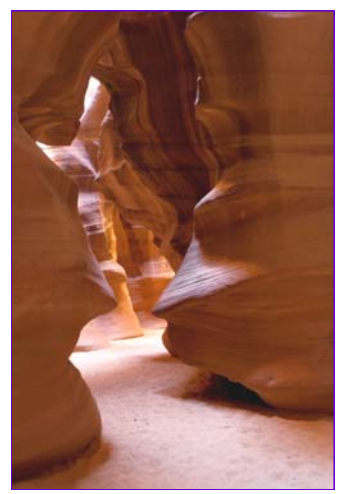
CORRECTIONS OFFICER RETIREMENT PLAN

25th COMPREHENSIVE ANNUAL FINANCIAL REPORT

A PENSION TRUST FUND OF THE STATE OF ARIZONA



FOR THE FISCAL YEAR ENDED JUNE 30, 2011

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-Fifth
Comprehensive Annual Financial Report

For the Fiscal Year Ended
June 30, 2011

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
www.psprs.com

TABLE OF CONTENTS

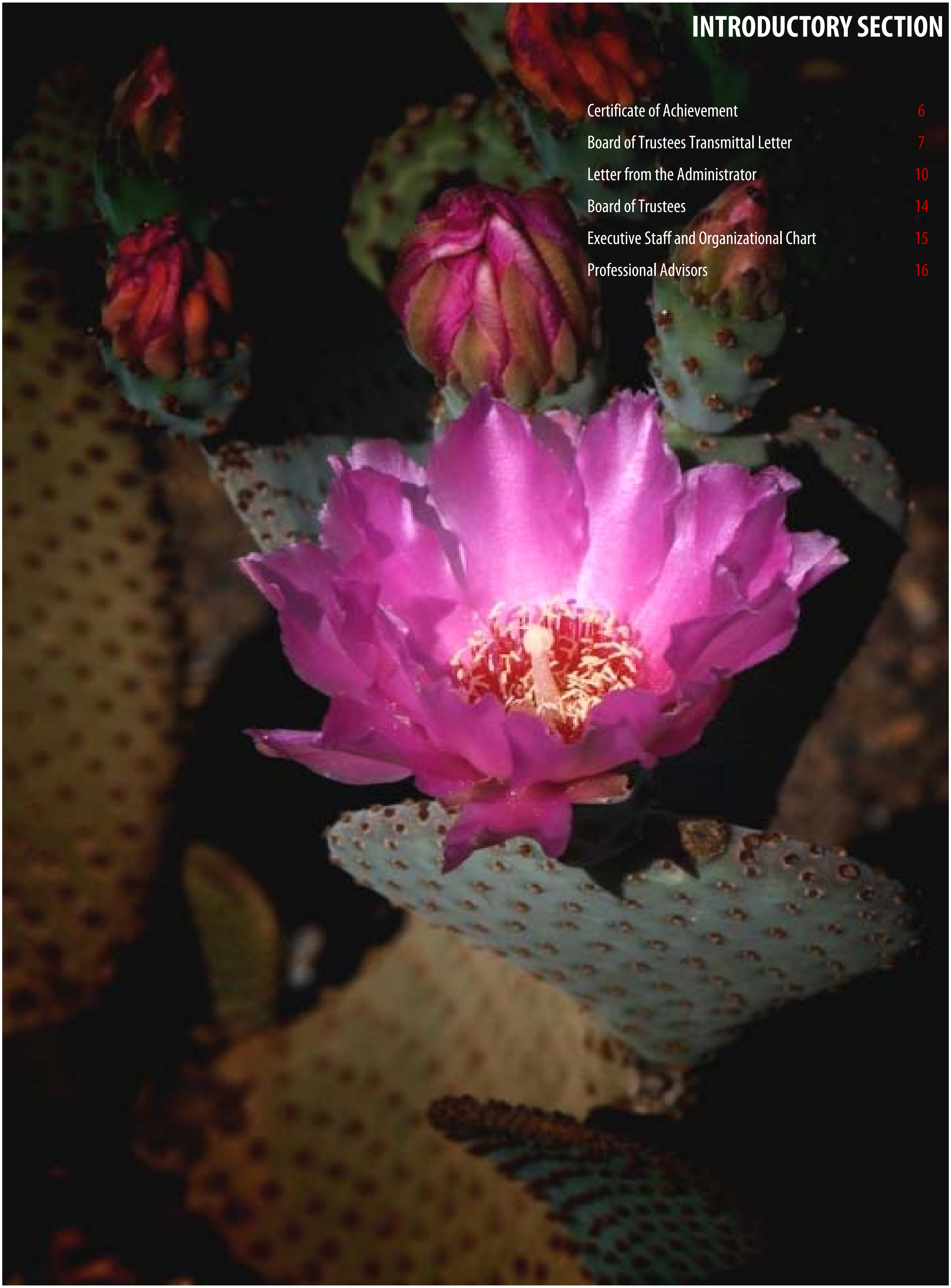
TABLE OF CONTENTS (continued)

ACTUARIAL SECTION

STATISTICAL SECTION

THIS PAGE INTENTIONALLY BLANK

INTRODUCTORY SECTION



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, 2010

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.

GOVERNMENT FINANCE OFFICERS ASSOCIATION OF THE UNITED STATES AND CANADA CORPORATION SEAL CHICAGO

President

Executive Director

PUBLIC SAFETY PERSONNEL RETIREMENT SYSTEM
CORRECTIONS OFFICER RETIREMENT PLAN
ELECTED OFFICIALS' RETIREMENT PLAN
3010 East Camelback Road, Suite 200
Phoenix, Arizona 85016-4416
www.psprs.com
TELEPHONE: (602) 255-5575
FAX: (602) 255-5572

December 9, 2011

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

Dear Governor Brewer:

The Board of Trustees of the Public Safety Personnel Retirement System (PSPRS) respectfully submits the Twenty-fifth Comprehensive Annual Financial Report (CAFR) for the Corrections Officer Retirement Plan (CORP) for the fiscal year ended June 30, 2011 (FY'11), in accordance with the provisions of A.R.S. Section 38-883.

The CORP's Funding Ratio

As of fiscal year-end, the financial status of the CORP, as reflected in its funding ratio, decreased from 80.3% at June 30, 2010 to 73.0% at June 30, 2011. This decrease continues the funding ratio erosion that resumed two years ago following a modest improvement in FY'08 that interrupted six consecutive years of funding status decline.

The continuing funding ratio decline is due primarily to the asset value losses and negative rates of return that the Plan experienced in FY'01 and FY'02 coupled with the additional losses and negative rates of return the Plan experienced in FY'08 and FY'09. The losses in FY'01 and FY'02 were largely the result of an excessive over-concentration in the securities of U.S.-based high technology and telecommunication companies and a general lack of diversification in the deployment of the Plan's assets for investment purposes. The losses in FY'08 and FY'09 were the result of the impact on the financial markets of the collapse of the U.S. housing market and the intense global recession that followed.

An additional factor has also contributed to the funding erosion – namely downward revisions in the Plan's actuarial assumptions for investment return (which was reduced from 8.5% in FY'10 to 8.25% in FY'11) and wage growth (which was reduced from 5.50% in FY'10 to 5.0% in FY'11).

It is important to note that the funding ratio erosion has occurred despite the fact that the Plan had an FY'10 rate of return of 13.47% and an FY'11 rate of return of 17.37% -- returns that were well in excess of the Plan's actuarial assumed rate of return of 8.25%. (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 20.)

Because the PSPRS-administered Plans use a seven year averaging process ("smoothing") to determine the 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 succeeding six fiscal years. That means that only one-seventh of the positive return that the CORP Plan experienced in FY'11 is reflected in this fiscal year's results. That was more than offset by factoring into the FY'11 results, one-seventh portions of the -7.19% and -17.45% returns that the Plan experienced during FY'08 and FY'09 respectively. Because the remainder of the FY'08 and FY'09 investment losses will be factored into the Plan's financial status results over the next several fiscal years, the expectation is that the Plan's funding ratio will continue to deteriorate unless this trend is offset by several consecutive years of much better-than-expected rates of return or increases in the Plan's employee contribution rate or further decreases in the Plan's benefits or both.

If the CORPS' funding ratio were calculated using fiscal year-end market value (rather than actuarial value) of assets, the Plan's funded status would be only 65.0%, rather than 73.0%. How to move the Plan, within a ten to twenty year time period, back to a pattern of steadily improving funding ratios remains the principal challenge facing the CORP System and its Board of Trustees.

Although the investment losses that the Plan sustained in FY'08 and FY'09 have taken, and will continue to take, their toll on the financial status of the Plan, the principal structural impediment to restoring the Plan to a state of financial soundness in a reasonable period of time was the Plan's statutory, post retirement adjustment structure. That structure was fundamentally changed by legislation (SB 1609) enacted during FY'11. While the legislative changes impacting post-retirement benefit adjustments are expected to have a significantly salutary effect on the financial status of the Plan over time, those changes are facing a legal challenge in the state courts. At this point, the results of that legal challenge are uncertain.

Before the changes made by SB 1609, the CORP statutes required that in any year in which the Plan generated an investment return in excess of 9%, one-half of the excess return over 9% must be diverted into the CORP's Reserve for Future Benefit Increases ("The Reserve"). These Reserve assets were then used to finance the post-retirement adjustments payable to eligible beneficiaries of the Plan. However, these Reserve assets were not taken into account for funding ratio and employer contribution rate calculations. If these statutory provisions had not been changed (i.e., SB 1609 specifically prohibited any new in-flows of excess return assets into the Plan's Reserve, effective May 31, 2011), $49.8 million of FY'11 investment return would have been diverted from the underfunded CORP Plan and into the Plan's Reserve. That would have amplified the underfunded status of the Plan as of June 30, 2011.

Employer Contribution Rates

Any change in the CORP's June 30th fiscal year-end funding ratio impacts the employer contribution rate as of the following July 1st. For example, any CORP funding ratio decline as a result of this Comprehensive Annual Financial Report (CAFR) for the fiscal year ended June 30, 2011 (FY'11) impacts the employer contribution rate July 1, 2012 (FY'13).

As the Plan's funding ratio has eroded, the employer contribution requirements have been rising in large year-over-year increments. The employer aggregate rate crested at 8.68% of payroll in employer FY'09. For the next two years, the aggregate rate remained relatively stable. But based on the Plan's FY'10 results, the aggregate employer rate began to increase again, rising to 9.5% in employer FY'12. Given the further erosion in the Plan's funding status as of the end of FY'11, the aggregate employer rate is scheduled to increase to 11.31% of payroll during employer FY'13. That represents a 1.81% of payroll increase over the current FY'12 aggregate rate. This increase in the employer rate reflects the same combination of factors that have contributed to the funding ratio erosion, including the actuarial assumption revisions approved by the Board. With further erosion in the Plan's funding status expected to occur over the next several years, the forecast is that the employer contribution rates will continue to increase unless the Plan experiences far better than expected investment returns.

If the current legal challenge to the changes made by SB 1609 to the post-retirement adjustment provisions is ultimately successful, the CORP Board members, in their capacity as fiduciaries, will likely propose to the Legislature new changes to the Plan's provisions designed to assure the long-term financial sustainability of the Plan. Of course any further changes proposed by the Board would take into account any court decisions.

FY'10 Investment Results

The FY'11 net of fee rate of investment return for the CORP was 17.37%. While the FY'11 net of fees return exceeded the benchmark return (17.36%) by only 1 basis point, the System had to write down the legacy residential real estate values by $63.2 million which equates to 93 basis points of foregone return.

Although any new FY'11 in-flow of excess investment return assets to the Plan's Reserve was precluded by SB 1609, the $22.0 million asset balance remaining in the Reserve as of June 30, 2011 was used to finance a 3.43% permanent life-time increase in benefits for all the Plan's eligible beneficiaries. To offset the liability associated with the benefit increase, the $22.0 million was withdrawn from the Reserve, leaving a remaining balance of zero. A new post-retirement adjustment formula, that was included in SB 1609, will become effective on July 1, 2013; that new formula is expected to provide periodic (but not annual) adjustments to post-retirement benefits in the future.

The Strategy to Improve the Plan's Funding Ratio and Decrease Employer Contribution Requirements

To improve the Plan'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 four fiscal years, going through a complete restructuring of the way in which the System manages and invests its assets with a view to dramatically increasing asset allocation diversification and diversification within asset classes. In the process, the Plan's over-weight reliance on equities has declined considerably and so has the risk level.

In addition to these changes to the way in which the Plan's assets are diversified and deployed for investment purposes, the net effect of the provisions of SB 1609 are expected to further improve the financial status of the Plan over time. However, that improvement will be seriously undermined by any successful legal challenges to the changes made by SB 1609 to the post-retirement adjustment mechanism.

Conclusion

As members of the PSPRS Board of Trustees, we intend to continue our efforts to assure the long-term financial integrity of the System and its Plans and to 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 Board of Trustees for this System.

Respectfully submitted,

Brian Tobin, Chairman
of the Board of Trustees

Gregory Ferguson, Vice Chairman
of the Board of Trustees

Jeff Allen McHenry, Member
of the Board of Trustees

Richard J. Petrenka, Member
of the Board of Trustees

Randie A. Stein, Member
of the Board of Trustees

Lauren Kingry, Member
of the Board of Trustees

PUBLIC SAFETY PERSONNEL RETIREMENT SYSTEM
CORRECTIONS OFFICER RETIREMENT PLAN
ELECTED OFFICIALS' RETIREMENT PLAN
3010 East Camelback Road, Suite 200
Phoenix, Arizona 85016-4416
www.psprs.com
TELEPHONE: (602) 255-5575
FAX: (602) 255-5572

December 9, 2011

The Members of the Board of Trustees
Public Safety Personnel Retirement System (PSPRS)
3010 E. Camelback Road, Suite 200
Phoenix, Arizona 85016

Members:

Here is the Twenty-fifth 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, 2011. 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 Board of Trustees 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, and other financial data from the June 30, 2011 report of Heinfeld, Meech & Co. P.C., Certified Public Accountants and auditors for the System. Also included are the actuarial certi-fication statement and the actuarial balance sheet from the June 30, 2011 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 controls 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 gain of $193.2 million this fiscal year. That was supplemented by revenue from member contributions of $50.9 million, and direct employer contributions of $52.0 million. Please refer to the Statistical Section for a ten-year history of revenues and expenses.

Administrative and Investment Expenses

The CORP's FY'11 administrative and investment-related expenses totaled $5.4 million. Administrative and investment expenses were approximately 41 basis points of the total assets managed. This is reasonable when compared with other public retirement systems. A dedicated staff and constantly improving internal technology and expertise has enabled management to keep costs reasonable even though assets are being outsourced to external managers of more expensive portfolios that are alternatives to equity portfolios; but this has to be done to reduce the System's exposure to equities and to reduce volatility.

The other factor that has tended to escalate administrative costs results from increased service needs due to increasing numbers of participants and beneficiaries and the desire to provide consistent support to the PSPRS network of local boards that have important administrative functions to perform.

Investments

The total rate of return on the CORP's assets for the fiscal year was 17.37% on a net of fees basis. This return was well in excess of the System's 8.25% actuarial assumed rate of return. 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'11, the State Legislature approved, and the Governor signed, two bills that were of significance; one was of great significance. The first was SB 1317 which made many administrative, technical and clarifying changes to the PSPRS, CORP and EORP statutes. These include provisions that reconcile all the different local board reporting requirements, including Title 12, with Title 38 to ensure consistency with notification requirements to the System.

The second bill, SB1609, made many changes to current PSPRS, CORP and EORP statutes; these changes are intended to strengthen the financial status of the underfunded Plans. Among other things, SB 1609 prohibited any new in-flows of assets to the Reserves of the Plans administered by PSPRS. It also replaced the old post-retirement adjustment formulas for the Plans with a new one (effective July 1, 2013) that will provide adjustments only periodically, not annually. Finally, it reduced benefits for "new hires" in all three Plans.

Actuarial and Funding Information

Funding a retirement system on a sound actuarial reserve basis involves the accumula-tion 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 by 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 primarily from employer contributions, 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.

The most commonly used measure of a retirement system's funding progress 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. Following modest improvement in FY'08, the funding ratio started to deteriorate again in FY'09; this trend continued during FY"10 and FY'11, with the ratio falling to 73.0%. Given the System's seven year averaging of investment results (actuarial "smoothing"), much of the effect of the FY'08 and FY'09 negative rates of return are yet to be reflected in the funding ratio of the CORP; therefore, the expectation is that the funding ratio will deteriorate further in the future.

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 9.50%. The aggregate rate that will take effect on July 1, 2012 will be 11.31%. Further decline in the Plan's funding ratio will cause employer rates to rise even further.

Post Retirement Benefit Increases

State statutes long provided for an annual benefit increase for CORP retirees (or their survivors) two years after retirement, regardless of age, or when the retiree (or survivor) attained age 55 and had been retired for a year. These increases were limited to four percent of the benefit being paid at the end of the prior fiscal year. A benefit increase schedule demonstrating the effect of these provisions can be found in the Statistical Section of this CAFR.

These benefit adjustments were fully funded on a present value basis from the assets contained in the CORP's Reserve for Future Benefit Increases. In any year in which the Plan generated a return in excess of 9%, one-half of the return in excess of 9% was diverted to the Reserve and withheld from the underlying Fund. For example, the Plan's FY'10 13.47% return resulted in a $22.8 million flow of new assets into the Reserve. However, SB 1609 has changed all this.

As of May 31, 2011, the new law prohibited any further transfers of assets to the CORP Reserve. Although any new FY'11 in-flow of excess investment return assets to the Plan's Reserve was precluded by SB 1609, the $22.0 million asset balance remaining in the Reserve as of June 30, 2011 was used to finance a 3.43% permanent life-time increase in benefits for all the Plan's eligible beneficiaries. To offset the liability associated with the benefit increase, the $22.0 million was withdrawn from the Reserve, leaving a remaining balance of zero. A new post-retirement adjustment formula, that was included in SB 1609, will become effective on July 1, 2013; that new formula is expected to provide periodic (but not annual) post-retirement adjustments to benefits in the future.

Certificate of Achievement

The Government Finance Officers Association (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the System for the CORP's Comprehensive Annual Financial Report (CAFR) for the fiscal year ended June 30, 2010. This was the seventeenth consecutive year that the Plan has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a governmental entity must publish an easily readable and efficiently organized CAFR. 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'11 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 Board of Trustees continued its strategic initiative that has changed the way in which the CORP's assets are managed and invested. (See the Board of Trustees' transmittal letter to the Governor that begins on page 7) In addition, there were other developments and initiatives that are worthy of note. These included the following:

- Although the FY'11 actual level of administrative spending exceeded the budgeted amount, the excess was the result of the cost of unexpected actuarial projection work that had to be done to facilitate the passage of SB 1609, the cost for replacement of air-conditioning units, and the costs associated with a number of lawsuits, including one involving the System's former Administrator whose pension benefit payments have significantly exceeded what the System's administration believes was allowable.
- The System continued its comprehensive and multi-year effort to assure that the PRPRS and CORP local board networks are properly structured and functioning so as to assure uniform administration of the statutory responsibilities delegated to them. Staff and other resources continue to be dedicated to this initiative. Within the last twelve months, the System's outreach efforts to provide training and education to local boards were intensified through more on-site visits, group meetings/consultations via conference call, video conference and webinars, and the deployment via the web site of a "high three consecutive years of compensation" calculator to enable the local boards to check the accuracy to their own calculations. In addition, the System staff members are auditing the local boards' benefit award decisions to be sure they are properly documented.
- The Internal Auditor/Compliance Officer developed and received approval for her annual audit plan and continued her monthly investments compliance review. In addition, the Auditor has continued to approve capital calls made with respect to investment commitments approved by the Board.
- The System's multi-year document imaging (i.e., scanning) project continued to progress. Once the project is completed, a new "Work Flow" project will be initiated in accordance with the System's Strategic Plan.
- The System's IT Program Development staff in conjunction with the System's Finance and Accounting staff worked closely with Wells Fargo Bank to plan for a smooth transition of the monthly benefit payroll process from in-house to the Bank, using the Wells Fargo Payment Manager Plus function. That transition is now successfully underway.
- The Program Development staff has also been developing programming and processing changes associated with the Plan benefit changes and modifications made necessary by SB 1609.
- The System's IT Operations staff has continued to reduce the number of physical servers through increased use of "virtualization" in the System's production environment.
- The IT Operations staff also completed the replacement of all the old Desktop PC's, thus making all the computers current and under warranty and increased internet bandwidth at PSPRS and the Denver site and configured and deployed at the Denver site a VMWare Site Recovery Manager disaster recovery solution.
- Finally, the IT Operations staff implemented a new switching infrastructure that has increased performance and the stability of the System's network and will facilitate a smooth implementation of a new phone system.

New Initiatives for System FY'12

As we have moved through the first four months of the new fiscal year (FY'12), some new initiatives are underway and still others are planned. These include:

- Obtaining the services on a half-time basis of an Assistant Attorney General and filling a number of new or vacant staffing positions, including two for a Call Center, one for a Deputy Administrator and one for an in-house Investment Counsel;
- Keeping administrative expenses significantly under the FY'12 budgeted levels and providing the Board with a monthly tracking report of budget-to-actual expenditures;
- Beginning the office renovation project for the purpose of adding more enclosed offices to accommodate our in-house Investment Department, legal counsel, and management needs;
- Communicating with the Steptoe & Johnson attorneys to assure that they are successful in defending the interests of the Board and the System in the legal actions that have (or will be) filed challenging certain provisions contained in last year's SB 1609;
- Preparing the GRS actuaries and staff so that the System will have detailed records available just in case any of SB 1609's provisions are successfully challenged in court and the System has to refund contributions to members or "undo" actions taken in conformance with the new law's requirements;
- Continuing to meet with, and be responsive to, the needs of the System's constituency groups and conducting meetings in the fall so that the actuarial results for FY'11 can be disclosed and discussed with the constituent group leaders and the representatives of the System's principal employers and the employer groups;
- Completing, through the Wells Fargo Payment Manager Plus capability, the out-sourcing of the monthly beneficiary payroll and planning for the assumption by Wells Fargo of other processes such as the refund and year-end 1099 processes;

- Implementing a new "pay card" program to eliminate the need to generate and mail paper checks;
- Completing the System's Disaster Recovery Plan and conducting a full disaster recovery/business continuity test;
- Up-grading the Denver data center and back-up site by configuring new SANs (i.e., Storage Area Networks) and replacing the current production servers; these up-grades will bring the System closer to the goal of have a complete "data center" environment;
- Adding to the local board outreach, organization, education and training effort by enhancing the a local board web site or "module" within the System's database to make it possible for local board personnel to input or update data directly without having the administrative staff do it for them.

Summary

This CORP CAFR is a product of the collective efforts of the staff, under the direction of the System's Board of Trustees. 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 Board of Trustees, 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 restore the CORP to a state of financial soundness.

Respectfully submitted,

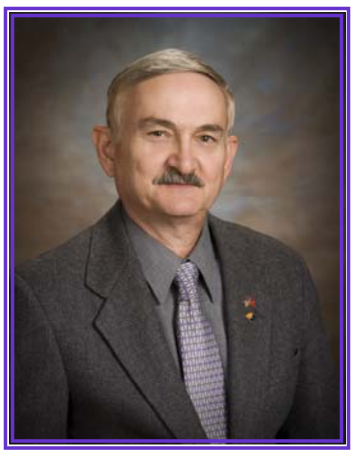
James M. Hacking
Administrator

BOARD OF TRUSTEES

(AS OF JUNE 30, 2011)

Brian Tobin

Chairman



Gregory Ferguson

Trustee

PHOTO
NOT
AVAILABLE

Lauren Kingry

Trustee

Alan Maguire

Trustee

PHOTO
NOT
AVAILABLE

Jeff McHenry

Trustee

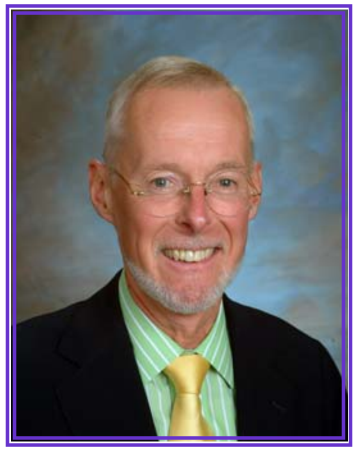
Richard Petrenka

Trustee

Randie Stein

Trustee

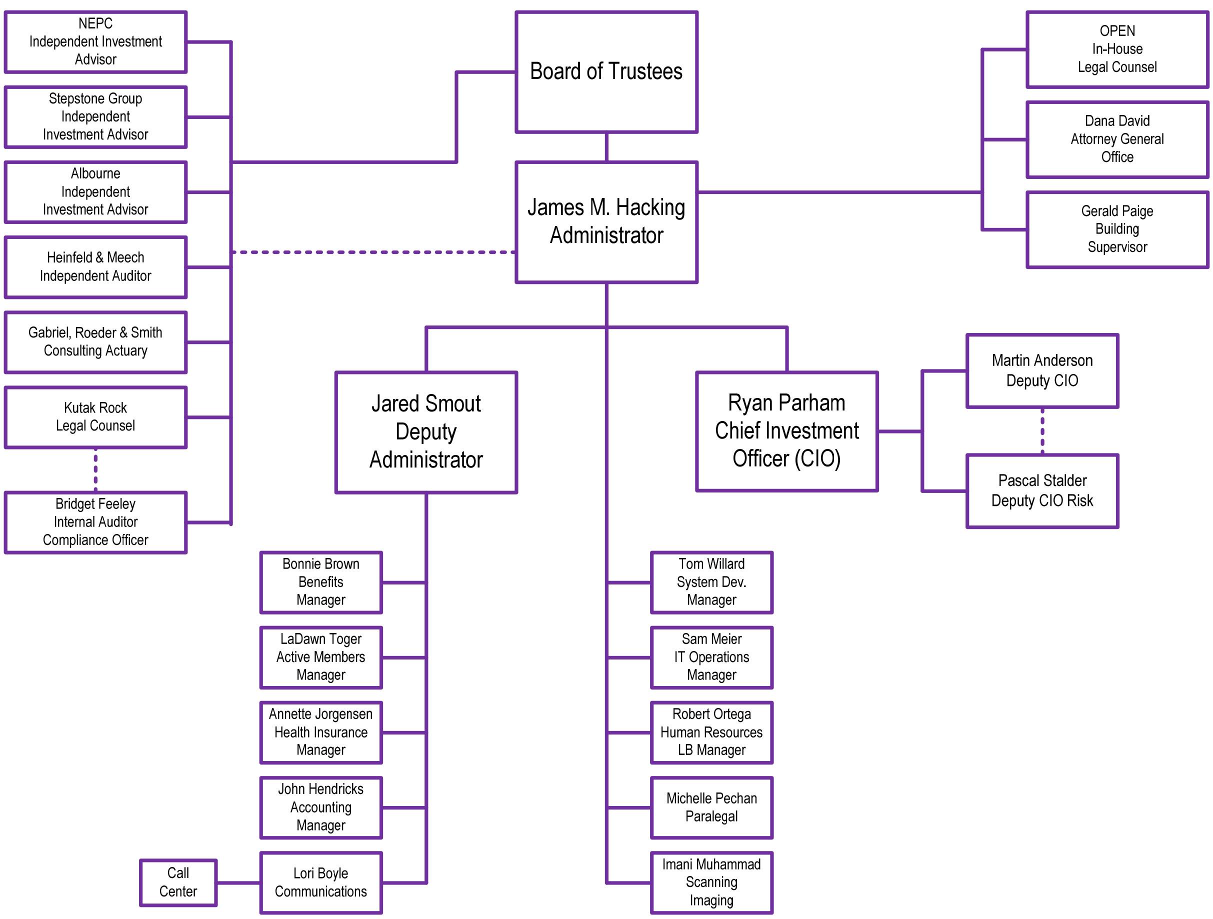
EXECUTIVE STAFF AND ORGANIZATIONAL CHART



James M. Hacking
Administrator

Ryan Parham
Chief Investment Officer

Jared A. Smout
Deputy Administrator

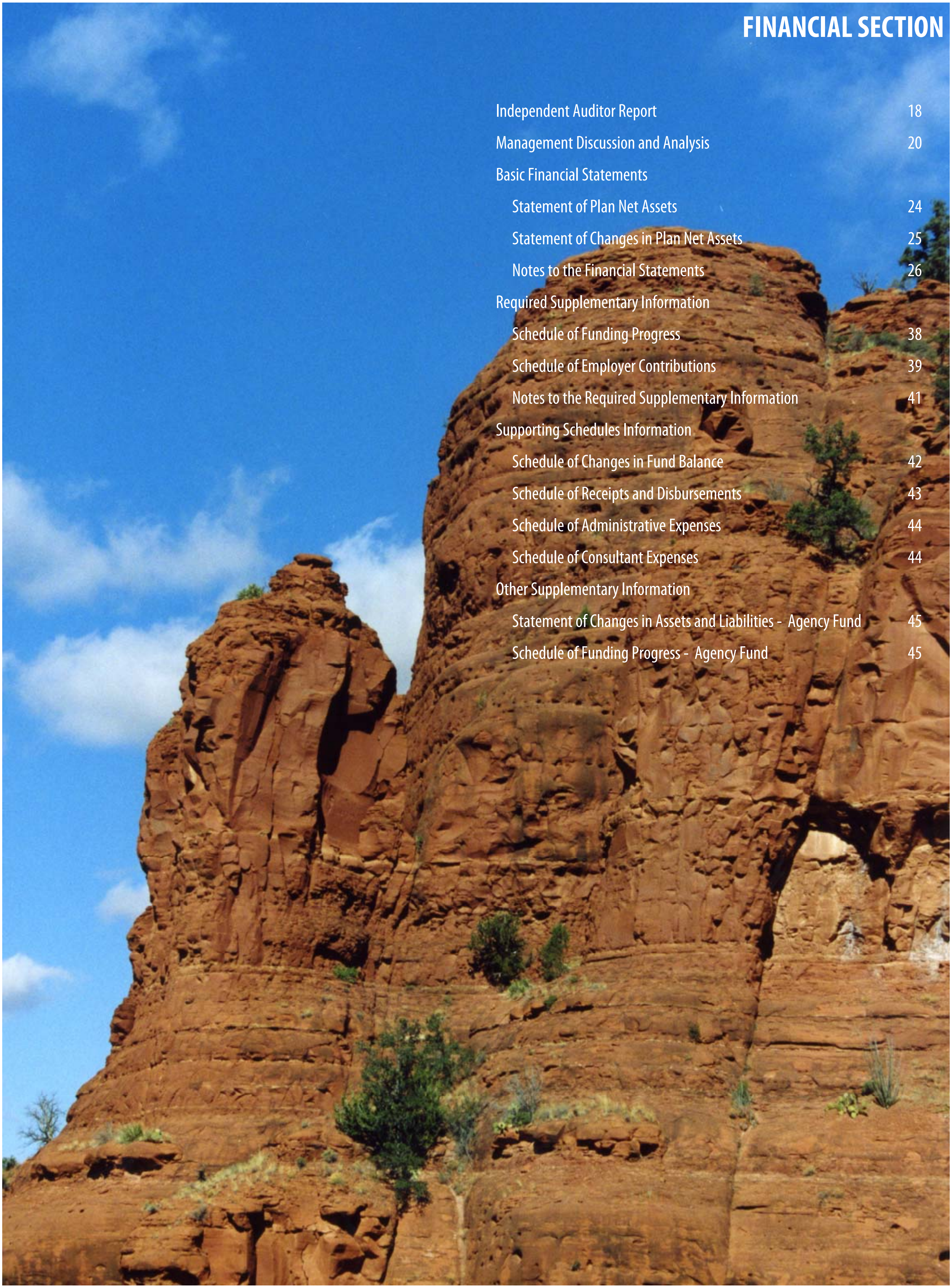


PROFESSIONAL ADVISORS

Albourne America, LLC	International Alternative Investment Consultant
Alliance Resource Consulting, LLC	Executive Recruitment
Ballard Spahr, LLC	Legal Counsel
Bank of New York Mellon	Custodian
CB Richard Ellis	Real Estate Consultant
Gabriel, Roeder, Smith & Company	Actuary
Heinfeld Meech & Co., P.C.	Independent Auditors
HighGround, Inc.	Legislative Liaison
Kutak Rock, LLP	Legal Counsel
McLagan Partners, Inc.	Human Resource Consultant
NEPC, LLC	Independent Investment Advisor
Public Policy Partners	Legislative Liaison
ORG Portfolio Management, LLC	Real Estate Consultant
Step Stone Group, LLC	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.

FINANCIAL SECTION



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

Heinfeld, Meech & Co. 25th Anniversary 1986-2011

INDEPENDENT AUDITORS' REPORT

Board of Trustees
Public Safety Personnel Retirement System

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, 2011, 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, 2010, presented in the basic financial statements are included for additional analysis only. Our audit report dated December 3, 2010, 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, 2011, 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 9, 2011, 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.

10120 N. Oracle Road, Tucson, Arizona 85704
Tel: (520) 742-2611 Fax: (520) 742-2718

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 20 through 23 and the Schedule of Funding Progress and Schedule of Employer Contributions on pages 39 through 41 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise CORP's financial statements. The Introductory Section, Supporting Schedules Information, Other Supplementary Information, Investment Section, Actuarial Section and Statistical Section are presented for purposes of additional analysis and are not a required part of the financial statements. The Supporting Schedules Information and Other Supplementary Information, as listed in the table of contents under the Financial Section, have been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole. The Introductory 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 9, 2011

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 2011 are as follows:

- The Corrections Officer Retirement Plan (CORP) had a total rate of return (net of fees) of 17.37% this year. Our total portfolio outperformed the target fund benchmark by 1 basis point. This is an improvement over the prior year's return of 13.47%.
- As of the close of the fiscal year 2011, the Future Benefit Increase Reserve had been depleted.
- Retirement benefits paid totaled $76.4 million for the current year, compared to $64.0 million for the previous year. This represents a 19.2% 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 and an increase in retirements.

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 Supplementary 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 Supplementary Information

The Supporting Schedules and Other Supplemental Information Section include the Supporting Schedule of Changes in Fund Balance Reserves, Supporting Schedule of Administrative Expenses and 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

The following schedules present comparative summary financial statements of the System for FY2011 and FY2010. Following each schedule is a brief summary of the significant changes noted in these schedules.

SUMMARY COMPARATIVE STATEMENTS OF PLAN NET ASSETS

	As of 06/30/2011	As of 06/30/2010	Change	% Change
Cash and Short-Term Investments	$ 29,168,545	$ 12,494,835	$ 16,673,710	133.44%
Total Receivables	5,620,985	18,943,401	(13,322,416)	(70.33)%
Total Investments	1,278,722,303	1,092,448,589	186,273,714	17.05%
Securities Lending Collateral	90,201,160	120,324,821	(30,123,661)	(25.04)%
Net Capital Assets	646,649	675,362	(28,713)	(4.25)%
Total Plan Assets	**1,404,359,642**	**1,244,887,008**	**159,472,634**	**12.81%**
Accrued Accounts Payable	1,833,212	1,813,876	19,336	1.07%
Investment Purchases Payable	8,527,478	9,959,008	(1,431,530)	(14.37)%
Securities Lending Collateral	90,201,160	120,324,821	(30,123,661)	(25.04)%
Total Plan Liabilities	**100,561,850**	**132,097,705**	**(31,535,855)**	**(23.87)%**
Net Assets	**$ 1,303,797,792**	**$ 1,112,789,303**	**$ 191,008,489**	**17.16%**

Summary Comparative Statements of Plan Net Assets Analysis

The total plan net assets held in trust for benefits at June 30, 2011 were $1.3 billion, a 17.16% increase from $1.1 billion at June 30, 2010. The increase in net assets is primarily due to favorable financial markets during the fiscal year. The decrease in cash or increase in 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 as well as an increase in exposure to other alternative investments. The investment of the collateral fluctuated in a similar manner.

SUMMARY COMPARATIVE STATEMENTS OF CHANGES IN PLAN NET ASSETS

	2011	2010	Change	% Change
ADDITIONS				
Total Contributions	$ 100,971,508	$ 107,279,216	$ (6,307,708)	(5.88)%
Net Investment Income	193,212,289	129,267,190	63,945,099	49.47%
Transfers and Service Purchases	241,548	542,806	(301,258)	(55.50)%
Total Additions (Reductions)	**294,425,345**	**237,089,212**	**57,336,133**	**24.18%**
DEDUCTIONS				
Benefits	76,359,270	64,039,674	12,319,596	19.24%
Service Transfers and Refunds	25,872,830	20,360,973	5,511,857	27.07%
Administrative Expenses	1,184,756	915,378	269,378	29.43%
Total Deductions	**103,416,856**	**85,316,025**	**18,100,831**	**21.22%**
Net Increase (Decrease)	**191,008,489**	**151,773,187**	**39,235,302**	**25.85%**
Balance Beginning of Year - July 1	**1,112,789,303**	**961,016,116**	**151,773,187**	**15.79%**
Balance End of Year - June 30	**$ 1,303,797,792**	**$ 1,112,789,303**	**$ 191,008,489**	**17.16%**

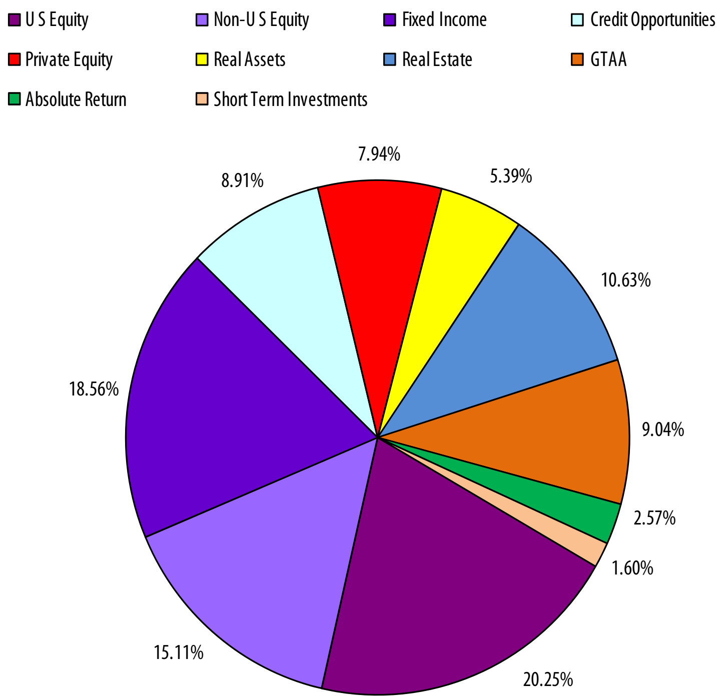
Summary Comparative Statements of Changes in Plan Net Assets Analysis

There was a decrease in employer and employee contributions of $6.3 million in relation to 2010 in spite of an increase in the employer contribution rates from 7.49% to 8.57% partially due to economic conditions, layoffs and furloughs that have resulted in a decline in salaries paid active members.

For FY2011, CORP recognized a net investment income of $193.2 million which compares to $129.3 million in the previous year. This 49.5% increase in income was due to the more positive 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 FY2011, these deductions totaled $103.4 million, an increase of 21.2% from the $85.3 million paid during FY2010. The total benefit payments increase is due to a net increase in the number of benefit recipients plus post-retirement adjustments provided to existing benefit recipients. Details of these changes can be found on pages 69 and 70 of the *Actuarial Section* of this report. Service Transfers and Refunds increased $5.1 million over the prior year (27.1%). Refunds represent a return of contributions held on account when a member leaves employment. This increase is due to current economic conditions that have led to layoffs and reduction of many governmental services. Administrative expenses were less due to a decrease in legal and professional services from the prior year.

INVESTMENT ACTIVITIES

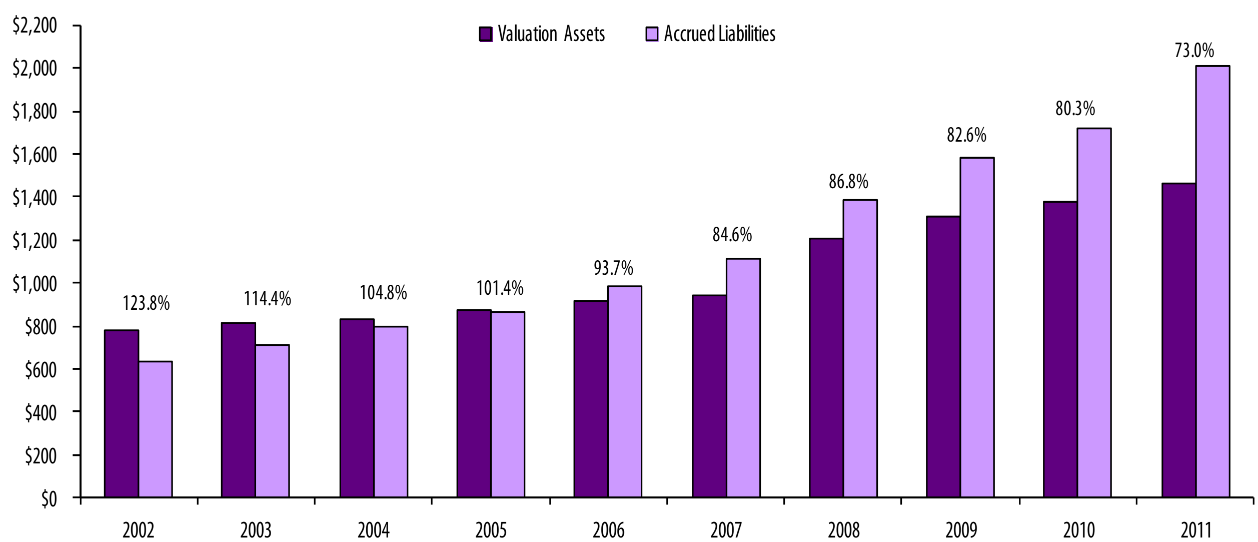


During FY 2007, the Board of Trustees adopted a more diversified asset allocation policy and began an asset management restructuring that has been deployed over the past three years. As illustration, at the end of FY07, 72.8% of the entire investment portfolio was invested in equities versus 35.4% at the end of FY11. Fixed income has remained about 18.6% of the entire portfolio. However, alternative investments have increased from 3.5% in FY07 to 44.5% in FY11.

At June 30, 2011, CORP held $459.2 million in equities. The FY 2011 rate of return for Total CORP equities was 29.98% versus a benchmark rate of return of 31.29%. At June 30, 2011, CORP held $241.2 million in fixed income securities. The FY 2011 rate of return for CORP fixed income securities was 4.20% versus a benchmark rate of return of 3.90%. 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, BNY Mellon. 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, 2011.

At June 30, 2011, the total funded status of the CORP decreased to 73.0% from 80.3% at FYE 2010. This decrease in funded status is related primarily to the seven year smoothing period with only 1/7 of the investment gain from the FY2011 investment return being reflected in the calculation. 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.

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, 2011 WITH COMPARATIVE TOTALS FOR 2010

	JUNE 30, 2011	JUNE 30, 2010
ASSETS		
Cash and Short-Term Investments	$ 29,168,545	$ 12,494,835
RECEIVABLES		
Member Contributions	1,870,692	1,800,020
Employer Contributions	1,910,540	1,816,092
Interest and Dividends	1,479,277	1,274,245
Investment Sales	338,773	14,041,201
Other	21,703	11,843
Total Receivables	**5,620,985**	**18,943,401**
INVESTMENTS AT FAIR VALUE (NOTES 2 AND 3)		
U.S. Equity	263,259,903	266,195,299
Non U.S. Equity	195,922,503	188,346,257
GTAA	117,653,995	76,359,082
Fixed Income	241,229,832	210,411,164
Credit Opportunities	115,942,329	106,705,613
Private Equity	103,237,702	87,361,965
Real Assets	69,958,118	47,817,466
Real Estate	138,132,088	109,251,743
Absolute Return	33,385,833	-
Total Investments	**1,278,722,303**	**1,092,448,589**
Securities Lending Collateral	90,201,160	120,324,821
CAPITAL ASSETS (NOTE 4)		
Land	86,588	86,588
Building	628,951	627,784
Funiture, Fixtures & Equipment	164,097	153,015
Total Capital Assets	**879,636**	**867,387**
Accumulated Depreciation	(232,987)	(192,025)
Net Capital Assets	**646,649**	**675,362**
TOTAL PLAN ASSETS	**1,404,359,642**	**1,244,887,008**
LIABILITIES		
Accrued Accounts Payable	1,833,212	1,813,876
Investment Purchases Payable	8,527,478	9,959,008
Securities Lending Collateral	90,201,160	120,324,821
Total Plan Liabilities	**100,561,850**	**132,097,705**
NET ASSETS HELD IN TRUST FOR PENSION BENEFITS	**1,303,797,792**	**1,112,789,303**
NET ASSET RESERVES		
Refundable Members' Reserve	358,456,820	345,295,534
Employers' Reserve	945,340,972	748,758,990
Future Benefit Increase Reserve	-	18,734,779
Total Net Asset Reserves	**$ 1,303,797,792**	**$1,112,789,303**

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

STATEMENT OF CHANGES IN PLAN NET ASSETS

FISCAL YEAR ENDING 2011 WITH COMPARATIVE TOTALS FOR 2010

	2011	2010
ADDITIONS		
Contributions		
Members' Contributions (NOTES 2,5)	$ 50,891,168	$ 54,480,961
Employers' Contributions (NOTES 2,5)	49,303,602	52,064,974
Members' Service Purchase	776,738	733,281
Total Contributions	**100,971,508**	**107,279,216**
Investment Income		
From Investment Income		
Net Appreciation (Depreciation) in Fair Value of Investments (NOTES 2,3)	176,936,936	112,839,752
Interest	2,839,921	5,894,277
Dividends	11,707,978	13,081,882
Other Income	5,340,305	913,857
From Securities Lending Activities		
Securities Lending Activities (NOTE 3)		
Securities Lending Income	410,126	594,459
Borrower Rebates	282,080	281,430
Agents Share of Income	(103,763)	(133,197)
Net Securities Lending Income	**588,443**	**742,692**
Total Investment Income (Loss)	**197,413,583**	**133,472,460**
Less Investment Expense	(4,201,294)	(4,205,270)
Net Investment Income (Loss)	**193,212,289**	**129,267,190**
Transfers Into System	241,548	542,806
Total Additions (Reductions)	**294,425,345**	**237,089,212**
DEDUCTIONS		
Pension Benefits (NOTE 2)	75,021,222	63,377,270
DROP Benefits (NOTE 2)	1,338,048	662,404
Refunds To Terminated Members (NOTE 2)	24,927,660	19,774,873
Administrative Expenses	1,184,756	915,378
Transfers Out of System	945,170	586,100
Total Deductions	**103,416,856**	**85,316,025**
NET INCREASE (DECREASE)	**191,008,489**	**151,773,187**
NET ASSETS HELD IN TRUST FOR PENSION BENEFITS		
Beginning of Year, July 1	1,112,789,303	961,016,116
End of Year, June 30	**$ 1,303,797,792**	**$ 1,112,789,303**

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 Board of Trustees (formerly Fund Manager) of the Public Safety Personnel Retirement System (PSPRS) and 26 local boards administer the CORP Plan.

Effective August 6, 1999, it became the Governor's responsibility to appoint all members of the Board of Trustees. Effective April 28, 2010, SB 1006 was passed that changed the name of the Fund Manager to Board of Trustees and expanded the size of the Board from five to seven members. SB 1006 also increased the term from three to five years. There will be a transitional period during which the terms of office may vary. The Board of Trustees 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. Substantial investment experience is required for the member of the Board that represents the state as an employer and the two public members of the Board.

Each eligible group participating in the Plan has a five-member local board. In general, each member serves a fixed four-year term. Each local board is responsible for determining eligibility for membership, service credits, eligibility for benefits, the timing of benefit payments, and the amount of benefits for its eligible group of employees. The various governing bodies pay all costs associated with the administration of the local boards.

The addition or deletion of eligible groups does not require the approval of the other participating employers. The Board of Trustees approves new eligible groups for participation. The CORP is reported as a component unit of the State of Arizona.

The Board of Trustees 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 and expenses of these plans were held and accounted for separately from those of the CORP until September 1, 2008. Arizona Revised Statutes Section 38-848 was amended by Laws 2008, Ch. 286, § 22 to authorize the Board of Trustees to commingle the assets of the fund and the assets of all other plans entrusted to its management. Accordingly, the assets of these plans have been unitized but all receipts and earnings are credited and charges of payments are made to the appropriate employer, system or 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, 2011 and 2010, the number of participating local government employer groups was:

GROUP	2011	2010
Counties	15	14
Cities	1	1
Dispatchers	8	8
State Agencies	3	3
Total Employers	**27**	**26**

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, 2011 and 2010, statewide CORP membership consisted of::

	RETIREMENT PLAN		INSURANCE SUBSIDY	
MEMBERSHIP TYPE	**2011**	**2010**	**2011**	**2010**
Retirees	3,256	2,908	1,795	1,588
Terminated Vested	1,300	1,601	0	0
Current Vested	4,483	8,167	0	0
Current Non-Vested	10,082	6,152	0	0
Total Members	**19,121**	**18,828**	**1,795**	**1,588**

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. § 38-900.01b)

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

AVERAGE MONTHLY BENEFIT

Employees who became a member of the Plan on or before December 31, 2011, an average of your highest 36 consecutive months of salary within the last 10 years (i.e., 120 months) of service. A.R.S. § 38-881(7).

Employees who become a member of the Plan on or after January 1, 2012, an average of your highest 60 consecutive months of salary within the last 10 years (i.e., 120 months) of service.

Salary includes base wages, shift and military differential pay, holiday and overtime pay that is paid a member for personal services rendered in a designated position to a participating employer on a regular monthly, semi-monthly or biweekly payroll basis. For the purposes of computing retirement benefits, "base salary" does not include any extra monies, including overtime pay, shift differential pay, holiday pay, fringe benefit pay (such as uniform allowance, cell phone or mileage reimbursement) and similar extra payments. A.R.S. § 38-881(41).

BENEFIT INCREASE / COST OF LIVING ADJUSTMENT (COLA)

A retired member or survivor of a retired member may receive an increase (COLA) <u>if monies are available</u> (*See* A.R.S. § 38-905). However, effective July 1, 2013 (A.R.S. § 38-905.02) and each July 1 thereafter, as long as there are no monies left to pay under the old COLA structure (*See* A.R.S. § 38-905), a COLA will be issued if funds are available as long as the following criteria have been met:

- Retired members who became a member on or before December 31, 2011, or the survivor of a retired member, was receiving benefits on or before July 31 of the two previous years, OR was 55 or older on July 1 of the current year and receiving benefits on or before July 31 of the previous year.
- Retired members who became a member on or after January 1, 2012, or the survivor of a retired member, was 55 or older on July 1 of the current year and is receiving benefits, OR the retired member was under 55 on July 1 of the current year, was receiving an accidental disability retirement benefit and was receiving benefits on or before July 31 of the two previous years, OR a survivor was under 55 on July 1 of the current year, is the survivor of a member who was killed in the line of duty and was receiving benefits on or before July 31 of the two previous years.

The increase will be calculated based on (if there are insufficient earnings to cover the maximum increases, the percentage increase is limited to the earnings available):

- If the ratio of the actuarial value of assets to liabilities is 60-64% and the total return is more than 10.5% for the prior fiscal year, 2% maximum increase to all eligible retirees and survivors.
- If the ratio of the actuarial value of assets to liabilities is 65-69% and the total return is more than 10.5% for the prior fiscal year, 2.5% maximum increase to all eligible retirees and survivors.
- If the ratio of the actuarial value of assets to liabilities is 70-74% and the total return is more than 10.5% for the prior fiscal year, 3% maximum increase to all eligible retirees and survivors.
- If the ratio of the actuarial value of assets to liabilities is 75-79% and the total return is more than 10.5% for the prior fiscal year, 3.5% maximum increase to all eligible retirees and survivor.
- If the ratio of the actuarial value of assets to liabilities is 80% or more and the total return is more than 10.5% for the prior fiscal year, 4% maximum increase to all eligible retirees and survivors

From and after December 31, 2015, legislature may enact permanent one-time benefit increases after an analysis of the effect of the increase on the Plan by the Joint Legislative Budget Committee (JLBC). A.R.S. § 38-905.03 .

CONTRIBUTIONS

Through June 30, 2011, all non-dispatchers shall contribute 8.41% and all full-time dispatchers shall contribute 7.96% of salary to the Plan on a pre-tax basis by payroll deduction. A.R.S. § 38-891(H).

After June 30, 2011, all non-dispatchers shall contribute, on a pre-tax bases basis by payroll deduction, 8.41% of salary and dispatchers 7.96%, or 50% of the member's total contribution from the previous fiscal year and the combined employer contribution rate, whichever is lower. The employee contribution rate shall not be less than 7.65% of the member's salary and the employers shall contribute a percent of salary determined by actuarial valuations to ensure proper funding for the Plan (but not less than 6% of the employee's salary). (For any employer whose actual contribution rate is less than 6%, that employer's contribution rate shall be at least 5% and not more than the employer's actual contribution rate.) For more detailed information in regard to the contributions rates for employee and employers see A.R.S. § 38-891.

CREDITED SERVICE

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. A.R.S. § 38-881(11).

DEATH BENEFITS - ACTIVE MEMBER

Spouse's Pension. The surviving spouse of an active member will receive a monthly benefit for lifetime which is 40% of the member's average monthly salary. If the member was killed in the line of duty, the spouse will receive 100% of the member's average monthly benefit compensation. A.R.S. § 38-888, OR

Guardian Benefit. If there is no surviving spouse and there is at least one eligible child, a guardian benefit of 40% of the member's average monthly salary will be paid to the guardian of the eligible child(ren) until the child turns 18, or until the age of 23 if the attending full-time school between the ages of 18 and 23.
If a guardian benefit is paid to a disabled child (the child's disability occurred prior to the age of 23) and remains a dependent of the guardian, the benefit is payable for the lifetime of the child. A.R.S. § 38-904(B), OR

Balance of Contributions. If there is no surviving spouse or eligible child(ren), the member's named beneficiary on file will receive two times the member's contributions. A.R.S. § 38-904(A and B).

Note: Divorce automatically terminates the ex-spouse as the member's beneficiary. To maintain an ex-spouse as a beneficiary, you <u>must</u> complete a *Beneficiary Designation Form* after the date of the divorce .

DEATH BENEFITS - INACTIVE MEMBER

Balance of Contributions. If the member was inactive, the member's named beneficiary on file will receive two times the member's contributions. A.R.S. §§ 38-881(27) and 38-904(A).

Note: Divorce automatically terminates the ex-spouse as the member's beneficiary. To maintain an ex-spouse as a beneficiary, you **must** complete a *Beneficiary Designation Form* after the date of the divorce .

DEATH BENEFITS - RETIRED MEMBER

Spouse's Pension. The surviving spouse of a retired member will receive 80% of member's pension benefit for lifetime. Requires two consecutive years of marriage at time of death. A.R.S. § 38-887, OR

Guardian Benefit. If there is no surviving spouse, or the pension of the surviving spouse is terminated, a guardian benefit (80% of member's pension) may be paid to the guardian of the surviving unmarried child(ren) until the child(ren) turns 18, or until the age of 23 if attending full-time school between the ages of 18 and 23. If a guardian benefit is paid to a disabled child (the child's disability occurred prior to the age of 23) and remains a dependent of the guardian, the benefit is payable for the lifetime of the child. A.R.S. §§ 38-881(19) and 38-904(B), OR

Balance of Contributions. If there is no surviving spouse or eligible child(ren), the member's named beneficiary on file will receive the balance of the member's accumulated contributions less the pension payments made to the member. If there is no beneficiary, the balance of the member's accumulated contributions will be paid to the legal representative of the last surviving individual who was being paid the benefit. A.R.S. § 38-889.

Note: Divorce automatically terminates the ex-spouse as the member's beneficiary. To maintain an ex-spouse as a beneficiary, you **must** complete a *Beneficiary Designation Form* after the date of the divorce .

DEFERRED ANNUITY

Inactive members (not making contributions to the Plan) that have at least 10 years of credited service may elect to receive a Deferred Annuity at the age of 62. This annuity is a lifetime monthly payment that is actuarially equivalent to the member's accumulated contributions in the Plan plus an equal amount paid by the employer. This annuity is not a retirement benefit and annuitants are not entitled to survivor benefits, benefit increases, or the group health insurance subsidy. A.R.S. § 38-911(A).

ACCIDENTAL DISABILITY

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. A.R.S. § 38-881(1).

Eligibility for an accidental disability will be determined by the Local Board upon an independent medical examination. 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 .

CATASTROPHIC DISABILITY

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. A.R.S. § 38-881(44).

Eligibility for a total and permanent disability will be determined by the Local Board upon an independent medical examination. 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. The total and permanent 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

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. Dispatchers disabled on/after September 21, 2006 and non dispatchers disabled on/after September 26, 2008 may qualify for an ordinary disability. A.R.S. §§ 38-881(30) and 38-886.01.

Eligibility for an ordinary disability will be determined by the Local Board upon an independent medical examination. The benefit is a percentage of normal retirement and based on the employee's years of credited service divided by 20 (except for a full-time dispatcher or a person who becomes a member on or after January 1, 2012). The full-time dispatchers or a person who becomes a member on or after January 1, 2012, 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 .

REVERSE DEFERRED RETIREMENT OPTION PLAN (REVERSE DROP)

Beginning July 1, 2006, through June 30, 2016, 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. A.R.S. § 38-885.01.

ELIGIBILITY

Designated positions for the following employers that elect to join the Plan are eligible to participate in the CORP if the employee's customary employment is for at least 40 hours per week, or as defined by statute. A.R.S. § 38-881(13):

- 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) .

CONTINGENT LIABILITIES

The System is a party in various litigation matters. While the final outcome cannot be determined at this time, management is of the opinion that the final outcome will be favorable or the final obligation, if any, for these legal actions will not have a material adverse effect on the System's financial position or results of operations.

HEALTH INSURANCE

Pursuant to A.R.S. §§ 38-906, 38-651.01 and 38-782, retirees and survivors under the Plan that elect group health insurance and/or accident insurance coverage through the Arizona State Retirement System group plan (ASRS), the Arizona Department of Administration (ADOA) group plan, or a group plan through an employer of the CORP, the Plan will pay up to the following Premium Benefit amount:

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

JOINDERS

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. A.R.S. § 38-902.

REFUNDS

Employees who became a member on or before December 31, 2011, pursuant to A.R.S. § 38-884, upon termination of employment (for any reason other than death or retirement) within 20 days after filing an application with the CORP, the member will receive a lump-sum payment of accumulated contributions (less any benefits paid or any amounts owed to the Plan) - thus, forfeiting 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 low:

5 to 5.9 years of service = 25% of additional member contributions.
6 to 6.9 years of service = 40% of additional member contributions.
7 to 7.9 years of service = 55% of additional member contributions.
8 to 8.9 years of service = 70% of additional member contributions.
9 to 9.9 years of service = 85% of additional member contributions.
10 or more years of service = 100% of member contributions plus 3% interest if left on deposit after 30 days.

Employees who became a member on or after January 1, 2012, pursuant to A.R.S. § 38-884(E), upon termination of employment (for any reason other than death or retirement) within 20 days after filing an application with CORP, shall receive a lump-sum payment of ONLY their accumulated contributions (less any benefits paid or any amounts owed to the Plan) - thus, forfeiting all membership rights and credited service in the Plan upon receipt of refund of contributions. The member will NOT receive the additional percentage of contributions as stated above.

Note: Arizona Revised Statutes do not allow a CORP member to borrow against your retirement account. A refund of your contributions can only be paid to you upon termination of your employment with the CORP employer

REQUEST TO REMAIN IN CORP

The local board of the state department of corrections, or the department of juvenile corrections may specify a position within the department as a designated position if the position is filled by an employee who has at least five years of credited service under the Plan, is transferred to temporarily fill the position, provides a written request to the local board (within ninety days of being transferred) to specify the position as a designated position. When the employee leaves the position, the position is no longer a designated position. A.R.S. § 38-891(E).

The local board of the state department of corrections, or the department of juvenile corrections may specify a designated position within the department as a non-designated position if the position is filled by an employee who has at least five years of credited service under the Arizona State Retirement System and who provides a written request to the local board (within ninety days of being transferred) to specify the position as a non-designated position. When the employee leaves the position, the position reverts to a designated position. A.R.S. § 38-891(F).

The local board of the judiciary may specify positions within the Administrative Office of the Courts (AOC) that require direct contact with and primarily provide training or technical expertise to county probation, surveillance or juvenile detention officers as a designated position if the position is filled by an employee who is a member of the Plan currently employed in a designated position as a probation, surveillance or juvenile detention officer that has at least five years of credited service under the Plan. An employee who fills such a position shall make a written request to the local board to specify the position as a designated position within ninety days of accepting the position. When the employee leaves the position, the position reverts to a non-designated position. A.R.S. § 38-891(G).

RETIREMENT ELIGIBILITY AND CALCULATION

Employees who became a member on or before December 31, 2011:

Normal Retirement. Pursuant to A.R.S. §§ 38-881 (7, 11, 27, 28, 41 and 43) and 38-885, retirement benefits will commence the first day of month following termination of employment and based upon the following:

- 20 years of credited service but less than 25 years of credited service, or 80 points (age plus credited service) if membership date is on/after 8/9/01: 50% of the member's average monthly salary plus 2% of member's average monthly salary multiplied by each year of credited service over 20 (include fractional years).
- 25 years of credited service for dispatchers, or 80 points (age plus credited service) if membership date is on/after 8/9/01: 50% of the member's average monthly salary plus 2.5% of member's average monthly salary multiplied by each year of credited service over 20 (include fractional years). (12-years maximum so that the benefit does not exceed the 80% of the average monthly salary)
- 20 years of service but less than 20 years of credited service, or 80 points if membership date is on/after 8/9/01: Member's average monthly salary multiplied by each year of credited service (include fractional years) multiplied by 2.5%.
- 80 points (age plus credited service) if membership date is PRIOR to 8/9/01: Member's average monthly salary multiplied by each year of credited service (include fractional years) multiplied by 2.5% (maximum 75% of average monthly salary).
- Age 62 with 10 years of service but less than 20 years of credited service: Member's average monthly salary multiplied by each year of credited service (include fractional years) multiplied by 2.5%.

Note: The maximum pension is capped at 80% of the average monthly salary (which a person would receive at 32 years of credited service).

Deferred Annuity. Inactive members (not making contributions to the Plan) that have at least 10 years of credited service may elect to receive a Deferred Annuity at the age of 62. This annuity is a lifetime monthly payment that is actuarially equivalent to the member's accumulated contributions in the Plan plus an equal amount paid by the employer. This annuity is not a retirement benefit and annuitants are not entitled to survivor benefits, benefit increases, or the group health insurance subsidy. A.R.S. § 38-911(A).

Employees who became a member on or after January 1, 2012:

Normal Retirement. Pursuant to A.R.S. §§ 38-881 (7, 11, 27, 28, 41 and 43) and 38-885, retirement benefits will commence the first day of month following termination of employment and based upon the following:

- Age 62 with 10 years of service: 62.5% of the member's average monthly salary plus 2.5% of the average monthly salary multiplied by each year of credited service over 25 (include fractional years).
- Age 52.5 with 25 or more years of credited service: 62.5% of the member's average monthly salary plus 2.5% of the average monthly salary multiplied by each year of credited service over 25 (include fractional years).
- Age 52.5 with 25 years of service but less than 25 years of credited service: Average monthly salary multiplied by the member's total credited service multiplied by 2.5%.

Employees who became a member on or after January 1, 2012 are not eligible for a "Deferred Annuity." However, a member who attains the service requirement for a normal retirement, but does not meet the age requirement, may elect to leave contributions on account until reaching the age requirement and then elect to receive a retirement benefit (survivor benefits, benefit increases, or the group health insurance subsidy). A.R.S. § 38-911(B).

RETURN TO WORK AFTER RETIREMENT

A retired member may become re-employed and continue to receive a pension if the employment occurs 12 months or more after retirement. The retired member shall not contribute to the fund and shall not accrue credited service. A.R.S. § 38-884(K).

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. A.R.S. § 38-884(K).

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 September 30, 2009 is entitled to again begin receiving the retired member's pension from the Plan effective September 30, 2009. (HB 2326, Section 12, Previous return to work retirees).

Effective July 20, 2011, the employer is required to pay an alternate contribution rate on behalf of a retired member who returns to work in any capacity in a designated position ordinarily filled by an employee. The current alternate contribution rate is 6.0%. A.R.S. § 38-891.01.

Effective July 20, 2011, the premium benefit (subsidy) will not apply if the retired member or survivor is reemployed and participates in health care coverage provided by the member's or survivors new employer. A.R.S. § 38-906(D).

SALARY

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. A.R.S. § 38-881(41).

SERVICE PURCHASE

Purchase of Prior Active Military Service. Members with at least 10 years of credited service with the Plan may purchase up to 60 months of credited service for periods of active military service performed before employment with their current employer (even if the member receives a military pension). A.R.S. § 38-907(A). Active members may also receive credited service limited to 60 months if ordered/volunteered to active military service while working for the current employer if the criteria is met pursuant to A.R.S. § 38-907. The member shall pay the members contributions, upon which the employer shall make employer contributions. If member performs military service due to presidential call-up, the employer shall make the employer and employee contributions not to exceed 48 months pursuant to A.R.S.38-907 (G). For more information, contact your employer.

Purchase of Prior Service from an Out-of-State Agency. Active members with at least 10 years of credited service with the Plan 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 up to 60 months of any part of the prior service if the prior service is not on account with any other retirement system. A.R.S. § 38-909.

Purchase of Prior Forfeited Service within the SAME Retirement Plan. If a former member becomes RE-EMPLOYED with the SAME EMPLOYER and, within two years after the former member's termination date and applies with the Plan (within ninety days of reemployment), may elect to purchase 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 and the reimbursement is required to be paid within 1-year from the date of reemployment. A.R.S. § 38-884(I). (*Form C1B)*, OR

If the statutory requirements above are not met, the member may still purchase some or all of the previously forfeited credited service calculated based on an amount computed by the Plan's actuary to equal the actuarial present value of the account. A.R.S. § 38-884(J). (*Form C2*).

Purchase of Service Between the Arizona Retirement Plans/Systems. Members of any of the four Arizona state retirement System/Plans that have credited service under another Arizona state retirement System/Plan may redeem the credited service to their current Arizona state retirement System/Plan by paying 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.R.S. § 38-922.

TAXATION OF RETIREMENT BENEFITS

All CORP retirement benefits in excess of $2,500 annually will be subject to Arizona state tax. A.R.S. §§ 38-896, and 43-1022.

TRANSFERS

Transfer of Contributions Between CORP Employers. 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. A.R.S. § 38-908.

Transfer of Service Between the Arizona Retirement Plans/Systems. Members of any of the four Arizona state retirement System/Plans that have credited service under another Arizona state retirement System/Plan may transfer the credited service to their current Arizona state retirement System/Plan by 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. A.R.S. §§ 38-921 and 38-922.

Transfer of Service Between Municipal Retirement Systems & Special Retirement Plans. An active or inactive member of a retirement System or Plan of a municipality of this state *(i.e., City of Phoenix and City of Tucson)* or of the CORP may transfer the service to their current retirement System or Plan based on the member's accumulated contributions plus interest, or the member may elect a reduced service amount to be transferred based on the actuarial present value. A.R.S. §§ 38-923 and 38-924.

This is not an official version of the Arizona Revised Statutes. If there are any differences or discrepancies, the official version will prevail.

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 $56,158,378 for FYE 2011 and $(322,346) for FYE 2010. 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, 2011. 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 two financial institutions with a balance of up to $250,000 (permanently guaranteed as of July 21, 2010) 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, 2011, as collateral:

Description	CPN	Maturity	Market Value
FED NATL MTG ASSN POOL #867436	6.00	5-1-2036	2,010,835
FED NATL MTG ASSN POOL #868293	6.00	4-1-2036	3,048,232
FED NATL MTG ASSN POOL #888268	6.00	3-1-2037	354,062
FED NATL MTG ASSN POOL #974411	6.00	10-1-2037	1,012,237
FED NATL MTG ASSN POOL #985011	6.00	8-1-2038	876,783
TOTAL			**7,302,149**

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. 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, 2011:

	REPORTED AMOUNT	BANK BALANCE
Pension Trust Fund	28,938,770	28,938,770
Operating Fund	229,775	229,775
Total Deposits	**29,168,545**	**29,168,545**

INVESTMENTS

CORP investments are reported at Fair Market Value. Fair Market Values are determined as follows: Short-term investments are reported at cost plus accrued interest. 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 fixed-income broker/dealers plus accrued interest. Investments in hedge funds are valued monthly at the last reported valuations. Limited partnership investments in credit opportunities, private equity, real assets and real estate are valued on a quarterly or monthly basis at last reported valuations adjusted by any subsequent cash flows. Joint venture real estate investments are reported at fair market value using either appraisals or manager assessment to estimate the fair market 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 Board of Trustees to make investments in accordance with the "Prudent Man" rule. The Board of Trustees is not limited to so-called "Legal Investments for Trustees." In making every investment, the board 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 board 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 board 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 board 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 §78ll).
   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 §78ll).
   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 board 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 Board of Trustees 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, 2011, the fair market value of the PSPRS Trust and the allocation for each system and plan was as follows:
A small portion of the assets (real estate) remain outside the comingled funds, representing less than 8 basis points of the total.

PLAN	UNITIZED	PERCENT
PSPRS	$ 5,172,346,509	76.24%
CORP	1,300,135,556	19.16%
EORP	312,388,278	4.60%
TRUST TOTAL	**$6,784,870,343**	**100.00%**

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, 2011, CORP has no fund or deposits that were not covered by depository insurance or collateralized with securities held by our banks' trust department or agent; 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, 2011, the Plan's fixed income assets that were not government guaranteed represented 95.6% 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, 2011	% OF ALL FIXED INCOME ASSETS	WEIGHTED AVG. CREDIT
Corporate Bonds	223,953,600	97.2%	AA
Mortgages	2,127,072	.9%	Below BBB
CBO	4,455,646	1.9%	A
CDO	-	-	-
Total	**230,536,318**	**100.0%**	**AA**

RATINGS DISPERSION DETAIL

CREDIT RATING LEVEL	CORPORATE BONDS	MORTGAGES	CBO	CDO
AAA	-	-	-	-
AA	178,125,336	-	-	-
A	14,656,435	-	2,093,324	-
BBB	5,257,161	91,733	-	-
Below BBB	25,914,669	2,035,339	2,362,321	-
Total	**223,953,601**	**2,127,072**	**4,455,645**	**-**

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)

FIXED INCOME SECURITY	<1	1-5	6-10	11-15	16-20	>20
Corporate	-	1,785,683	15,301,606	1,015,773	2,115,556	203,734,983
Agencies	-	27,669	404,948	1,124,710	6,001,704	3,134,484
CBO	-	-	2,362,321	-	-	2,093,324
CDO	-	-	-	-	-	-
Total	**-**	**1,813,352**	**18,068,875**	**2,140,483**	**8,117,260**	**208,962,791**

CALLABLE BONDS BY SECURITY TYPE
(INCLUDING GOVERNMENT GUARANTEED SECURITIES)

FIXED INCOME SECURITY TYPE	FAIR VALUE JUNE 30, 2011	% OF ALL FIXED INCOME ASSETS
Corporate	980,235	.43%
Agencies	-	-
Total	**980,235**	**.43%**

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 Board of Trustees 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

CURRENCY	SHORT TERM	FIXED INCOME	EQUITY	OTHER	TOTAL
AUSTRALIAN DOLLAR	21,582	-	10,499,225	-	10,520,807
BRITISH POUND STERLING	75,472	-	25,927,675	3,400,132	29,403,279
CANADIAN DOLLAR	31,366	-	14,321,886	-	14,353,252
DANISH KRONE	13,070	-	1,299,961	-	1,313,031
EURO CURRENCY UNIT	49,072	-	38,177,956	6,257,776	44,484,804
HONG KONG DOLLAR	25,306	-	3,329,486	-	3,354,792
ISRAELI SHEKEL	12,972	-	861,548	-	874,520
JAPANESE YEN	292,969	-	24,607,233	-	24,900,202
NEW ZEALAND DOLLAR	5,614	-	158,053	-	163,667
NORWEGIAN KRONE	11,064	-	1,105,512	-	1,116,576
SINGAPORE DOLLAR	13,832	-	2,094,648	-	2,108,480
SWEDISH KRONA	24,688	-	3,812,689	-	3,837,377
SWISS FRANC	128,469	-	10,128,447	-	10,256,916
TOTAL MARKET VALUE	**705,476**	**-**	**136,324,319**	**9,657,908**	**146,687,703**

DERIVATIVES

Derivative instruments are financial contracts whose values depend on the values of one or more underlying assets, reference rates, or financial indexes. They include futures contracts, options contracts, and forward foreign currency exchange. The Board of Trustees has adopted a derivative policy that specifically authorizes external investment managers to enter into certain derivative contracts based on an analysis that the use of such derivatives will have a positive impact on the Trust's ability to manage its underlying assets and liabilities. The PSPRS Trust investment program, indirectly through its external managers, holds investments in futures contracts. The external money managers enter into these certain derivative instruments primarily to enhance the performance and reduce the volatility of the PSPRS portfolio, to gain or hedge exposure to certain markets, and to manage interest rate risk. The external managers are required to follow certain controls, documentation and risk management procedures when employing these financial instruments.

The fair value exposure associated with these derivative instruments was recorded on the financial statements as a portion of the unrealized gains and losses related to U.S. Equity and Fixed Income. The total of unrealized gains for CORP was $4,444,226 at June 30, 2011 consisting of U.S. Equity (gain of $4,453,436) and Real Assets (gain of $9,210). Interest risk associated with these investments are included in the tables on page 34.

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, 2011 the fair value of securities on loan was $87,764,367 and the collateral was $90,201,160 for Corrections Officer Retirement Plan. 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, 2011, the weighted average maturity was 166 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 had 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 $2,052,630 has been recorded as CORP's share.

ASSET CLASS	OUT ON LOAN	TOTAL AVAILABLE TO LOAN	% OF AVAILABLE TO LOAN
Equities	75,654,453	135,202,902	56.0%
Agencies	-	-	-
Treasuries	-	-	-
Exchange Traded	12,109,914	16,901,808	71.7%
Totals	**87,764,367**	**152,104,710**	**57.7%**

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, 2011 was $40,962.

The table below is a schedule of the capital asset account balances as of June 30, 2010, and June 30, 2011, and changes to those account balances during the year ended June 30, 2011.

SCHEDULE OF CAPITAL ASSET ACCOUNT BALANCES

	LAND	BUILDING AND IMPROVEMENTS	FURNITURE, FIXTURES AND EQUIPMENT	TOTAL CAPITAL ASSETS
CAPITAL ASSETS				
Balance June 30, 2010	86,588	627,784	153,015	867,387
Additions	-	1,167	11,083	12,249
Deletions	-	-	-	-
Balance June 30, 2011	**86,588**	**628,951**	**164,097**	**879,636**
ACCUMULATED DEPRECIATION				
Balance June 30, 2010	-	(89,875)	(102,150)	(192,025)
Additions	-	(17,711)	(23,251)	(40,962)
Deletions	-	-	-	-
Balance June 30, 2011	-	(107,586)	(125,401)	(232,987)
Net Capital Assets	**86,588**	**521,364**	**38,696**	**646,649**

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-five (25) year period. Beginning July 1, 2007, the minimum employer contribution rate was established at 6%.

During the year ended June 30, 2011, contributions totaling $102,893,899 ($52,002,731 employer [$43,928,305 pension and $8,074,426 health insurance subsidy contributions in excess of the benefits paid] and $50,891,168 member) were made in accordance with contribution requirements determined by an actuarial valuation of the Plan as of June 30, 2009. The employer contributions consisted of approximately $39,017,218 for normal cost [$33,641,921 pension and $5,375,297 health insurance subsidy] plus $12,985,513 for amortization of the actuarial accrued liability in aggregate [$10,286,384 pension and $2,699,129 health insurance subsidy]. Employer contributions represented 8.57% of covered payroll [6.43% for normal costs (5.82% pension and .61% health insurance) and 2.14% for amortization of assets in excess of the actuarial accrued liability in aggregate (1.60% pension and 0.54% health insurance)]. 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 Board of Trustees, 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 FY2011 contributions collected for the health insurance subsidy amounted to $8,074,426 and the health benefit subsidy payments were $2,699,129. The excess contributions of $5,375,297 were added to the retirement plan for reporting purposes. Effective FY2008, 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 Board of Trustees, 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 10.7 million dollars for all three plans and has been recorded as a liability. It is anticipated that a final resolution will be reached this next fiscal year.

NOTE 10: FUNDING STATUS AND PROGRESS

The Plan's funded status (excluding health insurance subsidy) 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)
06/30/11	1,466,750	1,914,464	447,715	76.6%	609,243	73.5%

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, 2011
Actuarial Cost Method:	Entry Age Normal
Amortization Method:	Level Percent of Payroll, Closed
Remaining Amortization Period:	25 years closed for unfunded accrued actuarial liability, 20 years open for excess
Asset Valuation Method:	7-Year Smoothed Market Value
Investment Rate of Return:	8.25%
Projected Salary Increases:	5.00-8.00% which includes inflation at 5.00%

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 SUPPLEMENTARY 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))
06-30-02	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%
06-30-10	1,382,144	1,648,733	266,589	83.8%	616,481	43.2%
06-30-11	1,466,750	1,914,464	447,715	76.6%	609,243	73.5%

** Entry Age Normal Cost method through 6-30-05. Projected Unit Credit method from 6-30-06 through 6-30-10. Entry Age Normal since 6-30-11.*
** 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 would be 84.6% for 2007, 86.8% for 2008, 82.6% for 2009, 80.3% for 2010 and 62.1% for 2011.*
** 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	
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%	*
2010	52,064,974	105.39%	*
2011	49,303,602	105.50%	*

** Total Employer Contributions received during FY2007 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 FY2008 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 FY2009 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.*

** Total Employer Contributions received during FY2010 were $54,437,078. 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 $5,178,444. The benefits paid for the health insurance subsidy were $2,372,104. The difference between the calculated annual required contributions and the benefits paid of $2,806,340 were then added back to the annual required contributions for the retirement plan. This required calculation resulted in a percent contributed of 105.4% for the retirement plan.*

** Total Employer Contributions received during FY2011 were $52,002,731. 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 $8,074,426. The benefits paid for the health insurance subsidy were $2,699,129. The difference between the calculated annual required contributions and the benefits paid of $5,375,297 were then added back to the annual required contributions for the retirement plan. This required calculation resulted in a percent contributed of 105.5% for the retirement plan.*

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

REQUIRED SUPPLEMENTARY INFORMATION

NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

ACTUARIAL METHODS AND ASSUMPTIONS FOR VALUATIONS PERFORMED JUNE 30, 2011

The entry age normal 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 25-year amortization period were used for the June 30, 2011 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 8.25% per year, compounded annually (net of investment expenses). Projected salary increase assumptions are based on 5.00% to 8.00%, which include a price inflation assumption of 5.00% per year.

Each of the 27 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 2011 were determined by actuarial valuations as of June 30, 2009.

SCHEDULE OF CHANGES IN FUND BALANCE

FOR THE YEARS ENDED JUNE 30, 2011 AND 2010

	REFUNDABLE MEMBERS' RESERVE	EMPLOYERS' RESERVE	FUTURE BENEFIT INCREASE RESERVE
BALANCE AS OF JUNE 30, 2009	**$323,648,713**	**$622,242,457**	**$15,124,946**
DISTRIBUTION OF REVENUES AND EXPENSES			
Members' Contributions	54,480,961		
Employers' Contributions		54,437,078	
Earnings (Loss) on Investments Net of Investment Expenses		129,267,190	
Pension and Insurance Benefits		(66,411,778)	
Refunds to Terminated Members	(14,091,546)	(5,683,327)	
Administrative Expenses		(915,378)	
DISTRIBUTION OF TRANSFERS			
Excess Investment Earnings to be used for Future Benefit Increases		(22,836,733)	22,836,733
Earnings (Loss) on Excess Investment Earnings Account Assets		(2,037,330)	2,037,330
Amount Utilized by Benefit Increases Granted		21,264,230	(21,264,230)
Net Transfers In (Out) and Purchase of Service Credits	765,400	(75,402)	
Balances Transferred to Employers' Reserve due to Retirement	(19,507,994)	19,507,983	
BALANCE AS OF JUNE 30, 2010	**$345,295,534**	**$748,758,990**	**$18,734,779**
DISTRIBUTION OF REVENUES AND EXPENSES			
Members' Contributions	50,891,168		
Employers' Contributions		52,002,731	
Earnings (Loss) on Investments Net of Investment Expenses		193,212,289	
Pension and Insurance Benefits		(79,058,399)	
Refunds to Terminated Members	(16,609,742)	(8,317,918)	
Administrative Expenses		(1,184,756)	
DISTRIBUTION OF TRANSFERS			
Excess Investment Earnings to be used for Future Benefit Increases			
Earnings (Loss) on Excess Investment Earnings Account Assets		(3,254,231)	3,254,231
Amount Utilized by Benefit Increases Granted		21,989,010	(21,989,010)
Net Transfers In (Out) and Purchase of Service Credits	458,045	(384,929)	
Balances Transferred to Employers' Reserve due to Retirement	(21,578,185)	21,578,185	
BALANCE AS OF JUNE 30, 2011	**358,456,820**	**945,340,972**	**-**

SUPPORTING SCHEDULES INFORMATION

SCHEDULE OF RECEIPTS AND DISBURSEMENTS
FOR THE YEARS ENDED JUNE 30, 2011 AND 2010

	2011	2010
RECEIPTS		
Members' Contributions	$ 50,820,496	$ 54,550,666
Employers' Contributions	49,209,154	54,567,804
Interest	2,819,198	6,659,955
Dividends	11,523,669	12,701,058
Other Income	5,330,445	913,857
Securities Lending Income	597,287	742,692
Transfer In	241,548	542,806
Service Purchase	776,738	733,281
Maturities and Sales of:		
U S Equity	106,023,830	911,632,351
Non-U s Equity	64,301,445	468,109,282
GTAA	7,313,072	37,280,026
Fixed Income	134,984,320	71,892,654
Absolute Return	7,841,922	-
Credit Opportunities	46,139,181	43,168,021
Private Equity	73,063,294	98,644,506
Real Assets	77,179,225	51,266,316
Real Estate	49,369,355	21,279,045
Total Receipts	**687,534,179**	**1,834,684,321**
DISBURSEMENTS		
Pension Benefits	75,021,222	65,749,374
Refunds to Terminated Members	24,927,660	19,774,873
Drop Benefits	1,338,048	662,404
Investment and Administrative Expenses	5,366,714	5,177,676
Transfer Out	945,170	586,089
Acquisitions of:		
U S Equity	24,455,583	805,543,343
Non-U s Equity	23,197,286	460,508,183
GTAA	28,520,942	111,879,442
Fixed Income	163,931,616	71,750,654
Absolute Return	39,287,329	-
Credit Opportunities	39,110,116	53,951,570
Private Equity	64,125,207	138,237,744
Real Assets	95,993,419	57,570,900
Real Estate	84,640,157	47,312,951
Total Disbursements	**670,860,469**	**1,838,705,203**
INCREASE (DECREASE) IN CASH	16,673,710	(4,020,882)
BEGINNING CASH BALANCE - July 1	12,494,835	16,515,717
ENDING CASH BALANCE - June 30	**$ 29,168,545**	**$ 12,494,835**

SCHEDULE OF ADMINISTRATIVE EXPENSES
FOR THE YEAR ENDED JUNE 30, 2011

EXPENSE CATEGORY	ADMINISTRATIVE	INVESTMENT	TOTAL
Accounting and Auditing Services	$ 19,600	$ -	$ 19,600
Actuarial Services	100,130	-	100,130
Building Expense	37,153	-	37,153
Communications	7,917	-	7,917
Computer Related Expense	22,729	-	22,729
Contractual Services	9,394	-	9,394
Depreciation Expense	40,962	-	40,962
Fund Manager Initiatives	3,211	-	3,211
Furniture and Equipment	77	661	738
Investment Services	-	3,490,181	3,490,181
Legal Services	115,068	121,800	236,868
Local Board Training	4,390	-	4,390
Payroll Taxes and Fringe Benefits	166,598	57,187	223,785
Postage Expenses	12,378	-	12,378
Printing and Publications	4,068	-	4,068
Professional Services	130,862	299,115	429,977
Salaries and Wages	494,721	216,095	710,816
Supplies and Services	8,134	-	8,134
Training Expenses	5,893	1,773	7,666
Travel Expense	1,471	14,482	15,953
TOTAL	**$ 1,184,756**	**$ 4,201,294**	**$ 5,386,050**

SCHEDULE OF CONSULTANT EXPENSES
FOR THE YEAR ENDED JUNE 30, 2011

CONSULTANT	SERVICE PROVIDED	FEES PAID
Albourne America, LLC	International Alternative Investment Consultant	$ 132,825
Alliance Resource Consulting LLC	Executive Recruitment	3,695
BNY Mellon Asset Servicing	Independent Investment Advisor	30,064
Brazen Technology, Inc.	IT Consultant	333
CB Richard Ellis	Real Estate Consultant	1,437
Fleetwood Technology Consulting	IT Consultant	2,756
Gabriel Roeder Smith & Company	Actuary	101,342
Heinfeld, Meech & Co.	Independent Auditors	19,600
Highground, Inc	Legislative Liaison	17,250
Kutak Rock Llp	General Counsel	242,630
Light Stone Solutions, Llc	Due Diligence	50,012
LRS Consulting Llc	Local Board Training	5,764
NEPC, LLC	Independent Investment Advisor	71,841
ORG Portfolio Management LLC	Real Estate Consultant	65,521
Osam Inc.	IT Consultant	4,112
Page, Gerald	IT Consultant	3,909
Public Policy Partners	Legislative Liaison	22,989
Sherwood Systems	Accounting Consultant	1,791
Stepstone Group LLC	Alternative Investment Consultant	19,157
TOTAL		**$ 797,028**

OTHER SUPPLEMENTARY 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	$ 2,699,129	$ 2,699,129	$ 0
Total Assets	**0**	**2,699,129**	**2,699,129**	**0**
LIABILITIES				
Benefits Payable	0	2,699,129	2,699,129	0
Total Liabilities	**$ 0**	**$ 2,699,129**	**$ 2,699,129**	**$0**

HEALTH INSURANCE PREMIUM SUBSIDY
AGENCY FUND
SCHEDULE 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%
06/30/10	0	73,272	73,272	0.0%	616,481	11.9%
06/30/11	0	94,105	94,105	0.0%	609,243	15.4%

** 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 , 2009, 2010 and 2011would be 84.6%, 86.8%, 82.6%, 80.3% and 73.0% respectively.*

THIS PAGE INTENTIONALLY BLANK

INVESTMENT SECTION

PUBLIC SAFETY PERSONNEL RETIREMENT SYSTEM
CORRECTIONS OFFICER RETIREMENT PLAN
ELECTED OFFICIALS' RETIREMENT PLAN
3010 East Camelback Road, Suite 200
Phoenix, Arizona 85016-4416
www.psprs.com
TELEPHONE: (602) 255-5575
FAX: (602) 255-5572

December 9, 2011

The Board of Trustees and
The Administrator of the
Arizona Public Safety Personnel Retirement System

Members:

As the Chief Investment Officer of the Public Safety Personnel Retirement System (PSPRS) during the fiscal year beginning July 1, 2010 and ending June 30, 2011, I submit the following comments and observations for your consideration and for the consideration of the respective parties in interest of the System:

Performance Computation Standards:
The investment performance rates of return are calculated on a total return basis, using time-weighted rates of return, based upon market values. Investment amounts are reflected at Fair Market Value. Real Estate, Private Equity, Credit Opportunities and Real Assets are valued on a quarter lag basis adjusted for cash flows.

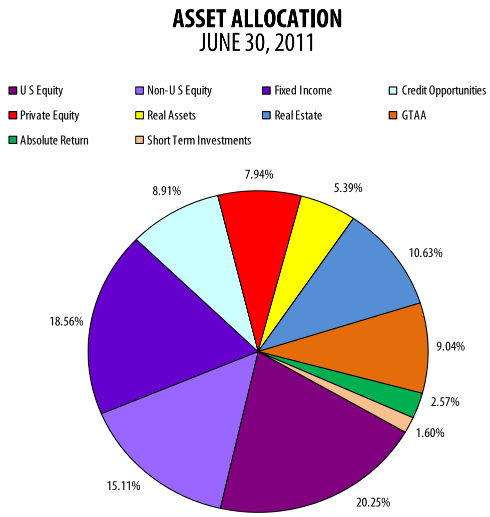
Performance is calculated on an accrual basis provided that the accrual information is available from the custodian or record-keeper. The rates of return are generated by asset class and include cash holdings.

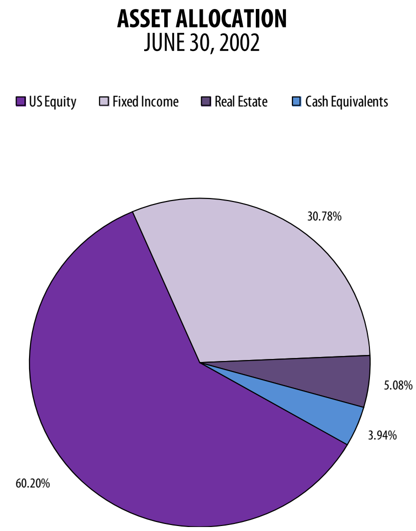
Status: (The returns for the CORP system's most recent ten years are cited below.)
The PSPRS Trust returned +17.37% in the Fiscal Year 2011. This compared favorably with our assumed earnings rate of 8%. The strength of this year's returns is important to contrast with the strong returns of 2004 and 2007, because the strength of this year's return was not just from the equity markets. Recent history in the equity markets has been painful for investors because equity markets "giveth" but they also "taketh away". As can be seen below, the returns of the equity markets in 2002 and 2009 were strongly negative. (Which contributed to an erosion of the System's funding status.)

FY	Return %	FY	Return%
2011	17.37	2006	8.19
2010	13.47	2005	9.23
2009	-17.99	2004	14.77
2008	-7.05	2003	6.15
2007	16.77	2002	-14.73

In 2002 the portfolio was invested only in the United States and in just four asset classes. (see Asset Allocations below) Today it is invested in ten asset classes with a truly global exposure. Recent efforts by the Board, Staff and the PSPRS Consultants have been designed to diversify the portfolio creating new areas of return that will protect the portfolio from downturns and yet give good returns when markets are up. The results we have worked for are starting to be demonstrated in the portfolio. For example, Opportunistic credit investments which often do better than equities when markets are down, returned 18.36% in FY 2011. Global tactical investments which do not rely exclusively on the U.S. economy returned 21.21% in FY 2011. Real Assets which have strong downside protection and also serve to protect against inflation, returned a respectable 6.83% in 2011. These new asset classes contributed to the strong overall return but helped the portfolio generate the return with approximately one half of the risk of the S&P 500 stock index.[1]

[1] Data provided by NEPC the PSPRS Board's consultant.





The new portfolio construction also helps to buffer the downside volatility of extreme events. While the portfolio was in its early stages of diversification in 2009, equities in the FY were down about 27% and the portfolio was only down 17.73%. This is the PSPRS "Holy Grail," i.e. a portfolio that protects against the downside while still capturing a significant portion of the upside in rising markets.

The Fund now has positive returns in 7 of the last 10 years. Its ten year average return has improved from last years' 0.36% to approximately 3.88% this year. We continue to improve against a backdrop of extremely volatile and uncertain global markets and with the continued drag of our legacy Arizona Real Estate portfolio. As Arizonans are aware, some Arizona real estate assets including homes are currently selling for as little as 30% of their 2007 valuations. Because the PSPRS Trust invested heavily in Arizona real estate in the 1990's and early 2000's the system's returns have been severely impacted by those losses. A "plain vanilla" diversified real estate portfolio would have held up better and improved returns in 2011 from 17.4% to approximately 20%. It would also have moved our three year average ranking to peers from about middle of the pack to the top quarter of retirement plans.[2]

Award and Nomination:
The efforts and progress of the Board and the Staff were first recognized in FY2010 when we were nominated as the "*Mid-Sized Plan of the Year*" by the editors of Money Management Magazine. I am happy to report that we won the Award in FY2011! We were also among four nominees for an award as the "*Small Public Plan Hedge Fund Investor of the Year*" presented by Institutional Investor Magazine.

Conclusion:
We continue to make significant progress in building a high performing and resilient portfolio. Greater stability achieving our expected return will over time improve the funding ratios of the plan. Accomplishing these goals in extremely turbulent economic environments is difficult but has helped to demonstrate the greater downside protection of the portfolio.

Respectfully Submitted,

Ryan Parham
Chief Investment Officer

[2] Data provided by NEPC the PSPRS Board's consultant.

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.

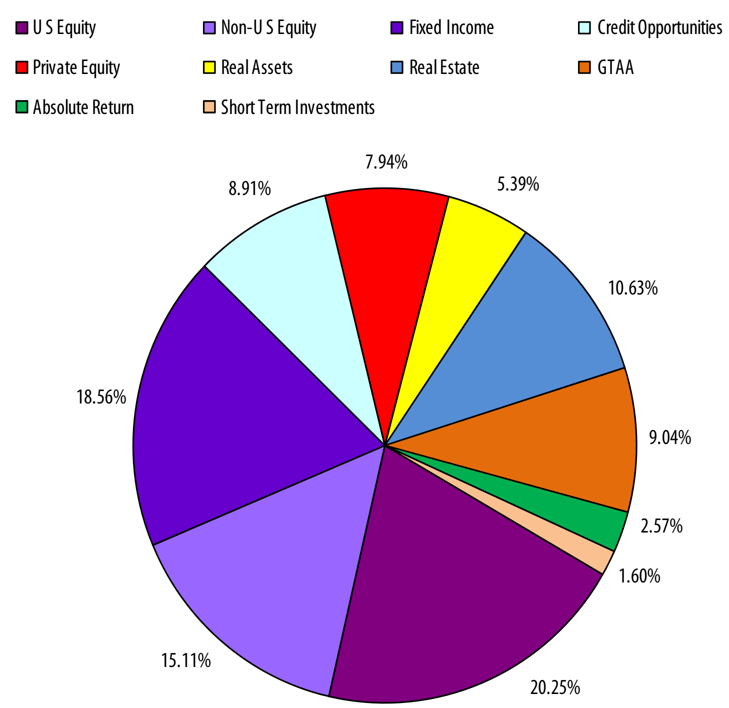
Consistent with the Fund objectives, the primary investment objective of the Fund is to maximize long-term real (after inflation) investment returns recognizing established risk (volatility) parameters and the need to preserve capital by:

- Deriving a reasonable asset allocation model that attempts to fully achieve the primary investment objective, over the long term.
- Consistent with these objectives and the direction of the Board of Trustees, strategically allocating within asset classes and investment styles in order to enhance investment returns.
- 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.

ASSET ALLOCATION
JUNE 30, 2011



ANNUALIZED RATES OF RETURN*
JUNE 30, 2011

Description	1 Year	3 Years	5 Years	10 Years
CORP - Total Fund	17.37%	2.98%	3.46%	3.81%
Target Fund Benchmark	*17.36%*	*1.24%*	*2.40%*	*3.18%*
Total Equity	29.98%	4.91%	4.19%	
Target Equity Benchmark	*31.29%*	*2.79%*	*3.10%*	
U.S. Equity	30.17%	N/A	N/A	
Russell 3000	*32.37%*	*4.00%*	*3.35%*	
Non-U.S. Equity	29.80%	N/A	N/A	
MSCI ACWI Ex-US Net	*29.73%*	*-0.35%*	*3.67%*	
GTAA	21.21%	N/A	N/A	
3-Month LIBOR + 300 bps	*3.33%*	*3.84%*	*5.39%*	
Fixed Income	4.20%	5.26%	5.26%	
BC Aggregate	*3.90%*	*6.46%*	*6.52%*	
Absolute Return	7.17%	N/A	N/A	
91-Day T-Bill + 200 bps	*2.16%*	*2.44%*	*4.05%*	
Credit Opportunities	18.36%	5.33%	N/A	
ML US High Yield BB-B Constrained	*14.56%*	*10.52%*	*8.28%*	
Private Equity	25.86%	6.75%	N/A	
Russell 3000 + 100 bps	*33.37%*	*5.00%*	*4.35%*	
Real Assets	6.83%	N/A	N/A	
CPI + 200 bps	*5.40%*	*3.05%*	*4.12%*	
Real Estate	-4.93%	-7.63%	N/A	
NCREIF NPI	*16.74%*	-2.57%	3.44%	
Short Term Investments	0.13%	0.44%	2.22%	
ML Treasury 91 day Actual	*0.16%*	*0.42%*	*2.00%*	

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

Target Fund Benchmarks (Effective Dates)

July 1, 2010 - Present: 20% Russell 3000, 15% MSCI World Ex-US Net, 8% 3-Month LIBOR + 300 bps, 20% BC Aggregate, 4% 91-Day T-Bill + 200 bps, 9% ML US High Yield BB-B Constrained, 8% Russell 3000 + 100 bps, 6% CPI + 200 bps, 8% NCREIF NPI and 2% 91-Day T-Bill

April 1, 2009 - June 30, 2010: 30% Russell 3000, 20% MSCI World Ex-US Net, 20% BC Aggregate, 8% NCREIF NPI, 8% Russell 3000 + 100 bps, 8% ML US High Yield BB-B Constrained, 5% CPI + 200 bps and 1% 91-Day T-Bill

July 1, 2007 - March 31, 2009: 46% Wilshire 5000, 21% MSCI World Ex-US Net, 20% BC Gov/Cred, 6% NCREIF NPI, 6% Wilshire 5000 +300 bps and 1% 91-Day T-Bill

July 1, 2006 - June 30, 2007: 50% S&P 500, 10% S&P 400, 5% S&P 600, 20% BC Gov/Cred, 10% Expected Annual Return for Real Estate of 8.00% and 5% 91-Day T-Bill

July 1, 2002 - June 30, 2006: 45% S&P 500, 45% BC Gov/Cred and 10% 91-Day T-Bill

Target Equity Benchmarks (Effective Dates)

July 1, 2010 - Present: 57.14% Russell 3000 and 42.86% MSCI World Ex-US Net

April 1, 2009 - June 30, 2010: 60% Russell 3000 and 40% MSCI World Ex-US Net

July 1, 2007 - March 31, 2009: 67.69% Wilshire 5000 and 32.31% MSCI World Ex-US Net

July 1, 2006 - June 30, 2007: 76.92% S&P 500, 15.39% S&P 400 and 7.69% S&P 600

July 1, 2002 - June 30, 2006: 100% S&P 500

EQUITY PORTFOLIO TOP 10 HOLDINGS
JUNE 30, 2011

Description	Shares	Fair Value
CRESTLINE CS 3000 FUND L.P.	30,343,991	30,343,991
VANGUARD MSCI EMERGING MARKET	437,629	21,277,532
ISHARES MSCI EMERGING MARKETS	358,125	17,046,737
GAM TRADING STRATEGY	14,836,127	14,836,127
BGI FRONTIER MARKETS FUND	1,296,972	8,154,021
EXXON MOBIL CORP	68,582	5,581,217
VANGUARD FTSE ALL-WORLD EX-US	91,985	4,581,785
ISHARES MSCI CANADA INDEX FUND	144,292	4,569,726
APPLE INC	12,877	4,322,439
VANGUARD TOTAL STOCK MARKET ET	58,253	3,984,527

FIXED INCOME PORTFOLIO TOP 10 HOLDINGS
JUNE 30, 2011

Description	Shares	Fair Value
BGI CORE ACTIVE BOND FUND	5,267,912	112,552,500
VANGUARD BOND MARKET ETF	343,015	27,839,104
FRANKLIN TEMPLETON EMD	13,787,092	13,787,092
CAPITAL GUARDIAN EMERGING	11,942,655	11,942,655
GOLDENTREE HIGH YIELD VALUE	9,581,138	9,581,138
GRACIE INTERNATIONAL CREDIT	9,581,138	9,581,138
IGUAZU PARTNERS LP	7,916,099	7,916,099
SJC DIRECT LENDING	4,779,186	4,779,186
SECURITY MUT LIFE INS CO 144A	2,874,341	2,981,662
CBO HLDGS III 04-3 CL A 144A	2,373,305	2,362,321

SUMMARY OF CHANGES IN INVESTMENT PORTFOLIO
JUNE 30, 2011
(IN THOUSANDS)

	JUNE 30, 2010 BALANCE					JUNE 30, 2011 BALANCE		
DESCRIPTION	PERCENT AT FAIR VALUE	FAIR VALUE	BOOK VALUE	ACQUIRED	MATURED AND SOLD	FAIR VALUE	BOOK VALUE	PERCENT AT FAIR VALUE
U. S. Equity	24.37%	266,195	266,446	24,038	77,686	263,260	212,798	20.59%
Non U. S. Equity	17.24%	188,346	189,999	23,298	54,802	195,923	158,495	15.32%
GTAA	6.99%	76,359	74,662	28,521	4,173	117,654	99,010	9.20%
Fixed Income	19.26%	210,411	194,003	159,303	130,558	241,230	222,748	18.86%
Credit Opportunities	9.77%	106,706	96,504	39,110	37,837	115,942	97,777	9.07%
Private Equity	8.00%	87,362	85,410	64,126	58,475	103,238	91,061	8.07%
Real Assets	4.38%	47,817	46,362	96,268	77,348	69,958	65,282	5.47%
Real Estate	10.00%	109,252	119,774	84,641	47,974	138,132	156,441	10.80%
Absolute Return	0.00%	-	-	39,287	7,842	33,386	31,445	2.61%
TOTAL PORTFOLIO	**100.00%**	**1,092,448**	**1,073,160**	**558,591**	**496,695**	**1,278,722**	**1,135,056**	**100.00%**

SCHEDULE OF COMMISSIONS PAID TO BROKERS
YEAR ENDED JUNE 30, 2011

BROKER	NUMBER OF SHARES TRADED	AVERAGE COMMISSION	TOTAL COMMISSIONS
ABN AMRO BK NV (SECS TRADING), HONG KONG	50,391	0.0005	25
BARCLAYS CAPITAL LE, JERSEY CITY	557,415	0.0006	313
BERNSTEIN SANFORD C & CO, NEW YORK	20,525	0.0002	4
BNP PARIBAS PEREGRINE SEC LTD, HONG KONG	43,660	0.0004	17
CITIGROUP GBL MKTS AUSTRALIA PTY, SYDNEY	399,145	0.0005	200
CITIGROUP GBL MKTS INC, NEW YORK	286,099	0.0004	121
CITIGROUP GLOBAL MARKETS LTD, LONDON	113,775	0.0004	40
CITIGROUP GLOBAL MARKETS U.K., LONDON	52,677	0.0003	18
CREDIT SUISSE (EUROPE), LONDON	278,134	0.0004	111
CREDIT SUISSE, NEW YORK (CSFBUS33XXX)	489,505	0.0004	186
DEUTSCHE BK INTL EQ, LONDN (DEUTGB22EEQ)	24,054	0.0003	8
DEUTSCHE BK SECS INC, NY (NWSCUS33)	221,421	0.0004	85

SCHEDULE OF COMMISSIONS PAID TO BROKERS
YEAR ENDED JUNE 30, 2011

BROKER	NUMBER OF SHARES TRADED	AVERAGE COMMISSION	TOTAL COMMISSIONS
DEUTSCHE MORGAN GRENFELL SEC, SYDNEY	38,542	0.0005	19
GOLDMAN SACHS & CO, NY	39,662	0.0005	20
GOLDMAN SACHS EXECUTION & CLEARING, NY	51,359	0.0007	37
GOLDMAN SACHS INTL, LONDON (GSILGB2X)	3,397,276	0.0004	1,196
INSTINET EUROPE LIMITED, LONDON	1,789,121	0.0004	634
INSTINET PACIFIC LTD, HONG KONG	143,249	0.0005	72
INVESTMENT TECHNOLOGY GROUP LTD,DUBLIN	843,338	0.0004	347
INVESTMENT TECHNOLOGY GROUP, NEW YORK	1,099,488	0.0005	544
ITG (EUROPE) LTD, DUBLIN	371,376	0.0005	173
ITG AUSTRALIA LTD, MELBOURNE	46,490	0.0005	23
ITG CANADA CORP, TORONTO	1,356,089	0.0004	526
ITG HONG KONG LIMITED, HONG KONG	1,175,859	0.0005	586
J P MORGAN SEC, SYDNEY	600,926	0.0005	301
KNIGHT CLEARING SERVICES LLC, JERSEY CIT	4,350	0.0016	7
LOOP CAPITAL MKTS LLC, DALLAS	159,343	0.0005	75
MACQUARIE SECURITIES LIMITED, HONG KONG	52,349	0.0005	26
MERRILL LYNCH INTL LONDON EQUITIES	87,243	0.0003	30
MERRILL LYNCH PIERCE FENNER SMITH INC NY	943,113	0.0005	474
MERRILL LYNCH PIERCE FENNER, WILMINGTON	454,524	0.0005	220
MORGAN STANLEY & CO INC, NY	2,786,084	0.0004	1,135
NOMURA INTERNATIONAL (HK) LTD, HONG KONG	24,763	0.0004	10
NOMURA SECS INTL, LONDON	132,343	0.0003	46
NON-BROKER CORP ACTIONS, BOSTON	9,635	0.0050	48
PENSON FINANCIAL SERVICES INC, DALLAS	25,626,554	0.0001	2,301
PENSON FINANCIAL SERVICES INC, NEW YORK	575,887	0.0001	55
RBC CAPITAL MARKETS CORP, MINNEAPOLIS	3,831,156	0.0001	397
RBC DOMINION SECS INC, TORONTO (DOMA)	33,771	0.0012	40
REGAL SECURITIES INC, DALLAS	87,492,718	0.0001	8,257
ROYAL BANK OF SCOTLAND N.V, LONDON	697,533	0.0003	244
SG SEC (LONDON) LTD, LONDON	2,649,307	0.0004	928
STATE STREET BK & TR CO (SEC), LONDON	452,362	0.0004	177
STATE STREET BROKERAGE SVCS, BOSTON	1,852,644	0.0004	832
UBS EQUITIES, LONDON	423,633	0.0004	165
UBS FINANCIAL SERVICES INC, WEEHAWKEN	17,634,392	0.0001	2,033
UBS SECURITIES LLC, STAMFORD	696,869	0.0004	273
UBS WARBURG ASIA LTD, HONG KONG	717,109	0.0005	359
TOTAL COMMISSIONS	**160,827,258**	**0.0001**	**23,738**

U.S. EQUITY PORTFOLIO
YEAR ENDED JUNE 30, 2011

SHARES	DESCRIPTION	COST	FAIR VALUE	UNREALIZED GAIN (LOSS)
6,015,221	RUSSELL 3000 SECURITIES	162,436,118	209,580,384	47,144,266
573	S&P 500 EMINI INDEX FUTURES	-	889,235	889,235
77	RUSSELL 2000 MINI IND FUTURES	-	256,242	256,242
30,343,991	CRESTLINE CS 3000 FUND L.P.	28,743,413	30,343,991	1,600,578
3,369,397	FRONTPOINT MULTI-STRATEGY FUND	3,409,362	3,369,397	(39,965)
14,836,127	GAM TRADING STRATEGY	14,371,707	14,836,127	464,420
58,253	VANGUARD TOTAL STOCK MARKET ET	3,837,117	3,984,527	147,410
54,623,639	**TOTAL US EQUITY PORTFOLIO**	**212,797,717**	**263,259,903**	**50,462,186**

NON-U.S. EQUITY PORTFOLIO
YEAR ENDED JUNE 30, 2011

SHARES	DESCRIPTION	COST	FAIR VALUE	UNREALIZED GAIN (LOSS)
12,943,656	MSCI WORLD EX-US INDEX	117,306,946	136,395,785	19,088,839
144,292	ISHARES MSCI CDA INDEX FD	4,043,316	4,569,726	526,410
358,125	ISHARES MSCI EMERGING MARKETS	9,455,169	17,046,737	7,591,568
91,985	VANGUARD INTL EQUITY INDEX	3,686,357	4,581,785	895,428
437,629	VANGUARD EMERGING MARKETS ETF	14,705,173	21,277,532	6,572,359
30,290	VANGUARD PACIFIC ETF	1,622,624	1,712,607	89,983
1,296,972	BGI FRONTIER MARKETS FUND	5,749,061	8,154,021	2,404,960
41,582	WISDOMTREE EMERGING MARKETS	1,926,161	2,184,310	258,149
15,344,531	**TOTAL NON-US EQUITY PORTFOLIO**	**158,494,807**	**195,922,503**	**37,427,696**

FIXED INCOME PORTFOLIO
YEAR ENDED JUNE 30, 2011

PAR VALUE	DESCRIPTION	COUPON RATE	MATURITY	COST	FAIR VALUE
U.S. GOVERNMENT SECURITIES					
1,916,228	FHLMC MULTICLASS MTG 3561 B	4.00%	08/15/2029	1,892,874	1,928,549
1,916,228	FHLMC MULTICLASS MTG 3740 KD	4.00%	11/15/2038	1,871,915	1,888,174
375,329	FHLMC POOL #H1-0069	6.00%	11/01/2036	375,723	411,128
412,496	FHLMC POOL #H1-5010	6.00%	11/01/2036	412,928	451,840
2,107,850	FNMA GTD REMIC P/T 11-8 AV	4.00%	01/25/2030	2,058,448	2,044,004
9,110	GNMA POOL #0153415	9.00%	04/15/2016	9,405	10,324
2,443	GNMA POOL #0156462	9.00%	07/15/2016	2,525	2,768
5,381	GNMA POOL #0157733	9.00%	05/15/2016	5,558	5,451
3,329	GNMA POOL #0158992	9.00%	06/15/2016	3,411	3,772
4,952	GNMA POOL #0159801	9.00%	09/15/2019	5,192	5,014
9,865	GNMA POOL #0161684	9.00%	07/15/2016	10,202	11,179
6,396	GNMA POOL #0164501	9.00%	08/15/2016	6,612	7,248
17,044	GNMA POOL #0164681	9.00%	10/15/2016	17,638	19,315
5,395	GNMA POOL #0164924	9.00%	09/15/2016	5,571	6,113
7,166	GNMA POOL #0165172	9.00%	06/15/2016	7,402	8,121
2,587	GNMA POOL #0165863	9.00%	08/15/2016	2,675	2,619
6,157	GNMA POOL #0168283	9.00%	08/15/2016	6,367	6,977
2,114	GNMA POOL #0172800	9.00%	08/15/2016	2,184	2,395
4,112	GNMA POOL #0173847	9.00%	09/15/2016	4,245	4,151
4,075	GNMA POOL #0173878	9.00%	08/15/2016	4,208	4,145
3,175	GNMA POOL #0174829	9.00%	09/15/2016	3,277	3,194
9,383	GNMA POOL #0176431	9.00%	08/15/2016	9,705	10,633
2,413	GNMA POOL #0181945	9.00%	04/15/2020	2,536	2,858
374	GNMA POOL #0182127	9.00%	11/15/2016	387	424
2,452	GNMA POOL #0182491	9.00%	12/15/2016	2,540	2,495
6,483	GNMA POOL #0183553	9.00%	08/15/2017	6,734	7,420
3,895	GNMA POOL #0183715	9.00%	11/15/2016	4,035	4,414
18,327	GNMA POOL #0183733	9.00%	01/15/2017	19,003	20,976
1,112	GNMA POOL #0185639	9.00%	11/15/2016	1,149	1,261
7,512	GNMA POOL #0187705	9.00%	01/15/2017	7,780	8,598
5,359	GNMA POOL #0190921	9.00%	12/15/2016	5,549	6,073
5,444	GNMA POOL #0191648	9.00%	05/15/2017	5,653	6,231
3,808	GNMA POOL #0191943	9.00%	07/15/2018	3,972	3,830
7,685	GNMA POOL #0194468	9.00%	12/15/2016	7,953	8,709
377	GNMA POOL #0202505	9.00%	10/15/2019	389	379
6,683	GNMA POOL #0206683	9.00%	04/15/2020	7,017	7,916
6,264	GNMA POOL #0207671	9.00%	07/15/2018	6,536	7,343
942	GNMA POOL #0208705	9.00%	05/15/2020	987	1,089
4,963	GNMA POOL #0216520	9.00%	05/15/2017	5,152	5,182
711	GNMA POOL #0217956	10.00%	11/15/2017	748	715
8,552	GNMA POOL #0221509	9.00%	12/15/2016	8,842	9,691
8,599	GNMA POOL #0223282	9.00%	05/15/2018	8,971	10,080
2,966	GNMA POOL #0223307	9.00%	04/15/2018	3,094	2,984
4,260	GNMA POOL #0226529	9.00%	06/15/2018	4,443	4,993

FIXED INCOME PORTFOLIO
YEAR ENDED JUNE 30, 2011

PAR VALUE	DESCRIPTION	COUPON RATE	MATURITY	COST	FAIR VALUE
U.S. GOVERNMENT SECURITIES					
2,415	GNMA POOL #0227210	9.00%	09/15/2017	2,508	2,764
2,467	GNMA POOL #0228184	9.00%	05/15/2018	2,574	2,891
298	GNMA POOL #0228233	9.00%	05/15/2018	309	300
6,232	GNMA POOL #0229731	9.00%	07/15/2017	6,474	7,133
5,482	GNMA POOL #0234450	9.00%	04/15/2018	5,711	6,425
261	GNMA POOL #0234695	10.00%	12/15/2017	276	263
4,919	GNMA POOL #0234937	9.00%	03/15/2018	5,128	5,766
3,556	GNMA POOL #0235280	9.00%	04/15/2018	3,709	3,603
6,814	GNMA POOL #0236041	10.00%	11/15/2017	7,146	7,663
3,526	GNMA POOL #0236835	10.00%	11/15/2017	3,698	3,549
566	GNMA POOL #0236939	9.00%	04/15/2018	590	570
15,610	GNMA POOL #0237138	10.00%	10/15/2017	16,539	17,593
2,147	GNMA POOL #0237195	9.00%	06/15/2018	2,231	2,173
485	GNMA POOL #0238133	9.00%	04/15/2018	503	549
5,319	GNMA POOL #0238600	10.00%	11/15/2017	5,571	5,379
2,651	GNMA POOL #0247506	9.00%	01/15/2020	2,782	3,140
1,566	GNMA POOL #0248951	9.00%	05/15/2018	1,634	1,835
16,495	GNMA POOL #0249621	9.00%	05/15/2018	17,202	19,335
4,400	GNMA POOL #0252052	9.00%	06/15/2018	4,545	4,450
16,370	GNMA POOL #0252055	9.00%	06/15/2018	17,086	19,188
1,283	GNMA POOL #0252306	9.00%	04/15/2018	1,336	1,291
1,732	GNMA POOL #0252538	9.00%	05/15/2018	1,805	2,030
1,750	GNMA POOL #0257869	9.00%	09/15/2019	1,836	2,062
705	GNMA POOL #0262845	9.00%	03/15/2020	740	835
10,873	GNMA POOL #0266545	9.00%	01/15/2019	11,366	12,809
10,537	GNMA POOL #0271090	9.00%	10/15/2019	11,040	12,412
3,937	GNMA POOL #0273548	9.00%	09/15/2019	4,129	4,637
7,910	GNMA POOL #0274140	9.00%	09/15/2019	8,292	9,318
2,006	GNMA POOL #0277907	9.00%	11/15/2019	2,105	2,363
3,063	GNMA POOL #0284420	9.00%	02/15/2020	3,215	3,081
2,543	GNMA POOL #0285593	9.00%	02/15/2020	2,670	3,012
4,083	GNMA POOL #0286371	9.00%	02/15/2020	4,278	4,115
4,323	GNMA POOL #0287851	9.00%	04/15/2020	4,543	5,121
4,108	GNMA POOL #0290000	9.00%	04/15/2020	4,312	4,866
3,617	GNMA POOL #0290057	9.00%	06/15/2020	3,803	3,773
3,445	GNMA POOL #0298952	9.00%	04/15/2021	3,627	4,105
1,254	GNMA POOL #0304625	9.00%	03/15/2021	1,320	1,494
3,055	GNMA POOL #0305187	9.00%	06/15/2021	3,220	3,641
4,866	GNMA POOL #0319521	8.00%	02/15/2022	5,113	5,612
7,461	GNMA POOL #0330725	8.00%	07/15/2022	7,856	8,777
24,664	GNMA POOL #0337419	7.00%	06/15/2023	25,728	28,606
12,669	GNMA POOL #0345731	8.00%	05/15/2024	13,372	14,992
5,647	GNMA POOL #0352219	8.00%	04/15/2023	5,949	6,664
34,240	GNMA POOL #0352964	7.00%	05/15/2024	35,732	39,791

FIXED INCOME PORTFOLIO
YEAR ENDED JUNE 30, 2011

PAR VALUE	DESCRIPTION	COUPON RATE	MATURITY	COST	FAIR VALUE
U.S. GOVERNMENT SECURITIES					
54,633	GNMA POOL #0366756	7.00%	03/15/2024	57,009	63,492
35,561	GNMA POOL #0371734	7.00%	04/15/2024	37,107	41,327
59,887	GNMA POOL #0375887	7.00%	05/15/2024	62,502	69,598
82,786	GNMA POOL #0377589	7.50%	08/15/2025	86,803	96,957
30,906	GNMA POOL #0386030	7.00%	05/15/2024	32,253	35,917
14,130	GNMA POOL #0386038	7.00%	06/15/2024	14,746	16,421
8,118	GNMA POOL #0390014	7.00%	06/15/2024	8,473	9,435
30,168	GNMA POOL #0391992	7.00%	03/15/2024	31,484	35,060
59,118	GNMA POOL #0398831	8.00%	08/15/2026	62,598	70,043
7,677	GNMA POOL #0402544	7.50%	04/15/2026	8,056	8,991
60,604	GNMA POOL #0403979	8.50%	10/15/2024	64,085	72,882
36,498	GNMA POOL #0405618	7.50%	04/15/2026	38,301	42,747
5,187	GNMA POOL #0406811	7.50%	01/15/2026	5,441	6,075
37,661	GNMA POOL #0421711	7.50%	04/15/2026	39,516	44,108
1,845	GNMA POOL #0427556	7.50%	03/15/2026	1,936	2,161
9,004	GNMA POOL #0427558	7.50%	04/15/2026	9,448	10,545
19,859	GNMA POOL #0429356	7.50%	03/15/2026	20,835	23,259
13,373	GNMA POOL #0430384	8.00%	08/15/2026	14,112	15,844
45,691	GNMA POOL #0432701	8.00%	06/15/2026	48,370	54,135
23,066	GNMA POOL #0433892	7.00%	07/15/2028	24,075	26,880
18,931	GNMA POOL #0434101	7.00%	12/15/2028	19,763	22,062
36,748	GNMA POOL #0434237	6.00%	03/15/2029	37,276	41,251
6,787	GNMA POOL #0438772	8.00%	08/15/2026	7,187	8,041
13,145	GNMA POOL #0439645	8.00%	09/15/2026	13,919	13,825
21,691	GNMA POOL #0450368	7.00%	08/15/2028	22,642	25,278
12,205	GNMA POOL #0458918	7.00%	08/15/2028	12,739	14,224
43,006	GNMA POOL #0464692	7.00%	07/15/2028	44,890	50,117
25,129	GNMA POOL #0466888	7.00%	07/15/2028	26,229	29,285
46,432	GNMA POOL #0469797	7.00%	12/15/2028	48,470	54,110
32,418	GNMA POOL #0470493	7.00%	06/15/2029	33,842	37,820
27,524	GNMA POOL #0472997	7.00%	06/15/2029	28,734	32,110
9,514	GNMA POOL #0475872	7.00%	07/15/2028	9,930	11,087
6,640	GNMA POOL #0478875	7.50%	11/15/2029	6,984	7,805
27,207	GNMA POOL #0478881	7.50%	11/15/2029	28,616	31,980
38,591	GNMA POOL #0482784	7.00%	10/15/2028	40,285	44,972
16,746	GNMA POOL #0485451	6.50%	05/15/2031	17,188	19,106
32,381	GNMA POOL #0486539	7.00%	09/15/2028	33,799	37,735
7,149	GNMA POOL #0486761	7.00%	12/15/2028	7,463	8,331
8,649	GNMA POOL #0487221	7.00%	05/15/2029	9,029	10,090
13,904	GNMA POOL #0487222	7.00%	05/15/2029	14,512	16,220
37,362	GNMA POOL #0493996	7.00%	07/15/2029	39,007	43,587
73,088	GNMA POOL #0499876	7.00%	06/15/2029	76,306	85,266
49,549	GNMA POOL #0499905	7.00%	05/15/2029	51,731	57,804
30,941	GNMA POOL #0499907	7.00%	05/15/2029	32,301	36,096

FIXED INCOME PORTFOLIO
YEAR ENDED JUNE 30, 2011

PAR VALUE	DESCRIPTION	COUPON RATE	MATURITY	COST	FAIR VALUE
U.S. GOVERNMENT SECURITIES					
44,502	GNMA POOL #0500931	7.00%	06/15/2029	46,774	51,917
171,249	GNMA POOL #0503019	6.00%	03/15/2029	173,704	192,236
138,707	GNMA POOL #0505728	7.00%	06/15/2029	144,808	161,818
15,033	GNMA POOL #0506075	7.00%	11/15/2029	15,694	17,537
36,524	GNMA POOL #0507496	7.00%	06/15/2029	38,132	42,610
16,017	GNMA POOL #0509328	7.00%	06/15/2029	16,720	18,685
5,609	GNMA POOL #0510100	7.00%	07/15/2029	5,856	6,544
5,590	GNMA POOL #0510302	7.00%	08/15/2029	5,836	6,521
28,662	GNMA POOL #0510958	7.00%	05/15/2029	29,922	33,438
7,952	GNMA POOL #0510983	7.00%	06/15/2029	8,302	9,276
40,032	GNMA POOL #0512888	7.00%	07/15/2029	41,797	46,702
32,926	GNMA POOL #0512915	7.00%	07/15/2029	34,376	38,412
22,789	GNMA POOL #0513367	7.00%	08/15/2029	23,793	26,586
3,978	GNMA POOL #0520045	6.50%	06/15/2031	4,083	4,539
40,724	GNMA POOL #0530203	6.50%	04/15/2031	42,156	46,464
80,269	GNMA POOL #0530611	6.50%	05/15/2031	83,095	91,582
79,043	GNMA POOL #0530631	6.50%	06/15/2031	81,829	90,184
19,286	GNMA POOL #0539629	6.50%	04/15/2031	19,963	22,004
37,547	GNMA POOL #0541464	6.50%	06/15/2031	38,536	42,839
25,448	GNMA POOL #0548963	6.50%	03/15/2031	26,120	29,034
89,008	GNMA POOL #0552514	6.50%	04/15/2032	91,347	101,553
246,980	GNMA POOL #0552518	6.50%	04/15/2032	253,473	281,789
37,358	GNMA POOL #0557424	6.50%	05/15/2031	38,344	42,623
23,852	GNMA POOL #0557467	6.50%	05/15/2031	24,482	27,214
79,489	GNMA POOL #0560189	6.50%	04/15/2031	81,586	90,692
150,599	GNMA POOL #0780076	8.00%	02/15/2025	159,258	177,818
178,667	GNMA POOL #0780220	7.50%	08/15/2025	191,154	209,340
6,573	GNMA POOL #0780896	7.00%	11/15/2028	6,868	7,657
26,671	GNMA POOL #0781129	7.00%	11/15/2028	27,866	31,069
10,163,939	**TOTAL US GOVERNMENT SECURITIES**			**10,191,004**	**10,693,513**

FIXED INCOME PORTFOLIO
YEAR ENDED JUNE 30, 2011

PAR VALUE	DESCRIPTION	COUPON RATE	MATURITY	COST	FAIR VALUE
CORPORATE BONDS					
432,094	ACA ABS LTD 144A	VAR	06/10/2041	92,267	4
383,246	ANADARKO FINANCE CO	7.50%	05/01/2031	396,522	442,675
574,868	ASSOCIATES CORP OF NORTH AMERI	6.95%	11/01/2018	540,964	648,526
958,114	AUST & NZ BANKING GROUP 144A	4.87%	01/12/2021	991,164	970,263
36,426	AUTO BD RECEIVABLES TR 94-A	6.40%	04/15/2009	36,426	-
383,246	AXA SA	8.60%	12/15/2030	370,202	456,599
383,246	BANK OF AMERICA CORP	5.75%	12/01/2017	351,429	407,497
2,491,096	BANK OF AMERICA NA	VAR	06/15/2017	2,155,505	2,214,709
383,246	BANK ONE CORP	8.00%	04/29/2027	375,819	477,386
5,267,912	BGI CORE ACTIVE BOND FUND			96,013,150	112,552,504
383,246	BURLINGTON RESOURCES FINANCE C	7.40%	12/01/2031	355,280	474,615
11,942,655	CAPITAL GUARDIAN EMERGING			11,497,365	11,942,655
2,373,305	CBO HLDGS III 04-3 CL A 144A	1.00%	06/01/2019	2,362,321	2,362,321
2,006,663	CBO HLDGS III 1A 04-1 C-2 144A	7.00%	02/10/2038	2,093,324	2,093,324
958,114	CITIGROUP INC	5.37%	08/09/2020	1,014,733	999,849
164,029	CONAGRA FOODS INC	9.75%	03/01/2021	187,953	212,263
287,434	CON-WAY INC	6.70%	05/01/2034	243,748	273,999
958,114	DEUTSCHE BK CAYMAN 2001-3 144A	VAR	04/30/2031	262,584	163,387
13,787,092	FRANKLIN TEMPLETON EMD			13,413,593	13,787,092
574,868	GENERAL ELECTRIC CAPITAL CORP	VAR	08/07/2018	510,832	535,294
958,114	GILEAD SCIENCES INC	4.50%	04/01/2021	975,825	959,704
9,581,138	GOLDENTREE HIGH YIELD VALUE			9,581,138	9,581,138
670,680	GOLDMAN SACHS GROUP INC/THE	6.75%	10/01/2037	704,622	670,666
9,581,138	GRACIE INTERNATIONAL CREDIT			9,581,138	9,581,138
1,883,652	HSBC FINANCE CORP	VAR	06/01/2016	1,749,202	1,785,683
7,916,099	IGUAZU PARTNERS LP			7,664,910	7,916,099
89,040	J P MORGAN RESI 02-R2 CL 3A1	6.00%	04/28/2026	90,055	91,733
958,114	MACQUARIE GROUP LTD	6.00%	01/14/2020	953,180	960,758
766,491	MORGAN STANLEY	5.95%	12/28/2017	686,132	824,016
1,916,228	MORGAN STANLEY	VAR	10/18/2016	1,751,073	1,764,060
70,559	MORGAN STANLEY ABS CAPI NC1 M2	VAR	11/25/2033	61,341	58,557
33,913	MORGAN STANLEY ABS CAPI NC2 M2	VAR	12/25/2033	28,284	21,530
503,010	MURPHY OIL CORP	7.05%	05/01/2029	504,353	575,509
383,246	NATIONAL RURAL UTILITIES COOPE	8.00%	03/01/2032	429,589	499,518
383,246	NEXEN INC	6.40%	05/15/2037	347,637	382,291
766,491	NORTH STREET REFERENCED LINKED	VAR	08/30/2030	687,022	687,022
929,370	PACIFIC BELL TELEPHONE CO	7.37%	07/15/2043	942,248	980,235
1,006,019	PREMIUM ASSET TR ACA 144A	VAR	11/05/2008	1,006,019	-
2,874,341	SECURITY MUT LIFE INS CO 144A	9.37%	12/15/2016	2,981,662	2,981,662
4,779,186	SJC DIRECT LENDING			4,776,761	4,779,186
31,983	SPDR BARCLAYS CAPITAL INTERNAT			1,897,406	1,975,613
1,916,228	TRAINER WORTHAM FIRST A3L 144A	VAR	04/10/2037	1,348,318	1,348,318

FIXED INCOME PORTFOLIO
YEAR ENDED JUNE 30, 2011

PAR VALUE	DESCRIPTION	COUPON RATE	MATURITY	COST	FAIR VALUE
CORPORATE BONDS					
383,246	UNITED UTILITIES PLC	4.55%	06/19/2018	352,979	388,760
383,246	UNITEDHEALTH GROUP INC	6.50%	06/15/2037	426,152	419,041
343,015	VANGUARD TOTAL BOND MARKET ETF			27,392,702	27,839,104
958,114	VERIZON MARYLAND INC	7.15%	05/01/2023	954,387	1,015,773
1,532,982	WACHOVIA CORP	VAR	06/15/2017	1,417,934	1,434,243
96,327,903	**TOTAL CORPORATE BONDS**			**212,557,250**	**230,536,319**
106,491,842	**TOTAL FIXED INCOME PORTFOLIO**			**222,748,254**	**241,229,832**

CREDIT OPPORTUNITIES PORTFOLIO
YEAR ENDED JUNE 30, 2011

DESCRIPTION	COST	FAIR VALUE	UNREALIZED GAIN (LOSS)
BLACKROCK MORTGAGE INVESTORS	10,446,050	14,600,454	4,154,404
CENTERBRIDGE	6,654,088	9,932,107	3,278,019
COMMERCE STREET INCOME PARTNER	7,363,858	9,385,360	2,021,502
EJF DEBT OPPORTUNITIES FUND	7,664,910	7,730,155	65,245
GS CREDIT OPPS FUND 2008	120,030	411,660	291,630
NISSWA FIXED INCOME FUND LP	5,748,683	7,521,977	1,773,294
OHA STRATEGIC CREDIT	3,942,124	6,119,462	2,177,338
PSPRS PNMAC MORTGOPP	24,910,958	24,251,962	(658,996)
PSPRS-APOLLO EUR NPL	9,688,794	13,864,368	4,175,574
STARK ABS OPPORTUNITIES MASTER	5,748,683	5,748,683	-
TENNENBAUM DIP	159,234	127,181	(32,053)
WATERSTONE MARKET NEUTRAL	7,664,910	8,480,931	816,021
WEST FACE LONG TERM OPP	7,664,910	7,768,029	103,119
TOTAL CREDIT OPPORTUNITIES PORTFOLIO	**97,777,232**	**115,942,329**	**18,165,097**

PRIVATE EQUITY PORTFOLIO
YEAR ENDED JUNE 30, 2011

DESCRIPTION	COST	FAIR VALUE	UNREALIZED GAIN (LOSS)
ABRY PARTNERS	2,521,408	3,724,824	1,203,416
APOLLO INVESTMENT FUND VII	5,172,602	8,618,806	3,446,204
AVALON VENTURES IX	728,166	648,761	(79,405)
BARING ASIA PRIVATE EQUITY V	21,811	48,401	26,590
BLACKSTONE CAPITAL PARTNERS V	4,289,785	4,777,010	487,225
CASTLE CREEK	3,089,752	4,123,758	1,034,006
CENTERBRIDGE CAPITAL PARTNERS	994,306	994,306	-
CHARLESBANK EQUITY FUND VII	1,743,190	1,894,903	151,713
CORTEC GROUP FUND V LP	9,197	9,197	-
DAG VENTURES II CO-INVEST	3,626,038	1,286,630	(2,339,408)
DAG VENTURES II DIRECT	1,009,041	877,728	(131,313)
DAG VENTURES III CO-INVEST	2,387,006	2,463,018	76,012
DAG VENTURES III DIRECT	2,465,202	2,501,677	36,475
DAG VENTURES IV CO-INVEST LP	4,071,984	4,907,545	835,561
DAG VENTURES IV LP	3,949,762	4,433,109	483,347
DFJ MERCURY II	1,724,605	2,038,201	313,596
DRUG RYLTY II CO=INV	556,400	647,655	91,255
DRUG RYLTY II DIRECT	469,296	386,464	(82,832)
INSIGHT EQUITY II	1,518,387	1,436,964	(81,423)
INSIGHT EQUITY MEZZANINE I	45,156	46,052	896
ISHARES RUSSELL 2000 INDEX FUN	11,953,227	15,888,576	3,935,349
JMI EQUITY FUND VII LP	424,034	418,732	(5,302)
LADDER	3,697,469	4,342,992	645,523
LITTLEJOHN FUND IV	1,417,451	1,733,257	315,806
LONGWORTH VP III	1,119,077	995,070	(124,007)
MESIROW CAPITAL PARTNERS IX	3,047,947	2,791,056	(256,891)
MIDOCEAN PARTNER III CO-INVEST	526,963	499,896	(27,067)
MIDOCEAN PARTNER III DIRECT	4,632,898	4,143,712	(489,186)
MILLENNIUM TECHNOLOGY	938,952	818,317	(120,635)
PENINSULA EQUITY PARTNERS	722,598	506,952	(215,646)
PROSPECTOR EQUITY CAPITAL	640,131	467,985	(172,146)
SPDR S&P 500 ETF TRUST	9,026,731	10,014,228	987,497
STEPSTONE AZ SECONDARY	6,260,843	8,565,169	2,304,326
STERLING GROUP PARTNERS III	475,375	386,112	(89,263)
TOWERBROOK INVESTORS III	2,282,970	3,353,304	1,070,334
TRIDENT V LP	1,485,156	1,493,013	7,857
VALLEY VENTURES III	1,521,505	685,408	(836,097)
VALLEY VENTURES III ANNEX	494,182	268,914	(225,268)
TOTAL PRIVATE EQUITY PORTFOLIO	**91,060,603**	**103,237,702**	**12,177,099**

REAL ASSETS PORTFOLIO
YEAR ENDED JUNE 30, 2011

DESCRIPTION	COST	FAIR VALUE	UNREALIZED GAIN (LOSS)
ALTERNA I	3,810,242	4,557,144	746,902
BLUEGOLD CAPITAL FUND LTD	2,299,473	2,171,466	(128,007)
CONSERVATION FORESTRY FUND I	3,836,027	3,961,491	125,464
CONSERVATN FOREST II	3,980,979	4,035,639	54,660
ENERGY SELECT SECTOR SPDR FUND	1,653,304	1,602,704	(50,600)
GEOSPHERE	3,832,455	4,162,180	329,725
HAWKER CAPITAL HARRIER FUND	3,832,455	3,379,075	(453,380)
HELIOS SUNBEAM OPPORTUNITIES	3,832,455	4,075,826	243,371
JP MORGAN AIRRO FUND	2,905,916	2,844,326	(61,590)
MACQUARIE EUR INFRASTRUCT III	3,998,204	4,963,046	964,842
MACQUARIE INFRASTRUCTURE II US	2,597,989	3,236,318	638,329
MARKET VECTORS - AGRIBUSINESS	2,920,096	2,782,995	(137,101)
ORG SECONDARY - REAL ASSETS	5,124,031	7,283,495	2,159,464
US 10YR NOTE FUTURE (CBT)	-	(359)	(359)
US 5YR TREAS NTS FUT(CBT)	-	73	73
US TREAS BD FUTURE (CBT)	-	(1,437)	(1,437)
US TREAS-CPI	2,135,334	2,138,741	3,407
US TREAS-CPI INFLAT	1,903,382	1,915,597	12,215
US TREAS-CPI INFLATION INDEX	14,320,448	14,371,275	50,827
US ULTRA BOND (CBT)	-	108	108
VIRIDIAN FUND LTD	2,299,473	2,478,415	178,942
TOTAL REAL ASSETS PORTFOLIO	**65,282,263**	**69,958,118**	**4,675,855**

ABSOLUTE RETURN PORTFOLIO
YEAR ENDED JUNE 30, 2011

DESCRIPTION	COST	FAIR VALUE	UNREALIZED GAIN (LOSS)
DAVIDSON KEMPNER INSTITUTIONAL	9,581,138	9,986,428	405,290
LSV SPECIAL OPPORTUNITIES FUND	785,766	883,827	98,061
LUXOR CAPITAL PARTNERS	7,664,910	7,954,434	289,524
OZ DOMESTIC PARTNERS II LP	13,413,593	14,561,144	1,147,551
TOTAL ABSOLUTE RETURN PORTFOLIO	**31,445,407**	**33,385,833**	**1,940,426**

REAL ESTATE PORTFOLIO
YEAR ENDED JUNE 30, 2011

DESCRIPTION	COST	FAIR VALUE	UNREALIZED GAIN (LOSS)
ALCION II	624,100	472,771	(151,329)
APEX FUND I	11,225,541	10,136,255	(1,089,286)
APEX FUND II	1,928,712	2,209,936	281,224
APOLLO VEF VII DIR R	5,063,869	4,450,217	(613,652)
BREP VI	9,989,244	12,342,378	2,353,134
CLSA FUDO CAP II	2,268,857	2,470,705	201,848
COLGATE WILLOW SPRINGS	821,103	821,103	-
DESERT TROON	61,619,486	45,922,041	(15,697,445)
H2 CREDIT PARTNERS	7,664,910	8,282,116	617,206
HARRISON ST RE	12,265,753	11,691,263	(574,490)
HARRISON ST RE COINV	1,437,171	1,636,217	199,046
LUBERT ADLER FD VI B	1,293,454	1,293,454	-
ORG SECONDARY FUND	3,666,839	4,335,820	668,981
OWH BERKANA DEV	15,330	15,330	-
OWH BERKANA HLD	2,879,859	2,310,805	(569,054)
PEBBLECREEK	7,291,246	7,123,576	(167,670)
PIVOTAL EQUITY	479,057	527,411	48,354
PSPRS-CATALYST EURO	3,393,892	1,294,730	(2,099,162)
PSPRS-IRONPOINTRE	7,311,197	7,283,913	(27,284)
PSPRS-MOUNT GRANGE	3,726,525	3,400,132	(326,393)
PSPRS-WALTONMEXICO	5,269,626	3,902,582	(1,367,044)
WALTON FUND V	584,189	588,775	4,586
WHISP CANYON OWC	5,620,558	5,620,558	-
TOTAL REAL ESTATE PORTFOLIO	**156,440,518**	**138,132,088**	**(18,308,430)**

GTAA SECURITIES PORTFOLIO
YEAR ENDED JUNE 30, 2011

DESCRIPTION	COST	FAIR VALUE	UNREALIZED GAIN (LOSS)
ALL WEATHER PORTFOLIO	3,832,455	4,070,524	238,069
BLACKROCK GLOBAL ASCENT L	38,324,551	39,516,169	1,191,618
BLUE TREND FUND	19,162,276	21,763,988	2,601,712
BRIDGEWATER PURE ALPHA	37,690,413	52,303,314	14,612,901
TOTAL GTAA SECURITIES	**99,009,695**	**117,653,995**	**18,644,300**

THIS PAGE INTENTIONALLY BLANK

ACTUARIAL SECTION

GRS
Gabriel Roeder Smith & Company
Consultants & Actuaries
One Towne Square
Suite 800
Southfield, MI 48076-3723
248.799.9000 phone
248.799.9020 fax
www.gabrielroeder.com

November 7, 2011

The Board of Trustees
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, 2011 is to:

- Compute the liabilities associated with benefits likely to be paid on behalf of current retired and non-retired members.
- Compare assets with accrued liabilities to assess the funded condition.
- Compute the recommended employers' contribution for the Fiscal Year beginning July 1, 2012.

The valuation should not be relied upon for any other purpose.

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, 2011.

The valuation was based upon information furnished by the plan's administrative staff concerning Retirement System benefits, financial transactions, and active members, terminated members, retirees and beneficiaries. We checked the data for internal and year to year consistency, but did not otherwise audit the data. As a result, we do not assume responsibility for the accuracy or completeness of the data provided. The actuary summarizes and tabulates population data in order to analyze longer-term trends. The following schedules were provided to the administrative staff to be included in the "Actuarial Section" of the June 30, 2011 CAFR:

- Aggregate Actuarial Balance Sheet as of June 30, 2011
- Summary of Valuation Assumptions
- Solvency Test
- Summary of Active Member Data
- Summary of Retirees and Inactive Members
- Schedule of Experience Gain/(Loss) for year ended June 30, 2011

GRS
Gabriel Roeder Smith & Company
Consultants & Actuaries
One Towne Square
Suite 800
Southfield, MI 48076-3723
248.799.9000 phone
248.799.9020 fax
www.gabrielroeder.com

The Board of Trustees
November 7, 2011
Page 2

GRS did not prepare any of the schedules included in the "Financial Section" of the June 30, 2011 CAFR. However, we did provide certain pieces of information that were used in that section, such as the Actuarial Accrued Liability and the Actuarial Value of Assets.

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 Board of Trustees 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, 2011 valuations were based upon assumptions that were recommended in connection with a study of experience covering the 2001-2006 period. Future actuarial measurements may differ significantly from those presented in the valuations due to such factors as experience differing from that anticipated by the actuarial assumptions, changes in plan provisions, changes in actuarial assumptions or methods, or changes in applicable law. Please note the liabilities for the post retirement health insurance subsidy were calculated based on the same assumptions and actuarial cost methods as indicated for GASB Statement No. 25. It is our understanding that currently assets are not segregated to fund these liabilities. As a result, according to GASB Statement No. 45, these benefits may not be considered to be pre-funded. In that case the 8.25% interest rate assumption may not be appropriate. This issue should be discussed with the auditors and with legal counsel.

The continuing effect of prior asset losses was dampened by the 7-year smoothing period, and further offset by the effect of lower than assumed pay increases. There remains $163 million of unrecognized investment losses that will in the absence of other gains, drive the contribution rate up over the next several years.

The June 30, 2011 actuarial valuation reflected the following changes:

- Assumption and method changes:
  - Investment return was decreased from 8.50% to 8.25%
  - Wage inflation assumption was decreased from 5.5% to 5.0%
  - Funding method was changed from the Projection Unit Credit (PUC) method to the Entry Age Normal (EAN) method
- Benefit changes:
  - Effective May 31, 2011, no additional amounts are added to the COLA reserve. Any remaining balance in the COLA reserve will be used to pay future COLAs until the reserve is exhausted.
  - Member contributions for the fiscal year beginning July 1, 2012 are 8.41% (7.96% for Dispatch) of payroll or a 50% split between the member and employer rate whichever is lower; minimum member rate is 7.65% of pay; minimum employer rate is 6% of pay.

GRS

Gabriel Roeder Smith & Company
Consultants & Actuaries

One Towne Square
Suite 800
Southfield, MI 48076-3723

248.799.9000 phone
248.799.9020 fax
www.gabrielroeder.com

The Board of Trustees
November 7, 2011
Page 3

The actuaries submitting this statement are Members of the American Academy of Actuaries (M.A.A.A.), 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/MB:sc

AGGREGATE ACTUARIAL BALANCE SHEET
YEAR ENDED JUNE 30, 2011

ACTUARIAL ASSETS	2011
ACCRUED ASSETS	
Member Accumulated Contributions	353,891,614
Employer and Benefit Payment Reserves	949,906,178
Funding Value Adjustment	162,951,748
Total Accrued Assets	**1,466,749,540**
PROSPECTIVE ASSETS	
Member Contributions	309,141,578
Employer Normal Costs	227,105,439
Employer Unfunded Actuarial Accrued Liability	541,819,905
Total Prospective Assets	**1,078,066,922**
Total Actuarial Assets	**2,544,816,462**

ACTUARIAL PRESENT VALUES (LIABILITY)	
PENSIONS IN PAYMENT STATUS	
Pensions in payment status	823,664,284
PROSPECTIVE PAYMENTS	
Retirement Payments	1,543,913,804
Health Insurance Payments	79,993,802
Member Contribution Refunds	97,244,572
Pension Increase Reserve	-
Total Prospective Payments	**1,721,152,178**
Total Actuarial Present Values (Liabilities)	**2,544,816,462**

SUMMARY OF VALUATION ASSUMPTIONS

ECONOMIC ASSUMPTIONS
Interest Rate: 8.25% (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.

MORTALITY RATES AND LIFE EXPECTANCY
RETIRED MEMBERS

SAMPLE AGES	PROBABILITY OF DYING NEXT YEAR		FUTURE LIFE EXPECTANCY (YEARS)	
	MEN	WOMEN	MEN	WOMEN
50	.56%	.26%	28.39	31.42
55	.64%	.44%	24.16	26.89
60	.99%	.77%	20.00	22.58
65	1.65%	1.25%	16.09	18.55
70	2.73%	2.07%	12.54	14.82
75	4.69%	3.41%	9.42	11.50
80	8.05%	5.63%	6.81	8.62

MORTALITY RATES AND LIFE EXPECTANCY
ACTIVE MEMBERS

SAMPLE AGES	PROBABILITY OF DYING NEXT YEAR		FUTURE LIFE EXPECTANCY (YEARS)	
	MEN	WOMEN	MEN	WOMEN
50	.26%	.21%	30.38	34.23
55	.40%	.33%	25.80	29.63
60	.65%	.50%	21.37	25.17
65	.91%	.69%	17.09	20.84
70	3.04%	2.30%	13.27	16.96
75	5.21%	3.76%	10.55	14.17
80	8.97%	6.25%	8.74	12.26

Retirement Rates: Service related rates based on the following schedule

PERCENT OF ACTIVE MEMBERS RETIRING WITHIN YEAR
FOLLOWING ATTAINMENT OF INDICATED YEARS OF SERVICE

SERVICE IN YEARS	% RETIRING NEXT YEAR	SERVICE IN YEARS	% RETIRING NEXT YEAR	SERVICE IN YEARS	% RETIRING NEXT YEAR
20	30%	25	40%	30	30%
21	30%	26	40%	31	30%
22	25%	27	30%	32	65%
23	25%	28	15%	33	65%
24	25%	29	15%	34	100%

Active members are eligible to retire normally at any age with 20 years of service (25 years for dispatchers), at age 62 with 10 years of service, or when a combination of age and credited service is equal to or greater than 80 years.

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

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.

PAY INCREASE TIMING
Six months after the valuation date.

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.

	AGGREGATE ACCRUED LIABILITIES						
YEAR ENDED JUNE 30,	ACTIVE MEMBER CONT. $ (1)	RETIRANTS AND BENEFICIARIES $ (2)	ACTIVE MEMBERS (ER PORTION) $ (3)	VALUATION ASSETS AVAILABLE FOR BENEFITS $ (2)	PORTION OF ACCRUED LIABILITIES COVERED BY NET ASSETS AVAILABLE FOR BENEFITS (1)	(2)	(3)
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%	59.7%
2010	345,122	689,910	686,973	1,382,144	100.0%	100.0%	50.5%
2011	353,892	823,664	831,013	1,466,750	100.0%	100.0%	34.8%

See Schedule of Funding Progress in the Required Supplementary Information.

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 14,565 active members in the Plan as of June 30, 2011, compared to 14,319 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. SALARY
< 25	926	14						940	$32,934
25-29	1,624	504	2					2,130	$36,355
30-34	1,076	866	218	2				2,162	$39,501
35-39	808	709	607	108				2,232	$42,100
40-44	663	532	504	367	60			2,126	$44,208
45-49	420	419	341	304	201	24		1,709	$45,337
50-54	305	332	307	214	139	61	10	1,368	$45,576
55-59	227	256	221	170	105	41	10	1,030	$45,787
60-69	123	175	150	104	58	32	9	651	$46,991
70+	38	65	53	28	22	9	2	217	$45,683
Total	**6,210**	**3,872**	**2,403**	**1,297**	**585**	**167**	**31**	**14,565**	**$41,829**

COMPARATIVE SCHEDULE

YEAR ENDED JUNE 30,	ACTIVE MEMBERS	PAYROLL +000	AGE (YEARS)	SERVICE (YEARS)	AVERAGE SALARY	INCREASE IN AVG. PAY
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%
2010	14,319	616,481	40.3	7.8	43,053	-0.5%
2011	14,565	609,243	40.1	7.7	41,829	-2.8%

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
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
2010	52	369	2,908	850,373	11,529,838	69,769,056	18.1%	23,992
2011	48	396	3,256	880,983	12,749,577	81,637,650	17.0%	25,073

**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, 2011, there were 1,300 inactive members in the Plan who had not withdrawn their accumulated member contributions. They are broken down by attained age and years of service as follows:

INACTIVE MEMBERS

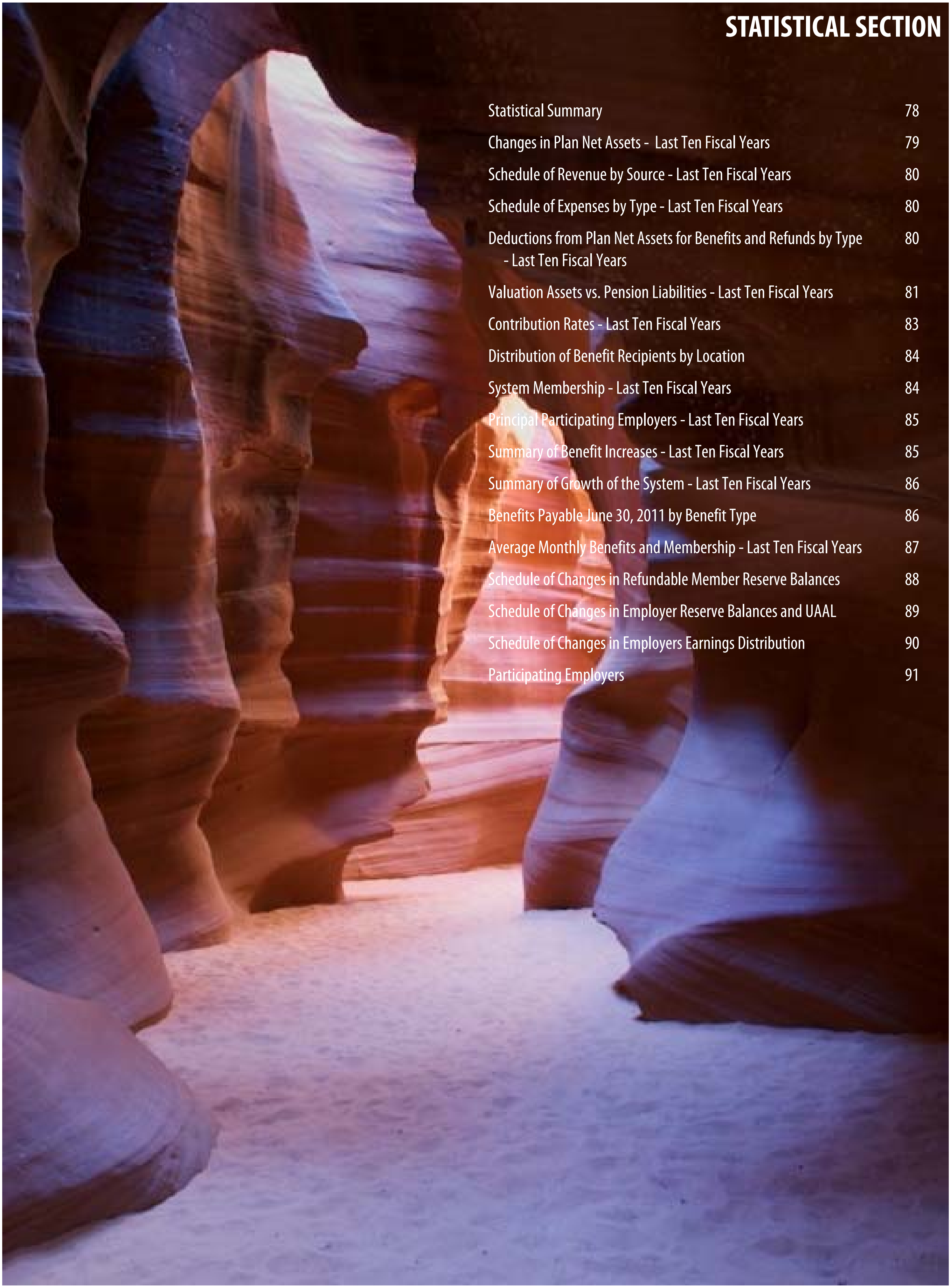
ATTAINED AGE	YEARS OF SERVICE TO VALUATION DATE 0-4	5-9	10-14	15-19	20+	TOTAL
< 30	71					**71**
30-39	451	56	15			522
40-44	133	14	12	4		163
45-49	129	13	12	4	2	160
50-54	95	8	26	5	2	136
55-59	83	16	23	12	1	135
60-69	71	10	18	8	1	108
70 +	5					5
Total	**1,038**	**117**	**106**	**33**	**6**	**1,300**

SCHEDULE OF EXPERIENCE GAIN (LOSS)
YEAR ENDED JUNE 30, 2011

(1)	UAAL* at start of year	339,861,626
(2)	Normal cost from last valuation	92,997,730
(3)	Actual Contributions	103,670,636
(4)	Interest accrual	28,434,638
(5)	Expected UAAL before changes (1)+(2)-(3)+(4)	357,623,358
(6)	Change from benefit increases	21,989,010
(7)	Changes in actuarial methods & actuary	186,735,447
(8)	Change in Reserve for future pension increases	(20,327,235)
(9)	Expected UAAL after changes: (5) + (6) + (7) + (8)	546,020,580
(10)	Actual UAAL at end of year	541,819,905
(11)	**Experience Gain (Loss) (9)-(10)**	**4,200,675**

** Unfunded Actuarial Accrued Liability*

THIS PAGE INTENTIONALLY BLANK



STATISTICAL SECTION

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)

	2011	2010	2009	2008	2007
ADDITIONS					
Member Contributions	$ 50,891	$ 54,481	$ 53,098	$ 111,098	$ 41,355
Employer Contributions	52,003	54,437	56,015	150,729	24,623
Net Investment Gain (Loss)	193,212	129,267	(216,314)	(68,040)	144,850
Member Service Purchase	777	733	429	871	930
Transfers IN	242	543	352	3,217	456
Total Additions (Reductions)	**297,125**	**239,461**	**(106,419)**	**197,875**	**212,214**
DEDUCTIONS					
Pension & Insurance Benefits	79,058	66,412	57,697	51,046	41,630
Refunds To Terminated Members	24,928	19,775	14,879	16,212	16,634
Administrative Expenses	1,185	915	1,065	1,103	732
Transfers OUT	945	586	512	864	2,063
Total Deductions	**106,116**	**87,688**	**74,153**	**69,225**	**61,060**
NET INCREASE (DECREASE)	**191,009**	**151,773**	**(180,572)**	**128,650**	**151,155**
NET ASSETS HELD IN TRUST					
Beginning of Fiscal Year, July 1	1,112,789	961,016	1,141,588	1,012,938	861,783
End of Fiscal Year, June 30	**$ 1,303,798**	**$1,112,789**	**$961,016**	**$1,141,588**	**$1,012,938**

	2006	2005	2004	2003	2002
ADDITIONS					
Member Contributions	$ 37,134	$ 34,590	$ 31,338	$ 30,331	$ 29,532
Employer Contributions	24,028	16,292	14,555	7,398	7,101
Net Investment Gain (Loss)	64,198	66,277	91,300	35,698	(100,518)
Member Service Purchase	994	719	0	0	0
Transfers IN	1,234	1,071	1,460	3,189	1,325
Total Additions (Reductions)	**127,588**	**118,948**	**138,653**	**76,616**	**(62,559)**
DEDUCTIONS					
Pension & Insurance Benefits	36,709	31,098	26,624	22,507	17,576
Refunds To Terminated Members	15,741	16,653	14,053	16,023	14,271
Administrative Expenses	674	922	541	427	397
Transfers OUT	1,555	637	1,139	1,049	2,060
Total Deductions	**54,679**	**49,310**	**42,357**	**40,006**	**34,305**
NET INCREASE (DECREASE)	**72,909**	**69,639**	**96,297**	**36,610**	**(96,864)**
NET ASSETS HELD IN TRUST					
Beginning of Fiscal Year, July 1	788,874	719,235	622,939	586,328	683,192
End of Fiscal Year, June 30	**$861,783**	**$788,874**	**$719,235**	**$622,939**	**$586,328**

FINANCIAL TRENDS

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

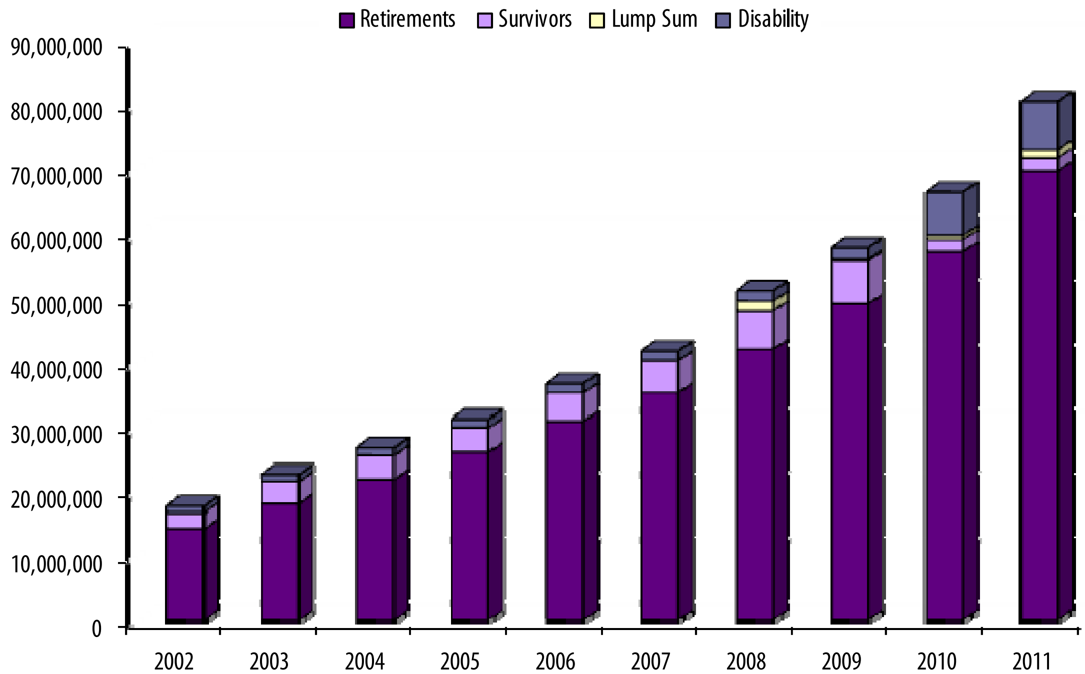
YEAR ENDING JUNE 30,	MEMBER CONT.	EMPLOYER CONT.	% OF COVERED PAYROLL	INVESTMENT INCOME (LOSS)	TRANSFERRED IN FROM OTHER PLANS	TOTAL
2002	29,532,366	7,101,112	1.15%	(100,518,025)	1,325,465	(62,559,082)
2003	30,330,914	7,397,595	1.71%	35,698,266	3,189,325	76,616,100
2004	31,337,579	14,555,335	3.95%	91,300,470	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)
2010	54,480,961	54,437,078	7.49%	129,267,190	1,276,087	239,461,316
2011	50,891,168	52,002,731	8.57%	193,212,289	1,018,286	297,124,474

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
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
2010	66,411,778	915,378	19,774,873	586,100	87,688,129
2011	79,058,399	1,184,756	24,927,660	945,170	106,115,985

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

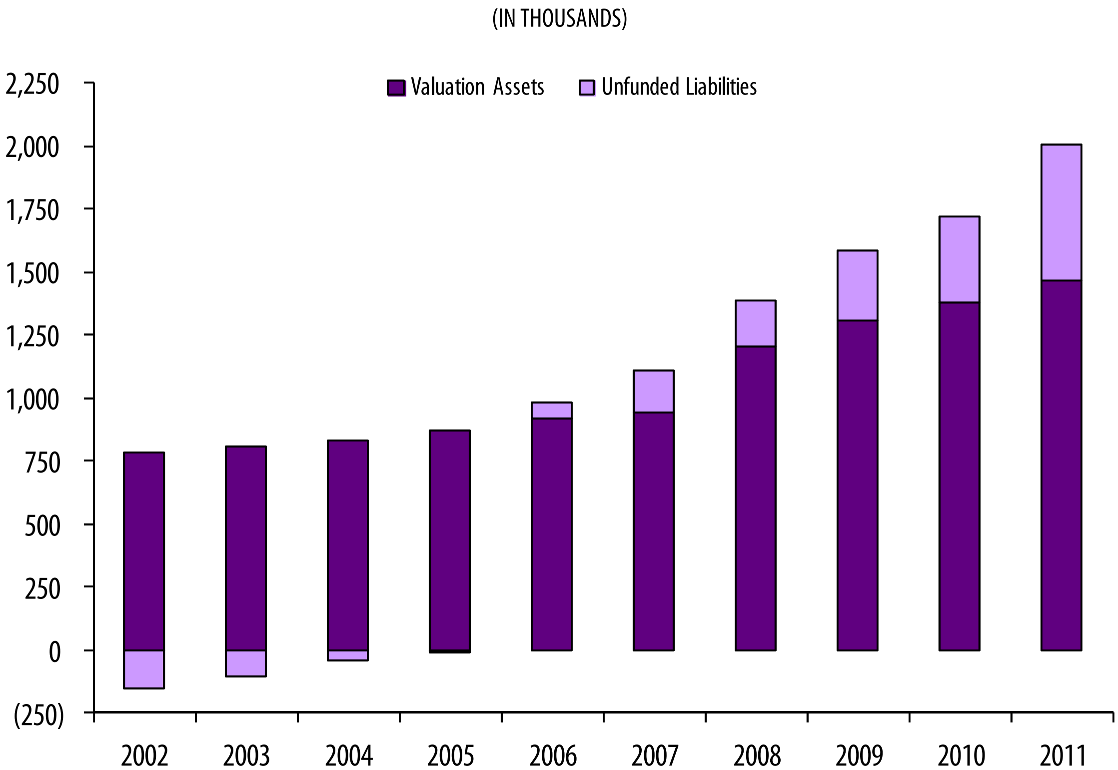
YEAR ENDING JUNE 30,	NORMAL BENEFITS	SURVIVOR BENEFITS	DISABILITY BENEFITS	HEALTH INSURANCE SUBSIDY	DROP BENEFITS	TOTAL BENEFITS	REFUNDS
2002	12,301,106	2,494,885	986,621	1,793,839	-	17,576,451	14,271,104
2003	15,678,608	3,469,345	1,045,433	2,313,406	-	22,506,792	16,022,697
2004	19,442,835	3,677,576	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
2010	54,722,001	6,740,427	1,914,842	2,372,104	662,404	66,411,778	19,774,873
2011	65,448,261	7,467,220	2,105,741	2,699,129	1,338,048	79,058,399	24,927,660



VALUATION ASSETS vs. PENSION LIABILITIES
INCLUDES HEALTH INSURANCE SUBSIDY
LAST TEN FISCAL YEARS
(IN THOUSANDS)

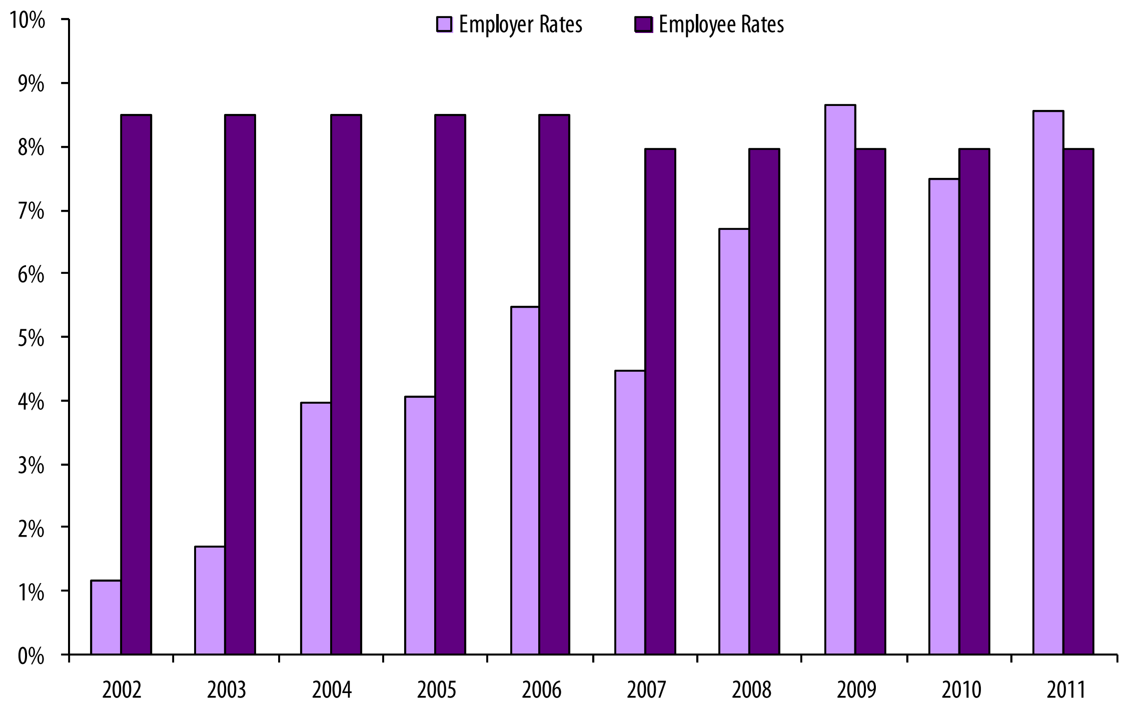
YEAR ENDING JUNE 30,	VALUATION ASSETS	UNFUNDED LIABILITIES	ACCRUED LIABILITIES	FUNDED RATIO
2002	782,446	(150,208)	632,238	123.8%
2003	811,791	(102,493)	709,298	114.4%
2004	833,621	(37,846)	795,775	104.8%
2005	872,981	(9,190)	863,791	101.1%
2006	919,867	61,340	981,207	93.7%
2007	940,126	170,675	1,110,801	84.6%
2008	1,207,026	183,337	1,390,363	86.8%
2009	1,309,124	275,169	1,584,293	82.6%
2010	1,382,144	339,862	1,722,006	80.3%
2011	1,466,750	541,820	2,008,569	73.0%

FINANCIAL TRENDS



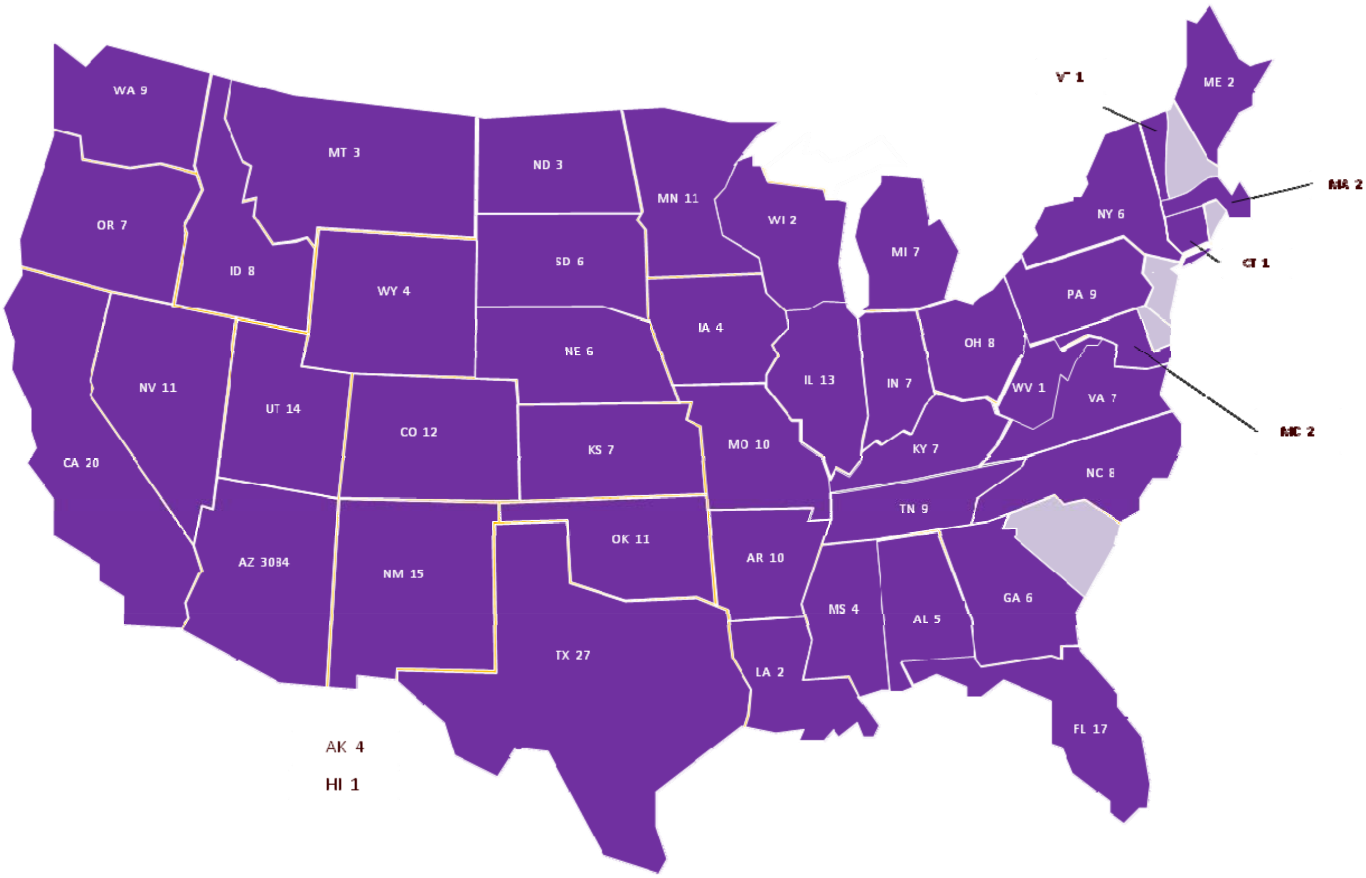
CONTRIBUTION RATES
LAST TEN FISCAL YEARS

YEAR ENDING JUNE 30,	AVERAGE EMPLOYER RATE	EMPLOYEE RATE
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%
2010	7.49%	7.96%
2011	8.57%	7.96%



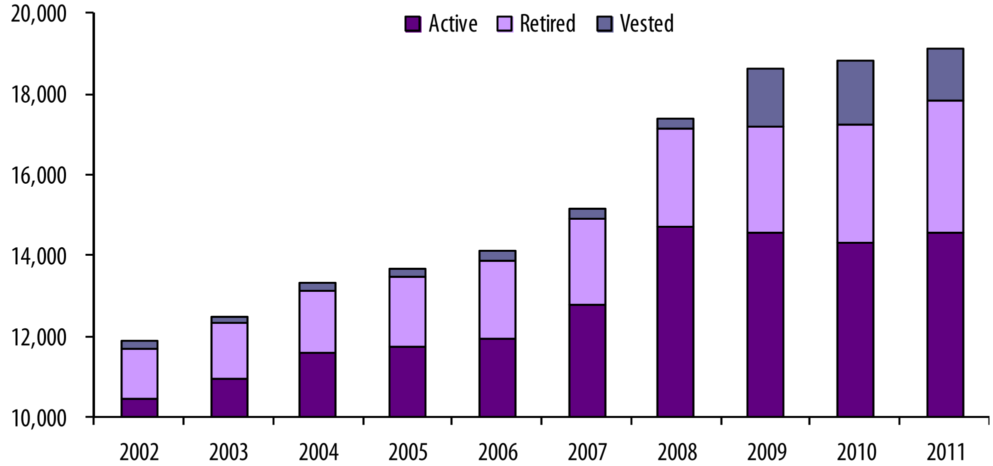
OPERATING INFORMATION

DISTRIBUTION OF BENEFIT RECIPIENTS BY LOCATION



MEMBERSHIP IN RETIREMENT SYSTEM
LAST TEN FISCAL YEARS

YEAR ENDING JUNE 30,	ACTIVE	BENEFICIARY RETIRED	TERMINATED VESTED	TOTAL
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
2010	14,319	2,908	1,601	18,828
2011	14,565	3,256	1,300	19,121



PRINCIPAL PARTICIPATING EMPLOYERS
LAST TEN FISCAL YEARS

	2011			2002		
EMPLOYER	**COVERED EMPLOYEES**	**RANK**	**% OF MEMBERSHIP**	**COVERED EMPLOYEES**	**RANK**	**% OF MEMBERSHIP**
State	9,014	1	61.89%	8,513	1	81.36%
Courts Admin. Office	1,989	2	13.66%	-	-	-
Maricopa County	1,925	3	13.22%	995	2	9.51%
Pima County	489	4	3.36%	387	3	3.70%
Pinal County	266	5	1.83%	-	-	-
Yavapai County	161	6	1.11%	130	5	1.24%
Yuma County	148	7	1.02%	146	4	1.40%
Mohave County	111	8	0.76%	69	7	0.66%
Coconino County	92	9	0.63%	81	6	0.77%
Gila County	64	10	0.44%	-	-	-
All Others	306		2.10%	143		1.37%
Total	**14,565**		**100.00%**	**10,464**		**100.00%**

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
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%
2010	4.47%	22,836,733	(21,264,230)	18,734,779	4.00%
2011	0.00%	0	(21,989,010)	-	4.00%

OPERATING INFORMATION

SUMMARY OF GROWTH OF THE SYSTEM
LAST TEN FISCAL YEARS

YEAR ENDING JUNE 30,	TOTAL ASSETS AT BOOK	INVESTMENT REALIZED EARNINGS	ASSUMED ACTUARIAL YIELD	NET EFFECTIVE YIELD	AVERAGE EMPLOYER RATE
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	1,057,808,935	(175,258,029)	8.50%	-13.04%	8.65%
2010	1,095,569,678	(322,346)	8.50%	1.50%	7.49%
2011	1,162,499,803	56,158,378	8.25%	6.43%	8.57%

BENEFITS PAYABLE JUNE 30, 2011
BY TYPE OF BENEFIT

PENSIONS BEING PAID	NO.	ANNUAL PENSIONS	AVERAGE PENSIONS
RETIRED MEMBERS			
Service Pensions	2,688	71,891,556	26,745
Disability Pensions	105	2,156,090	20,534
Total Retired Members	**2,793**	**74,047,646**	**26,512**
SURVIVORS OF MEMBERS			
Spouses	428	7,084,716	16,553
Children w/Guardians	35	505,288	14,437
Total Survivors of Members	**463**	**7,590,004**	**16,393**
TOTAL PENSIONS BEING PAID	**3,256**	**81,637,650**	**25,073**

	AVERAGE AGE	AVERAGE SERVICE	AVG. AGE AT RETIREMENT
Normal retired members	63.1	19.5	56.8
Disability retired members	54.6	9.4	45.1
Spouse beneficiaries	64.2	11.7	51.8

AVERAGE MONTHLY BENEFIT AMOUNTS
LAST TEN FISCAL YEARS

YEAR ENDING JUNE 30,		YEARS OF CREDITED SERVICE BY CATEGORY							
		<5	5-10	10-15	15-20	20-25	25-30	30+	ALL MEMBERS
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
2010	Average monthly benefit	1,208	1,133	1,131	1,669	2,308	3,397	4,189	1,999
	Average final average salary								3,606
	Number of retirees	132	172	671	438	1,078	335	82	2,908
2011	Average monthly benefit	1,235	1,172	1,169	1,733	2,364	3,424	4,322	2,089
	Average final average salary								3,682
	Number of retirees	138	176	715	458	1,272	399	98	3,256

** 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, 2011

SYSTEM	2010 BALANCES	RESERVE TRANSFERS	CONTRIBUTIONS RECEIVED	WITHDRAWN MEMBERS	2011 BALANCES
ADMINISTRATIVE OFFICE OF THE COURTS	67,876,127	(5,522,585)	8,483,559	(1,645,785)	69,191,317
APACHE COUNTY - Detention	343,210	(46,975)	68,440	(18,285)	346,391
CITY OF AVONDALE - Detention	265,180	30,309	44,494	(28,820)	311,162
CITY OF SOMERTON - Dispatchers	143,475	(52,746)	18,901	-	109,630
COCHISE COUNTY - Detention	1,196,151	(61,891)	178,300	(21,423)	1,291,137
COCONINO COUNTY - Detention	1,701,621	(152,671)	271,406	(81,137)	1,739,220
DEPARTMENT OF CORRECTIONS - Detention	183,949,496	(11,231,415)	28,369,983	(10,335,218)	190,752,847
DEPARTMENT OF PUBLIC SAFETY	2,320,313	(163,297)	240,585	-	2,397,601
DEPT OF JUVENILE CORRECTIONS - Detention	14,808,538	(1,678,029)	1,875,173	(1,356,863)	13,648,820
GILA COUNTY - Detention	810,277	(21,703)	191,775	(76,703)	903,646
GILA COUNTY - Dispatchers	333,010	(131)	49,924	(42,919)	339,884
GRAHAM COUNTY - Detention	333,309	(32,950)	94,300	(19,369)	375,290
GRAHAM COUNTY - Dispatchers	165,664	(7,812)	30,304	-	188,157
MARICOPA COUNTY - Detention	45,968,656	(1,803,684)	7,188,583	(1,463,078)	49,890,477
MOHAVE COUNTY - Detention	1,064,639	(31,707)	294,944	(114,207)	1,213,669
NAVAJO COUNTY - Detention	713,020	(12,611)	167,035	(105,545)	761,900
PIMA COUNTY - Detention	11,222,566	(684,210)	1,716,768	(458,403)	11,796,722
PINAL COUNTY - Detention	5,349,450	(231,865)	1,113,394	(245,551)	5,985,427
PINAL COUNTY - Dispatchers	363,116	9,384	76,763	(8,642)	440,620
SANTA CRUZ COUNTY - Detention	305,134	(5,351)	92,226	(25,208)	366,802
TOWN OF MARANA - Dispatchers	244,500	(799)	45,460	(21,747)	267,413
TOWN OF ORO VALLEY - Dispatchers	304,584	-	40,735	-	345,318
TOWN OF WICKENBURG - Dispatchers	95,717	(24,495)	14,819	(6,524)	79,517
YAVAPAI COUNTY - Detention	2,988,868	(119,845)	510,869	(215,904)	3,163,988
YAVAPAI COUNTY - Dispatchers	190,517	(70,713)	27,992	(19,364)	128,432
YUMA COUNTY - Detention	2,238,395	20,912	461,173	(299,046)	2,421,435
TOTALS	**345,295,534**	**(21,896,878)**	**51,667,905**	**(16,609,742)**	**358,456,820**

SCHEDULE OF CHANGES IN EMPLOYER RESERVE BALANCES AND UNFUNDED ACTUARIAL ACCRUED LIABILITIES
FISCAL YEAR ENDED JUNE 30, 2011

SYSTEM	2010 BALANCES	RESERVE TRANSFERS	CONTRIB RECEIVED	PENSION PAYMENTS	SUBSIDY PAYMENTS	ENHANCED REFUNDS	DIST. OF EARNINGS	2011 BALANCES	UNFUNDED AAL 2010
ADMINISTRATIVE OFFICE OF THE COURTS	131,079,579	5,492,828	11,378,729	(9,907,429)	(237,906)	(823,760)	34,971,388	171,953,429	91,374,993
APACHE COUNTY - Detention	770,560	43,581	45,810	(59,867)	(450)	0	195,069	994,704	59,630
CITY OF AVONDALE - Detention	228,292	32,181	31,743	0	0	(2,480)	94,468	384,205	73,040
CITY OF SOMERTON - Dispatchers	155,325	33,924	19,661	(5,285)	(300)	0	52,808	256,132	184,041
COCHISE COUNTY - Detention	2,943,646	61,891	135,895	(320,902)	(5,053)	(1,790)	711,689	3,525,377	818,437
COCONINO COUNTY - Detention	2,634,713	52,762	164,577	(97,620)	(5,795)	0	761,718	3,510,355	(324,945)
DEPARTMENT OF CORRECTIONS - Detention	432,225,816	10,728,330	27,882,707	(46,590,897)	(1,908,738)	(5,519,166)	105,635,728	522,453,779	176,830,129
DEPARTMENT OF PUBLIC SAFETY	2,983,032	163,297	196,761	(83,167)	(3,503)	0	945,857	4,202,278	590,033
DEPT OF JUVENILE CORRECTIONS - Detention	41,494,931	1,483,029	1,599,302	(4,767,706)	(187,659)	(639,327)	9,403,431	48,386,002	12,165,283
GILA COUNTY - Detention	1,338,950	19,013	114,698	(45,867)	(645)	(21,358)	384,793	1,789,584	(102,280)
GILA COUNTY - Dispatchers	789,644	(55)	37,632	(14,748)	0	(8,603)	195,640	999,510	134,671
GRAHAM COUNTY - Detention	864,576	40,986	67,272	(79,843)	(2,580)	0	212,661	1,103,071	(10,238)
GRAHAM COUNTY - Dispatchers	209,942	(10,981)	19,035	0	0	0	67,483	285,478	(174,431)
MARICOPA COUNTY - Detention	93,542,416	1,717,603	6,470,357	(8,672,536)	(186,987)	(669,482)	24,308,414	116,509,786	38,923,358
MOHAVE COUNTY - Detention	3,159,457	31,707	172,812	(159,565)	(2,065)	(31,844)	743,079	3,913,581	(1,393,242)
NAVAJO COUNTY - Detention	1,572,341	50,401	124,989	(86,462)	0	(40,826)	402,924	2,023,366	(94,864)
PIMA COUNTY - Detention	28,556,370	724,669	1,892,336	(3,673,616)	(142,103)	(193,037)	6,796,986	33,961,606	17,629,559
PINAL COUNTY - Detention	8,245,804	303,999	722,976	(280,548)	(6,090)	(112,948)	2,456,184	11,329,377	644,030
PINAL COUNTY - Dispatchers	595,265	3,707	48,113	(50,729)	0	0	172,242	768,598	182,035
SANTA CRUZ COUNTY - Detention	1,298,866	(1,984)	54,834	(93,643)	0	0	278,722	1,536,794	(470,218)
TOWN OF MARANA - Dispatchers	211,056	(268)	28,555	0	0	(8,699)	82,317	312,962	73,642
TOWN OF ORO VALLEY - Dispatchers	548,761	0	49,536	(59,797)	(1,800)	0	149,799	686,500	337,361
TOWN OF WICKENBURG - Dispatchers	182,942	24,495	25,543	(23,817)	0	0	48,974	258,136	180,374
YAVAPAI COUNTY - Detention	4,872,583	119,845	423,575	(679,697)	(5,846)	(111,737)	1,350,429	5,969,151	2,474,733
YAVAPAI COUNTY - Dispatchers	316,324	70,713	21,100	(37,760)	0	0	86,809	457,186	(59,771)
YUMA COUNTY - Detention	6,672,578	7,585	274,183	(567,770)	(1,610)	(132,862)	1,517,923	7,770,027	(183,734)
TOTALS	**767,493,768**	**21,193,255**	**52,002,731**	**(76,359,270)**	**(2,699,129)**	**(8,317,918)**	**192,027,535**	**945,340,972**	**339,861,626**

SCHEDULE OF CHANGES IN EMPLOYER EARNINGS DISTRIBUTION
FISCAL YEAR ENDED JUNE 30, 2011

SYSTEM	2010 EMPLOYER RESERVE	2011 EMPLOYER RESERVE	2010 MEMBER RESERVE	2011 MEMBER RESERVE	COMBINED RESERVES	MEAN BALANCE	FACTOR	INVESTMENT EARNINGS
ADMINISTRATIVE OFFICE OF THE COURTS	131,079,579	136,982,041	67,876,127	69,191,317	405,129,064	101,282,266	18.212%	34,971,388
APACHE COUNTY - Detention	770,560	799,634	343,210	346,391	2,259,796	564,949	0.102%	195,069
CITY OF AVONDALE - Detention	228,292	289,737	265,180	311,162	1,094,371	273,593	0.049%	94,468
CITY OF SOMERTON - Dispatchers	155,325	203,325	143,475	109,630	611,754	152,939	0.028%	52,808
COCHISE COUNTY - Detention	2,943,646	2,813,688	1,196,151	1,291,137	8,244,622	2,061,155	0.371%	711,689
COCONINO COUNTY - Detention	2,634,713	2,748,637	1,701,621	1,739,220	8,824,190	2,206,048	0.397%	761,718
DEPARTMENT OF CORRECTIONS - Detention	432,225,816	416,818,052	183,949,496	190,752,847	1,223,746,211	305,936,553	55.011%	105,635,728
DEPARTMENT OF PUBLIC SAFETY	2,983,032	3,256,421	2,320,313	2,397,601	10,957,366	2,739,341	0.493%	945,857
DEPT OF JUVENILE CORRECTIONS - Detention	41,494,931	38,982,570	14,808,538	13,648,820	108,934,859	27,233,715	4.897%	9,403,431
GILA COUNTY - Detention	1,338,950	1,404,791	810,277	903,646	4,457,664	1,114,416	0.200%	384,793
GILA COUNTY - Dispatchers	789,644	803,870	333,010	339,884	2,266,408	566,602	0.102%	195,640
GRAHAM COUNTY - Detention	864,576	890,411	333,309	375,290	2,463,585	615,896	0.111%	212,661
GRAHAM COUNTY - Dispatchers	209,942	217,996	165,664	188,157	781,758	195,440	0.035%	67,483
MARICOPA COUNTY - Detention	93,542,416	92,201,372	45,968,656	49,890,477	281,602,920	70,400,730	12.659%	24,308,414
MOHAVE COUNTY - Detention	3,159,457	3,170,502	1,064,639	1,213,669	8,608,267	2,152,067	0.387%	743,079
NAVAJO COUNTY - Detention	1,572,341	1,620,442	713,020	761,900	4,667,704	1,166,926	0.210%	402,924
PIMA COUNTY - Detention	28,556,370	27,164,619	11,222,566	11,796,722	78,740,277	19,685,069	3.540%	6,796,986
PINAL COUNTY - Detention	8,245,804	8,873,193	5,349,450	5,985,427	28,453,874	7,113,469	1.279%	2,456,184
PINAL COUNTY - Dispatchers	595,265	596,356	363,116	440,620	1,995,357	498,839	0.090%	172,242
SANTA CRUZ COUNTY - Detention	1,298,866	1,258,073	305,134	366,802	3,228,875	807,219	0.145%	278,722
TOWN OF MARANA - Dispatchers	211,056	230,644	244,500	267,413	953,613	238,403	0.043%	82,317
TOWN OF ORO VALLEY - Dispatchers	548,761	536,701	304,584	345,318	1,735,364	433,841	0.078%	149,799
TOWN OF WICKENBURG - Dispatchers	182,942	209,163	95,717	79,517	567,338	141,835	0.026%	48,974
YAVAPAI COUNTY - Detention	4,872,583	4,618,722	2,988,868	3,163,988	15,644,160	3,911,040	0.703%	1,350,429
YAVAPAI COUNTY - Dispatchers	316,324	370,376	190,517	128,432	1,005,649	251,412	0.045%	86,809
YUMA COUNTY - Detention	6,672,578	6,252,104	2,238,395	2,421,435	17,584,512	4,396,128	0.790%	1,517,923
TOTALS	**767,493,768**	**753,313,437**	**345,295,534**	**358,456,820**	**2,224,559,560**	**556,139,890**	**100.000%**	**192,027,535**

PARTICIPATING EMPLOYERS

DEPARTMENT OF CORRECTIONS
DEPARTMENT OF JUVENILE CORRECTIONS
DEPARTMENT OF PUBLIC SAFETY - DISPATCHERS

CITY OF AVONDALE - DETENTION OFFICERS

APACHE COUNTY - AOC
COCHISE COUNTY - AOC
COCONINO COUNTY - AOC
GILA COUNTY - AOC
GRAHAM COUNTY - AOC
GREENLEE COUNTY - AOC
LA PAZ COUNTY - AOC
MARICOPA COUNTY - AOC
MOHAVE COUNTY - AOC
NAVAJO COUNTY - AOC
PIMA COUNTY - AOC
PINAL COUNTY - AOC
SANTA CRUZ COUNTY - AOC
YAVAPAI COUNTY - AOC
YUMA COUNTY - AOC

APACHE COUNTY - DETENTION OFFICERS
COCHISE COUNTY - DETENTION OFFICERS
COCONINO COUNTY - DETENTION OFFICERS
GILA COUNTY - DETENTION OFFICERS
GILA COUNTY - DISPATCHERS
GRAHAM COUNTY - DETENTION OFFICERS
GRAHAM COUNTY - DISPATCHERS
MARICOPA COUNTY - DETENTION OFFICERS
MOHAVE COUNTY - DETENTION OFFICERS
NAVAJO COUNTY - DETENTION OFFICERS
PIMA COUNTY - DETENTION OFFICERS
PINAL COUNTY - DETENTION OFFICERS
PINAL COUNTY - DISPATCHERS
SANTA CRUZ COUNTY - DETENTION OFFICERS
YAVAPAI COUNTY - DETENTION OFFICERS
YAVAPAI COUNTY - DISPATCHERS
YUMA COUNTY - DETENTION OFFICERS
CITY OF SOMERTON - DISPATCHERS
TOWN OF MARANA - DISPATCHERS
TOWN OF ORO VALLEY - DISPATCHERS
TOWN OF WICKENBURG - DISPATCHERS

THIS PAGE INTENTIONALLY BLANK