00%	7/15/2029	8,944	9,283
8,902	GNMA POOL #0510302	7.00%	8/15/2029	9,368	9,724
9,268	GNMA POOL #0510983	7.00%	6/15/2029	9,755	10,124
50,064	GNMA POOL #0512915	7.00%	7/15/2029	52,691	54,687
5,805	GNMA POOL #0520045	6.50%	6/15/2031	5,985	6,253
62,353	GNMA POOL #0530203	6.50%	4/15/2031	64,929	67,470

**FIXED INCOME PORTFOLIO**  
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PAR VALUE	SECURITY	COUPON RATE	MATURITY	COST	FAIR VALUE
56,016	GNMA POOL #0541464	6.50%	6/15/2031	\$ 57,750	\$ 60,342
52,094	GNMA POOL #0549889	6.50%	5/15/2031	53,710	56,117
14,962	GNMA POOL #0549890	6.50%	4/15/2031	15,426	16,117
296,415	GNMA POOL #0552518	6.50%	4/15/2032	305,500	318,658
36,763	GNMA POOL #0557424	6.50%	5/15/2031	37,901	39,603
23,522	GNMA POOL #0557467	6.50%	5/15/2031	24,251	25,338
32,540	GNMA POOL #0781129	7.00%	11/15/2028	34,196	35,484
3,613,575	U S TREASURY BOND	3.50%	2/15/2039	3,218,915	3,125,743
9,123,332	US TREAS-CPI INFLAT	2.00%	1/15/2026	8,638,504	8,952,269
4,965,063	US TREAS-CPI INFLAT	1.75%	1/15/2028	4,562,182	4,696,652
5,046,636	US TREAS-CPI INFLAT	2.00%	1/15/2016	4,965,003	5,128,644
2,918,945	US TREAS-CPI INFLATION INDEX	2.00%	1/15/2014	2,983,266	2,989,175
7,148,892	US TREAS-CPI INFLATION INDEX	1.38%	7/15/2018	6,953,822	6,945,614
<b>47,810,204</b>	<b>TOTAL U.S. GOVERNMENT SECURITIES</b>			<b>\$ 46,334,554</b>	<b>\$ 47,510,077</b>

## CORPORATE BONDS

542,036	ABBOTT LABORATORIES NT	6.15%	11/30/2037	\$ 478,296	\$ 589,860
1,021,358	ABFS MTG LN 03-2 CL M 144A	1.59%	4/25/2034	675,634	455,015
391,947	ACA ABS 06 1 LTD/ACA A-3L 144A	2.20%	6/10/2041	50,142	4
361,358	AGRIUM INC DEB	6.75%	1/15/2019	331,269	357,090
542,036	ALCOA INC NT	5.95%	2/1/2037	461,773	369,311
1,320,303	ALTERNATIVE LN 07 20 CL A-12	6.25%	8/25/2047	1,033,421	647,662
903,394	AMERICAN GEN FIN CORP MEDIUM	6.90%	12/15/2017	739,727	489,170
361,358	ANADARKO FIN CO SR NT	7.50%	5/1/2031	375,137	352,602
542,036	ASSOC CORP NA BDS	6.95%	11/1/2018	501,360	484,954
542,036	ASTRAZENECA PLC NT	6.45%	9/15/2037	475,591	600,880
542,036	AT & T INC GLOBAL NT	6.30%	1/15/2038	410,230	523,743
34,346	AUTO BD RECEIVABLES TR 94-A	6.40%	4/15/2009	34,346	0
361,358	AXA SA US\$ SUB NT	8.60%	12/15/2030	347,796	325,222
361,358	BAKER HUGHES INC SR NT	7.50%	11/15/2018	368,468	423,171
361,358	BANC ONE CORP DEBS	8.00%	4/29/2027	353,471	389,681
361,358	BANK AMER CORP SR NT	5.75%	12/1/2017	322,019	321,764
6,000,085	BGI CORE ACTIVE BOND FUND			108,575,709	110,640,998
10,067,922	BLACKROCK MORTGAGE INVESTORS			13,338,422	10,067,922
361,358	BURLINGTON RESOURCES FINANCE	7.40%	12/1/2031	332,408	403,557
361,358	CATERPILLAR FINL SVCS CORP MTN	7.05%	10/1/2018	353,943	380,762
2,237,761	CBO HLDGS III 04-3 CL A 144A	1.00%	6/1/2019	2,224,790	2,224,790
1,892,058	CBO HLDGS III 1A 04-1 C-2 144A	7.00%	2/10/2038	1,980,245	1,980,245
2,312,688	CHARTWELL CBO I NT CL B 144A	3.04%	10/10/2012	2,251,199	2,251,199
903,394	CHASEPEAKE & POTOMAC TEL CO MD	7.15%	5/1/2023	899,286	867,583
1,121,045	CHL MTG P/T 07 13 CL A-1	6.00%	8/25/2037	1,042,335	785,415
4,330,016	CIMARRON DEBT FUND			4,330,016	4,330,016
361,358	CITIGROUP INC SR NT	6.13%	5/15/2018	324,004	316,065
1,084,073	CLEAR CHANNEL COMMUNICATIONS	6.88%	6/15/2018	558,225	235,786
903,394	CNF INC SR DEB	6.70%	5/1/2034	754,073	588,715
2,353,606	COLORADO DEBT FUND			2,353,606	2,353,606

**FIXED INCOME PORTFOLIO**  
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PAR VALUE	SECURITY	COUPON RATE	MATURITY	COST	FAIR VALUE
CORPORATE BONDS					
1,157,199	COLORADO II			\$ 1,157,199	\$ 1,157,199
154,661	CONAGRA INC NTS	9.75%	3/1/2021	181,882	187,862
529,090	CONTINENTAL AIRLS 01-1 CL A 1	6.70%	6/15/2021	449,928	444,436
912,428	CONTINENTAL AIRLS 01-1 CL A 2	6.50%	6/15/2011	848,369	848,558
361,358	CORNING INC NT	7.25%	8/15/2036	362,592	350,502
763,692	CREDIT SUISSE FB 03-8 CL D-B-2	6.24%	4/25/2033	586,973	463,943
70,287	DELTA FDG HM EQ LN TR 99-3 M-2	8.10%	1/15/2030	10,441	2,224
903,394	DEUTSCHE BK CAYMAN 2001-3 144A	1.49%	4/30/2031	181,490	154,056
361,358	DU PONT E I DE NEMOURS & CO NT	6.00%	7/15/2018	336,085	389,518
361,358	GENERAL ELEC CAP MTN #TR 00528	6.75%	3/15/2032	308,709	324,394
542,036	GLAXOSMITHKLINE CAP INC GTD NT	6.38%	5/15/2038	448,657	589,427
542,036	GOLDMAN SACHS GROUP INC BD	6.15%	4/1/2018	466,651	527,716
361,358	GOLDMAN SACHS GROUP INC SR NT	6.60%	1/15/2012	344,719	384,748
14,500,002	GS CREDIT OPPTS FUND 2008			19,503,320	14,500,002
307,154	HARRAHS OPER INC GTD SR NT	5.63%	6/1/2015	141,416	113,647
7,578,114	HIGHLAND CLO			5,913,016	7,578,114
361,358	HOME DEPOT INC SR NT	5.88%	12/16/2036	287,322	318,811
903,394	HUNTINGTON NATL BK MTN # 00001	6.60%	6/15/2018	748,062	651,320
3,613,575	HVB FDG TR SILENT PARTN 144A	8.74%	6/30/2031	3,169,346	1,951,331
722,715	INTERNATIONAL BUSINESS MACH CO	8.00%	10/15/2038	755,886	935,417
236,965	ISHARES TR IBOXX \$ HIGH YIELD			18,146,743	18,888,444
165,038	J P MORGAN RESI 02-R2 CL 3A1	6.00%	4/28/2026	167,174	169,607
1,002,767	JACKSON NTAL LIFE INS CO 144A	8.15%	3/15/2027	1,103,603	834,744
1,009,994	JEFFERIES GROUP INC NEW SR DEB	6.25%	1/15/2036	735,993	696,765
542,036	KRAFT FOODS INC NT	6.88%	1/26/2039	442,174	573,740
542,036	LEHMAN BROS HLDGS INC	8.80%	3/1/2015	562,981	79,950
737,169	LEHMAN BROTHERS HLDGS #TR00491	7.37%	5/12/2014	579,041	108,732
542,036	LILLY ELI & CO NT	5.55%	3/15/2037	450,737	547,592
243,916	MCCLATCHY NEWSPAPERS INC	15.75%	7/15/2014	544,308	78,053
361,358	MCDONALDS CORP	6.30%	3/1/2038	322,690	391,220
722,715	MERCK & CO INC DEBS	6.40%	3/1/2028	678,763	783,481
903,394	MID OCEAN CBO 00 1 A2 144A 3C7	7.73%	1/15/2036	791,234	76,933
930,181	MID OCEAN CBO CL A 144A	6.56%	11/5/2026	931,976	931,976
2,129,597	MMCAPS FDG I LTD SR NT 144A	8.03%	6/15/2031	1,937,606	1,277,758
178,520	MORGAN STANLEY ABS 03 NC10 M2	2.99%	10/25/2033	113,435	40,515
171,206	MORGAN STANLEY ABS 04-NC1 M2	1.84%	11/25/2033	146,845	111,957
66,177	MORGAN STANLEY ABS 04-NC2 M2	2.09%	12/25/2033	54,216	38,991
722,715	MORGAN STANLEY SR MEDIUM TERM	5.95%	12/28/2017	623,627	693,488
474,282	MURPHY OIL CORP NT	7.05%	5/1/2029	475,690	422,908
361,358	NATIONAL RURAL UTILS COOP FIN	8.00%	3/1/2032	409,279	405,938
403,817	NEWS AMER HLDGS INC	7.43%	10/1/2026	419,599	372,271
542,036	NEXEN INC NT	6.40%	5/15/2037	487,783	497,839
722,715	NORTH STREET REFERENCED LINKED	4.24%	8/30/2030	639,970	639,970
903,394	ONEOK PARTNERS LP GTD SR NT	6.65%	10/1/2036	858,857	832,938

**FIXED INCOME PORTFOLIO**  
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PAR VALUE	SECURITY	COUPON RATE	MATURITY	COST	FAIR VALUE
<b>CORPORATE BONDS</b>					
876,292	PACIFIC BELL	7.38%	7/15/2043	\$ 889,192	\$ 860,116
768,139	PACIFIC SHORES CDO C 144A 3C7	2.89%	7/3/2037	716,048	77
722,715	PEPSI BOTTLING GRP INC GTD SR	7.00%	3/1/2029	679,393	846,111
1,445,430	PERITUS I CDO LTD CL B 144A	4.17%	5/24/2015	1,117,415	202,143
555,587	PIVOTAL CIMARRON HILLS			555,587	555,587
975,966	PIVOTAL PROMONTORY DEBT FD			975,966	975,966
8,582	PIVOTAL WORKING CAPITAL (DEBT)			8,582	8,582
792,276	PLAINS ALL AMERN PIPELINE LP	6.65%	1/15/2037	718,303	735,034
1,329,592	PREFERRED CPO A / B 144A	8.95%	7/26/2030	1,479,901	1,485,820
613,165	PREFERRED CPO A / B 144A	8.95%	7/26/2030	634,765	634,765
948,564	PREMIUM ASSET TR ACA 144A		3/11/2010	668,004	0
542,036	PRINCIPAL LIFE MTN # 00108	0.66%	3/1/2012	528,191	484,656
6,994,769	PSPRS PNM MAC MORTGOPP			7,554,150	6,994,769
6,304,709	PSPRS-APOLLO EUR NPL			8,638,572	8,843,301
4,099,923	REGIONAL DIVERSIFIED FDG 144A	9.25%	3/15/2030	4,742,836	307,084
542,036	RELIANCE STL & ALUM CO	6.85%	11/15/2036	510,255	310,663
1,716,448	SANDIA DEBT FUND			1,716,448	1,716,448
131,191	SBA LOAN NESTING FEATHERS			131,191	131,191
1,806,788	SECURITY BENEFIT LIFE INS 144A	8.75%	5/15/2016	1,823,087	253,510
2,710,182	SECURITY MUT LIFE INS CO 144A	9.38%	12/15/2016	2,848,419	2,848,419
161,184	SPDR SER TR LEHMAN HIGH YIELD			5,656,830	5,672,061
722,715	TARGET CORP NT	7.00%	1/15/2038	606,260	770,306
903,394	TIMES MIRROR CO NEW DEBS	6.61%	9/15/2027	359,058	40,653
1,806,788	TRAINER WORTHAM FIRST A3L 144A	2.28%	4/10/2037	1,229,794	1,229,794
3,432,897	UNION CENTR LIFE NOTES 144A	8.20%	11/1/2026	3,844,640	2,439,313
361,358	UNION PAC CORP SR NT	6.25%	5/1/2034	281,964	343,658
903,394	UNITED UTILS PLC NT	4.55%	6/19/2018	809,219	771,923
722,715	WAL-MART STORES INC NT	6.20%	4/15/2038	635,293	776,673
361,358	WELLS FARGO & CO NEW SR UNSECD	5.63%	12/11/2017	327,536	355,695
361,358	WESTERN UN CO NT	6.20%	11/17/2036	322,293	340,518
903,394	WESTINGHOUSE ELEC CORP NT	7.88%	9/1/2023	825,177	729,283
<b>136,986,720</b>	<b>TOTAL CORPORATE BONDS</b>			<b>\$ 265,937,698</b>	<b>\$ 246,789,941</b>
<b>184,796,924</b>	<b>TOTAL FIXED INCOME PORTFOLIO</b>			<b>\$ 312,272,252</b>	<b>\$ 294,300,018</b>

**FIXED INCOME ACQUIRED**  
DURING THE FISCAL YEAR ENDED JUNE 30, 2009

DESCRIPTION	COUPON	MATURITY	PRICE	PAR VALUE	AMOUNT
U.S. GOVERNMENT SECURITIES					
FEDERAL FARM CR BK CONS SYSTEM	5.15%	5/5/2015	\$ 99.99	\$ 2,278,364	\$ 2,278,206
FEDERAL FARM CR BKS CONS BDS	5.40%	10/6/2015	100.00	1,759,839	1,759,890
FEDERAL HOME LN BKS CONS BD	5.33%	7/23/2018	100.00	877,146	877,129
FEDERAL HOME LN BKS CONS BD	5.65%	9/21/2020	100.01	1,759,839	1,760,010
FEDERAL HOME LN MTG CORP DEB	5.00%	12/14/2018	81.61	1,591,269	1,298,660
FEDERAL HOME LN MTG CORP MTN	5.00%	6/11/2018	98.96	329,308	325,877
FEDERAL HOME LN MTG CORP MTN	5.00%	7/2/2018	98.06	890,478	873,183
FEDERAL HOME LN MTG CORP MTN	6.00%	4/16/2037	100.40	722,715	725,599
FEDERAL HOME LN MTG CORP MTN	6.00%	1/26/2022	100.05	703,936	704,298
FEDERAL HOME LN MTG CORP MTN	6.00%	6/7/2027	100.17	1,806,788	1,809,879
FEDERAL HOME LN MTG CORP MTN	6.00%	12/17/2027	98.71	1,800,250	1,776,961
FEDERAL HOME LN MTG CORP MTN	3.65%	12/30/2009	100.12	52,628,772	52,692,549
FEDERAL HOME LN MTG CORP MTN	1.80%	12/30/2010	100.00	17,945,948	17,945,948
FEDERAL NATL MTG ASSN	4.45%	8/25/2012	99.05	1,533,309	1,518,785
FEDERAL NATL MTG ASSN DEBS	5.25%	7/14/2015	100.27	5,289,927	5,303,953
FHLMC POOL #G0-8168	6.00%	12/1/2036	100.38	695,313	697,988
FHLMC POOL #H1-0069	6.00%	11/1/2036	100.12	755,718	756,619
FHLMC POOL #H1-5010	6.00%	11/1/2036	100.12	631,103	631,855
FHLMC MULTICLASS MTG	5.00%	2/15/2025	95.47	903,394	862,483
FHLMC MULTICLASS MTG	6.00%	8/15/2032	101.44	2,038,301	2,067,645
FHLMC MULTICLASS MTG	6.00%	11/15/2032	101.43	897,297	910,098
FHLMC MULTICLASS MTG	6.00%	8/15/2032	102.24	897,297	917,387
FHLMC MULTICLASS MTG	6.00%	8/15/2032	100.96	897,297	905,867
FHLMC MULTICLASS MTG 3159 PB	6.00%	1/15/2029	102.59	1,514,459	1,553,688
FNMA GTD REMIC P/T	4.00%	11/25/2022	98.67	2,123,261	2,094,950
FNMA GTD REMIC P/T 03-42 CL PE	5.50%	12/25/2031	98.64	542,036	534,686
FNMA GTD REMIC P/T 05-27 AB	5.50%	2/25/2034	97.62	733,785	716,306
FNMA GTD REMIC P/T 05-27 AC	5.50%	8/25/2034	95.13	1,860,277	1,769,597
FNMA GTD REMIC P/T 05-45 BG	4.50%	6/25/2025	93.29	2,448,903	2,284,643
FNMA GTD REMIC P/T 06-60 PC	6.00%	6/25/2032	100.80	897,297	904,503
GNMA POOL #0173878	9.00%	8/15/2016	105.69	17,377	18,366
GNMA POOL #0176431	9.00%	8/15/2016	105.99	12,297	13,034
GNMA POOL #0202505	9.00%	10/15/2019	104.80	879	921
GNMA POOL #0217956	10.00%	11/15/2017	108.53	3,682	3,996
GNMA POOL #0226529	9.00%	6/15/2018	106.57	9,839	10,486
GNMA POOL #0232237	9.00%	1/15/2020	102.81	295	303
GNMA POOL #0234937	9.00%	3/15/2018	106.60	5,872	6,259
GNMA POOL #0238600	10.00%	11/15/2017	107.51	6,650	7,150
GNMA POOL #0248951	9.00%	5/15/2018	106.68	1,852	1,976
GNMA POOL #0252056	9.00%	6/15/2018	106.07	887	941
GNMA POOL #0285803	9.00%	3/15/2020	106.81	1,762	1,882
GNMA POOL #0298952	9.00%	4/15/2021	107.20	3,870	4,148
GNMA POOL #0303324	9.00%	4/15/2021	107.06	1,661	1,778
GNMA POOL #0304625	9.00%	3/15/2021	107.22	2,064	2,214

**FIXED INCOME ACQUIRED**  
DURING THE FISCAL YEAR ENDED JUNE 30, 2009

DESCRIPTION	COUPON	MATURITY	PRICE	PAR VALUE	AMOUNT
U.S. GOVERNMENT SECURITIES					
GNMA POOL #0305187	9.00%	6/15/2021	\$ 107.34	\$ 3,613	\$ 3,878
GNMA POOL #0330725	8.00%	7/15/2022	106.99	8,043	8,605
GNMA POOL #0375887	7.00%	5/15/2024	105.56	65,097	68,718
GNMA POOL #0377589	7.50%	8/15/2025	106.09	142,663	151,355
GNMA POOL #0386038	7.00%	6/15/2024	105.63	25,176	26,594
GNMA POOL #0389845	8.00%	9/15/2024	107.12	16,108	17,255
GNMA POOL #0398831	8.00%	8/15/2026	107.25	61,257	65,696
GNMA POOL #0403979	8.50%	10/15/2024	107.27	72,597	77,876
GNMA POOL #0421711	7.50%	4/15/2026	106.11	61,116	64,849
GNMA POOL #0427556	7.50%	3/15/2026	106.11	4,589	4,870
GNMA POOL #0432701	8.00%	6/15/2026	107.24	58,299	62,521
GNMA POOL #0434101	7.00%	12/15/2028	105.30	27,841	29,317
GNMA POOL #0434237	6.00%	3/15/2029	101.73	92,328	93,926
GNMA POOL #0439645	8.00%	9/15/2026	107.25	21,225	22,764
GNMA POOL #0441619	7.50%	11/15/2029	106.21	7,373	7,832
GNMA POOL #0458918	7.00%	8/15/2028	105.28	19,874	20,923
GNMA POOL #0475872	7.00%	7/15/2028	105.28	12,177	12,820
GNMA POOL #0499876	7.00%	6/15/2029	105.25	79,916	84,115
GNMA POOL #0499905	7.00%	5/15/2029	105.26	51,647	54,364
GNMA POOL #0499907	7.00%	5/15/2029	105.25	45,216	47,592
GNMA POOL #0507496	7.00%	6/15/2029	105.27	44,614	46,965
GNMA POOL #0510958	7.00%	5/15/2029	105.26	44,064	46,380
GNMA POOL #0512888	7.00%	7/15/2029	105.26	41,566	43,750
GNMA POOL #0513367	7.00%	8/15/2029	105.29	32,628	34,353
GNMA POOL #0530611	6.50%	5/15/2031	104.14	134,142	139,691
GNMA POOL #0530631	6.50%	6/15/2031	104.18	115,503	120,329
GNMA POOL #0539629	6.50%	4/15/2031	104.16	35,290	36,756
GNMA POOL #0548963	6.50%	3/15/2031	103.11	33,437	34,476
GNMA POOL #0549915	6.50%	5/15/2031	103.10	14,075	14,512
GNMA POOL #0552514	6.50%	4/15/2032	103.08	135,904	140,090
GNMA POOL #0560189	6.50%	4/15/2031	103.11	141,812	146,228
GNMA POOL #0780076	8.00%	2/15/2025	106.77	245,190	261,798
GNMA POOL #0780220	7.50%	8/15/2025	108.19	252,615	273,295
GNMA POOL #0780896	7.00%	11/15/2028	105.10	9,123	9,588
GNMA GTD REMIC P/T 03-12 PE	5.50%	12/16/2031	99.94	1,750,385	1,749,362
GNMA GTD REMIC P/T 03-34 MX-PC	5.50%	2/16/2032	100.19	1,575,347	1,578,312
GNMA POOL #0153415	9.00%	4/15/2016	105.81	12,335	13,052
GNMA POOL #0156462	9.00%	7/15/2016	105.90	3,265	3,458
GNMA POOL #0157733	9.00%	5/15/2016	105.88	7,148	7,568
GNMA POOL #0158992	9.00%	6/15/2016	104.40	5,909	6,169
GNMA POOL #0159801	9.00%	9/15/2019	107.06	10,564	11,310
GNMA POOL #0160350	9.00%	5/15/2016	104.66	3,841	4,020
GNMA POOL #0161638	9.00%	9/15/2016	106.80	2,408	2,572
GNMA POOL #0161684	9.00%	7/15/2016	106.00	12,844	13,615



**FIXED INCOME ACQUIRED**  
DURING THE FISCAL YEAR ENDED JUNE 30, 2009

DESCRIPTION	COUPON	MATURITY	PRICE	PAR VALUE	AMOUNT
U.S. GOVERNMENT SECURITIES					
GNMA POOL #0164501	9.00%	8/15/2016	\$ 105.98	\$ 13,814	\$ 14,641
GNMA POOL #0164681	9.00%	10/15/2016	106.02	23,491	24,905
GNMA POOL #0164924	9.00%	9/15/2016	105.68	9,213	9,736
GNMA POOL #0165172	9.00%	6/15/2016	106.13	24,118	25,596
GNMA POOL #0165863	9.00%	8/15/2016	105.96	4,631	4,907
GNMA POOL #0168283	9.00%	8/15/2016	106.19	11,853	12,586
GNMA POOL #0172800	9.00%	8/15/2016	105.98	5,201	5,512
GNMA POOL #0173847	9.00%	9/15/2016	106.02	12,448	13,197
GNMA POOL #0174829	9.00%	9/15/2016	105.66	5,189	5,483
GNMA POOL #0178234	9.00%	11/15/2016	106.12	4,784	5,077
GNMA POOL #0181945	9.00%	4/15/2020	107.20	2,684	2,877
GNMA POOL #0182127	9.00%	11/15/2016	105.97	494	523
GNMA POOL #0182491	9.00%	12/15/2016	106.10	3,169	3,362
GNMA POOL #0182914	9.00%	10/15/2016	105.62	1,561	1,648
GNMA POOL #0183553	9.00%	8/15/2017	106.23	8,300	8,817
GNMA POOL #0183715	9.00%	11/15/2016	106.12	5,086	5,397
GNMA POOL #0183733	9.00%	1/15/2017	106.19	31,094	33,017
GNMA POOL #0185639	9.00%	11/15/2016	105.57	2,212	2,335
GNMA POOL #0187705	9.00%	1/15/2017	106.07	22,686	24,063
GNMA POOL #0190921	9.00%	12/15/2016	106.00	12,166	12,896
GNMA POOL #0191648	9.00%	5/15/2017	106.27	7,039	7,481
GNMA POOL #0191943	9.00%	7/15/2018	106.58	4,600	4,903
GNMA POOL #0194468	9.00%	12/15/2016	105.93	11,299	11,969
GNMA POOL #0198466	9.00%	2/15/2017	106.20	2,253	2,393
GNMA POOL #0206683	9.00%	4/15/2020	107.06	7,846	8,400
GNMA POOL #0207671	9.00%	7/15/2018	106.65	11,724	12,504
GNMA POOL #0208705	9.00%	5/15/2020	106.75	1,132	1,209
GNMA POOL #0210798	9.00%	7/15/2018	106.60	8,365	8,917
GNMA POOL #0216520	9.00%	5/15/2017	106.24	6,283	6,676
GNMA POOL #0221509	9.00%	12/15/2016	105.76	12,028	12,721
GNMA POOL #0223282	9.00%	5/15/2018	106.64	10,220	10,899
GNMA POOL #0223307	9.00%	4/15/2018	106.61	3,536	3,770
GNMA POOL #0227210	9.00%	9/15/2017	106.19	3,157	3,353
GNMA POOL #0228184	9.00%	5/15/2018	106.66	2,924	3,119
GNMA POOL #0228233	9.00%	5/15/2018	105.95	4,878	5,168
GNMA POOL #0229731	9.00%	7/15/2017	106.29	7,843	8,336
GNMA POOL #0229798	9.00%	10/15/2017	106.60	818	872
GNMA POOL #0234450	9.00%	4/15/2018	106.70	9,109	9,719
GNMA POOL #0234695	10.00%	12/15/2017	109.63	1,463	1,604
GNMA POOL #0235280	9.00%	4/15/2018	106.63	4,231	4,511
GNMA POOL #0236041	10.00%	11/15/2017	107.70	8,204	8,836
GNMA POOL #0236835	10.00%	11/15/2017	107.72	4,223	4,549
GNMA POOL #0236939	9.00%	4/15/2018	106.63	673	717
GNMA POOL #0237138	10.00%	10/15/2017	109.46	19,066	20,870

**FIXED INCOME ACQUIRED**  
DURING THE FISCAL YEAR ENDED JUNE 30, 2009

DESCRIPTION	COUPON	MATURITY	PRICE	PAR VALUE	AMOUNT
U.S. GOVERNMENT SECURITIES					
GNMA POOL #0237195	9.00%	6/15/2018	\$ 106.03	\$ 2,916	\$ 3,091
GNMA POOL #0238133	9.00%	4/15/2018	105.94	768	813
GNMA POOL #0247506	9.00%	1/15/2020	107.05	3,007	3,219
GNMA POOL #0249621	9.00%	5/15/2018	106.58	20,311	21,648
GNMA POOL #0250933	9.00%	6/15/2018	106.65	3,119	3,326
GNMA POOL #0252052	9.00%	6/15/2018	105.09	9,681	10,174
GNMA POOL #0252055	9.00%	6/15/2018	106.68	19,337	20,630
GNMA POOL #0252306	9.00%	4/15/2018	106.36	1,608	1,710
GNMA POOL #0252538	9.00%	5/15/2018	106.53	3,299	3,515
GNMA POOL #0257869	9.00%	9/15/2019	107.02	1,995	2,135
GNMA POOL #0262845	9.00%	3/15/2020	107.15	789	846
GNMA POOL #0266545	9.00%	1/15/2019	106.72	12,918	13,786
GNMA POOL #0271090	9.00%	10/15/2019	106.89	15,550	16,622
GNMA POOL #0271897	9.00%	9/15/2019	105.98	3,693	3,914
GNMA POOL #0273548	9.00%	9/15/2019	107.04	4,460	4,774
GNMA POOL #0274140	9.00%	9/15/2019	106.95	9,138	9,773
GNMA POOL #0277907	9.00%	11/15/2019	107.08	3,541	3,791
GNMA POOL #0284420	9.00%	2/15/2020	107.04	3,501	3,747
GNMA POOL #0285593	9.00%	2/15/2020	107.13	2,854	3,057
GNMA POOL #0286371	9.00%	2/15/2020	106.92	14,125	15,103
GNMA POOL #0286427	9.00%	4/15/2020	102.83	3,545	3,645
GNMA POOL #0287851	9.00%	4/15/2020	107.18	4,816	5,162
GNMA POOL #0290000	9.00%	4/15/2020	107.06	8,870	9,496
GNMA POOL #0290057	9.00%	6/15/2020	107.22	4,019	4,310
GNMA POOL #0291136	9.00%	4/15/2020	106.87	3,527	3,769
GNMA POOL #0319521	8.00%	2/15/2022	106.90	11,139	11,908
GNMA POOL #0337419	7.00%	6/15/2023	105.64	55,269	58,386
GNMA POOL #0345731	8.00%	5/15/2024	107.12	29,210	31,289
GNMA POOL #0352219	8.00%	4/15/2023	107.02	7,805	8,353
GNMA POOL #0352964	7.00%	5/15/2024	105.59	52,751	55,700
GNMA POOL #0366756	7.00%	3/15/2024	105.57	91,204	96,287
GNMA POOL #0371734	7.00%	4/15/2024	105.62	66,002	69,708
GNMA POOL #0386030	7.00%	5/15/2024	105.61	53,209	56,196
GNMA POOL #0390014	7.00%	6/15/2024	105.56	9,171	9,681
GNMA POOL #0391992	7.00%	3/15/2024	105.57	53,269	56,238
GNMA POOL #0402544	7.50%	4/15/2026	106.11	9,154	9,714
GNMA POOL #0405618	7.50%	4/15/2026	106.11	37,767	40,073
GNMA POOL #0406811	7.50%	1/15/2026	106.09	5,342	5,668
GNMA POOL #0417666	7.50%	8/15/2025	106.07	8,833	9,370
GNMA POOL #0427558	7.50%	4/15/2026	106.11	9,244	9,808
GNMA POOL #0429356	7.50%	3/15/2026	106.10	31,170	33,072
GNMA POOL #0430384	8.00%	8/15/2026	106.83	17,368	18,554
GNMA POOL #0433892	7.00%	7/15/2028	105.27	36,227	38,137
GNMA POOL #0438772	8.00%	8/15/2026	107.25	6,937	7,440

**FIXED INCOME ACQUIRED**  
DURING THE FISCAL YEAR ENDED JUNE 30, 2009

DESCRIPTION	COUPON	MATURITY	PRICE	PAR VALUE	AMOUNT
U.S. GOVERNMENT SECURITIES					
GNMA POOL #0438778	8.00%	8/15/2026	\$ 107.25	\$ 7,282	\$ 7,810
GNMA POOL #0450368	7.00%	8/15/2028	105.27	27,064	28,491
GNMA POOL #0464692	7.00%	7/15/2028	105.32	56,021	59,000
GNMA POOL #0466888	7.00%	7/15/2028	105.28	38,474	40,507
GNMA POOL #0469797	7.00%	12/15/2028	105.27	70,271	73,971
GNMA POOL #0470493	7.00%	6/15/2029	105.28	56,868	59,870
GNMA POOL #0472997	7.00%	6/15/2029	105.26	47,830	50,344
GNMA POOL #0478875	7.50%	11/15/2029	106.18	7,398	7,855
GNMA POOL #0478881	7.50%	11/15/2029	106.17	42,638	45,269
GNMA POOL #0482784	7.00%	10/15/2028	105.30	50,150	52,806
GNMA POOL #0485451	6.50%	5/15/2031	103.11	25,715	26,514
GNMA POOL #0486539	7.00%	9/15/2028	105.28	46,417	48,866
GNMA POOL #0486761	7.00%	12/15/2028	105.27	11,864	12,489
GNMA POOL #0487221	7.00%	5/15/2029	105.28	11,223	11,815
GNMA POOL #0487222	7.00%	5/15/2029	105.25	37,027	38,972
GNMA POOL #0493996	7.00%	7/15/2029	105.28	52,963	55,757
GNMA POOL #0500931	7.00%	6/15/2029	106.09	44,959	47,697
GNMA POOL #0503019	6.00%	3/15/2029	101.72	313,380	318,773
GNMA POOL #0505728	7.00%	6/15/2029	105.25	175,691	184,921
GNMA POOL #0506075	7.00%	11/15/2029	105.25	31,999	33,679
GNMA POOL #0509328	7.00%	6/15/2029	105.25	29,150	30,682
GNMA POOL #0510100	7.00%	7/15/2029	105.28	10,605	11,165
GNMA POOL #0510302	7.00%	8/15/2029	105.26	9,668	10,177
GNMA POOL #0510983	7.00%	6/15/2029	105.31	12,606	13,275
GNMA POOL #0512915	7.00%	7/15/2029	105.25	51,666	54,380
GNMA POOL #0520045	6.50%	6/15/2031	103.12	7,204	7,429
GNMA POOL #0530203	6.50%	4/15/2031	104.14	69,660	72,544
GNMA POOL #0541464	6.50%	6/15/2031	103.14	72,393	74,664
GNMA POOL #0549889	6.50%	5/15/2031	103.16	101,039	104,237
GNMA POOL #0549890	6.50%	4/15/2031	103.10	15,214	15,687
GNMA POOL #0552518	6.50%	4/15/2032	103.07	304,825	314,179
GNMA POOL #0557424	6.50%	5/15/2031	103.14	59,881	61,759
GNMA POOL #0557467	6.50%	5/15/2031	103.10	23,887	24,628
GNMA POOL #0781129	7.00%	11/15/2028	105.11	37,120	39,017
U S TREASURY BILL		7/2/2009	97.94	82,597,680	80,897,302
U S TREASURY BOND	3.50%	2/15/2039	89.08	3,613,575	3,218,915
U S TREASURY NOTE	1.25%	11/30/2010	100.69	8,972,974	9,034,559
U S TREASURY NOTE	0.88%	12/31/2010	100.01	17,945,948	17,948,082
U S TREASURY NOTE	1.13%	12/15/2011	100.03	8,972,974	8,975,951
US TREAS-CPI INFLAT	2.00%	1/15/2026	94.69	9,123,332	8,638,504
US TREAS-CPI INFLAT	1.75%	1/15/2028	91.89	4,970,587	4,567,244
US TREAS-CPI INFLAT	2.00%	1/15/2016	96.17	8,045,470	7,737,286
US TREAS-CPI INFLATION INDEX	2.00%	1/15/2014	102.20	2,922,997	2,987,410
US TREAS-CPI INFLATION INDEX	1.38%	7/15/2018	97.27	7,149,451	6,954,368
<b>TOTAL U.S. GOVERNMENT SECURITIES ACQUIRED</b>				<b>\$ 272,747,489</b>	<b>\$ 269,172,769</b>

**FIXED INCOME ACQUIRED**  
DURING THE FISCAL YEAR ENDED JUNE 30, 2009

DESCRIPTION	COUPON	MATURITY	PRICE	PAR VALUE	AMOUNT
<b>CORPORATE BONDS</b>					
ABBOTT LABORATORIES NT	6.15%	11/30/2037	\$ 88.24	\$ 542,036	\$ 478,296
ABFS MTG LN 03-2 CL M 144A	1.59%	4/25/2034	66.12	1,057,609	699,257
ACA ABS 06 1 LTD/ACA A-3L 144A	2.20%	6/10/2041	11.90	387,985	46,179
AGRIUM INC DEB	6.75%	1/15/2019	91.67	361,358	331,269
ALCOA INC NT	5.95%	2/1/2037	85.19	542,036	461,773
ALTERNATIVE LN 07 20 CL A-12	6.25%	8/25/2047	78.26	1,387,994	1,086,240
ALTERNATIVE LN 07 3T1 CL 2-A-1	6.00%	3/25/2027	81.50	718,072	585,239
AMERICAN AIRLS PASS THRU TR 01	7.86%	10/1/2011	93.68	2,160,300	2,023,856
AMERICAN GEN FIN CORP MEDIUM	6.90%	12/15/2017	81.84	1,803,519	1,475,932
ANADARKO FIN CO SR NT	7.50%	5/1/2031	103.85	899,736	934,398
ANSLEY PK ABS CL C 144A	3.80%	10/1/2046	15.02	884,696	132,868
ASSOC CORP NA BDS	6.95%	11/1/2018	92.50	542,036	501,360
ASTRAZENECA PLC NT	6.45%	9/15/2037	87.74	542,036	475,591
AT & T INC GLOBAL NT	6.30%	1/15/2038	75.68	542,036	410,230
AUTO BD RECEIVABLES TR 94-A	6.40%	4/15/2009	100.00	34,346	34,346
AXA SA US\$ SUB NT	8.60%	12/15/2030	96.23	897,703	863,857
BAKER HUGHES INC SR NT	7.50%	11/15/2018	101.97	361,358	368,468
BANC ONE CORP DEBS	8.00%	4/29/2027	97.82	361,358	353,471
BANK AMER CORP SR NT	5.75%	12/1/2017	89.11	361,358	322,019
BGI CORE ACTIVE BOND FUND			1,807.36	7,004,356	126,593,948
BGI CORE ACTIVE BOND TRADING			1,003.56	5,367,504	53,866,120
BLACKROCK MORTGAGE INVESTORS			132.48	10,067,922	13,338,422
BURLINGTON RESOURCES FINANCE	7.40%	12/1/2031	91.99	361,358	332,408
CATERPILLAR FINL SVCS CORP MTN	7.05%	10/1/2018	97.95	361,358	353,943
CBO HLDGS III 04-3 CL A 144A	1.00%	6/1/2019	99.42	2,454,463	2,440,202
CBO HLDGS III 1A 04-1 C-2 144A	7.00%	2/10/2038	104.66	1,898,826	1,987,333
CHARTWELL CBO I NT CL B 144A	3.04%	10/10/2012	97.34	2,312,688	2,251,199
CHASEPEAKE & POTOMAC TEL CO MD	7.15%	5/1/2023	99.55	903,394	899,286
CHL MTG P/T 07 13 CL A-1	6.00%	8/25/2037	92.97	1,266,515	1,177,470
CIMARRON DEBT FUND			100.00	4,330,016	4,330,016
CITIGROUP INC SR NT	6.13%	5/15/2018	89.66	361,358	324,004
CLEAR CHANNEL COMMUNICATIONS	6.88%	6/15/2018	51.49	1,084,073	558,225
CNF INC SR DEB	6.70%	5/1/2034	83.47	903,394	754,073
COCA-COLA ENTERPRISES	6.75%	9/15/2028	88.42	701,717	620,440
COLORADO DEBT FUND			100.00	2,353,606	2,353,606
COLORADO II			100.00	1,157,199	1,157,199
CONAGRA INC NTS	9.75%	3/1/2021	117.60	154,661	181,882
CONAGRA INC SR NTS	6.70%	8/1/2027	99.75	715,128	713,373
CONTINENTAL AIRLS 01-1 CL A 1	6.70%	6/15/2021	84.99	571,691	485,866
CONTINENTAL AIRLS 01-1 CL A 2	6.50%	6/15/2011	92.98	912,428	848,369
CONTINENTAL AIRLS 99-2 CL A-1	7.26%	3/15/2020	89.82	524,319	470,920
CORNING INC NT	7.25%	8/15/2036	100.35	1,241,277	1,245,564
CREDIT SUISSE FB 03-8 CL D-B-2	6.24%	4/25/2033	76.83	811,551	623,541
CSX CORP NT	6.15%	5/1/2037	65.11	357,564	232,810

**FIXED INCOME ACQUIRED**  
DURING THE FISCAL YEAR ENDED JUNE 30, 2009

DESCRIPTION	COUPON	MATURITY	PRICE	PAR VALUE	AMOUNT
<b>CORPORATE BONDS</b>					
DELTA FDG HM EQ LN TR 99-3 M-2	8.10%	1/15/2030	\$ 13.49	\$ 163,776	\$ 22,094
DEUTSCHE BK CAYMAN 2001-3 144A	1.49%	4/30/2031	20.09	903,394	181,490
DU PONT E I DE NEMOURS & CO NT	6.00%	7/15/2018	93.01	361,358	336,085
FARMERS INS EXCH SURPLUS 144A	8.63%	5/1/2024	99.87	884,696	883,583
FIRST HORIZON P/T 06 3 CL 1A8	6.25%	11/25/2036	96.50	893,910	862,647
GENERAL ELEC CAP MTN #TR 00528	6.75%	3/15/2032	85.43	361,358	308,709
GLAXOSMITHKLINE CAP INC GTD NT	6.38%	5/15/2038	82.77	542,036	448,657
GOLDMAN SACHS GROUP INC	5.25%	10/15/2013	92.68	358,919	332,642
GOLDMAN SACHS GROUP INC BD	6.15%	4/1/2018	86.09	542,036	466,651
GOLDMAN SACHS GROUP INC SR NT	6.60%	1/15/2012	95.40	361,358	344,719
GS CREDIT OPPS FUND 2008			134.51	14,500,002	19,503,320
GTE SOUTHWEST INC 1ST MTG	8.50%	11/15/2031	118.62	1,683,281	1,996,664
HARRAHS OPER INC GTD SR NT	5.63%	6/1/2015	46.04	307,154	141,416
HIGHLAND CLO			78.03	7,578,114	5,913,016
HOME DEPOT INC SR NT	5.88%	12/16/2036	79.34	1,424,212	1,129,970
HUNTINGTON NATL BK MTN # 00001	6.60%	6/15/2018	82.81	903,394	748,062
HVB FDG TR SILENT PARTN 144A	8.74%	6/30/2031	87.71	3,613,575	3,169,346
INTERNATIONAL BUSINESS MACH CO	8.00%	10/15/2038	104.59	722,715	755,886
ISHARES TR IBOX \$ HIGH YIELD			7,658.00	236,965	18,146,743
J P MORGAN RESI 02-R2 CL 3A1	6.00%	4/28/2026	101.30	214,564	217,361
JACKSON NTAL LIFE INS CO 144A	8.15%	3/15/2027	110.06	1,002,767	1,103,603
JEFFERIES GROUP INC NEW SR DEB	6.25%	1/15/2036	72.87	1,009,994	735,993
JOHNSON CTLS INC NT	6.00%	1/15/2036	88.92	879,920	782,449
KRAFT FOODS INC NT	6.88%	1/26/2039	81.58	542,036	442,174
LEHMAN BROS HLDGS INC	8.80%	3/1/2015	103.86	542,036	562,981
LEHMAN BROTHERS HLDGS #TR00491	7.37%	5/12/2014	78.55	737,169	579,041
LIBERTY MUTUAL INS CO 144A	7.88%	10/15/2026	104.29	900,125	938,735
LILLY ELI & CO NT	5.55%	3/15/2037	83.16	542,036	450,737
MASCO CORP NT	6.50%	8/15/2032	82.29	897,297	738,419
MCCLATCHY NEWSPAPERS INC	15.75%	7/15/2014	223.15	243,916	544,308
MCDONALDS CORP	6.30%	3/1/2038	89.30	361,358	322,690
MERCK & CO INC DEBS	6.40%	3/1/2028	93.92	722,715	678,763
MID OCEAN CBO 00 1 A2 144A 3C7	7.73%	1/15/2036	87.58	903,394	791,234
MID OCEAN CBO CL A 144A	6.56%	11/5/2026	100.19	961,222	963,079
MMCAPS FDG I LTD SR NT 144A	8.03%	6/15/2031	90.98	2,179,490	1,982,943
MORGAN STANLEY ABS 03 NC10 M2	2.99%	10/25/2033	63.39	234,446	148,616
MORGAN STANLEY ABS 04-NC1 M2	1.84%	11/25/2033	85.71	236,667	202,842
MORGAN STANLEY ABS 04-NC2 M2	2.09%	12/25/2033	81.82	102,941	84,230
MORGAN STANLEY SR MEDIUM TERM	5.95%	12/28/2017	86.29	722,715	623,627
MURPHY OIL CORP NT	7.05%	5/1/2029	100.30	1,371,638	1,375,739
NATIONAL RURAL UTILS COOP FIN	8.00%	3/1/2032	113.26	361,358	409,279
NEWS AMER HLDGS INC	7.43%	10/1/2026	103.91	403,817	419,599
NEXEN INC NT	6.40%	5/15/2037	89.99	542,036	487,783
NORTH STREET REFERENCED LINKED	4.24%	8/30/2030	88.55	722,715	639,970

**FIXED INCOME ACQUIRED**  
DURING THE FISCAL YEAR ENDED JUNE 30, 2009

DESCRIPTION	COUPON	MATURITY	PRICE	PAR VALUE	AMOUNT
<b>CORPORATE BONDS</b>					
ONEOK PARTNERS LP GTD SR NT	6.65%	10/1/2036	\$ 95.07	\$ 903,394	\$ 858,857
PACIFIC BELL	7.38%	7/15/2043	101.47	876,292	889,192
PACIFIC SHORES CDO C 144A 3C7	2.89%	7/3/2037	93.22	768,139	716,048
PEPSI BOTTLING GRP INC GTD SR	7.00%	3/1/2029	94.01	722,715	679,393
PERITUS I CDO LTD CL B 144A	4.17%	5/24/2015	77.31	1,445,430	1,117,415
PIVOTAL CIMARRON HILLS			100.00	761,387	761,387
PIVOTAL PROMONTORY DEBT FD			100.00	975,966	975,966
PIVOTAL WORKING CAPITAL (DEBT)			100.00	8,582	8,582
PLAINS ALL AMERN PIPELINE LP	6.65%	1/15/2037	90.66	792,276	718,303
PREFERRED CPO A / B 144A	8.95%	7/26/2030	111.30	1,329,592	1,479,901
PREFERRED CPO A / B 144A	8.95%	7/26/2030	103.52	613,165	634,765
PREMIUM ASSET TR ACA 144A		3/11/2010	52.58	2,248,581	1,182,282
PRINCIPAL LIFE MTN # 00108	0.66%	3/1/2012	97.45	542,036	528,191
PSPRS PNMAC MORTGOPP			103.88	14,434,084	14,993,465
PSPRS-APOLLO EUR NPL			144.95	10,264,129	14,877,847
REGIONAL DIVERSIFIED FDG 144A	9.25%	3/15/2030	115.68	4,125,840	4,772,865
RELIANCE STL & ALUM CO	6.85%	11/15/2036	94.14	542,036	510,255
ROYAL CARIBBEAN CRUISES SR NTS	7.50%	10/15/2027	79.42	536,346	425,941
SANDIA DEBT FUND			100.00	1,716,448	1,716,448
SBA LOAN NESTING FEATHERS			100.00	131,191	131,191
SECURITY BENEFIT LIFE INS 144A	8.75%	5/15/2016	100.90	1,806,788	1,823,087
SECURITY MUT LIFE INS CO 144A	9.38%	12/15/2016	105.10	2,710,182	2,848,419
SERVICEMASTER CO NTS	7.10%	3/1/2018	53.33	509,707	271,829
SPDR SER TR LEHMAN HIGH YIELD			3,509.55	161,184	5,656,830
TARGET CORP NT	7.00%	1/15/2038	83.89	722,715	606,260
TECK COMINCO LTD SR NT	6.13%	10/1/2035	82.34	895,265	737,130
TIMES MIRROR CO NEW DEBS	6.61%	9/15/2027	39.75	903,394	359,058
TRAINER WORTHAM FIRST A3L 144A	2.28%	4/10/2037	68.07	1,806,788	1,229,794
UNION CENTR LIFE NOTES 144A	8.20%	11/1/2026	112.00	3,882,959	4,348,760
UNION PAC CORP SR NT	6.25%	5/1/2034	78.03	361,358	281,964
UNITED STATES CELLULAR CORP SR	6.70%	12/15/2033	83.87	1,599,824	1,341,829
UNITED UTILS PLC NT	4.55%	6/19/2018	89.58	903,394	809,219
UPM-KYMMENE CORP NTS 144A	7.45%	11/26/2027	82.11	1,251,474	1,027,578
VALERO ENERGY CORP NT	6.63%	6/15/2037	88.50	536,346	474,643
WAL-MART STORES INC NT	6.20%	4/15/2038	87.90	902,175	792,970
WELLS FARGO & CO NEW SR UNSECD	5.63%	12/11/2017	90.64	361,358	327,536
WESTERN UN CO NT	6.20%	11/17/2036	89.19	361,358	322,293
WESTINGHOUSE ELEC CORP NT	7.88%	9/1/2023	91.34	903,394	825,177
<b>TOTAL CORPORATE BONDS ACQUIRED</b>				<b>\$ 180,563,852</b>	<b>\$ 373,705,434</b>
<b>TOTAL FIXED INCOME ACQUIRED</b>				<b>\$ 453,311,341</b>	<b>\$ 642,878,203</b>



**FIXED INCOME SOLD**  
DURING THE FISCAL YEAR ENDED JUNE 30, 2009

DESCRIPTION	COUPON	MATURITY	PAR VALUE	PRICE	AMOUNT	COST	GAIN (LOSS)
U.S. GOVERNMENT SECURITIES							
FEDERAL FARM CR BK CONS SYSTEM	5.15%	5/5/2015	\$ 3,703,364	\$ 100.00	\$ 3,703,203	\$ 3,700,711	\$ 2,491
FEDERAL FARM CR BKS CONS BDS	5.40%	10/6/2015	2,659,839	99.99	2,659,634	2,649,955	9,680
FEDERAL HOME LN BK CONS BD	5.38%	6/16/2020	6,150,000	99.99	6,149,587	6,120,871	28,715
FEDERAL HOME LN BKS CONS BD	5.33%	7/23/2018	1,677,146	99.96	1,676,489	1,639,137	37,352
FEDERAL HOME LN BKS CONS BD	5.65%	9/21/2020	2,859,839	100.00	2,859,934	2,858,890	1,044
FEDERAL HOME LN MTG CORP DEB	5.00%	12/14/2018	2,197,269	91.65	2,013,891	1,902,205	111,686
FEDERAL HOME LN MTG CORP MTN	5.00%	6/11/2018	568,308	99.48	565,347	548,087	17,260
FEDERAL HOME LN MTG CORP MTN	5.00%	7/2/2018	2,390,478	98.62	2,357,530	2,274,633	82,897
FEDERAL HOME LN MTG CORP MTN	6.00%	4/16/2037	4,000,000	100.41	4,016,412	3,995,188	21,224
FEDERAL HOME LN MTG CORP MTN	6.00%	1/26/2022	1,303,936	100.02	1,304,176	1,298,042	6,133
FEDERAL HOME LN MTG CORP MTN	6.00%	6/7/2027	10,000,000	100.18	10,018,027	10,014,206	3,821
FEDERAL HOME LN MTG CORP MTN	6.00%	12/17/2027	3,300,250	99.39	3,280,000	3,275,209	4,790
FEDERAL HOME LN MTG CORP MTN	3.65%	12/30/2009	103,278,772	100.09	103,375,458	103,342,549	32,909
FEDERAL HOME LN MTG CORP MTN	1.80%	12/30/2010	17,945,948	100.10	17,963,053	17,945,948	17,105
FEDERAL NATL MTG ASSN	4.45%	8/25/2012	1,533,309	100.31	1,538,041	1,518,785	19,256
FEDERAL NATL MTG ASSN DEBS	5.25%	7/14/2015	9,889,927	100.44	9,933,253	9,864,391	68,862
FHLMC POOL #G0-8168	6.00%	12/1/2036	742,040	100.31	744,376	743,820	555
FHLMC POOL #H1-0069	6.00%	11/1/2036	704,180	100.12	705,047	709,326	(4,279)
FHLMC POOL #H1-5010	6.00%	11/1/2036	569,729	100.13	570,454	574,004	(3,551)
FHLMC MULTICLASS MTG	5.00%	2/15/2025	700,000	95.16	666,142	653,486	12,656
FHLMC MULTICLASS MTG	6.00%	8/15/2032	3,856,301	103.34	3,985,240	3,886,919	98,321
FHLMC MULTICLASS MTG	6.00%	11/15/2032	1,597,297	103.40	1,651,592	1,605,380	46,212
FHLMC MULTICLASS MTG	6.00%	8/15/2032	1,597,297	103.68	1,656,078	1,614,755	41,323
FHLMC MULTICLASS MTG	6.00%	8/15/2032	1,597,297	103.10	1,646,830	1,607,176	39,654
FHLMC MULTICLASS MTG 3159 PB	6.00%	1/15/2029	2,780,459	102.83	2,859,064	2,828,884	30,180
FNMA GTD REMIC P/T	4.00%	11/25/2022	1,634,536	98.97	1,617,662	1,613,145	4,517
FNMA GTD REMIC P/T 03-42 CL PE	5.50%	12/25/2031	540,000	98.57	532,297	524,631	7,666
FNMA GTD REMIC P/T 05-27 AB	5.50%	2/25/2034	795,557	98.74	785,538	787,444	(1,906)
FNMA GTD REMIC P/T 05-27 AC	5.50%	8/25/2034	2,897,277	98.20	2,845,234	2,808,861	36,373
FNMA GTD REMIC P/T 05-45 BG	4.50%	6/25/2025	1,496,532	93.56	1,400,110	1,452,343	(52,233)
FNMA GTD REMIC P/T 06-60 PC	6.00%	6/25/2032	1,597,297	103.07	1,646,289	1,605,316	40,972
GNMA POOL #0173878	9.00%	8/15/2016	99,834	106.48	106,305	98,979	7,326
GNMA POOL #0176431	9.00%	8/15/2016	70,046	106.85	74,843	68,088	6,755
GNMA POOL #0202505	9.00%	10/15/2019	5,164	105.06	5,425	5,066	360
GNMA POOL #0217956	10.00%	11/15/2017	21,335	109.39	23,339	21,158	2,181
GNMA POOL #0226529	9.00%	6/15/2018	55,714	107.26	59,758	51,669	8,089
GNMA POOL #0232237	9.00%	1/15/2020	1,821	102.76	1,872	1,781	91
GNMA POOL #0234937	9.00%	3/15/2018	33,209	107.34	35,645	30,905	4,741
GNMA POOL #0238600	10.00%	11/15/2017	37,713	108.49	40,915	37,520	3,395
GNMA POOL #0238840	9.00%	5/15/2018	11,821	99.94	11,814	11,018	797
GNMA POOL #0248951	9.00%	5/15/2018	10,470	107.44	11,249	9,947	1,302
GNMA POOL #0252056	9.00%	6/15/2018	5,943	105.53	6,271	5,864	407
GNMA POOL #0285803	9.00%	3/15/2020	11,858	106.01	12,570	11,554	1,017
GNMA POOL #0298952	9.00%	4/15/2021	6,334	107.74	6,824	6,346	478

**FIXED INCOME SOLD**  
DURING THE FISCAL YEAR ENDED JUNE 30, 2009

DESCRIPTION	COUPON	MATURITY	PAR VALUE	PRICE	AMOUNT	COST	GAIN (LOSS)
U.S. GOVERNMENT SECURITIES							
GNMA POOL #0303324	9.00%	4/15/2021	\$ 9,370	\$ 107.71	\$ 10,093	\$ 9,376	\$ 716
GNMA POOL #0304625	9.00%	3/15/2021	11,634	107.90	12,553	11,638	915
GNMA POOL #0305187	9.00%	6/15/2021	20,314	108.03	21,946	20,319	1,626
GNMA POOL #0330725	8.00%	7/15/2022	45,101	107.60	48,530	44,841	3,689
GNMA POOL #0375887	7.00%	5/15/2024	365,298	105.92	386,906	343,118	43,788
GNMA POOL #0377589	7.50%	8/15/2025	92,178	105.61	97,350	92,902	4,448
GNMA POOL #0386038	7.00%	6/15/2024	147,691	105.69	156,092	139,741	16,351
GNMA POOL #0389845	8.00%	9/15/2024	90,259	107.63	97,149	88,768	8,381
GNMA POOL #0398831	8.00%	8/15/2026	121,467	107.38	130,431	121,399	9,032
GNMA POOL #0403979	8.50%	10/15/2024	86,356	106.80	92,227	85,233	6,994
GNMA POOL #0421711	7.50%	4/15/2026	99,523	106.41	105,898	99,533	6,365
GNMA POOL #0427556	7.50%	3/15/2026	25,970	106.45	27,646	25,914	1,732
GNMA POOL #0432701	8.00%	6/15/2026	131,399	107.68	141,487	131,518	9,968
GNMA POOL #0434101	7.00%	12/15/2028	107,843	105.22	113,472	106,313	7,159
GNMA POOL #0434237	6.00%	3/15/2029	186,181	101.63	189,223	174,192	15,031
GNMA POOL #0439645	8.00%	9/15/2026	13,535	107.54	14,555	13,559	997
GNMA POOL #0441619	7.50%	11/15/2029	21,792	104.33	22,736	22,196	540
GNMA POOL #0458918	7.00%	8/15/2028	58,683	105.47	61,892	57,724	4,168
GNMA POOL #0475872	7.00%	7/15/2028	76,148	104.99	79,949	75,574	4,376
GNMA POOL #0499876	7.00%	6/15/2029	220,283	105.54	232,476	219,259	13,217
GNMA POOL #0499905	7.00%	5/15/2029	288,720	105.55	304,755	286,800	17,955
GNMA POOL #0499907	7.00%	5/15/2029	144,526	105.52	152,502	138,833	13,669
GNMA POOL #0507496	7.00%	6/15/2029	132,296	105.25	139,244	128,983	10,261
GNMA POOL #0510958	7.00%	5/15/2029	23,610	105.26	24,853	23,526	1,327
GNMA POOL #0512888	7.00%	7/15/2029	32,148	105.38	33,876	31,283	2,593
GNMA POOL #0513367	7.00%	8/15/2029	74,365	104.82	77,947	72,239	5,708
GNMA POOL #0530611	6.50%	5/15/2031	139,941	103.58	144,956	139,917	5,039
GNMA POOL #0530631	6.50%	6/15/2031	249,426	103.68	258,608	249,480	9,128
GNMA POOL #0539629	6.50%	4/15/2031	94,900	104.03	98,721	94,898	3,823
GNMA POOL #0548963	6.50%	3/15/2031	62,417	103.26	64,452	62,284	2,168
GNMA POOL #0549915	6.50%	5/15/2031	31,808	103.22	32,833	31,711	1,123
GNMA POOL #0552514	6.50%	4/15/2032	633,876	103.14	653,764	633,191	20,573
GNMA POOL #0560189	6.50%	4/15/2031	262,417	102.96	270,186	262,597	7,589
GNMA POOL #0780076	8.00%	2/15/2025	309,076	106.37	328,753	306,106	22,646
GNMA POOL #0780220	7.50%	8/15/2025	166,534	107.36	178,787	168,406	10,381
GNMA POOL #0780896	7.00%	11/15/2028	52,075	105.22	54,795	51,088	3,707
GNMA GTD REMIC P/T 03-12 PE	5.50%	12/16/2031	3,250,385	100.17	3,255,865	3,221,856	34,009
GNMA GTD REMIC P/T 03-34 MX-PC	5.50%	2/16/2032	3,105,347	100.34	3,115,958	3,084,296	31,662
GNMA POOL #0153415	9.00%	4/15/2016	988	100.00	988	1,051	(63)
GNMA POOL #0156462	9.00%	7/15/2016	253	100.01	253	269	(16)
GNMA POOL #0157733	9.00%	5/15/2016	545	100.00	545	581	(35)
GNMA POOL #0158992	9.00%	6/15/2016	697	100.00	697	731	(34)
GNMA POOL #0159801	9.00%	9/15/2019	5,204	100.00	5,204	5,577	(373)
GNMA POOL #0160350	9.00%	5/15/2016	309	100.00	309	325	(16)

**FIXED INCOME SOLD**  
DURING THE FISCAL YEAR ENDED JUNE 30, 2009

DESCRIPTION	COUPON	MATURITY	PAR VALUE	PRICE	AMOUNT	COST	GAIN (LOSS)
U.S. GOVERNMENT SECURITIES							
GNMA POOL #0161638	9.00%	9/15/2016	\$ 2,408	\$ 100.00	\$ 2,408	\$ 2,572	\$ (164)
GNMA POOL #0161684	9.00%	7/15/2016	931	100.00	931	992	(62)
GNMA POOL #0164501	9.00%	8/15/2016	3,122	100.00	3,122	3,322	(201)
GNMA POOL #0164681	9.00%	10/15/2016	3,107	100.00	3,107	3,312	(205)
GNMA POOL #0164924	9.00%	9/15/2016	961	100.00	961	1,021	(60)
GNMA POOL #0165172	9.00%	6/15/2016	15,435	100.00	15,435	16,411	(976)
GNMA POOL #0165863	9.00%	8/15/2016	344	100.00	344	367	(23)
GNMA POOL #0168283	9.00%	8/15/2016	4,458	100.00	4,458	4,754	(296)
GNMA POOL #0172800	9.00%	8/15/2016	2,508	100.00	2,508	2,663	(155)
GNMA POOL #0173847	9.00%	9/15/2016	5,568	100.00	5,568	5,933	(365)
GNMA POOL #0174829	9.00%	9/15/2016	1,223	100.00	1,223	1,297	(74)
GNMA POOL #0178234	9.00%	11/15/2016	332	100.00	332	354	(22)
GNMA POOL #0181945	9.00%	4/15/2020	107	100.00	107	116	(8)
GNMA POOL #0182127	9.00%	11/15/2016	37	100.00	37	40	(2)
GNMA POOL #0182491	9.00%	12/15/2016	226	100.00	226	241	(15)
GNMA POOL #0182914	9.00%	10/15/2016	142	100.01	142	151	(9)
GNMA POOL #0183553	9.00%	8/15/2017	575	100.00	575	614	(39)
GNMA POOL #0183715	9.00%	11/15/2016	350	100.00	350	373	(23)
GNMA POOL #0183733	9.00%	1/15/2017	2,076	100.00	2,076	2,216	(141)
GNMA POOL #0185639	9.00%	11/15/2016	247	99.99	247	262	(15)
GNMA POOL #0187705	9.00%	1/15/2017	1,681	100.00	1,681	1,793	(112)
GNMA POOL #0190921	9.00%	12/15/2016	1,326	100.00	1,326	1,413	(87)
GNMA POOL #0191648	9.00%	5/15/2017	474	100.00	474	506	(32)
GNMA POOL #0191943	9.00%	7/15/2018	265	100.00	265	284	(19)
GNMA POOL #0194468	9.00%	12/15/2016	1,354	100.00	1,354	1,442	(88)
GNMA POOL #0198466	9.00%	2/15/2017	152	99.97	152	162	(10)
GNMA POOL #0206683	9.00%	4/15/2020	472	100.00	472	508	(36)
GNMA POOL #0207671	9.00%	7/15/2018	881	100.00	881	944	(63)
GNMA POOL #0208705	9.00%	5/15/2020	64	100.03	64	69	(5)
GNMA POOL #0210798	9.00%	7/15/2018	474	100.00	474	508	(34)
GNMA POOL #0216520	9.00%	5/15/2017	417	100.00	417	445	(28)
GNMA POOL #0221509	9.00%	12/15/2016	1,043	100.00	1,043	1,109	(66)
GNMA POOL #0223282	9.00%	5/15/2018	555	100.00	555	595	(40)
GNMA POOL #0223307	9.00%	4/15/2018	194	99.99	194	208	(14)
GNMA POOL #0227210	9.00%	9/15/2017	231	100.01	231	247	(16)
GNMA POOL #0228184	9.00%	5/15/2018	157	100.01	157	169	(11)
GNMA POOL #0228233	9.00%	5/15/2018	524	100.00	524	558	(34)
GNMA POOL #0229731	9.00%	7/15/2017	513	100.00	513	548	(35)
GNMA POOL #0229798	9.00%	10/15/2017	818	100.00	818	872	(54)
GNMA POOL #0234450	9.00%	4/15/2018	2,943	100.00	2,944	3,158	(214)
GNMA POOL #0234695	10.00%	12/15/2017	81	100.02	81	89	(8)
GNMA POOL #0235280	9.00%	4/15/2018	231	100.01	231	247	(17)
GNMA POOL #0236041	10.00%	11/15/2017	470	100.00	470	509	(39)
GNMA POOL #0236835	10.00%	11/15/2017	234	100.00	234	253	(20)

**FIXED INCOME SOLD**  
DURING THE FISCAL YEAR ENDED JUNE 30, 2009

DESCRIPTION	COUPON	MATURITY	PAR VALUE	PRICE	AMOUNT	COST	GAIN (LOSS)
U.S. GOVERNMENT SECURITIES							
GNMA POOL #0236939	9.00%	4/15/2018	\$ 37	\$ 99.97	\$ 37	\$ 39	\$ (3)
GNMA POOL #0237138	10.00%	10/15/2017	1,130	100.00	1,130	1,247	(116)
GNMA POOL #0237195	9.00%	6/15/2018	234	100.00	234	249	(15)
GNMA POOL #0238133	9.00%	4/15/2018	83	99.99	83	88	(5)
GNMA POOL #0247506	9.00%	1/15/2020	133	100.02	134	144	(10)
GNMA POOL #0249621	9.00%	5/15/2018	1,211	100.00	1,211	1,298	(86)
GNMA POOL #0250933	9.00%	6/15/2018	169	100.02	170	182	(12)
GNMA POOL #0252052	9.00%	6/15/2018	1,485	100.00	1,485	1,566	(81)
GNMA POOL #0252055	9.00%	6/15/2018	1,025	100.00	1,025	1,100	(74)
GNMA POOL #0252306	9.00%	4/15/2018	105	99.99	105	112	(7)
GNMA POOL #0252538	9.00%	5/15/2018	216	100.01	216	231	(15)
GNMA POOL #0257869	9.00%	9/15/2019	88	100.02	88	95	(7)
GNMA POOL #0262845	9.00%	3/15/2020	33	100.03	33	35	(3)
GNMA POOL #0266545	9.00%	1/15/2019	698	100.00	698	748	(50)
GNMA POOL #0271090	9.00%	10/15/2019	931	100.00	931	999	(69)
GNMA POOL #0271897	9.00%	9/15/2019	322	100.00	322	342	(21)
GNMA POOL #0273548	9.00%	9/15/2019	196	100.01	196	211	(15)
GNMA POOL #0274140	9.00%	9/15/2019	434	100.00	434	467	(32)
GNMA POOL #0277907	9.00%	11/15/2019	155	100.01	155	167	(12)
GNMA POOL #0284420	9.00%	2/15/2020	161	100.01	161	173	(12)
GNMA POOL #0285593	9.00%	2/15/2020	120	99.99	120	129	(9)
GNMA POOL #0286371	9.00%	2/15/2020	4,568	100.00	4,568	4,895	(326)
GNMA POOL #0286427	9.00%	4/15/2020	1,401	100.00	1,401	1,443	(41)
GNMA POOL #0287851	9.00%	4/15/2020	194	99.99	194	209	(15)
GNMA POOL #0290000	9.00%	4/15/2020	422	100.00	422	454	(32)
GNMA POOL #0290057	9.00%	6/15/2020	159	99.99	159	172	(12)
GNMA POOL #0291136	9.00%	4/15/2020	183	99.99	183	197	(13)
GNMA POOL #0319521	8.00%	2/15/2022	2,242	100.00	2,242	2,407	(165)
GNMA POOL #0337419	7.00%	6/15/2023	13,891	100.00	13,891	14,697	(806)
GNMA POOL #0345731	8.00%	5/15/2024	916	100.00	916	985	(68)
GNMA POOL #0352219	8.00%	4/15/2023	816	100.00	816	877	(61)
GNMA POOL #0352964	7.00%	5/15/2024	7,004	100.00	7,004	7,415	(411)
GNMA POOL #0366756	7.00%	3/15/2024	3,568	100.00	3,568	3,777	(209)
GNMA POOL #0371734	7.00%	4/15/2024	15,161	100.00	15,161	16,048	(887)
GNMA POOL #0386030	7.00%	5/15/2024	14,440	100.00	14,440	15,277	(837)
GNMA POOL #0390014	7.00%	6/15/2024	408	100.00	408	432	(24)
GNMA POOL #0391992	7.00%	3/15/2024	2,151	100.00	2,151	2,277	(126)
GNMA POOL #0402544	7.50%	4/15/2026	468	100.00	468	497	(30)
GNMA POOL #0405618	7.50%	4/15/2026	830	100.00	830	882	(53)
GNMA POOL #0406811	7.50%	1/15/2026	121	100.01	121	128	(8)
GNMA POOL #0417666	7.50%	8/15/2025	214	100.00	214	227	(14)
GNMA POOL #0427558	7.50%	4/15/2026	201	100.00	201	214	(13)
GNMA POOL #0429356	7.50%	3/15/2026	702	100.00	702	746	(45)
GNMA POOL #0430384	8.00%	8/15/2026	1,213	100.00	1,213	1,300	(88)

**FIXED INCOME SOLD**  
DURING THE FISCAL YEAR ENDED JUNE 30, 2009

DESCRIPTION	COUPON	MATURITY	PAR VALUE	PRICE	AMOUNT	COST	GAIN (LOSS)
U.S. GOVERNMENT SECURITIES							
GNMA POOL #0433892	7.00%	7/15/2028	\$ 768	\$ 100.00	\$ 768	\$ 810	\$ (42)
GNMA POOL #0438772	8.00%	8/15/2026	144	99.99	144	155	(11)
GNMA POOL #0438778	8.00%	8/15/2026	146	99.99	145	157	(11)
GNMA POOL #0450368	7.00%	8/15/2028	655	100.00	655	691	(36)
GNMA POOL #0464692	7.00%	7/15/2028	7,000	100.00	7,000	7,394	(394)
GNMA POOL #0466888	7.00%	7/15/2028	4,019	100.00	4,019	4,237	(218)
GNMA POOL #0469797	7.00%	12/15/2028	1,671	100.00	1,671	1,762	(91)
GNMA POOL #0470493	7.00%	6/15/2029	9,091	100.00	9,091	9,584	(494)
GNMA POOL #0472997	7.00%	6/15/2029	1,797	100.00	1,797	1,895	(98)
GNMA POOL #0478875	7.50%	11/15/2029	332	100.01	332	353	(21)
GNMA POOL #0478881	7.50%	11/15/2029	7,986	100.00	7,987	8,484	(497)
GNMA POOL #0482784	7.00%	10/15/2028	4,684	100.00	4,684	4,945	(261)
GNMA POOL #0485451	6.50%	5/15/2031	8,476	100.00	8,476	8,742	(265)
GNMA POOL #0486539	7.00%	9/15/2028	2,316	100.00	2,316	2,444	(128)
GNMA POOL #0486761	7.00%	12/15/2028	317	100.00	317	334	(17)
GNMA POOL #0487221	7.00%	5/15/2029	1,026	100.00	1,026	1,083	(57)
GNMA POOL #0487222	7.00%	5/15/2029	638	100.00	638	673	(35)
GNMA POOL #0493996	7.00%	7/15/2029	10,980	100.00	10,980	11,572	(591)
GNMA POOL #0500931	7.00%	6/15/2029	791	100.00	791	841	(50)
GNMA POOL #0503019	6.00%	3/15/2029	28,306	100.00	28,306	28,807	(502)
GNMA POOL #0505728	7.00%	6/15/2029	3,796	100.00	3,796	4,003	(207)
GNMA POOL #0506075	7.00%	11/15/2029	1,015	100.00	1,015	1,071	(56)
GNMA POOL #0509328	7.00%	6/15/2029	573	100.00	573	604	(31)
GNMA POOL #0510100	7.00%	7/15/2029	2,106	100.00	2,106	2,221	(115)
GNMA POOL #0510302	7.00%	8/15/2029	767	100.00	767	809	(42)
GNMA POOL #0510983	7.00%	6/15/2029	3,337	100.00	3,337	3,520	(182)
GNMA POOL #0512915	7.00%	7/15/2029	1,602	100.00	1,602	1,689	(87)
GNMA POOL #0520045	6.50%	6/15/2031	1,399	100.00	1,399	1,444	(45)
GNMA POOL #0530203	6.50%	4/15/2031	7,307	100.00	7,307	7,615	(308)
GNMA POOL #0541464	6.50%	6/15/2031	16,376	100.00	16,376	16,914	(537)
GNMA POOL #0549889	6.50%	5/15/2031	48,946	100.00	48,946	50,527	(1,581)
GNMA POOL #0549890	6.50%	4/15/2031	253	100.00	253	261	(8)
GNMA POOL #0552518	6.50%	4/15/2032	8,410	100.00	8,410	8,679	(269)
GNMA POOL #0557424	6.50%	5/15/2031	23,118	100.00	23,118	23,858	(740)
GNMA POOL #0557467	6.50%	5/15/2031	366	99.99	366	377	(12)
GNMA POOL #0781129	7.00%	11/15/2028	4,580	100.00	4,580	4,821	(241)
U S TREASURY BILL		7/2/2009	82,597,680	98.42	81,292,272	80,897,302	394,970
U S TREASURY NOTE	1.25%	11/30/2010	8,972,974	100.73	9,038,521	9,034,559	3,962
U S TREASURY NOTE	0.88%	12/31/2010	17,945,948	100.16	17,974,755	17,948,082	26,674
U S TREASURY NOTE	1.13%	12/15/2011	8,972,974	99.63	8,939,325	8,975,951	(36,626)
U S TREASURY NOTES	1.75%	3/31/2010	44,000,000	98.81	43,476,872	43,202,223	274,649
US TREAS-CPI INFLAT	2.00%	1/15/2026	865,712	100.63	871,132	848,592	22,540
US TREAS-CPI INFLAT	1.75%	1/15/2028	5,524	100.00	5,524	5,062	462
US TREAS-CPI INFLAT	2.00%	1/15/2016	2,998,833	95.96	2,877,729	2,772,283	105,446

**FIXED INCOME SOLD**  
DURING THE FISCAL YEAR ENDED JUNE 30, 2009

DESCRIPTION	COUPON	MATURITY	PAR VALUE	PRICE	AMOUNT	COST	GAIN (LOSS)
<b>U.S. GOVERNMENT SECURITIES</b>							
US TREAS-CPI INFLATION INDEX	2.00%	1/15/2014	\$ 4,052	\$ 100.00	\$ 4,052	\$ 4,144	\$ (92)
US TREAS-CPI INFLATION INDEX	1.88%	7/15/2015	2,539,683	105.56	2,681,007	2,554,483	126,524
US TREAS-CPI INFLATION INDEX	1.38%	7/15/2018	558	100.00	558	546	12
<b>TOTAL U.S. GOVERNMENT SECURITIES SOLD</b>			<b>\$ 377,187,313</b>		<b>\$ 375,881,073</b>	<b>\$ 373,818,761</b>	<b>\$ 2,062,312</b>
<b>CORPORATE BONDS</b>							
ABFS MTG LN 03-2 CL M 144A	1.59%	4/25/2034	\$ 1,315,312	\$ 68.75	\$ 904,283	\$ 1,140,718	\$ (236,435)
ACA ABS 06 1 LTD/ACA A-3L 144A	2.20%	6/10/2041	309,202	5.12	15,832	248,309	(232,477)
ALCOA INC NT	5.95%	2/1/2037	450,000	84.72	381,247	430,666	(49,419)
ALTERNATIVE LN 07 20 CL A-12	6.25%	8/25/2047	1,307,340	79.10	1,034,077	1,265,216	(231,140)
ALTERNATIVE LN 07 3T1 CL 2-A-1	6.00%	3/25/2027	1,381,062	63.44	876,081	1,244,030	(367,949)
AMERICAN AIRLS PASS THRU TR 01	7.86%	10/1/2011	6,360,300	91.88	5,843,564	6,223,121	(379,557)
AMERICAN GEN FIN CORP MEDIUM	6.90%	12/15/2017	2,500,125	72.66	1,816,510	2,325,202	(508,692)
ANADARKO FIN CO SR NT	7.50%	5/1/2031	1,338,378	94.29	1,261,983	1,444,614	(182,630)
ANSLEY PK ABS CL C 144A	3.80%	10/1/2046	1,784,696	6.94	123,833	256,702	(132,868)
AUTO BD RECEIVABLES TR 94-A	6.40%	4/15/2009	76,038	15.11	11,492	37,072	(25,580)
AXA SA US\$ SUB NT	8.60%	12/15/2030	536,346	73.00	391,533	516,061	(124,528)
BANC ONE CORP DEBS	8.00%	4/29/2027	1,000,000	97.73	977,332	1,019,102	(41,770)
BGI CORE ACTIVE BOND FUND			1,004,270	17.94	18,018,239	18,018,239	0
BGI CORE ACTIVE BOND TRADING			5,367,504	10.07	54,033,731	53,866,120	167,610
BLACKROCK MORTGAGE INVESTORS			11,137,628	90.94	10,128,647	10,919,065	(790,418)
CBO HLDGS III 04-3 CL A 144A	1.00%	6/1/2019	896,868	99.52	892,528	891,238	1,290
CBO HLDGS III 1A 04-1 C-2 144A	7.00%	2/10/2038	1,110,273	104.80	1,163,513	1,164,022	(509)
CHARTWELL CBO I NT CL B 144A	3.04%	10/10/2012	2,098,000	96.51	2,024,863	2,024,863	0
CHASEPEAKE & POTOMAC TEL CO MD	7.15%	5/1/2023	900,000	99.52	895,662	900,000	(4,338)
CHL MTG P/T 07 13 CL A-1	6.00%	8/25/2037	1,291,481	93.71	1,210,235	1,275,941	(65,706)
CIMARRON DEBT FUND			3,362,155	97.80	3,288,044	3,616,510	(328,466)
CLEAR CHANNEL COMMUNICATIONS	6.88%	6/15/2018	1,090,000	47.01	512,369	1,094,049	(581,680)
CNF INC SR DEB	6.70%	5/1/2034	850,000	82.90	704,681	830,159	(125,478)
COCA-COLA ENTERPRISES	6.75%	9/15/2028	701,717	94.00	659,614	620,440	39,174
COLORADO DEBT FUND			1,824,760	97.94	1,787,231	2,476,460	(689,229)
COLORADO II			912,380	87.00	793,768	912,380	(118,612)
CONAGRA INC NTS	9.75%	3/1/2021	197,000	119.17	234,762	243,558	(8,796)
CONAGRA INC SR NTS	6.70%	8/1/2027	715,128	101.87	728,537	713,373	15,163
CONTINENTAL AIRLS 01-1 CL A 1	6.70%	6/15/2021	42,601	100.00	42,601	35,938	6,663
CONTINENTAL AIRLS 01-1 CL A 2	6.50%	6/15/2011	692,000	90.00	622,787	691,765	(68,978)
CONTINENTAL AIRLS 98-3 CL A2	6.30%	11/1/2008	1,201,000	99.35	1,193,148	1,202,078	(8,930)
CONTINENTAL AIRLS 99-2 CL A-1	7.26%	3/15/2020	964,635	86.78	837,150	926,310	(89,160)
CORNING INC NT	7.25%	8/15/2036	1,929,920	89.63	1,729,775	1,982,737	(252,963)
CREDIT SUISSE FB 03-8 CL D-B-2	6.24%	4/25/2033	680,812	77.83	529,904	651,289	(121,385)
CSX CORP NT	6.15%	5/1/2037	357,564	70.75	252,977	232,810	20,167
DELTA FDG HM EQ LN TR 99-3 M-2	8.10%	1/15/2030	93,489			11,653	(11,653)
DEUTSCHE BK CAYMAN 2001-3 144A	1.49%	4/30/2031	400,000	16.98	67,904	358,607	(290,703)
FARMERS INS EXCH SURPLUS 144A	8.63%	5/1/2024	884,696	72.50	641,405	883,583	(242,178)



**FIXED INCOME SOLD**  
DURING THE FISCAL YEAR ENDED JUNE 30, 2009

DESCRIPTION	COUPON	MATURITY	PAR VALUE	PRICE	AMOUNT	COST	GAIN (LOSS)
CORPORATE BONDS							
FIRST HORIZON P/T 06 3 CL 1A8	6.25%	11/25/2036	\$ 5,893,910	\$ 93.33	\$ 5,500,552	\$ 5,892,797	\$ (392,246)
GOLDMAN SACHS GROUP INC	5.25%	10/15/2013	358,919	100.40	360,355	332,642	27,713
GS CREDIT OPPTS FUND 2008			20,776,658	88.27	18,339,809	21,237,500	(2,897,691)
GTE SOUTHWEST INC 1ST MTG	8.50%	11/15/2031	2,683,281	106.91	2,868,657	3,158,822	(290,165)
HARRAHS OPER INC GTD SR NT	5.63%	6/1/2015	700,000	37.96	265,720	553,121	(287,401)
HOME DEPOT INC SR NT	5.88%	12/16/2036	2,312,855	78.32	1,811,488	2,038,897	(227,409)
HUNTINGTON NATL BK MTN # 00001	6.60%	6/15/2018	1,000,000	81.12	811,246	948,148	(136,902)
HVB FDG TR SILENT PARTN 144A	8.74%	6/30/2031	4,800,000	87.19	4,185,064	4,447,815	(262,751)
J P MORGAN RESI 02-R2 CL 3A1	6.00%	4/28/2026	341,086	100.94	344,276	333,259	11,017
JEFFERIES GROUP INC NEW SR DEB	6.25%	1/15/2036	894,400	72.01	644,032	871,420	(227,388)
JOHNSON CTLS INC NT	6.00%	1/15/2036	1,679,920	75.99	1,276,557	1,548,749	(272,193)
KNIGHT RIDDER INC NT	5.75%	9/1/2017	700,000	56.30	394,121	667,879	(273,758)
LEHMAN BROS HLDGS INC	8.80%	3/1/2015	2,000,000	104.56	2,091,115	2,098,722	(7,607)
LEHMAN BROTHERS HLDGS #TR00491	7.37%	5/12/2014	650,000	74.89	486,782	650,000	(163,218)
LIBERTY MUTUAL INS CO 144A	7.88%	10/15/2026	1,100,125	70.12	771,459	1,129,956	(358,497)
MASCO CORP NT	6.50%	8/15/2032	1,797,297	71.79	1,290,240	1,620,007	(329,767)
MID OCEAN CBO CL A 144A	6.56%	11/5/2026	31,041	100.00	31,041	31,103	(62)
MMCAPS FDG I LTD SR NT 144A	8.03%	6/15/2031	2,655,531	90.88	2,413,394	2,873,607	(460,213)
MORGAN STANLEY ABS 03 NC10 M2	2.99%	10/25/2033	268,105	74.27	199,129	225,417	(26,288)
MORGAN STANLEY ABS 04-NC1 M2	1.84%	11/25/2033	261,262	89.70	234,349	225,326	9,023
MORGAN STANLEY ABS 04-NC2 M2	2.09%	12/25/2033	149,084	87.02	129,728	134,732	(5,004)
MURPHY OIL CORP NT	7.05%	5/1/2029	2,322,356	94.59	2,196,634	2,348,683	(152,049)
NEWS AMER HLDGS INC	7.43%	10/1/2026	402,000	104.15	418,699	427,059	(8,360)
NEXEN INC NT	6.40%	5/15/2037	3,000,000	89.68	2,690,387	2,931,419	(241,032)
NORTH STREET REFERENCED LINKED	4.24%	8/30/2030	800,000	88.01	704,082	704,082	0
ONEOK PARTNERS LP GTD SR NT	6.65%	10/1/2036	800,000	94.92	759,394	805,663	(46,269)
PACIFIC BELL	7.38%	7/15/2043	1,722,000	101.53	1,748,414	1,814,145	(65,731)
PACIFIC SHORES CDO C 144A 3C7	2.89%	7/3/2037	1,077,248	92.79	999,614	999,614	0
PERITUS I CDO LTD CL B 144A	4.17%	5/24/2015	1,360,000	74.14	1,008,339	1,376,316	(367,978)
PIVOTAL CIMARRON HILLS			205,800	100.00	205,800	205,800	0
PIVOTAL PROMONTORY DEBT FD			835,805	88.89	742,938	928,673	(185,735)
PIVOTAL WORKING CAPITAL (DEBT)			6,517	100.00	6,517	6,516	1
PLAINS ALL AMERN PIPELINE LP	6.65%	1/15/2037	701,600	90.40	634,238	721,455	(87,217)
PREFERRED CPO A / B 144A	8.95%	7/26/2030	2,036,205	103.69	2,111,335	2,111,335	0
PREMIUM ASSET TR ACA 144A		3/11/2010	3,140,018	48.66	1,528,012	2,354,279	(826,266)
PRINCIPAL LIFE MTN # 00108	0.66%	3/1/2012	1,135,810	96.59	1,097,110	1,121,528	(24,417)
PROTECTIVE LIFE SECD #TR00063		5/10/2010	3,750,000	99.50	3,731,250	3,750,000	(18,750)
PSPRS PNMAC MORTGOPP			7,439,315	100.00	7,439,315	7,439,315	0
PSPRS-APOLLO EUR NPL			3,959,419	157.68	6,243,037	6,239,275	3,761
REGIONAL DIVERSIFIED FDG 144A	9.25%	3/15/2030	3,308,251	116.25	3,845,737	3,589,941	255,796
RELiance STL & ALUM CO	6.85%	11/15/2036	480,000	93.97	451,067	490,688	(39,621)
ROYAL CARIBBEAN CRUISES SR NTS	7.50%	10/15/2027	986,346	63.91	630,367	871,689	(241,322)
SANDIA DEBT FUND			1,290,366	100.00	1,290,366	1,551,002	(260,636)
SBA LOAN NESTING FEATHERS			109,073	100.00	109,073	109,073	0

**FIXED INCOME SOLD**  
DURING THE FISCAL YEAR ENDED JUNE 30, 2009

DESCRIPTION	COUPON	MATURITY	PAR VALUE	PRICE	AMOUNT	COST	GAIN (LOSS)
CORPORATE BONDS							
SECURITY BENEFIT LIFE INS 144A	8.75%	5/15/2016	\$ 1,000,000	\$ 101.13	\$ 1,011,307	\$ 1,055,500	\$ (44,193)
SECURITY MUT LIFE INS CO 144A	9.38%	12/15/2016	2,000,000	105.78	2,115,683	2,115,683	0
SERVICEMASTER CO NTS	7.10%	3/1/2018	965,867	39.90	385,349	685,855	(300,506)
SPRINT CAP CORP NT	8.80%	3/15/2032	900,000	93.91	845,199	1,087,031	(241,832)
TECK COMINCO LTD SR NT	6.13%	10/1/2035	1,795,265	70.23	1,260,867	1,594,883	(334,016)
TELECOM ITALIA CAP GTD SR NT	7.20%	7/18/2036	900,000	93.76	843,838	925,817	(81,979)
TIMES MIRROR CO NEW DEBS	6.61%	9/15/2027	850,000	36.99	314,375	835,869	(521,494)
TOYOTA MTR CR CORP MTN TR00423		10/27/2008	950,000	99.45	944,737	950,000	(5,263)
TRAINER WORTHAM FIRST A3L 144A	2.28%	4/10/2037	2,400,000	66.92	1,605,990	1,605,990	0
UNION CENTR LIFE NOTES 144A	8.20%	11/1/2026	2,450,063	104.57	2,562,056	2,520,647	41,410
UNITED STATES CELLULAR CORP SR	6.70%	12/15/2033	2,559,824	77.95	1,995,346	2,282,709	(287,363)
UNITED UTILS PLC NT	4.55%	6/19/2018	800,000	88.42	707,326	708,283	(958)
UPM-KYMMENE CORP NTS 144A	7.45%	11/26/2027	2,251,474	67.63	1,522,592	2,072,085	(549,493)
VALERO ENERGY CORP NT	6.63%	6/15/2037	3,536,346	86.08	3,044,233	3,523,676	(479,442)
WAL-MART STORES INC NT	6.20%	4/15/2038	179,459	102.87	184,619	157,677	26,942
WESTERN UN CO NT	6.20%	11/17/2036	320,000	88.84	284,303	310,793	(26,489)
WESTINGHOUSE ELEC CORP NT	7.88%	9/1/2023	1,000,000	90.99	909,899	1,138,397	(228,498)
<b>TOTAL CORPORATE BONDS SOLD</b>			<b>\$ 175,844,583</b>		<b>\$ 222,210,400</b>	<b>\$ 240,182,362</b>	<b>\$ (17,971,961)</b>
<b>TOTAL FIXED INCOME SOLD</b>			<b>\$ 553,031,895</b>		<b>\$ 598,091,473</b>	<b>\$ 614,001,122</b>	<b>\$ (15,909,649)</b>

**ALTERNATIVE INVESTMENTS PORTFOLIO**  
YEAR ENDED JUNE 30, 2009

DESCRIPTION	COST	FAIR VALUE	UNREALIZED GAIN (LOSS)
<b>REAL ESTATE</b>			
APEX CAPITAL	\$ 12,270,804	\$ 15,676,559	\$ 3,405,755
BLACKSTONE REAL ESTATE PART VI	4,682,266	2,913,295	(1,768,971)
COLGATE WILLOW SPRINGS	821,103	821,103	0
DESERT TROON	31,852,158	24,833,963	(7,018,195)
HARRISON STREET REAL ESTATE	8,582,242	10,004,421	1,422,180
OWC WHISPERING CANYON	5,152,778	5,152,778	0
OWH BERKANA	2,589,686	2,665,606	75,920
PEBBLECREEK	6,919,997	6,919,997	0
PIVOTAL HOLDING	17,268,793	11,577,411	(5,691,381)
PSPRS-CATALYST EURO	1,057,504	173,456	(884,048)
PSPRS-IRONPOINTRE	3,854,229	3,518,133	(336,095)
PSPRS-MOUNT GRANGE	1,061,191	995,945	(65,247)
PSPRS-WALTONMEXICO	903,394	211,751	(691,643)
<b>TOTAL REAL ESTATE</b>	<b>\$ 97,016,143</b>	<b>\$ 85,464,419</b>	<b>\$ (11,551,724)</b>
<b>PRIVATE EQUITY</b>			
ABRY PARTNERS	\$ 5,044,288	\$ 5,044,288	\$ 0
ALTERNA I	21,735	21,735	0
APOLLO INVESTMENT FUND VII	2,873,219	1,742,462	(1,130,757)
BLACKSTONE CAPITAL PARTNERS V	2,779,241	2,172,973	(606,268)
CONSERVATION FORESTRY FUND I	3,860,139	3,861,757	1,618
CONSERVATN FOREST II	1,245,355	1,244,154	(1,202)
DAG VENTURES II CO-INVEST	3,418,947	1,663,208	(1,755,740)
DAG VENTURES II DIRECT	928,453	681,116	(247,337)
DAG VENTURES III CO-INVEST	2,437,800	1,770,653	(667,147)
DAG VENTURES III DIRECT	2,005,714	1,768,778	(236,936)
DAG VENTURES IV CO-INVEST LP	903,394	903,394	0
DAG VENTURES IV LP	993,733	948,709	(45,024)
LADDER	2,502,074	2,499,057	(3,018)
LONGWORTH VP III	323,415	254,025	(69,390)
MACQUARIE EUR INFRASTRUCT III	3,190,625	3,349,448	158,823
MACQUARIE INFRASTRUCTURE II US	2,248,089	2,325,410	77,321
MESIROW CAPITAL PARTNERS IX	2,412,328	2,027,234	(385,094)
MIDOCEAN PARTNER III CO-INVEST	225,848	101,185	(124,664)
MIDOCEAN PARTNER III DIRECT	2,335,961	928,711	(1,407,250)
PENINSULA EQUITY PARTNERS	328,640	266,229	(62,412)
PROSPECTOR EQUITY CAPITAL	585,275	328,359	(256,916)
TOWERBROOK INVESTORS III	1,405,154	1,452,405	47,251
VALLEY VENTURES III	1,517,491	1,333,327	(184,164)
VALLEY VENTURES III ANNEX	303,348	254,470	(48,877)
<b>TOTAL PRIVATE EQUITY</b>	<b>\$ 43,890,267</b>	<b>\$ 36,943,086</b>	<b>\$ (6,947,182)</b>
<b>TOTAL ALTERNATIVE INVESTMENTS</b>	<b>\$ 140,906,410</b>	<b>\$ 122,407,505</b>	<b>\$ (18,498,905)</b>

**ALTERNATIVE INVESTMENTS ACQUIRED**  
DURING THE FISCAL YEAR ENDED JUNE 30, 2009

<b>DESCRIPTION</b>	<b>COST</b>
<b>REAL ESTATE</b>	
APEX CAPITAL	\$ 14,167,716
BLACKSTONE REAL ESTATE PART VI	4,685,510
DESERT TROON	39,658,951
HARRISON STREET REAL ESTATE	11,353,862
OWC WHISPERING CANYON	5,152,778
OWH BERKANA	2,616,220
PEBBLECREEK	6,919,997
PIVOTAL HOLDING	13,058,301
PSPRS-CATALYST EURO	1,057,504
PSPRS-IRONPOINTRE	3,854,229
PSPRS-MOUNT GRANGE	1,061,191
PSPRS-WALTONMEXICO	903,394
<b>TOTAL REAL ESTATE ACQUIRED</b>	<b>\$ 104,489,652</b>
<b>PRIVATE EQUITY</b>	
ABRY PARTNERS	\$ 5,044,288
ALTERNA I	21,735
APOLLO INVESTMENT FUND VII	3,381,545
BLACKSTONE CAPITAL PARTNERS V	3,556,699
CONSERVATION FORESTRY FUND I	4,198,418
CONSERVATN FOREST II	1,245,355
DAG VENTURES II CO-INVEST	3,418,947
DAG VENTURES II DIRECT	921,949
DAG VENTURES III CO-INVEST	2,821,730
DAG VENTURES III DIRECT	2,118,715
DAG VENTURES IV CO-INVEST LP	903,394
DAG VENTURES IV LP	993,733
LADDER	2,502,074
LONGWORTH VP III	323,415
MACQUARIE EUR INFRASTRUCT III	3,190,625
MACQUARIE INFRASTRUCTURE II US	3,245,069
MESIROW CAPITAL PARTNERS IX	2,412,328
MIDOCEAN PARTNER III CO-INVEST	225,848
MIDOCEAN PARTNER III DIRECT	2,335,961
NXTV	441,817
PENINSULA EQUITY PARTNERS	275,917
PROSPECTOR EQUITY CAPITAL	380,033
TOWERBROOK INVESTORS III	1,405,154
VALLEY VENTURES III	1,517,491
VALLEY VENTURES III ANNEX	303,348
<b>TOTAL PRIVATE EQUITY ACQUIRED</b>	<b>\$ 47,185,590</b>
<b>TOTAL ALTERNATIVE INVESTMENTS ACQUIRED</b>	<b>\$ 151,675,242</b>

**ALTERNATIVE INVESTMENTS SOLD**  
DURING THE FISCAL YEAR ENDED JUNE 30, 2009

DESCRIPTION	COST	GAIN (LOSS)
<b>REAL ESTATE</b>		
APEX CAPITAL	\$ 3,562,808	\$ (543,694)
BLACKSTONE REAL ESTATE PART VI	3,541,101	5,177
DESERT TROON	29,008,059	826,422
HARRISON STREET REAL ESTATE	2,771,620	0
HASSAYAMPA	526,848	0
OWC WHISPERING CANYON	6,798	3,504,351
OWH BERKANA	1,764,089	202,960
PEBBLECREEK	9,145	5,245,615
PIVOTAL HOLDING	3,989,799	2,823,284
<b>TOTAL REAL ESTATE SOLD</b>	<b>\$ 45,180,267</b>	<b>\$ 12,064,114</b>
<b>PRIVATE EQUITY</b>		
APOLLO INVESTMENT FUND VII	\$ 1,207,891	\$ 0
BLACKSTONE CAPITAL PARTNERS V	1,808,011	7,097
CONSERVATION FORESTRY FUND I	2,119,043	360,909
DAG VENTURES II CO-INVEST	1,372,000	1,224,208
DAG VENTURES II DIRECT	608,955	72,568
DAG VENTURES III CO-INVEST	2,235,096	(178,131)
DAG VENTURES III DIRECT	1,386,835	(17,871)
MACQUARIE INFRASTRUCTURE II US	996,980	0
MESIROW CAPITAL PARTNERS IX	2,110,184	(278,362)
MIDOCEAN PARTNER III CO-INVEST	171,500	0
MIDOCEAN PARTNER III DIRECT	1,852,012	9,400
NXTV	2,658,055	(2,317,388)
PENINSULA EQUITY PARTNERS	185,070	19,781
PROSPECTOR EQUITY CAPITAL	0	276,744
VALLEY VENTURES III	2,401,152	(1,298,326)
VALLEY VENTURES III ANNEX	216,090	(16,610)
<b>TOTAL PRIVATE EQUITY SOLD</b>	<b>\$ 21,328,874</b>	<b>\$ (2,135,981)</b>
<b>TOTAL ALTERNATIVE INVESTMENTS SOLD</b>	<b>\$ 66,509,141</b>	<b>\$ 9,928,133</b>



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October 30, 2009

The Fund Manager  
Arizona Corrections Officer Retirement Plan  
3010 East Camelback Road, Suite 200  
Phoenix, Arizona 85016-4416

**Re: Arizona Corrections Officer Retirement Plan**

Attention: James Hacking, Administrator

The purpose of the annual actuarial valuation of the Arizona Corrections Officer Retirement Plan as of June 30, 2009 is to:

- Compute the liabilities associated with benefits likely to be paid on behalf of current retired and active members.
- Compare accrued assets with accrued liabilities to assess the funded condition.
- Compute the employers' recommended contribution for the Fiscal Year beginning July 1, 2010.

The valuation process develops contribution rates that are sufficient to fund the plan's normal cost (i.e., the costs assigned by the valuation method to the year of service about to be rendered), as well as to fund unfunded actuarial accrued liabilities as a level percent of active member payroll over a finite period. The valuations were completed based upon population data, asset data, and plan provisions as of June 30, 2009.

The plan's administrative staff provides the actuary with data for the actuarial valuation. The actuary relies on the data after reviewing it for internal and year-to-year consistency. The actuary summarizes and tabulates population data in order to analyze longer-term trends.

Assets are valued on a market related basis. This method recognizes the assumed return fully each year and spreads each year's gain or loss above or below assumed return over a closed seven-year period.

Actuarial valuations are based upon assumptions regarding future activity in specific risk areas including the rates of investment return and payroll growth, eligibility for the various classes of benefits, and longevity among retired lives. The Fund Manager adopts these assumptions after considering the advice of the actuary and other professionals. The assumptions and the methods comply with the requirements of Statement No. 25 of the Governmental Accounting Standards Board. Each actuarial valuation takes into account all prior differences between actual and assumed experience in each risk area and adjusts the contribution rates as needed. The June 30, 2009 valuations were based upon assumptions that were recommended in connection with a study of experience covering the 2001-2006 period.

**Based upon the results of the June 30, 2009 valuations, the effect of a very large loss was dampened by the 7 year smoothing period. This loss was partially offset by the effect of lower than expected pay increases. There remains \$363 million of unrecognized investment losses that will, in the absence of other gains, drive the contribution rate up over the next several years.**

The actuaries submitting this statement are Members of the American Academy of Actuaries (MAAA), and meet the Qualification Standards of the American Academy of Actuaries to render the actuarial opinion contained herein.

Respectfully submitted,

Brian B. Murphy, F.S.A., M.A.A.A.

Mark Buis, F.S.A., M.A.A.A.

Cathy Nagy, F.S.A., M.A.A.A.

BBM/CN/MHB:lr

**AGGREGATE ACTUARIAL BALANCE SHEET**  
YEAR ENDED JUNE 30, 2009

<b>ACTUARIAL ASSETS</b>	<b>2009</b>
<b>ACCRUED ASSETS</b>	
Member Accumulated Contributions	\$ 314,100,199
Employer and Benefit Payment Reserves	646,915,916
Funding Value Adjustment	363,232,865
<b>Total Accrued Assets</b>	<b>1,324,248,980</b>
<b>PROSPECTIVE ASSETS</b>	
Member Contributions	323,717,174
Employer Normal Costs	381,330,441
Employer Unfunded Actuarial Accrued Liability	275,169,309
<b>Total Prospective Assets</b>	<b>980,216,924</b>
<b>Total Actuarial Assets</b>	<b>\$ 2,304,465,904</b>
<b>ACTUARIAL PRESENT VALUES (LIABILITY)</b>	
<b>PENSIONS IN PAYMENT STATUS</b>	
Pensions In Payment Status	\$ 586,596,231
<b>PROSPECTIVE PAYMENTS</b>	
Retirement Payments	1,526,133,065
Health Insurance Payments	75,002,539
Member Contribution Refunds	101,609,123
Pension Increase Reserve	15,124,946
<b>Total Prospective Payments</b>	<b>1,717,869,673</b>
<b>Total Actuarial Present Values (Liabilities)</b>	<b>\$ 2,304,465,904</b>

**ACTUARIAL SECTION**

**SUMMARY OF VALUATION ASSUMPTIONS**

**ECONOMIC ASSUMPTIONS**

Interest Rate: 8.50% (net of expenses)

Salary Increases: 5.00% for inflation

**DEMOGRAPHIC ASSUMPTIONS**

Retired Member Non-Disability Mortality Rates: RP2000 Health Annuitant Mortality Table, male ages set forward 2 years and female ages set forward 2 years.

Active Member Non-Disability Mortality Rates: RP2000 Health Annuitant Mortality Table, male ages set forward 3 years and female ages set forward 3 years.

**HEALTHY MORTALITY TABLES**

This assumption is used to measure the probabilities of each benefit payment being made after retirement.

For disabled members, non-disability rates with a five year set forward were used.

<b>MORTALITY RATES AND LIFE EXPECTANCY</b>					<b>MORTALITY RATES AND LIFE EXPECTANCY</b>				
<b>RETIRED MEMBERS</b>					<b>ACTIVE MEMBERS</b>				
<b>SAMPLE AGES</b>	<b>PROBABILITY OF DYING NEXT YEAR</b>		<b>FUTURE LIFE EXPECTANCY (YEARS)</b>		<b>SAMPLE AGES</b>	<b>PROBABILITY OF DYING NEXT YEAR</b>		<b>FUTURE LIFE EXPECTANCY (YEARS)</b>	
	<b>MEN</b>	<b>WOMEN</b>	<b>MEN</b>	<b>WOMEN</b>		<b>MEN</b>	<b>WOMEN</b>	<b>MEN</b>	<b>WOMEN</b>
<b>50</b>	.56%	.26%	28.39	31.42	<b>50</b>	.26%	.21%	30.38	34.23
<b>55</b>	.64%	.44%	24.16	26.89	<b>55</b>	.40%	.33%	25.80	29.63
<b>60</b>	.99%	.77%	20.00	22.58	<b>60</b>	.65%	.50%	21.37	25.17
<b>65</b>	1.65%	1.25%	16.09	18.55	<b>65</b>	.91%	.69%	17.09	20.84
<b>70</b>	2.73%	2.07%	12.54	14.82	<b>70</b>	3.04%	2.30%	13.27	16.96
<b>75</b>	4.69%	3.41%	9.42	11.50	<b>75</b>	5.21%	3.76%	10.55	14.17
<b>80</b>	8.05%	5.63%	6.81	8.62	<b>80</b>	8.97%	6.25%	8.74	12.26

Retirement Rates: Service related rates based on the following schedule

<b>PERCENT OF ACTIVE MEMBERS RETIRING WITHIN YEAR</b>					
<b>FOLLOWING ATTAINMENT OF INDICATED YEARS OF SERVICE</b>					
<b>SERVICE IN YEARS</b>	<b>% RETIRING NEXT YEAR</b>	<b>SERVICE IN YEARS</b>	<b>% RETIRING NEXT YEAR</b>	<b>SERVICE IN YEARS</b>	<b>% RETIRING NEXT YEAR</b>
<b>20</b>	30%	<b>25</b>	40%	<b>30</b>	30%
<b>21</b>	30%	<b>26</b>	40%	<b>31</b>	30%
<b>22</b>	25%	<b>27</b>	30%	<b>32</b>	65%
<b>23</b>	25%	<b>28</b>	15%	<b>33</b>	65%
<b>24</b>	25%	<b>29</b>	15%	<b>34</b>	100%

Active members are eligible to retire early at any age within 5 years of service, or normally at any age with 20 years of service, at age 62 with 10 years of service, or at age 65 with 5 years of service. Pensions were assumed to be decreased 3/12 of 1% for each month the age at early retirement precedes normal retirement age, with a maximum reduction of 30%.

These rates adopted by the Fund Manager, as recommended by the Plan's actuary, were first used for the June 30, 2007 valuation.

**SUMMARY OF ASSUMPTIONS USED  
MISCELLANEOUS AND TECHNICAL ASSUMPTIONS****MARRIAGE ASSUMPTION**

90% of males and females are assumed to be married for purposes of death-in-service benefits. Male spouses are assumed to be three years older than female spouses for active member valuation purposes.

**DECREMENT TIMING**

Decrements of all types are assumed to occur mid-year.

**ELIGIBILITY TESTING**

Eligibility for benefits is determined based upon the age nearest birthday and service nearest whole year on the date the decrement is assumed to occur.

**DECREMENT RELATIVITY**

Decrement rates are used directly from the experience study, without adjustment for multiple decrement table effects.

**DECREMENT OPERATION**

Disability and turnover decrements do not operate during retirement eligibility.

**SERVICE CREDIT ACCRUALS**

It is assumed that members accrue one year of service credit per year.

**INCIDENCE OF CONTRIBUTIONS**

Contributions are assumed to be received continuously throughout the year based upon the computed percent of payroll shown in this report, and the actual payroll payable at the time contributions are made.

**NORMAL FORM OF BENEFIT**

A straight life payment is the assumed normal form of benefit for members who are not married, and the 75% Joint and Survivor form of payment with no reduction, for married members. 90% of members are assumed to be married at time of retirement.

**BENEFIT SERVICE**

Exact fractional service is used to determine the amount of benefit payable.

**NORMAL COST PERCENTAGE**

For the purposes of calculating the Normal Cost as a percent of payroll under the Projected Unit Credit Cost Method, the Normal Cost was projected with interest to the applicable Fiscal Year and divided by the Payroll projected with wage base to the applicable Fiscal Year.

**HEALTH CARE UTILIZATION**

80% of future retirees are expected to utilize health care. 90% of those are assumed to be married.

**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:

- Active member contributions on deposit.
- The liabilities for future benefits to present retired lives.
- 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.

YEAR ENDED JUNE 30,	AGGREGATE ACCRUED LIABILITIES			VALUATION ASSETS AVAILABLE FOR BENEFITS (2)	PORTION OF ACCRUED LIABILITIES COVERED BY NET ASSETS AVAILABLE FOR BENEFITS		
	ACTIVE MEMBER CONT. (1)	RETIRANTS AND BENEFICIARIES (2)	ACTIVE MEMBERS (ER PORTION) (3)		(1)	(2)	(3)
2000	\$ 119,562	\$ 107,650	\$ 274,111	\$ 704,991	100.0%	100.0%	100.0%
2001	\$ 132,404	\$ 133,492	\$ 288,491	\$ 776,177	100.0%	100.0%	100.0%
2002	\$ 143,888	\$ 185,594	\$ 303,756	\$ 782,446	100.0%	100.0%	100.0%
2003	\$ 152,454	\$ 219,737	\$ 337,107	\$ 758,579	100.0%	100.0%	100.0%
2004	\$ 165,145	\$ 278,403	\$ 352,227	\$ 833,621	100.0%	100.0%	100.0%
2005	\$ 178,353	\$ 332,199	\$ 395,473	\$ 872,981	100.0%	100.0%	91.6%
2006	\$ 193,819	\$ 384,513	\$ 402,876	\$ 919,868	100.0%	100.0%	84.8%
2007	\$ 213,688	\$ 430,172	\$ 466,941	\$ 940,126	100.0%	100.0%	63.4%
2008	\$ 296,317	\$ 504,462	\$ 589,584	\$ 1,027,026	100.0%	100.0%	68.9%
2009	\$ 314,100	\$ 586,596	\$ 683,597	\$ 1,309,124	100.0%	100.0%	60.0%

See Schedule of Funding Progress in the Required Supplementary Information.

**SUMMARY OF ACTIVE MEMBER DATA**

## AGE AND SERVICE DISTRIBUTION

Listed below is a summary of Active Members by age group, years of service and annual compensation. The summary points out that there were 14,580 active members in the Plan as of June 30, 2009, compared to 14,716 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+	NO.	AVG. PAYROLL
< 25	895	6						901	\$35,239
25-29	1,700	374	2					2,076	\$37,864
30-34	1,201	789	188					2,178	\$41,122
35-39	989	702	580	103	1			2,375	\$43,581
40-44	675	545	424	306	49			1,999	\$45,120
45-49	504	385	331	301	181	19		1,721	\$46,487
50-54	350	366	267	206	156	42	7	1,394	\$46,542
55-59	285	252	209	173	94	38	22	1,073	\$47,367
60-69	131	173	147	108	78	25	7	669	\$48,438
70+	45	67	41	17	16	8		194	\$46,863
<b>Total</b>	<b>6,775</b>	<b>3,659</b>	<b>2,189</b>	<b>1,214</b>	<b>575</b>	<b>132</b>	<b>36</b>	<b>14,580</b>	<b>\$43,266</b>

**COMPARATIVE SCHEDULE**

YEAR ENDED JUNE 30,	ACTIVE MEMEBERS	PAYROLL +000	AGE (YEARS)	SERVICE (YEARS)	AVG. PAY	INCREASE IN AVG. PAY
2000	11,290	\$339,440	38.1	5.3	\$30,066	7.3%
2001	11,047	\$339,783	38.1	6.6	\$30,758	2.3%
2002	10,464	\$330,428	38.7	6.0	\$31,578	2.7%
2003	10,964	\$358,161	38.8	6.0	\$32,667	3.4%
2004	11,583	\$381,942	38.7	6.0	\$32,974	0.9%
2005	11,752	\$404,156	39.6	6.0	\$34,390	4.3%
2006	11,914	\$437,744	39.3	6.2	\$36,742	6.8%
2007	12,780	\$515,428	39.0	6.0	\$40,331	9.8%
2008	14,716	\$642,621	39.6	7.0	\$43,668	8.3%
2009	14,580	\$630,825	40.2	7.4	\$43,266	-0.9%



SUMMARY OF RETIREES AND INACTIVE MEMBERS

RETIREES AND BENEFICIARIES								
YEAR ENDED JUNE 30,	NUMBER REMOVED FROM ROLES	NUMBER ADDED TO ROLES	TOTALS	ANNUAL ALLOWANCES REMOVED FROM ROLES	ANNUAL ALLOWANCES ADDED TO ROLES	ANNUAL PENSIONS	PERCENT INCREASE	AVERAGE PENSION
2000	25	125	925			\$11,042,151	14.5%	\$11,937
2001	40	155	1,040			\$13,446,069	21.8%	\$12,929
2002	30	208	1,218			\$17,660,064	31.3%	\$14,499
2003	32	177	1,363			\$21,653,042	22.6%	\$15,886
2004	32	205	1,536	\$435,860	\$5,033,961	\$26,261,143	21.3%	\$17,097
2005	61	258	1,733	\$3,761,718	\$8,829,800	\$31,329,225	19.3%	\$18,078
2006	46	232	1,919	\$2,405,616	\$4,807,848	\$37,272,180	19.0%	\$19,065
2007	68	272	2,123	\$971,820	\$6,365,640	\$42,666,000	14.0%	\$20,097
2008	100	405	2,428	\$2,197,553	\$10,594,200	\$51,062,647	19.7%	\$21,031
2009	118	281	2,591	\$1,532,671	\$9,559,615	\$59,089,591	15.7%	\$22,806

\*Effective June 30, 2004, started reporting the annual allowances removed from roles and annual allowances added to roles. This information was not available prior to the effective date.

As of June 30, 2009, there were 1,476 inactive members in the Plan who had not withdrawn their accumulated member contributions. It is assumed that these inactive members are waiting to meet the age requirements for service retirement. They are broken down by attained age and years of service as follows:

INACTIVE MEMBERS						
ATTAINED AGE	YEARS OF SERVICE TO VALUATION DATE					TOTAL
	0-4	5-9	10-14	15-19	20+	
< 30	475	8				483
30-39	368	49	10			427
40-44	100	13	15	4		132
45-49	99	9	14	3		125
50-54	75	13	17	6		111
55-59	55	16	27	10	1	109
60-69	50	10	15	8		83
70 +	6					6
<b>Total</b>	<b>1,228</b>	<b>118</b>	<b>98</b>	<b>31</b>	<b>1</b>	<b>1,476</b>

**SCHEDULE OF EXPERIENCE GAIN (LOSS)**  
YEAR ENDED JUNE 30, 2009

(1) UAAL* at start of year	183,337,151
(2) Normal cost for year	91,532,707
(3) Funding Method Contribution	(106,905,385)
(4) Interest accrued on (1), (2) and (3)	14,930,319
(5) Expected UAAL before changes (1)+(2)+(3)+(4)	182,894,792
(6) Change from amendments**	18,197,108
(7) Change from assumption revision	49,985,063
(8) Expected UAAL after changes	251,076,963
(9) Actual UAAL	275,169,309
(10) Gain (Loss) (8)-(9)	(24,092,346)
(11) Percent of actuarial accrued liability***	(1.73%)

\* *Unfunded Actuarial Accrued Liability*

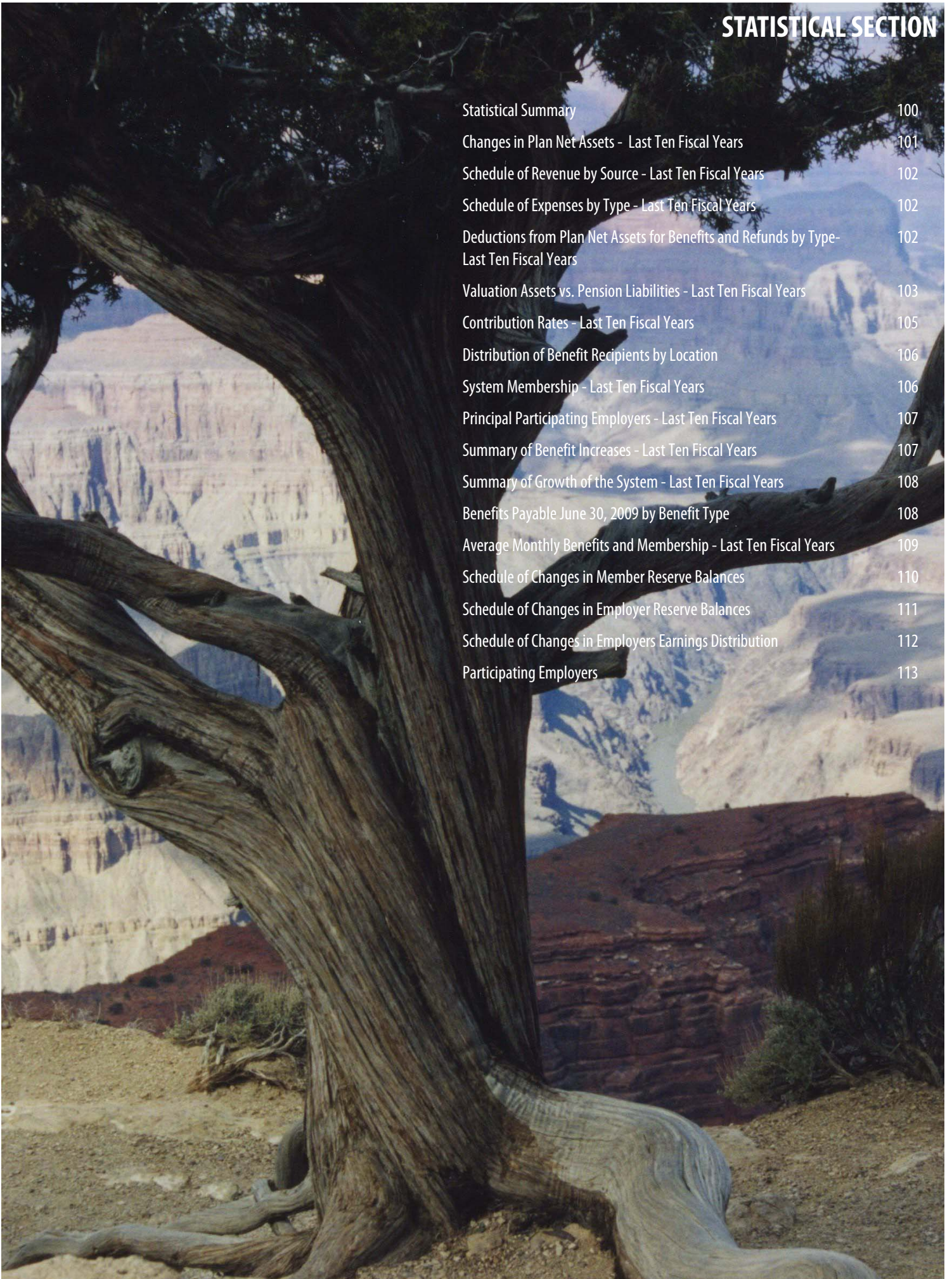
\*\* *Estimated*

\*\*\* *Actuarial Accrued Liability*

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**FINANCIAL TRENDS**

SUMMARY

The Statistical Section provides additional historical perspective, context, and detail to assist the reader in using the information in the financial statements, notes to the financial statements and required supplemental information to understand and assess the economic condition of CORP.

Financial trend information is intended to assist users in understanding and assessing the changes in the financial position over time. Schedules and charts presenting financial trend information are Schedule of Changes in Net Assets, Schedule of Revenue by Source, Schedule of Expenses by Type, Deductions from Net Assets for Benefits and Refunds by Type, Valuation Assets vs. Pension Liabilities, and Contribution Rates.

Operating information is intended to provide contextual information about the operations and resources of CORP to assist readers in using financial statement information to understand and assess the economic condition. Schedules and charts presenting operating information are Membership in the Retirement Plan\*, Principal Participating Employers, Benefit Participants by Location, Summary of the Growth of the Plan, Benefits Payable\*, Average Monthly Benefit Amounts\*, Summary of Benefit Increases\*, Schedule of Changes in Employers' Reserve Balances, Schedule of Changes in Refundable Member Reserve Balances, Schedule of Employers' Earnings Distribution, and Participating Employers.

Schedules and information are derived from CORP internal sources unless otherwise indicated.

\* Schedules and data are provided by actuarial consultant Gabriel Roeder Smith & Company.



**CHANGES IN PLAN NET ASSETS LAST 10 FISCAL YEARS**  
(IN THOUSANDS)

	2009	2008	2007	2006	2005
<b>ADDITIONS</b>					
Member Contributions	\$ 53,098	\$ 111,098	\$ 41,355	\$ 37,134	\$ 34,590
Employer Contributions	56,015	150,729	24,623	24,028	16,292
Net Investment Gain (Loss)	(216,314)	(68,040)	144,850	64,198	66,277
Member Service Purchase	429	871	930	994	719
Transfers IN	352	3,217	456	1,234	1,071
<b>Total Additions (Reductions)</b>	<b>(106,419)</b>	<b>197,875</b>	<b>212,214</b>	<b>127,588</b>	<b>118,948</b>
<b>DEDUCTIONS</b>					
Pension & Insurance Benefits	57,697	51,046	41,630	36,709	31,098
Refunds To Terminated Members	14,879	16,212	16,634	15,741	16,653
Administrative Expenses	1,065	1,103	732	674	922
Transfers OUT	512	864	2,063	1,555	637
<b>Total Deductions</b>	<b>74,153</b>	<b>69,225</b>	<b>61,060</b>	<b>54,679</b>	<b>49,310</b>
<b>NET INCREASE (DECREASE)</b>	<b>(180,572)</b>	<b>128,650</b>	<b>151,155</b>	<b>72,909</b>	<b>69,639</b>
<b>NET ASSETS HELD IN TRUST</b>					
Beginning of Fiscal Year, July 1	1,141,588	1,012,938	861,783	788,874	719,235
<b>End of Fiscal Year, June 30</b>	<b>\$ 961,016</b>	<b>\$ 1,141,588</b>	<b>\$ 1,012,938</b>	<b>\$ 861,783</b>	<b>\$ 788,874</b>
	2004	2003	2002	2001	2000
<b>ADDITIONS</b>					
Member Contributions	\$ 31,338	\$ 30,331	\$ 29,532	\$ 28,966	\$ 28,009
Employer Contributions	14,555	7,398	7,101	14,927	16,876
Net Investment Gain (Loss)	91,300	35,698	(100,518)	(138,560)	92,772
Member Service Purchase	0	0	0	0	0
Transfers IN	1,460	3,189	1,325	0	0
<b>Total Additions (Reductions)</b>	<b>138,653</b>	<b>76,616</b>	<b>(62,559)</b>	<b>(94,666)</b>	<b>137,658</b>
<b>DEDUCTIONS</b>					
Pension & Insurance Benefits	26,624	22,507	17,576	13,433	10,777
Refunds To Terminated Members	14,053	16,023	14,271	14,610	14,385
Administrative Expenses	541	427	397	366	345
Transfers OUT	1,139	1,049	2,060	1,498	616
<b>Total Deductions</b>	<b>42,357</b>	<b>40,006</b>	<b>34,305</b>	<b>29,907</b>	<b>26,123</b>
<b>NET INCREASE (DECREASE)</b>	<b>96,297</b>	<b>36,610</b>	<b>(96,864)</b>	<b>(124,573)</b>	<b>111,535</b>
<b>NET ASSETS HELD IN TRUST</b>					
Beginning of Fiscal Year, July 1	622,939	586,328	683,192	807,766	696,231
<b>End of Fiscal Year, June 30</b>	<b>\$ 719,235</b>	<b>\$ 622,939</b>	<b>\$ 586,328</b>	<b>\$ 683,192</b>	<b>\$ 807,766</b>



FINANCIAL TRENDS

**SCHEDULE OF REVENUE BY SOURCE (ALL PLANS COMBINED)**  
LAST TEN FISCAL YEARS

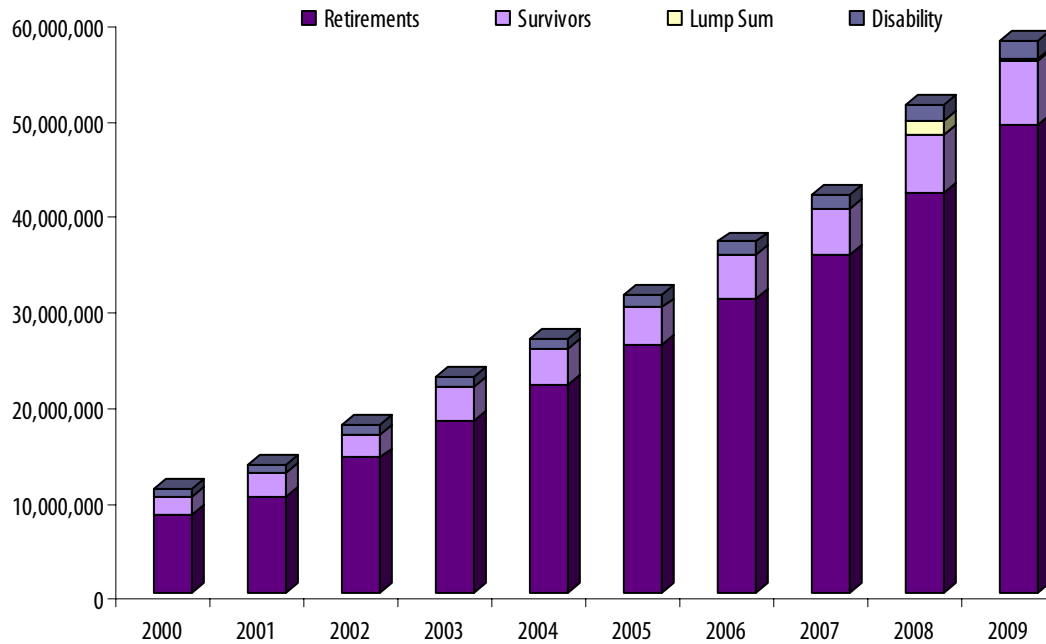
YEAR ENDING JUNE 30,	MEMBER CONT.	EMPLOYER CONT.	% OF COVERED PAYROLL	INVESTMENT INCOME (LOSS)	TRANSFERRED IN FROM OTHER PLANS	TOTAL
2000	28,009,210	16,876,163	5.14%	92,772,177	0	137,657,550
2001	28,966,162	14,927,396	1.88%	(138,559,756)	0	(94,666,198)
2002	29,532,366	7,101,112	1.15%	(100,518,025)	1,325,465	(62,559,082)
2003	30,330,914	7,397,595	1.71%	35,698,266	3,189,325	76,616,100
2004	31,337,579	14,555,335	3.95%	91,300,470	1,459,965	138,653,349
2005	34,589,714	16,291,914	4.07%	66,277,084	1,789,618	118,948,330
2006	37,134,076	24,028,050	5.47%	64,197,983	2,228,116	127,588,225
2007	41,354,907	24,622,693	4.46%	144,850,095	1,386,706	212,214,401
2008	111,097,660	150,729,218	6.72%	(68,039,675)	4,087,988	197,875,191
2009	53,098,136	56,015,138	8.65%	(216,313,556)	781,196	(106,419,086)

**SCHEDULE OF EXPENSES BY TYPE (ALL PLANS COMBINED)**  
LAST TEN FISCAL YEARS

YEAR ENDING JUNE 30,	BENEFITS	ADMIN. EXPENSES	REFUNDS	TRANSFERRED TO OTHER PLANS	TOTAL
2000	10,777,009	344,542	14,385,327	616,142	26,123,020
2001	13,433,499	365,742	14,609,539	1,498,459	29,907,239
2002	17,576,451	397,110	14,271,104	2,060,223	34,304,888
2003	22,506,792	427,150	16,022,697	1,049,418	40,006,057
2004	26,623,619	541,070	14,053,002	1,138,940	42,356,631
2005	31,097,950	922,183	16,652,638	637,008	49,309,779
2006	36,708,528	674,058	15,741,460	1,555,240	54,679,286
2007	41,630,057	732,236	16,634,320	2,062,977	61,059,590
2008	51,045,908	1,102,992	16,211,929	864,053	69,224,882
2009	57,696,778	1,064,825	14,879,342	511,697	74,152,642

**DEDUCTIONS FROM NET ASSETS FOR BENEFITS AND REFUNDS BY TYPE**  
LAST TEN FISCAL YEARS

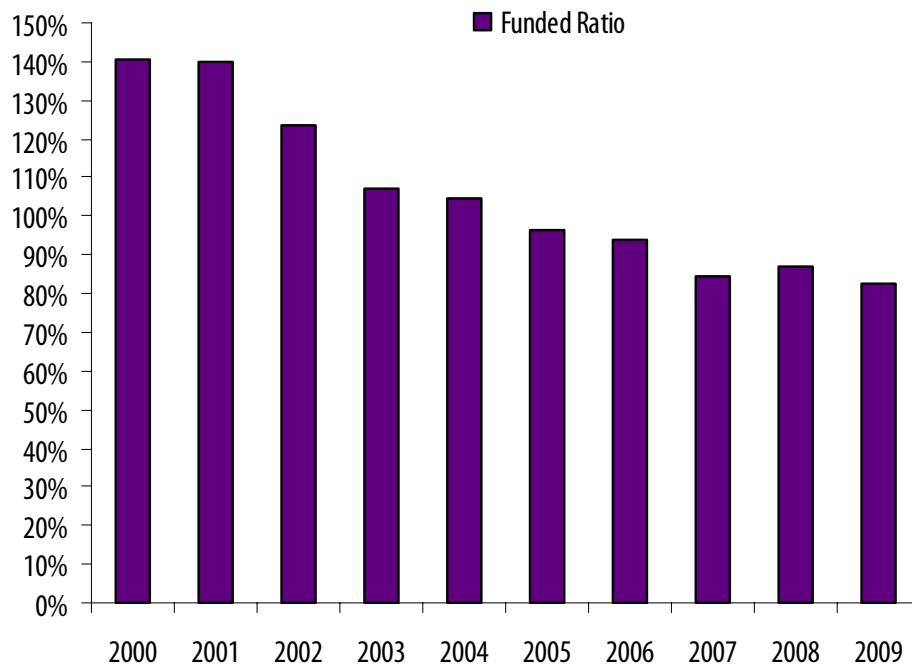
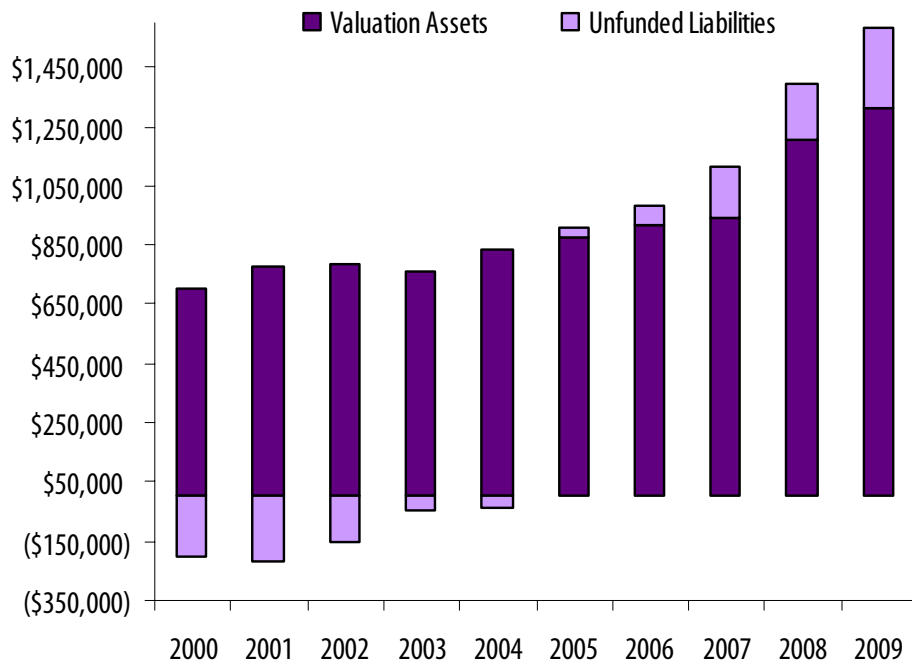
YEAR ENDING JUNE 30,	NORMAL BENEFITS	SURVIVOR BENEFITS	DISABILITY BENEFITS	HEALTH INSURANCE SUBSIDY	DROP BENEFITS	TOTAL BENEFITS	REFUNDS
2000	7,416,745	2,013,181	706,266	640,817	-	10,777,009	14,385,327
2001	9,266,426	2,587,972	849,350	729,751	-	13,433,499	14,609,539
2002	12,301,106	2,494,885	986,621	1,793,839	-	17,576,451	14,271,104
2003	15,678,608	3,469,345	1,045,433	2,313,406	-	22,506,792	16,022,697
2004	19,442,835	3,677,576	1,178,761	2,324,447	-	26,623,619	14,053,002
2005	23,519,992	3,871,675	1,305,434	2,400,849	-	31,097,950	16,652,638
2006	28,928,172	4,472,559	1,449,215	1,858,582	-	36,708,528	15,741,460
2007	33,341,839	4,860,093	1,514,939	1,913,186	-	41,630,057	16,634,320
2008	39,831,873	5,934,454	1,625,680	2,073,245	1,580,656	51,045,908	16,211,929
2009	46,752,709	6,685,021	1,805,702	2,207,889	245,457	57,696,778	14,879,342



**VALUATION ASSETS vs. PENSION LIABILITIES (ALL PLANS COMBINED)**  
**INCLUDES HEALTH INSURANCE SUBSIDY**  
 LAST TEN FISCAL YEARS

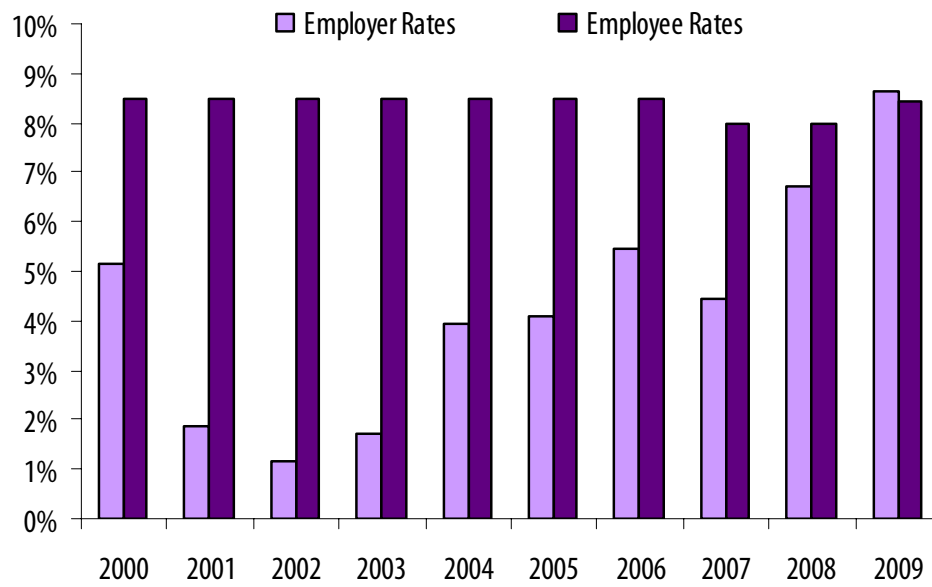
YEAR ENDING JUNE 30,	VALUATION ASSETS	UNFUNDED LIABILITIES	ACCRUED LIABILITIES	FUNDED RATIO
2000	704,991	(203,668)	501,323	140.6%
2001	776,177	(221,790)	554,387	140.0%
2002	782,446	(150,208)	632,238	123.8%
2003	758,579	(49,281)	709,298	106.9%
2004	833,621	(37,846)	795,775	104.8%
2005	872,981	33,044	906,025	96.4%
2006	919,867	61,340	981,207	93.7%
2007	940,126	170,675	1,110,801	84.6%
2008	1,207,015	183,348	1,390,363	86.8%
2009	1,309,124	275,169	1,584,293	82.6%

FINANCIAL TRENDS

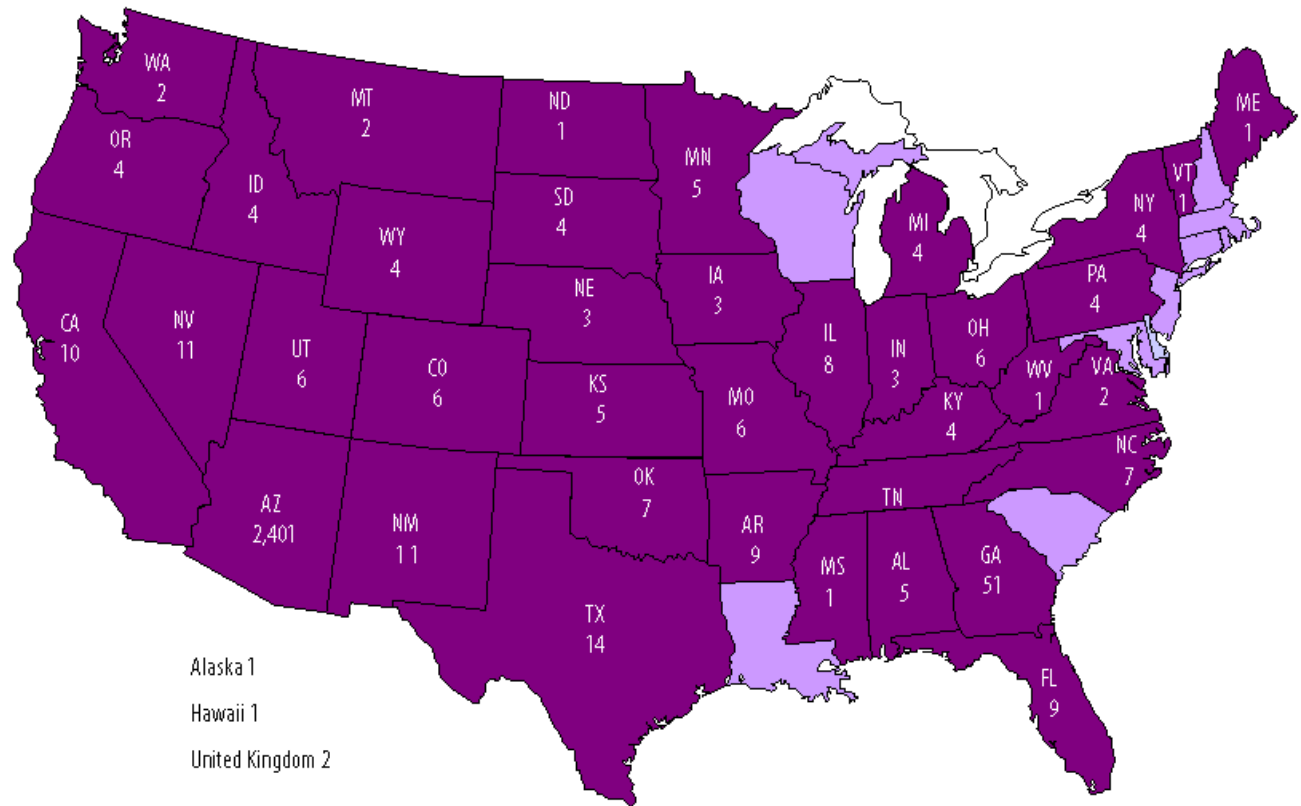


**CONTRIBUTION RATES  
LAST TEN FISCAL YEARS**

<b>YEAR ENDING JUNE 30,</b>	<b>AVERAGE EMPLOYER RATE</b>	<b>EMPLOYEE RATE</b>
2000	5.14%	8.50%
2001	1.88%	8.50%
2002	1.15%	8.50%
2003	1.71%	8.50%
2004	3.95%	8.50%
2005	4.07%	8.50%
2006	5.47%	8.50%
2007	4.46%	7.96%
2008	6.72%	7.96%
2009	8.65%	7.96%

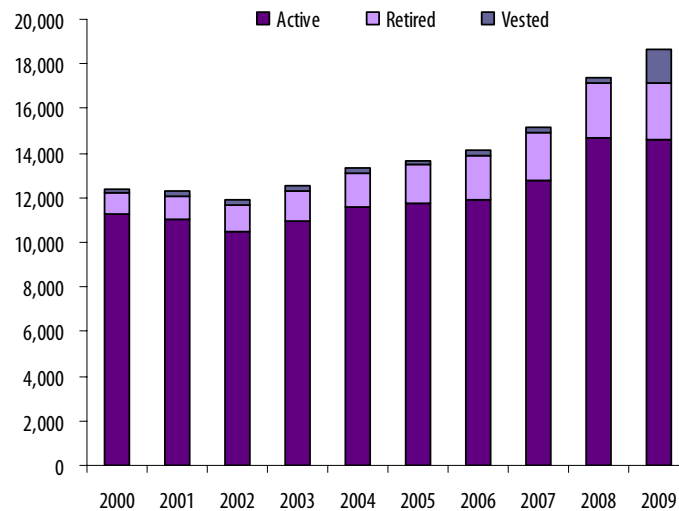


DISTRIBUTION OF BENEFIT RECIPIENTS BY LOCATION



MEMBERSHIP IN RETIREMENT SYSTEM  
LAST TEN FISCAL YEARS

YEAR ENDING JUNE 30,	ACTIVE	BENEFICIARY RETIRED	TERMINATED VESTED	TOTAL
2000	11,290	925	164	12,379
2001	11,047	1,040	199	12,286
2002	10,464	1,218	226	11,908
2003	10,964	1,363	174	12,501
2004	11,583	1,536	185	13,304
2005	11,752	1,733	196	13,681
2006	11,914	1,955	229	14,098
2007	12,780	2,123	233	15,136
2008	14,716	2,428	273	17,417
2009	14,580	2,591	1,476	18,647



**PRINCIPAL PARTICIPATING EMPLOYERS  
LAST TEN FISCAL YEARS**

EMPLOYER	2009			2000		
	COVERED EMPLOYEES	RANK	% OF MEMBERSHIP	COVERED EMPLOYEES	RANK	% OF MEMBERSHIP
State	8,784	1	60.25%	9,240	1	81.84%
Courts Admin. Office	2,102	2	14.42%			
Maricopa County	2,052	3	14.07%	1,056	2	9.35%
Pima County	476	4	3.26%	405	3	3.59%
Pinal County	262	5	1.80%			
Yavapai County	174	6	1.19%	107	5	0.95%
Yuma County	150	7	1.03%	169	4	1.50%
Coconino County	92	8	0.63%	83	6	0.74%
Mohave County	85	9	0.58%	75	7	0.66%
Gila County	63	10	0.43%			
All Others	340		2.33%	155		1.37%
<b>Total</b>	<b>14,580</b>		<b>100.00%</b>	<b>11,290</b>		<b>100.00%</b>

**SUMMARY OF BENEFIT INCREASES  
LAST TEN FISCAL YEARS**

YEAR ENDING JUNE 30,	EXCESS YIELD PER STATUTE	EXCESS EARNINGS	UTILIZED TO FUND COLA	EXCESS EARNINGS AVAILABLE	BENEFIT INCREASE 4% CAP
2000	4.20%	14,971,383	(3,253,379)	59,784,889	4.00%
2001	0.00%	0	(3,761,946)	45,820,054	4.00%
2002	0.00%	0	(4,650,770)	34,452,064	4.00%
2003	0.00%	0	(5,878,909)	30,709,183	4.00%
2004	5.77%	18,478,098	(7,810,709)	45,912,625	4.00%
2005	0.23%	810,817	(9,545,626)	41,415,092	4.00%
2006	0.00%	0	(11,506,060)	33,292,645	4.00%
2007	7.77%	35,123,022	(13,572,783)	60,426,061	4.00%
2008	0.00%	0	(15,533,554)	40,633,678	4.00%
2009	0.00%	0	(18,197,108)	15,124,946	4.00%



OPERATING INFORMATION

**SUMMARY OF GROWTH OF THE SYSTEM  
LAST TEN FISCAL YEARS**

<b>YEAR ENDING JUNE 30,</b>	<b>TOTAL ASSETS AT BOOK</b>	<b>INVESTMENT REALIZED EARNINGS</b>	<b>ASSUMED ACTUARIAL YIELD</b>	<b>NET EFFECTIVE YIELD</b>	<b>AVERAGE EMPLOYER RATE</b>
2000	588,205,472	49,627,757	9.00%	9.39%	5.14%
2001	631,618,088	29,491,487	9.00%	4.96%	1.88%
2002	646,861,802	11,656,015	9.00%	1.84%	1.15%
2003	587,318,350	(60,384,405)	9.00%	-9.33%	1.71%
2004	615,695,876	23,472,984	9.00%	3.98%	3.95%
2005	662,258,326	43,327,649	8.75%	7.01%	4.07%
2006	744,246,872	73,445,862	8.50%	11.18%	5.47%
2007	840,116,484	90,731,938	8.50%	12.14%	4.46%
2008	1,108,093,837	125,821,779	8.50%	13.50%	6.72%
2009	962,182,178	(246,296,349)	8.50%	-18.88%	8.65%

**BENEFITS PAYABLE JUNE 30, 2009  
BY TYPE OF BENEFIT**

<b>PENSIONS BEING PAID</b>	<b>NO.</b>	<b>ANNUAL PENSIONS</b>	<b>AVERAGE PENSIONS</b>
<b>RETIRED MEMBERS</b>			
Service Pensions	2,090	51,110,430	24,455
Disability Pensions	93	1,856,642	19,964
<b>Total Retired Members</b>	<b>2,183</b>	<b>52,967,072</b>	<b>24,263</b>
<b>SURVIVORS OF MEMBERS</b>			
Spouses	370	5,606,169	15,152
Children w/Guardians	38	516,350	13,588
<b>Total Survivors of Members</b>	<b>408</b>	<b>6,122,519</b>	<b>15,006</b>
<b>TOTAL PENSIONS BEING PAID</b>	<b>2,591</b>	<b>59,089,591</b>	<b>22,806</b>

	<b>AVERAGE AGE</b>	<b>AVERAGE SERVICE</b>	<b>AVG. AGE AT RETIREMENT</b>
Normal retired members	63.3	19.1	57.2
Disability retired members	53.4	9.8	44.6
Spouse beneficiaries	63.1	11.4	51.7

**AVERAGE MONTHLY BENEFIT AMOUNTS**  
LAST TEN FISCAL YEARS

YEAR ENDING JUNE 30,		YEARS OF CREDITED SERVICE BY CATEGORY							ALL MEMBERS
		<5	5-10	10-15	15-20	20-25	25-30	30+	
2000	Average monthly benefit								995
	Average final average salary								2,373
	Number of retirees								925
2001	Average monthly benefit								1,077
	Average final average salary								2,468
	Number of retirees								1,040
2002	Average monthly benefit								1,208
	Average final average salary								2,567
	Number of retirees								1,218
2003	Average monthly benefit								1,324
	Average final average salary								2,639
	Number of retirees								1,363
2004	Average monthly benefit								1,425
	Average final average salary								2,701
	Number of retirees								1,536
2005	Average monthly benefit								1,507
	Average final average salary								2,779
	Number of retirees								1,733
2006	Average monthly benefit								1,589
	Average final average salary								2,892
	Number of retirees								1,955
2007	Average monthly benefit								1,675
	Average final average salary								3,096
	Number of retirees								2,123
2008	Average monthly benefit	1,093	998	1,028	1,467	2,055	2,934	3,506	1,753
	Average final average salary								3,354
	Number of retirees	122	158	554	391	849	288	66	2,428
2009	Average monthly benefit	1,155	1,080	1,079	1,596	2,227	3,311	4,019	1,900
	Average final average salary								3,535
	Number of retirees	126	164	614	400	930	290	67	2,591

\* Detailed information not available prior to fiscal year ending June 30, 2008.

OPERATING INFORMATION

SCHEDULE OF CHANGES IN REFUNDABLE MEMBER RESERVE BALANCES  
FISCAL YEAR ENDED JUNE 30, 2009

SYSTEM	2008 BALANCES	RESERVE TRANSFERS	CONTRIBUTIONS RECEIVED	WITHDRAWN MEMBERS	2009 BALANCES
ADMINISTRATIVE OFFICE OF THE COURTS	61,275,381	(4,923,926)	8,881,725	(789,736)	64,443,445
APACHE COUNTY - Detention	301,572	(10,599)	56,011	(4,471)	342,512
CITY OF AVONDALE - Detention	0	197,922	26,842	0	224,764
CITY OF SOMERTON - Dispatchers	98,342	0	23,298	0	121,640
COCHISE COUNTY - Detention	973,547	(523)	177,883	(7,330)	1,143,577
COCONINO COUNTY - Detention	1,253,478	6,739	290,644	(77,635)	1,473,226
DEPARTMENT OF CORRECTIONS - Detention	159,417,423	(6,994,381)	28,731,422	(6,795,073)	174,359,391
DEPT OF JUVENILE CORRECTIONS - Detention	14,970,290	(803,915)	2,847,012	(875,761)	16,137,626
GILA COUNTY - Detention	576,854	(8,378)	183,719	(27,090)	725,105
GILA COUNTY - Dispatchers	304,923	(23,381)	59,926	(35,319)	306,149
GRAHAM COUNTY - Detention	235,298	20,541	77,498	(32,422)	300,915
GRAHAM COUNTY - Dispatchers	113,786	(4,170)	30,020	(1,624)	138,012
MARICOPA COUNTY - Detention	36,642,577	(1,827,066)	7,551,334	(1,042,328)	41,324,516
MOHAVE COUNTY - Detention	861,475	(39,971)	238,133	(152,039)	907,599
NAVAJO COUNTY - Detention	558,599	27,854	158,114	(51,856)	692,711
PIMA COUNTY - Detention	9,812,884	(724,020)	1,787,031	(329,139)	10,546,755
PINAL COUNTY - Detention	3,475,780	45,498	1,056,053	(202,805)	4,374,527
PINAL COUNTY - Dispatchers	258,967	(1,611)	80,081	(52,404)	285,033
SANTA CRUZ COUNTY - Detention	224,541	(3,438)	61,052	(10,715)	271,440
TOWN OF MARANA - Dispatchers	160,673	(333)	45,634	(652)	205,323
TOWN OF ORO VALLEY - Dispatchers	294,902	(16,365)	44,067	(647)	321,957
TOWN OF WICKENBURG - Dispatchers	75,669	0	19,109	(18,687)	76,091
YAVAPAI COUNTY - Detention	2,416,595	(76,673)	580,330	(238,386)	2,681,866
YAVAPAI COUNTY - Dispatchers	151,467	0	47,874	(25,971)	173,370
YUMA COUNTY - Detention	1,862,078	(69,873)	472,821	(193,865)	2,071,162
<b>TOTAL</b>	<b>296,317,101</b>	<b>(15,230,068)</b>	<b>53,527,634</b>	<b>(10,965,953)</b>	<b>323,648,712</b>

**SCHEDULE OF CHANGES IN EMPLOYER RESERVE BALANCES AND UNFUNDED ACTUARIAL ACCRUED LIABILITIES**  
FISCAL YEAR ENDED JUNE 30, 2009

SYSTEM	2008 BALANCES	RESERVE TRANSFERS	CONTRIB RECEIVED	PENSION PAYMENTS	SUBSIDY PAYMENTS	ENHANCED REFUNDS	DIST. OF EARNINGS	2009 BALANCES	UNFUNDED AAL 2008
ADMINISTRATIVE OFFICE OF THE COURTS	132,877,329	5,030,769	9,851,050	(4,720,494)	(133,833)	(214,895)	(37,599,820)	105,090,105	(24,230,065)
APACHE COUNTY - Detention	823,029	(1,190)	56,666	(42,924)	0	0	(215,759)	619,823	133,642
CITY OF AVONDALE - Detention	0	165,485	18,814	0	0	0	(38,329)	145,971	0
CITY OF SOMERTON - Dispatchers	120,133	0	23,590	0	0	0	(45,335)	98,389	302,528
COCHISE COUNTY - Detention	3,356,707	523	181,915	(224,675)	(4,199)	0	(823,055)	2,487,215	393,620
COCONINO COUNTY - Detention	2,558,524	5,381	211,156	(36,947)	(1,300)	(24,941)	(749,315)	1,962,557	(176,387)
DEPARTMENT OF CORRECTIONS - Detention	492,042,668	6,139,968	30,380,365	(35,983,661)	(1,579,091)	(2,901,938)	(123,111,852)	364,986,459	145,000,231
DEPT OF JUVENILE CORRECTIONS - Detention	48,166,005	748,555	2,884,285	(3,493,871)	(151,362)	(290,076)	(11,912,562)	35,950,973	9,379,096
GILA COUNTY - Detention	1,169,728	64,358	157,219	(16,694)	0	0	(360,392)	1,014,219	49,383
GILA COUNTY - Dispatchers	843,558	610	49,988	(9,454)	0	(17,199)	(217,580)	649,923	201,476
GRAHAM COUNTY - Detention	907,031	2,482	46,814	(52,290)	(3,870)	(3,403)	(219,255)	677,509	(16,607)
GRAHAM COUNTY - Dispatchers	187,744	4,170	18,847	0	0	0	(60,932)	149,829	(142,253)
MARICOPA COUNTY - Detention	100,150,648	1,717,906	7,732,099	(6,534,084)	(124,235)	(195,226)	(26,316,556)	76,430,551	37,450,475
MOHAVE COUNTY - Detention	3,471,870	39,971	143,591	(127,729)	(9,443)	(14,232)	(819,389)	2,684,639	(1,303,183)
NAVAJO COUNTY - Detention	1,427,988	120,010	117,315	(41,031)	0	(3,231)	(402,935)	1,218,116	(71,213)
PIMA COUNTY - Detention	33,652,490	647,005	2,027,596	(2,873,876)	(181,714)	(62,932)	(8,172,430)	25,036,138	12,366,264
PINAL COUNTY - Detention	6,988,373	315,644	1,012,326	(169,605)	(2,400)	(77,974)	(2,146,163)	5,920,201	1,681,554
PINAL COUNTY - Dispatchers	634,987	789	67,505	(46,902)	0	(22,703)	(169,843)	463,832	390,508
SANTA CRUZ COUNTY - Detention	1,570,770	851	36,778	(90,026)	(400)	0	(335,882)	1,182,090	(475,670)
TOWN OF MARANA - Dispatchers	171,715	333	28,665	0	0	0	(69,189)	131,524	89,143
TOWN OF ORO VALLEY - Dispatchers	675,595	16,365	41,234	(72,006)	(1,950)	0	(182,870)	476,368	640,219
TOWN OF WICKENBURG - Dispatchers	188,177	0	23,719	(14,914)	0	(9,812)	(49,389)	137,781	160,907
YAVAPAI COUNTY - Detention	5,524,575	(19,789)	532,721	(534,976)	(13,745)	(29,373)	(1,506,898)	3,952,516	1,995,446
YAVAPAI COUNTY - Dispatchers	270,083	0	48,776	0	0	(5,269)	(85,126)	228,464	43,107
YUMA COUNTY - Detention	7,491,017	69,873	322,104	(402,729)	(347)	(40,182)	(1,767,524)	5,672,211	(525,070)
<b>TOTAL</b>	<b>845,270,744</b>	<b>15,070,069</b>	<b>56,015,138</b>	<b>(55,488,890)</b>	<b>(2,207,889)</b>	<b>(3,913,388)</b>	<b>(217,378,381)</b>	<b>637,367,403</b>	<b>183,337,151</b>

OPERATING INFORMATION

SCHEDULE OF CHANGES IN EMPLOYER EARNINGS DISTRIBUTION

FISCAL YEAR ENDED JUNE 30, 2009

SYSTEM	2008 EMPLOYER RESERVE	2009 EMPLOYER RESERVE	2008 MEMBER RESERVE	2009 MEMBER RESERVE	COMBINED RESERVES	MEAN BALANCE	FACTOR	INVESTMENT EARNINGS
ADMINISTRATIVE OFFICE OF THE COURTS	132,877,329	142,689,925	61,275,381	64,443,445	401,286,079	200,643,040	17.297%	(37,599,820)
APACHE COUNTY - Detention	823,029	835,582	301,572	342,512	2,302,695	1,151,347	0.099%	(215,759)
CITY OF AVONDALE - Detention	0	184,300	0	224,764	409,063	204,532	0.018%	(38,329)
CITY OF SOMERTON - Dispatchers	120,133	143,724	98,342	121,640	483,840	241,920	0.021%	(45,335)
COCHISE COUNTY - Detention	3,356,707	3,310,270	973,547	1,143,577	8,784,101	4,392,051	0.379%	(823,055)
COCONINO COUNTY - Detention	2,558,524	2,711,872	1,253,478	1,473,226	7,997,099	3,998,549	0.345%	(749,315)
DEPT OF CORRECTIONS - Detention	492,042,668	488,098,311	159,417,423	174,359,391	1,313,917,793	656,958,896	56.635%	(123,111,852)
DEPT OF JUVENILE CORRECTIONS - Detention	48,166,005	47,863,535	14,970,290	16,137,626	127,137,456	63,568,728	5.480%	(11,912,562)
GILA COUNTY - Detention	1,169,728	1,374,611	576,854	725,105	3,846,298	1,923,149	0.166%	(360,392)
GILA COUNTY - Dispatchers	843,558	867,503	304,923	306,149	2,322,133	1,161,066	0.100%	(217,580)
GRAHAM COUNTY - Detention	907,031	896,764	235,298	300,915	2,340,008	1,170,004	0.101%	(219,255)
GRAHAM COUNTY - Dispatchers	187,744	210,761	113,786	138,012	650,303	325,151	0.028%	(60,932)
MARICOPA COUNTY - Detention	100,150,648	102,747,108	36,642,577	41,324,516	280,864,849	140,432,424	12.106%	(26,316,556)
MOHAVE COUNTY - Detention	3,471,870	3,504,028	861,475	907,599	8,744,973	4,372,486	0.377%	(819,389)
NAVAJO COUNTY - Detention	1,427,988	1,621,051	558,599	692,711	4,300,350	2,150,175	0.185%	(402,935)
PIMA COUNTY - Detention	33,652,490	33,208,569	9,812,884	10,546,755	87,220,698	43,610,349	3.760%	(8,172,430)
PINAL COUNTY - Detention	6,988,373	8,066,364	3,475,780	4,374,527	22,905,044	11,452,522	0.987%	(2,146,163)
PINAL COUNTY - Dispatchers	634,987	633,675	258,967	285,033	1,812,662	906,331	0.078%	(169,843)
SANTA CRUZ COUNTY - Detention	1,570,770	1,517,972	224,541	271,440	3,584,722	1,792,361	0.155%	(335,882)
TOWN OF MARANA - Dispatchers	171,715	200,713	160,673	205,323	738,424	369,212	0.032%	(69,189)
TOWN OF ORO VALLEY - Dispatchers	675,595	659,238	294,902	321,957	1,951,693	975,846	0.084%	(182,870)
TOWN OF WICKENBURG - Dispatchers	188,177	187,170	75,669	76,091	527,106	263,553	0.023%	(49,389)
YAVAPAI COUNTY - Detention	5,524,575	5,459,414	2,416,595	2,681,866	16,082,451	8,041,226	0.693%	(1,506,898)
YAVAPAI COUNTY - Dispatchers	270,083	313,590	151,467	173,370	908,510	454,255	0.039%	(85,126)
YUMA COUNTY - Detention	7,491,017	7,439,735	1,862,078	2,071,162	18,863,991	9,431,996	0.813%	(1,767,524)
<b>TOTAL</b>	<b>845,270,744</b>	<b>854,745,784</b>	<b>296,317,101</b>	<b>323,648,712</b>	<b>2,319,982,341</b>	<b>1,159,991,170</b>	<b>100.000%</b>	<b>(217,378,381)</b>

**PARTICIPATING EMPLOYERS**

DEPARTMENT OF CORRECTIONS	APACHE COUNTY - DETENTION OFFICERS
DEPARTMENT OF JUVENILE CORRECTIONS	COCHISE COUNTY - DETENTION OFFICERS
	COCONINO COUNTY - DETENTION OFFICERS
CITY OF AVONDALE - DETENTION OFFICERS	GILA COUNTY - DETENTION OFFICERS
	GILA COUNTY - DISPATCHERS
APACHE COUNTY - AOC	GRAHAM COUNTY - DETENTION OFFICERS
COCHISE COUNTY - AOC	GRAHAM COUNTY - DISPATCHERS
COCONINO COUNTY - AOC	MARICOPA COUNTY - DETENTION OFFICERS
GILA COUNTY - AOC	MOHAVE COUNTY - DETENTION OFFICERS
GRAHAM COUNTY - AOC	NAVAJO COUNTY - DETENTION OFFICERS
GREENLEE COUNTY - AOC	PIMA COUNTY - DETENTION OFFICERS
LA PAZ COUNTY - AOC	PINAL COUNTY - DETENTION OFFICERS
MARICOPA COUNTY - AOC	PINAL COUNTY - DISPATCHERS
MOHAVE COUNTY - AOC	SANTA CRUZ COUNTY - DETENTION OFFICERS
NAVAJO COUNTY - AOC	YAVAPAI COUNTY - DETENTION OFFICERS
PIMA COUNTY - AOC	YAVAPAI COUNTY - DISPATCHERS
PINAL COUNTY - AOC	YUMA COUNTY - DETENTION OFFICERS
SANTA CRUZ COUNTY - AOC	CITY OF SOMERTON - DISPATCHERS
YAVAPAI COUNTY - AOC	TOWN OF MARANA - DISPATCHERS
YUMA COUNTY - AOC	TOWN OF ORO VALLEY - DISPATCHERS
	TOWN OF WICKENBURG - DISPATCHERS



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