CORRECTIONS OFFICER RETIREMENT PLAN



28th COMPREHENSIVE ANNUAL FINANCIAL REPORT

A PENSION TRUST FUND OF THE STATE OF ARIZONA



FOR THE FISCAL YEAR ENDED JUNE 30, 2014

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-Eightth
Comprehensive Annual Financial Report

For the Fiscal Year Ended
June 30, 2014

Prepared by the Staff of PSPRS

Public Safety Personnel Retirement System
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Phoenix, AZ 85016
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Government Finance Officers Association

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, 2013

Executive Director/CEO

PUBLIC SAFETY PERSONNEL RETIREMENT SYSTEM
CORRECTIONS OFFICER RETIREMENT PLAN
ELECTED OFFICIALS' RETIREMENT PLAN
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Administration
Ryan Parham Chief Investment Officer
Jared A. Smout Deputy Administrator

March 3, 2015

The Honorable Douglas A. Ducey
Governor of the State of Arizona
Executive Tower
1700 W. Washington
Phoenix, Arizona 85007

Dear Governor Ducey:

The Board of Trustees (Board) of the Public Safety Personnel Retirement System (System) respectfully submits the twenty-eighth Comprehensive Annual Financial Report (CAFR) for the Corrections Officer Retirement Plan (CORP) for the fiscal year ended June 30, 2014 (FY'14), in accordance with the provisions of A.R.S. § 38-848. Under the direction of the Board, the primary responsibility for the integrity and objectivity of this CAFR and related financial data rests with the management of the Plan. It is a product of the collective efforts of the staff and is intended to provide complete and reliable information that will facilitate the management decision process and serve as a means for determining compliance with the Plan's governance and investment policies and legal requirements.

The financial statements were prepared in conformity with generally accepted accounting principles appropriate for government-sponsored defined benefit pension plans and have received a "clean" opinion from Heinfeld, Meech & Co., P.C., Certified Public Accountants and auditors for the Plan. This unmodified opinion can be found at the beginning of the Financial Section. Management believes that all other financial information included in this annual report is consistent with those financial statements.

Immediately following the Independent Auditor's report is Management's Discussion and Analysis (MD&A). It should be read in conjunction with this Letter of Transmittal. Also included in the report are the actuarial Certification Statement and the actuarial Balance Sheet from the June 30, 2014 Actuarial Valuation Report prepared by the Plan's actuary, Gabriel, Roeder, Smith & Co. (GRS).

History and Administration of the Plan

The Plan was established on July 1, 1986 by A.R.S. § 38-882, "in order to provide a uniform, consistent and equitable statewide program for those eligible corrections officers as defined by the plan" (A.R.S. § 38-900.01). In addition to state correctional officers, the Plan members also include county, city or town detention officers, dispatchers and probation officers. CORP is an agent multiple-employer defined benefit plan and is administered at the local level by 26 individual Local Boards in accordance with A.R.S. § 38-893. Each Local Board determines eligibility for membership, normal retirement benefits based on years of service, the annual benefit accrual rate and final average compensation; they also determine eligibility for disability benefits, survivor benefits for spouses and children, post-retirement adjustments and health insurance premium subsidies.

The contributions received from and benefits distributed for each local board are accounted for by the Board of Trustees through the administrative offices of the Plan. However, in accordance with A.R.S. § 38-848, the Board is not responsible for nor has the duty to review the actions or omissions of these Local Boards, but does have the discretion to seek review or rehearing (and does so) to protect the Plan as a whole. Additionally, although not part of the defined benefit plan, the Board also administers a separate cancer insurance program for members of the Plan.

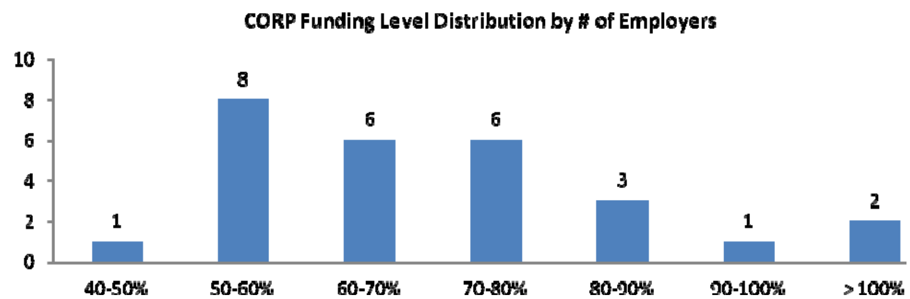
The Plan's Funding Status

As of fiscal year-end, the financial status of the CORP, as reflected in its funding ratio, decreased from 66.9% at June 30, 2013, to 59.0% at June 30, 2014. The primary contributor to this decline was the court-ordered reinstatement of the previous mechanism for funding permanent benefit increases (PBI). That mechanism was modified with the passage of SB 1609 in the Fiftieth Legislature, First Regular Session (2011), but was immediately challenged in the courts, along with other key pension reform initiatives, upon enactment. In February 2014, the Arizona Supreme Court affirmed the ruling of the Superior Court in the *Fields* case that changes made to the funding mechanism for PBIs were unconstitutional as applied to already retired members. As such, the liability associated with the reinstatement of the previous PBI mechanism, which included retroactive payments back to 2011, accounted for 6.8% of the overall 7.9% decline.

This PBI mechanism requires that in any year in which the Plan generates an investment return in excess of 9%, one-half of that excess return be diverted into the CORP Reserve for Future Benefit Increases. These Reserve assets finance the PBIs for all eligible beneficiaries. As such, these assets are not used to decrease the Plan's unfunded liabilities, and the unfunded liabilities continue to rise as additional PBIs are awarded. This creates a scenario in which higher investment returns create additional unfunded liabilities that outpace or outmatch the Fund's ability to accumulate assets necessary to cover these liabilities.

Another factor contributing to the funding level decline is the ongoing recognition of asset losses from fiscal years 2008, 2009 and 2012, which continue to offset any gains enjoyed over the past seven-year smoothing period. This accounted for 2.3% of the overall decline in the funding ratio. Fortunately, 2014, is the last year that the Plan will have to account for 2008 losses in our seven-year actuarial smoothing methodology. Unfortunately, the one-seventh share of fiscal 2009 losses that will need to be recognized next fiscal year is $46 million, which will, again, most assuredly impact future gains. Conversely, unexpected demographic changes allowed for a positive increase of 1.2% in the overall changes to the funding ratio.

While the numbers above are presented in the aggregate, it is important to remember that any aggregate number calculated for CORP is for comparison purposes only and does not necessarily reflect the most accurate picture of the Plan. Because CORP is an agent multiple-employer plan, it is comprised of 27 individual plans whose employers are responsible for their own assets and liabilities. As such, each individual plan has its own funding level. Therefore, a more appropriate representation of the Plan is a distribution of those employers by their individual funding status as shown by the following chart:

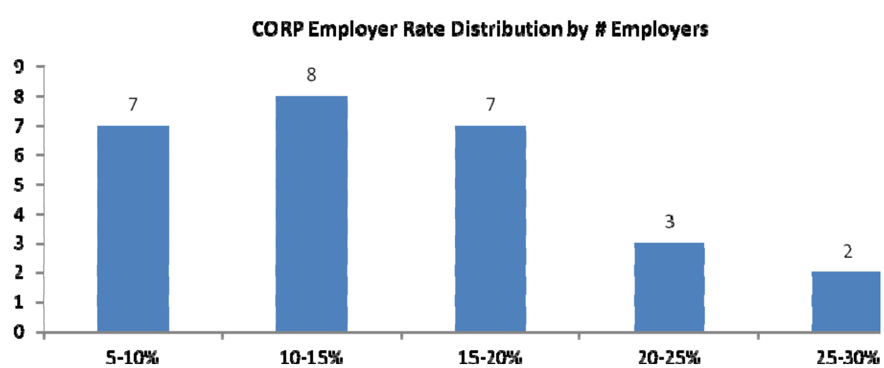


While the majority of the membership falls within the aggregate funding level range, it is worth noting that 44% of the employers are more than 70% funded. Additionally, 70% of the employers have funding levels higher than the aggregate funding level of 59.0%.

Member and Employer Contribution Rates

In addition to decreased funding levels, the reinstatement of the previous PBI funding mechanism has also resulted in increases to employer contribution rates. Currently, the aggregate employer rate is 14.46% and will increase to 18.21% beginning July 1, 2015. The full effect of reinstating this PBI mechanism accounted for 3.47% of that increase. However, anticipating the adverse effects of that reinstatement on the individual employer contribution rates, the Board of Trustees adopted a 3-year phase-in policy which gives employers the option of contributing at the rate that reflects the full effect of the PBI mechanism reinstatement (the before phase-in rate) or the rate that phases-in the effects over 3 years (the after phase-in rate). While it is recommended that the employers contribute at the before phase-in rate, the aggregate after phase-in rate is 15.04%, thereby offering some short-term relief to the employers.

Again, as with the funding level, the aggregate employer rate could be misinterpreted because each individual plan in CORP has its own employer contribution rate. Another distribution graph representing those individual rates is more informative:



Similar to the funding level results, about the same number of employers are faring better in their individual employer contribution rate than the aggregate rate calculated for the whole.

In contrast with the other two plans the Board oversees, the employee contribution rates for CORP were not increased with the enactment of SB 1609. Those rates remain at 7.96% for the dispatchers and 8.41% for all other members of the Plan. However, the same legal challenge (*Hall*) that could reverse its sister plans' employee contribution rates does put CORP's new PBI funding mechanism in jeopardy. Should the plaintiffs ultimately prevail, the previous PBI mechanism could also be made available to eligible active members, the outcome of which will exacerbate the declining funding levels and increasing employer contribution rates.

FY'14 Investment Results

While the Plan is administered at the local level, all assets managed by the Board of Trustees are pooled for investment purposes in accordance with A.R.S. § 38-848. The FY'14 investment return is 13.28%, net of fees. This is 543 basis points higher than the 7.85% actuarial assumed rate of return, but also 54 basis points lower than the 13.82% benchmark return for the Plan. Eleven of the Plan's asset classes had positive returns for the fiscal year; the only exception was "Real Estate" which had a -1.26% return. In addition, half of all the asset classes outperformed their respective benchmarks.

The investment strategy of the Board is directly impacted by the reinstated PBI funding mechanism. This funding mechanism effectively prevents funding level improvements and can adversely affect funding levels when benefit increases add to the liabilities that must be supported by the fund. Low funding levels result in low risk tolerance and provide incentive for investment strategies that seek modest and consistent returns. However, the portfolio diversification needed for this conservative strategy has proven to be more secure than and only half as risky as traditional conservative portfolios. This type of strategy continues to attract national interest and serious consideration by our peers who are reevaluating their risk levels.

New Developments and Management Initiatives

Our efforts over the past few years to increase communication and education with our Local Boards have been met with great success in helping them to better understand their duties and roles as administrators of their individual plans. Because of the increasing employer contribution rates and the heavier burden it has created, we have expanded these outreach efforts to focus more intently on the financial professionals and other decision makers at the local level, to assist with understanding the various components of their employer liabilities. Furthermore, we have begun assessing how we can provide broader, more robust communication channels and clear, concise messaging to those employers, our membership, and other interested stakeholders. This includes, but is not limited to, more outreach, website redesign, educational sessions and stakeholder meetings, to name a few.

Additionally, organizational efforts to become more efficient were begun in May by focusing more intently on our internal processes and procedures. To foster this process, construction continues on the *Knowledge|Information Management Portal*, a three-tiered, folder-based system for controlling the PSPRS operational documents and records. The portal enables enhanced organizational planning, execution and reporting. It integrates the processes and groups in the organization to create a uniform approach to document management and records retention, thereby increasing efficiency and strengthening decision making. Our goal over the next three to five years is to achieve *International Organization for Standardization (ISO)* Quality Certifications and apply for the Malcolm Baldrige Quality Award, the highest level of national quality recognition a U.S. organization can receive.

Finally, since late fall of 2013, we have been undergoing our sunset review and performance audit with the Office of the Auditor General. The collaborative relationship we have experienced with the Office over the past year has been very enlightening and is providing additional insight for more efficiencies and improvement. We look forward to the release of their report in fall 2015.

Certificate of Achievement

The Government Finance Officers Association (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the Plan for the CORP Comprehensive Annual Financial Report (CAFR) for the fiscal year ended June 30, 2013. This was the twentieth consecutive year that the Plan has achieved this prestigious award. In order to be awarded a Certificate, 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.

We believe our FY'14 CAFR continues to meet the Certificate of Achievement Program's requirements. We are, therefore, submitting it to the GFOA to determine its eligibility for a certificate.

Conclusion

Our goal as the Board of Trustees is to bring every individual plan to at least 100% funded within our closed amortization period of 22 years ending June 30, 2036. Doing so will gradually bring the employer rates down to levels required to only cover each year's incremental portion (the normal cost), without an additional component for previously liabilities (the unfunded actuarial accrued liability). Some individual plans have already reached this level and others are expected to follow at varying rates.

While the funding horizon has always been the timeframe for reaching a fully funded status, the reversal of certain pension reform provisions (and the threat of reversal of others) adds additional stress to employer contribution rates as the Plan progresses toward the funding goal. However, over the past year the Board has noticed a more concerted effort amongst management, employers and stakeholders to better understand the issues at hand and work together toward a solution. This includes internal and external efforts for increased efficiency, communication and education amongst these groups.

As members of the PSPRS Board of Trustees, we intend to continue our efforts to secure the long-term financial integrity of the Plan and to faithfully serve the interests of the Plan's participants and beneficiaries.

We appreciate the opportunity to serve the State of Arizona, its political subdivisions and CORP members and we look forward to continuing to serve as Trustees.

Respectfully submitted,

Brian P. 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

William C. Davis, Member
of the Board of Trustees

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BOARD OF TRUSTEES
(AS OF JUNE 30, 2014)

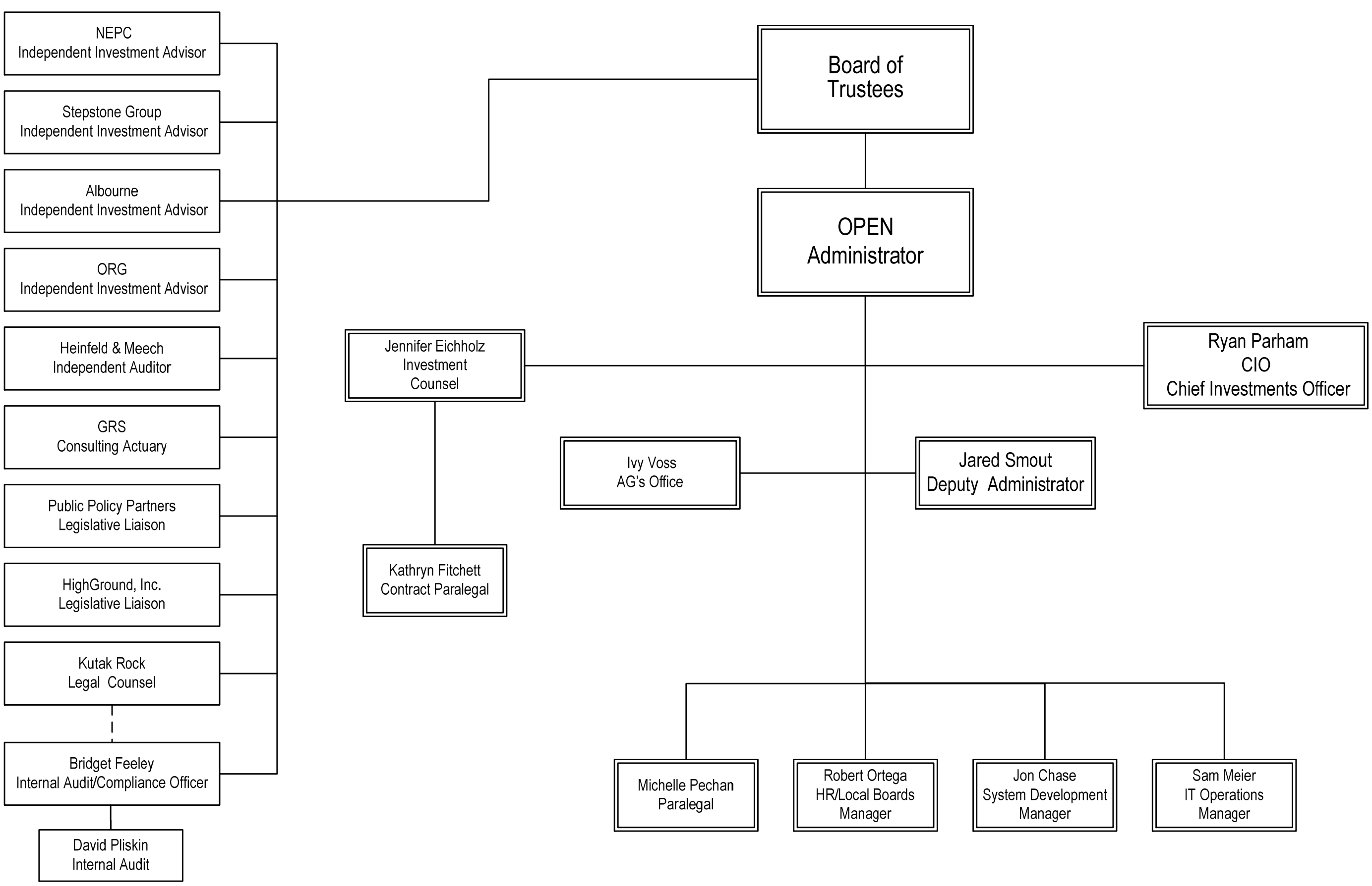
EXECUTIVE STAFF AND ORGANIZATIONAL CHART

Ryan Parham

Chief Investment Officer

Jared A. Smout

Deputy Administrator



PROFESSIONAL ADVISORS

ALBOURNE AMERICA, LLC	International Alternative Investment Consultant
BNY MELLON ASSET SERVICING	Independent Investment Advisor
BUCK CONSULTING, LLC	Compensation Consultant
COOLEY LLP	Investment Counsel
ERNST & YOUNG LLP	Investment Consultant
FOLEY & LARDNER, LLC	Investment Counsel
FOSTER PEPPER	Investment Counsel
GABRIEL ROEDER SMITH & COMPANY	Actuary
GOODWIN PROCTER	Legislative Liaison
HEINFELD, MEECH & CO.	Independent Auditor
HIGHGROUND, INC	Legislative Liaison
JACKSON WALKER LLP	Investment Counsel
KUTAK ROCK LLP	General Counsel
LIGHT STONE SOLUTIONS, LLC	Due Diligence
NEPC, LLC	Independent Investment Advisor
OFFICE OF THE ATTORNEY GENERAL	General Counsel
ORG PORTFOLIO MANAGEMENT LLC	Real Estate Consultant
OSAM INC.	IT Consultant
PATRICE ROBINSON CONSULTING	IT Consultant
PILLSBURY	Investment Counsel
PUBLIC POLICY PARTNERS	Legislative Liaison
ROPES & GRAY LLP	Investment Counsel
STEPSTONE GROUP LLC	Equity Advisors
STEPTOE & JOHNSON, LLP	Litigation Counsel

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.
CPAs and Business Consultants

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Tucson, Arizona 85704
Tel (520) 742-2611
Fax (520) 742-2718

INDEPENDENT AUDITOR'S REPORT

Board of Trustees
Public Safety Personnel Retirement System

Report on the Financial Statements

We have audited the accompanying financial statements of Corrections Officer Retirement Plan (CORP), a component unit of the State of Arizona, which comprise the Statement of Fiduciary Net Position as of June 30, 2014, and the related Statement of Changes in Fiduciary Net Position for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. 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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the net position of the Corrections Officer Retirement Plan, as of June 30, 2014, and the respective changes in its net position, for the year then ended in accordance with accounting principles generally accepted in the United States of America.

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www.heinfeldmeech.com

Change in Accounting Principle

As described in Note 1, CORP implemented the provisions of the Governmental Accounting Standards Board (GASB) Statement No. 67, *Financial Reporting for Pension Plans – an Amendment of GASB Statement No. 10 and No. 62*, for the year ended June 30, 2014, which represents a change in accounting principle. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis and the Required Supplementary Information, as listed in the table of contents under the Financial Section, be presented to supplement the financial statements. Such information, although not a part of the financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the 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 financial statements, and other knowledge we obtained during our audit of the 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.

Other Information

Our audit was conducted for the purpose of forming an opinion on the CORP's financial statements. The Introductory Section, Supporting Schedules Information, Investment Section, Actuarial Section and Statistical Section, as listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the financial statements.

The Supporting Schedules Information, as listed in the table of contents under the Financial Section, is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Supporting Schedules 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 financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 3, 2015, on our consideration of the CORP'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* in considering the CORP's internal control over financial reporting and compliance.

Heinfeld, Meech & Co., P.C.

HEINFELD, MEECH & CO., P.C.
CPAs and Business Consultants

March 3, 2015

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 2014 are as follows:

- The Corrections Officer Retirement Plan (CORP) had a total rate of return (net of fees) of 13.28% this year. Our total portfolio underperformed the target fund benchmark by 54 basis points. This is an improvement from the prior year's return of 10.64%
- In compliance with the Supreme Court decision regarding permanent benefit increase (PBI) payments, the Future Benefit Increase Reserve was restored effective FY 2012 for those members who retired effectively on or before July 1, 2011. The retroactive funding of the reserves and the increase for FY 2014, were depleted with the distribution of a retroactive PBI increase and PBI for FY 2014 effective July 1, 2014.
- Retirement benefits paid totaled $110.12 million for the current year, compared to $97.64 million for the previous year. This represents a 12.78% increase from the prior year.

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 Fiduciary Net Position and The Statement of Changes in Fiduciary Net Position
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 position and changes in them. Net position is the difference between assets and liabilities, one way to measure the financial health, or financial position. Over time, increases or decreases in the net position 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 Fiduciary Net Position and The Statement of Changes in Fiduciary Net Position.

Required Supplementary Information
The basic financial statements are followed by a section of required supplemental information. This section includes the Schedule of Funding Progress, Schedule of Employer Contributions, Schedule of Pension Contributions, Schedule of Employer's Net Pension Liability, Money-Weighted Rate of Return, and Schedule of Changes in Employers Net Pension Liability.

Supporting Schedules Information
The Supporting Schedules Information Section include the Schedule of Changes in Fund Balance Reserves, Schedule of Administrative Expenses and Payments to Consultants, the Schedule of Cash Receipts and Cash Disbursements . 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 FY2014 and FY2013. Following each schedule is a brief summary of the significant changes noted in these schedules.

SUMMARY COMPARATIVE STATEMENTS OF FIDUCIARY NET POSITION

	As of 06/30/2014	As of 06/30/2013	Change	% Change
Cash and Short-Term Investments	59,615,553	29,639,900	29,975,653	101.13%
Total Receivables	12,349,686	5,117,432	7,232,254	141.33%
Total Investments	1,535,686,752	1,379,625,470	156,061,282	11.31%
Securities Lending Collateral	115,258,713	43,752,548	71,506,165	163.43%
Net Capital Assets	621,634	645,015	(23,381)	(3.62)%
Total Plan Assets	**1,723,532,338**	**1,458,780,365**	**264,751,973**	**18.15%**
Accrued Accounts Payable	4,018,522	1,912,740	2,105,782	110.09%
Investment Purchases Payable	5,686,881	3,535,056	2,151,825	60.87%
Securities Lending Collateral	115,258,713	43,752,548	71,506,165	163.43%
Total Plan Liabilities	**124,964,116**	**49,200,344**	**75,763,772**	**153.99%**
Net Position	**1,598,568,222**	**1,409,580,021**	**188,988,201**	**13.41%**

Summary Comparative Statements of Plan Fiduciary Net Position Analysis

The total plan net position held in trust for benefits at June 30, 2014 were $1.59 billion, a 13.41% increase from $1.41 billion at June 30, 2013. The increase in net position is primarily due to favorable financial markets during the fiscal year. The increase in cash and/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 increase 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 FIDUCIARY NET POSITION

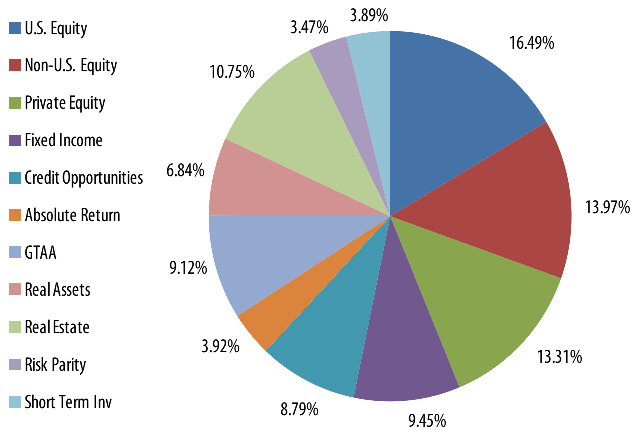
	2014	2013	Change	% Change
ADDITIONS				
Total Contributions and Service Purchase	136,681,959	119,904,091	16,777,868	13.99%
Net Investment Income (Loss)	194,516,872	138,267,533	56,249,339	40.68%
Service Transfers	296,833	184,576	112,257	60.82%
Total Additions (Reductions)	**331,495,664**	**258,356,200**	**73,139,464**	**28.31%**
DEDUCTIONS				
Benefits	110,124,375	97,642,968	12,481,407	12.78%
Service Transfers and Refunds	30,945,397	32,020,128	(1,074,731)	(3.36)%
Administrative Expenses	1,437,691	1,266,690	171,001	13.50%
Total Deductions	**142,507,463**	**130,929,786**	**11,577,677**	**8.84%**
Net Increase (Decrease)	**188,988,201**	**127,426,414**	**61,561,787**	**48.31%**
Balance Beginning of Year - July 1	**1,409,580,021**	**1,282,153,607**	**127,426,414**	**9.94%**
Balance End of Year - June 30	**1,598,568,222**	**1,409,580,021**	**188,988,201**	**13.41%**

Summary Comparative Statements of Changes in Plan Fiduciary Net Position Analysis

Employer and employee contributions for FY2014 increased $16.78 million due to increased employee and employer contribution rates during fiscal year 2014. For FY 2014, CORP recognized a net investment gain of $194.52 million which compares to a $138.27 million gain in the previous year. This 40.68% increase was due to the positive returns in the financial markets during the fiscal year.

Deductions from the CORP net position held in trust for benefits consist primarily of pension, disability, survivor benefits, member refunds and administrative expenses. For FY 2014, these deductions for benefits totaled $110.12 million, an increase of 12.78% from the $97.64 million paid during FY 2013. Refunds and service transfers decreased $1.07 million over the prior year which equates to -3.36%. 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 increased 13.50%.

INVESTMENT ACTIVITIES



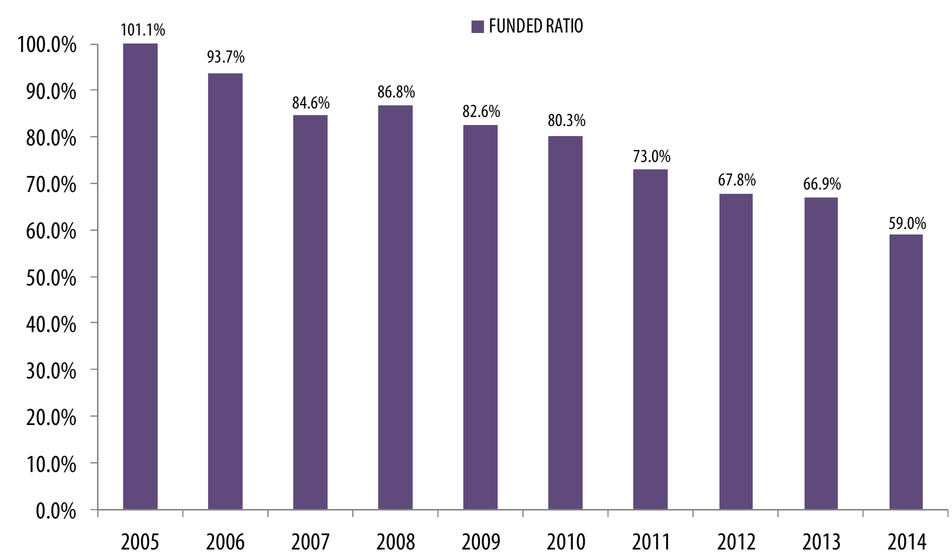
During FY 2007, the Board of Trustees adopted a more diversified asset allocation policy and began an asset management restructuring that has been deployed over the past four years. As illustration, at the end of FY07, 72.8% of the entire investment portfolio was invested in equities versus 30.5% at the end of FY2014. Fixed income had remained about 19% of the entire portfolio prior to being reduced to 9.5% in FY2014. However, alternative investments have increased from 3.5% in FY07 to 56.4% in FY2014.

At June 30, 2014, CORP held $486.01 million in equities. The FY 2014 rate of return for Total CORP equities was 21.20% versus a benchmark rate of return of 23.68%. At June 30, 2014, CORP held $150.88 million in fixed income securities. The FY 2014 rate of return for CORP fixed income securities was 6.21% versus a benchmark Rate of return of 7.39%. 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.

In an effort to be more transparent in our financial reporting and to better track the performance of each investment, we have changed the way we are reporting investment-related fees and expenses. Previously, many of our investments were reported by their respective managers on a net of fee basis only. For those investments, we did not report a management fee. Beginning with FY2013, we have been proactive in obtaining the information on fees and expenses for those investments. This has resulted in an increase of reported management fees, year-over-year; however, this increase was due to the change in reporting, not to actual higher management fees. The investments are still being reported net of fees.

HISTORICAL TRENDS



Accounting standards require that the "Statement of Fiduciary Net Position" 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", for health insurance only, 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, 2014.

At June 30, 2014, the total funded status of the CORP decreased to 59.0% from 66.9% at FYE 2013. This decrease in funded status is related primarily to the seven year smoothing period with only 1/7 of the investment gain from the FY2014 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.

COMBINED STATEMENT OF FIDUCIARY NET POSITION

JUNE 30, 2014 WITH COMPARATIVE TOTALS FOR 2013

	PENSION	HEALTH INSURANCE	AOC PENSION	AOC HEALTH INSURANCE	COMBINED 2014	COMBINED 2013
ASSETS						
Cash and Short-Term Investments	44,047,298	3,502,595	11,834,411	231,249	59,615,553	29,639,900
RECEIVABLES						
Member Contributions	464,795	-	297,654	-	762,449	857,932
Employer Contributions	625,540	47,434	551,419	41,814	1,266,207	1,203,920
Interest and Dividends	1,080,347	83,282	290,262	5,498	1,459,389	1,417,573
Investment Sales	6,531,185	525,259	1,754,766	34,679	8,845,889	1,625,731
Other	9,580	3,375	2,574	223	15,752	12,276
Total Receivables	**8,711,447**	**659,350**	**2,896,675**	**82,214**	**12,349,686**	**5,117,432**
INVESTMENTS AT FAIR VALUE (NOTES 2 AND 3)						
U.S. Equity	194,505,337	15,642,756	52,258,736	1,032,768	263,439,597	256,644,032
Non U.S. Equity	164,330,926	13,216,030	44,151,624	872,551	222,571,131	198,214,057
GTAA	107,730,328	8,664,025	28,944,454	572,018	145,910,825	120,617,283
Fixed Income	111,402,400	8,959,345	29,931,048	591,515	150,884,308	156,185,967
Credit Opportunities	103,813,847	8,349,049	27,892,193	551,222	140,606,311	127,251,244
Private Equity	157,170,323	12,640,151	42,227,748	834,530	212,872,752	160,061,132
Real Assets	80,758,608	6,494,872	21,697,825	428,805	109,380,110	89,688,236
Real Estate	126,952,343	10,209,923	34,108,930	674,081	171,945,277	181,576,794
Absolute Return	46,221,957	3,717,321	12,418,688	245,425	62,603,391	57,962,926
Risk Parity	40,957,413	3,293,929	11,004,236	217,472	55,473,050	31,423,799
Total Investments	**1,133,843,482**	**91,187,401**	**304,635,482**	**6,020,387**	**1,535,686,752**	**1,379,625,470**
Securities Lending Collateral	85,098,957	6,843,937	22,863,968	451,851	115,258,713	43,752,548
CAPITAL ASSETS (NOTE 4)						
Land	68,251	-	18,337	-	86,588	86,588
Building	515,492	-	138,500	-	653,992	661,246
Funiture, Fixtures & Equipment	174,923	-	46,998	-	221,921	202,387
Total Capital Assets	**758,666**	**-**	**203,835**	**-**	**962,501**	**950,221**
Accumulated Depreciation	(268,680)	-	(72,187)	-	(340,867)	(305,206)
Net Capital Assets	**489,986**	**-**	**131,648**	**-**	**621,634**	**645,015**
TOTAL PLAN ASSETS	**1,272,191,170**	**102,193,283**	**342,362,184**	**6,785,701**	**1,723,532,338**	**1,458,780,365**
LIABILITIES						
Accrued Accounts Payable	3,167,495	-	851,027	-	4,018,522	1,912,740
Investment Purchases Payable	4,198,795	337,682	1,128,111	22,293	5,686,881	3,535,056
Securities Lending Collateral	85,098,956	6,843,938	22,863,969	451,850	115,258,713	43,752,548
Total Plan Liabilities	**92,465,246**	**7,181,620**	**24,843,107**	**474,143**	**124,964,116**	**49,200,344**
NET POSITION HELD IN TRUST FOR PENSION AND HEALTH INSURANCE BENEFITS	**1,179,725,924**	**95,011,663**	**317,519,077**	**6,311,558**	**1,598,568,222**	**1,409,580,021**
NET POSITION RESERVES						
Refundable Members' Reserve	317,239,326	-	79,115,789	-	396,355,115	383,894,028
Employers' Reserve	862,486,598	95,011,665	238,403,288	6,311,556	1,202,213,107	1,025,685,993
Future Benefit Increase Reserve	-	-	-	-	-	-
Total Net Position Reserves	**1,179,725,924**	**95,011,665**	**317,519,077**	**6,311,556**	**1,598,568,222**	**1,409,580,021**

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

COMBINED STATEMENT OF CHANGES IN FIDUCIARY NET POSITION

FISCAL YEAR ENDING 2014 WITH COMPARATIVE TOTALS FOR 2013

	PENSION	HEALTH INSURANCE	AOC PENSION	AOC HEALTH INSURANCE	COMBINED 2014	COMBINED 2013
ADDITIONS						
Contributions						
Members' Contributions (NOTES 2,5)	42,697,294	-	9,039,472	-	51,736,766	50,648,775
Employers' Contributions (NOTES 2,5)	62,039,608	5,477,173	15,535,250	1,204,069	84,256,100	68,237,132
Members' Service Purchase	373,310	-	92,717	-	466,027	814,501
Alternate Employer Contributions	206,683	-	16,383	-	223,066	203,683
Total Contributions	**105,316,895**	**5,477,173**	**24,683,822**	**1,204,069**	**136,681,959**	**119,904,091**
Investment Income						
From Investment Income						
Net Appreciation (Depreciation) in Fair Value of Invest. (NOTES 2,3)	148,193,599	11,185,578	38,128,928	700,517	198,208,622	124,825,292
Interest	1,422,969	107,405	366,117	6,726	1,903,217	1,247,455
Dividends	8,414,114	635,093	2,164,878	39,774	11,253,859	10,168,614
Other Income	11,094,392	837,399	2,854,491	52,444	14,838,726	15,177,032
From Securities Lending Activities						
Securities Lending Activities (NOTE 3)						
Securities Lending Income	133,326	10,064	34,303	630	178,323	45,804
Borrower Rebates	256,884	19,390	66,094	1,214	343,582	210,973
Agents Share of Income	(58,458)	(4,413)	(15,041)	(276)	(78,188)	(38,318)
Net Securities Lending Income	**331,752**	**25,041**	**85,356**	**1,568**	**443,717**	**218,459**
Total Investment Income (Loss)	**169,456,826**	**12,790,516**	**43,599,770**	**801,029**	**226,648,141**	**151,636,852**
Less Investment Expense	(24,023,417)	(1,813,275)	(6,181,017)	(113,560)	(32,131,269)	(13,369,319)
Net Investment Income (Loss)	**145,433,409**	**10,977,241**	**37,418,753**	**687,469**	**194,516,872**	**138,267,533**
Transfers Into System	44,127	-	252,706	-	296,833	184,576
Total Additions (Reductions)	**250,794,431**	**16,454,414**	**62,355,281**	**1,891,538**	**331,495,664**	**258,356,200**
DEDUCTIONS						
Pension Benefits (NOTE 2)	90,268,580	-	15,051,350	-	105,319,930	93,179,451
DROP Benefits (NOTE 2)	1,050,277	-	716,605	-	1,766,882	1,633,892
Health Insurance Subsidy	-	2,728,206	-	309,357	3,037,563	2,829,625
Refunds To Terminated Members (NOTE 2)	29,131,822	-	1,314,886	-	30,446,708	31,179,499
Administrative Expenses	1,143,482	-	294,209	-	1,437,691	1,266,690
Transfers Out of System	437,114	-	61,575	-	498,689	840,629
Total Deductions	**122,031,275**	**2,728,206**	**17,438,625**	**309,357**	**142,507,463**	**130,929,786**
NET INCREASE (DECREASE)	**128,763,156**	**13,726,208**	**44,916,656**	**1,582,181**	**188,988,201**	**127,426,414**
NET POSITION HELD IN TRUST FOR PENSION AND HEALTH INSURANCE BENEFITS						
Beginning of Year, July 1	1,050,962,768	81,285,457	272,602,421	4,729,375	1,409,580,021	1,282,153,607
End of Year, June 30	**1,179,725,924**	**95,011,665**	**317,519,077**	**6,311,556**	**1,598,568,222**	**1,409,580,021**

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 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. CORP includes a cost-sharing multiple-employer plan for Administrative Office of the Courts (AOC) probation officers and an agent multiple-employer plan for all other members. Governmental Accounting Standards Board (GASB) Statement No. 67, implemented as of June 30, 2014, requires the cost-sharing and agent plans to be presented separately. GASB 67 also requires additional disclosures and required supplementary information for the cost-sharing plan that are not required for the agent plan. The Board of Trustees (formerly Fund Manager) of the Public Safety Personnel Retirement System (PSPRS) and 26 local boards administer the CORP Plan.

AOC provides the same benefits as CORP. The significant accounting and investment policies used for CORP are also used for AOC.

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.

Prior to January 1, 2014, the health insurance premium subsidy was considered an agency fund; provided by A.R.S. 38-906. The law was amended so all health insurance subsidies would be separated from benefits. The contributions for health insurance can only be used to pay health insurance benefits.

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, 2014 and 2013, the number of participating local government employer groups was:

GROUP	2014	2013
County AOC	15	15
Cities	1	1
Detention	14	14
Dispatchers	8	8
State Agencies	3	3
Total Employers	**41**	**41**

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, 2014 and 2013, statewide CORP membership consisted of::

	RETIREMENT PLAN						INSURANCE SUBSIDY					
MEMBERSHIP TYPE	CORP	AOC	2014	CORP	AOC	2013	CORP	AOC	2014	CORP	AOC	2013
Retirees	3,669	421	4,090	3,441	369	3,810	2,020	176	2,196	1,860	167	2,027
Terminated Vested	1,482	205	1,687	1,264	199	1,463						
Current Vested	3,776	1,096	4,872	3,568	1,078	4,646						
Current Non-Vested	8,631	1,092	9,723	8,902	1,032	9,934						
Total Members	**17,558**	**2,814**	**20,372**	**17,175**	**2,678**	**19,853**	**2,020**	**176**	**2,196**	**1,860**	**167**	**2,027**

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 thirty-six (36) consecutive months of salary within the last ten (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 sixty (60) consecutive months of salary within the last ten (10) years (i.e., 120 months) of service.

Salary means the base salary, shift differential, military and holiday pay 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. Salary includes amounts that are subject to deferred compensation for tax shelter agreements. 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).

PERMANENT BENEFIT INCREASE (PBI)
A retired member or survivor of a retired member, who retired prior to August 1, 2011, may be entitled to a permanent benefit increase in their base benefit contingent upon the balance in the Future Benefit Increase Reserve balance. The maximum amount of the increase is 4% of the benefit being received on the preceding June 30. A.R.S. § 38-856. The current reserve balance for FY2014 is $0.00.

A retired member or survivor of a retired member, who retired on or after August 1, 2011, may receive a benefit increase from the System <u>if monies are available</u> (*See* A.R.S. § 38-856). However, effective July 1, 2013 (A.R.S. § 38-856.02) and each July 1 thereafter, a benefit increase will be issued as long as the following criteria have been met :

Members of the plan **BEFORE** January 1, 2012:	Members of the plan **AFTER** January 1, 2012:
A. Retired member/survivor was receiving benefits on/before July 31 of two (2) previous years.	A. Age 55 on July 1 and is receiving benefits.
B. Retired member/survivor was age 55 on July 1 and receiving Benefits on/before July 31 of previous year.	B. Under age 55 on July 1 and was receiving an accidental disability and was receiving benefits on/before July 31 of two (2) previous years.
	C. Survivor under 55 on July 1, is survivor of KIA and receiving benefits on/before July 31 of two (2) 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.

The reserve balance as of June 30, 2014 is $0.00.

CONTRIBUTIONS
Contribution rates through June 30, 2014 for 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. The contribution rate for members will change each fiscal year. A.R.S. § 38-891(H). A member may not, under any circumstance, borrow from, take a loan against or remove contributions from the member's account before the termination of membership in the plan or the receipt of a pension. A.R.S. § 38-891(B).

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 Spouse's Pension each month for lifetime. The Spouse's Pension 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, or the pension of the surviving spouse is terminated, and there is at least one (1) eligible child, a Guardian Benefit of 40% (based on the member's average monthly salary) may be paid to the guardian of the (unmarried) child(ren) each month until each child turns 18, or under 23 years of age only during any period that the (unmarried) child is a full-time student.

An eligible Child's Pension shall become payable directly to the eligible child when the eligible child reaches the age of 18, if the person remains eligible to receive the pension and is not subject to a guardianship or conservatorship due to disability or incapacity. 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 (2) times the member's contributions. If the surviving beneficiary does not claim the benefit, the Local Board has the authority to pay the member's nearest of kin, or estate. A.R.S. §§ 38-904(A and B) and 38-904(A).

DEATH BENEFITS - INACTIVE MEMBER

Balance of Contributions. If the member was inactive, the member's named beneficiary on file will receive two (2) times the member's contributions. If the surviving beneficiary does not claim the benefit, the Local Board has the authority to pay the member's nearest of kin, or estate. A.R.S. §§ 38-881(27) and 38-904(A).

DEATH BENEFITS - RETIRED MEMBER

Spouse's Pension. If married for at least two (2) consecutive years at the time of the member's death, the surviving spouse will receive a Spouse's Pension each month for lifetime based on 80% of the member's pension benefit. A.R.S. § 38-888, OR

Guardian Benefit. If there is no surviving spouse, or the pension of the surviving spouse is terminated, and there is at least one (1) eligible child, a Guardian Benefit of 80% (based on the member's pension) may be paid to the guardian of the (unmarried) child(ren) each month until each child turns 18, or under 23 years of age only during any period that the (unmarried) child is a full-time student. An eligible Child's Pension shall become payable directly to the eligible child when the eligible child reaches the age of 18, if the person remains eligible to receive the pension and is not subject to a guardianship or conservatorship due to disability or incapacity. 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(18) 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 the surviving beneficiary does not claim the benefit, the Local Board has the authority to pay the member's nearest of kin, or estate. A.R.S. §§ 38-889 and 38-904(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 and 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. For members with a membership date on or before December 31, 2011, the monthly benefit is 50% of the member's average monthly compensation. (There is no credited service requirement.) For members with a membership date on or after January 1, 2012 with less than 25 years of credited service, the monthly benefit is 50% of the member's average monthly compensation. For members with 25 or more years of credited service, the monthly benefit is 62.5% of the member's average monthly compensation. The Local Board may require periodic medical re-evaluations until the member reaches age 62. Accidental disability terminates if the Local Board finds the retired member no longer meets the requirements for the disability benefit. A.R.S. § 38-886.

TOTAL AND PERMANENT (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. For members with a membership date on or before December 31, 2011, the monthly benefit is 50% of the member's average monthly compensation. (There is no credited service requirement.) For members with a membership date on or after January 1, 2012 with less than 25 years of credited service, the monthly benefit is 50% of the member's average monthly compensation. For members with 25 or more years of credited service, the monthly benefit is 62.5% of the member's average monthly compensation. 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 monthly benefit is a percentage of normal retirement based on the employee's years of credited service divided by twenty (20) for membership on or before December 31, 2011 (except a full-time dispatcher, the service requirement is 25 years), or twenty-five (25) for membership on or after January 1, 2012. 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.

DIVORCE / DOMESTIC RELATIONS ORDER

If the member has been involved in a divorce(s), please provide the CORP with a complete copy of the Divorce Decree(s) and any attachments or exhibits if referenced in the Decree(s). Upon receipt, additional correspondence will be provided to the parties. If the retirement account is required to be split, a Domestic Relations Order (DRO) will need to be prepared. To ensure that the language in the DRO is acceptable, it is recommended to provide the CORP with a draft copy of the DRO for review and approval prior to submitting it to the court. A.R.S. § 38-910.

REVERSE DEFERRED RETIREMENT OPTION PLAN (REVERSE DROP)

Beginning July 1, 2006 and 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 (based on service and age) applicable to a membership date that is either prior to, or after January 1, 2012 (who is not awarded an accidental, ordinary or total and permanent disability pension). 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 is the first day of the month immediately following completion of required credited service, or a date not more than sixty (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 five (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.

*If participating in Reverse DROP, the member's service cannot be less than service required for normal retirement (based on service and age) applicable to a membership date that is either prior to, or after January 1, 2012. In other words, service must be greater than 24/25, respectively, in order to receive a Reverse DROP benefit.

Pursuant to statute, the Reverse DROP option will no longer be available after June 30, 2016

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 forty (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) .

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

As of July 2013, pursuant to §38-906 the board established a separate account for the health insurance and these funds cannot be used for any other benefits.

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 twenty (20) days after filing an application with the CORP, the member will receive a lump-sum payment (less mandated tax withholding) 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 (5) or more years of credited service, an additional percentage of contributions will be refunded to the member according to the member's years of service as stated below:

5 to 5.9 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 twenty (20) days after filing an application with CORP, shall receive a lump-sum payment of ONLY their accumulated contributions plus interest at a rate determined by the board (currently 3%) as of the date of termination (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 (5) years of credited service under the Plan, is transferred to temporarily fill the position, provides a written request to the local board (within 90 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). (*Form C20*)

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 90 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 ten (10) years of credited service may elect to receive a Deferred Annuity at the age of sixty-two (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 <u>not</u> 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 twelve (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 (12) 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).

If you are receiving an accidental or total and permanent disability retirement (*and have not reached normal retirement*) and have become employed by an employer under the Plan, your disability retirement will cease. However, your local board will need to review and determination your return to work eligibility. If benefits are suspended and upon eligibility for (re)retirement, the service from the disabilty retirement will be considered "service" and not "credited" service and your average monthly compensation will be based on the compensation from the new employment. A.R.S. § 38-886 (D and G).

If a retired member returns to work in any capacity in a designated position ordinarily filled by an employee, the employer is required to pay an <u>alternate contribution rate</u> to the CORP. 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. (Form 18). Members with at least ten (10) years of credited service with the Plan may purchase up to sixty (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 sixty (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 forty-eight (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. (Form COSS). Active members with at least five (5) 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 sixty (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 (2) 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 one (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. (Form U2). 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. (Form C1A). A member who terminates employment with an employer and accepts a position with the same or another employer participating in the Plan shall have their credited service transferred to their record with the new employer if they leave their accumulated contributions on deposit with the Plan. The period not employed shall not be considered as credited service. A.R.S. § 38-908.

Transfer of Service Between the Arizona Retirement Plans/Systems. (Form U2). 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. (Form U2A). 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.

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.

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 $105,803,854 for FYE 2014 and $68,918,508 for FYE 2013. This calculation is independent of the calculation of the change in the fair value of investments and may include unrealized amounts from prior periods.

NEW ACCOUNTING PRONOUNCEMENT
GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*, was issued and is effective for periods beginning after December 15, 2012. There is no effect on the CORP financial statements. GASB Statement 66, *Technical Corrections – 2012 an amendment of GASB Statements No. 10 and No. 62*, was issued and is effective for periods beginning after December 15, 2012. There is no effect on the CORP financial statements. The GASB has issued statement No. 67, "Financial Reporting for Pension Plans; an amendment of GASB Statement No. 25 "This Statement replaces the requirements of Statements No. 25 and No. 50 related to pension plans that are administered through trusts or equivalent arrangements. The requirements of Statements No. 25 and No. 50 remain applicable to pension plans that are not administered through trust or equivalent arrangements. The requirements for this Statement are effective for financial statements for fiscal years beginning after June 15, 2013. The requirements of this statement have been implemented in the CORP financial statements. GASB 70, Accounting *and Financial Reporting for Nonexchange Financial Guarantees*, was issued and is effective for periods beginning after June 15, 2013. There is no effect on the CORP financial statements.

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, 2014. 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, 2014, as collateral:

Description	CPN	Maturity	Market Value
FNMA Pool MA1688	3.50	12-1-2033	1,132,902
FNMA Pool AB7748	3.00	1-1-2043	12,858,589
FNMA Pool AR2458	3.00	12-1-2042	37,676,656
TOTAL			**51,668,147**

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, 2014:

	REPORTED AMOUNT	BANK BALANCE
Pension Trust Fund	58,987,191	58,987,191
Operating Fund	628,362	3,241,288
Total Deposits	**59,615,553**	**62,228,479**

MONEY-WEIGHTED RATE OF RETURN

The money-weighted rate of return on investments for FY 2014 was 13.025%, $183,193,172 and 11.231%, $143,239,225 for FY 2013. The calculation is less investment expenses of $32,131,269. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

INVESTMENTS

CORP investments are reported at Fair Value. Fair 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 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.

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.
5) 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, 2014, the fair value of the PSPRS Trust and the allocation for each system and plan was as follows:

PLAN	UNITIZED	PERCENT
PSPRS	6,193,474,862	76.20%
CORP	1,599,282,660	19.68%
EORP	334,748,966	4.12%
TOTAL	**8,127,506,488**	**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, 2014, 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, 2014, the Plan's fixed income assets that were not government guaranteed represented 96.2% 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, 2014	% OF ALL FIXED INCOME ASSETS	WEIGHTED AVG. CREDIT
Corporate Bonds	140,810,068	97.0%	A
Mortgages	-	0.0%	
CBO	4,347,325	3.0%	
Total	**145,157,393**	**100.0%**	

RATINGS DISPERSION DETAIL

CREDIT RATING LEVEL	CORPORATE BONDS	MORTGAGES	CBO
AAA	-	-	-
AA	3,556,373	-	-
A	4,067,466	-	-
BBB	4,178,746	-	-
Below BBB	2,048,141	-	-
Not Rated	126,959,342	-	4,347,325
Total	**140,810,068**	**-**	**4,347,325**

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	-	9,326,284	3,490,498	2,553,769	759,077	124,680,440
Agencies	-	-	-	-	2,072,189	3,654,727
Mortgages	-	-	-	-	-	-
CBO	-	2,430,101	-	-	-	1,917,223
Total	**-**	**11,756,385**	**3,490,498**	**2,553,769**	**2,831,266**	**130,252,390**

CALLABLE BONDS BY SECURITY TYPE
(INCLUDING GOVERNMENT GUARANTEED SECURITIES)

FIXED INCOME SECURITY TYPE	FAIR VALUE JUNE 30, 2014	% OF ALL FIXED INCOME ASSETS
Corporate	-	0.00%
Agencies	-	0.00%
Totals	**-**	**0.00%**

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 CORP is allowed to invest part of its assets in foreign investments.

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	12,032	-	9,444,319	-	9,456,351
BRAZIL REAL	1,575	-	4,545,969	-	4,547,544
CANADIAN DOLLAR	14,462	-	12,512,680	-	12,527,141
CHILEAN/COLOMBIAN PESO	0	-	820,862	-	820,862
DANISH KRONE	1,175	-	2,061,262	-	2,062,437
EURO CURRENCY UNIT	219,734	-	44,807,831	27,268,930	72,296,495
HONG KONG DOLLAR	28,843	-	10,867,306	-	10,896,149
INDONESIAN RUPIAH	185	-	1,299,226	-	1,299,411
ISRAELI SHEKEL	11,746	-	631,790	-	643,536
JAPANESE YEN	264,017	-	27,123,049	-	27,387,065
MALAYSIAN RINGGIT	1,035	-	1,261,035	-	1,262,070
MEXICAN NEW PESO	2,034	-	1,958,560	-	1,960,594
NEW TAIWAN DOLLAR	14,841	-	4,214,907	-	4,229,748
NEW TURKISH LIRA	11,348	-	545,599	-	556,946
NEW ZEALAND DOLLAR	5,667	-	251,258	-	256,926
NORWEGIAN KRONE	15,164	-	1,478,625	-	1,493,788
PHILIPPINES PESO	65	-	318,856	-	318,921
POLISH ZLOTY	2,602	-	544,114	-	546,716
POUND STERLING	83,155	-	31,189,854	8,014,796	39,287,805
S AFRICAN COMM RAND	8,722	-	2,452,074	-	2,460,796
SINGAPORE DOLLAR	2,808	-	1,573,399	-	1,576,207
SOUTH KOREAN WON	7,266	-	5,333,780	-	5,341,046
SWEDISH KRONA	647	-	3,710,193	-	3,710,840
SWISS FRANC	641	-	12,510,177	-	12,510,818
THAILAND BAHT	0	-	488,394	-	488,394
TOTAL MARKET VALUE	**709,765**	**-**	**181,945,118**	**35,283,726**	**217,938,609**

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 $540,270 at June 30, 2014 consisting of U.S. Equity (gain of $546,281) and Risk Parity (loss of $6,011). Interest risk associated with these investments are included in the tables on page 33.

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, 2014 the fair value of securities on loan was $112,013,908 and the collateral was $115,258,713 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, 2014, the weighted average maturity was 73 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 $1,150,130 has been recorded as CORP's share.

ASSET CLASS	OUT ON LOAN	TOTAL AVAILABLE TO LOAN	% OF AVAILABLE TO LOAN
Equities	111,813,100	159,472,887	70.2%
Agencies	-	-	-
Treasuries	-	-	-
Exchange Traded	200,808	2,008,080	10.0%
Totals	**112,013,908**	**161,480,967**	**69.4%**

VALUATION PROCESS FOR NON-EXCHANGE TRADED INVESTMENTS

The Corrections Officer Retirement Plan does not value any non-publicly traded assets. All of the System's non-publicly-traded assets are managed by external managers, who value the investments under their management in accordance with their established valuation policies, which may include discounted cash flow methodologies (such as purchase offers) or market comparable pricing is otherwise unavailable or appears imprudent to employ. Upon receipt of an external manager's valuation of assets under its management, that valuation is provided to the System's custodian bank which then reflects the valuation on the System's books of account.

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, 2014 was $35,661.

The table below is a schedule of the capital asset account balances as of June 30, 2014, and June 30, 2013, and changes to those account balances during the year ended June 30, 2014.

SCHEDULE OF CAPITAL ASSET ACCOUNT BALANCES

	LAND	BUILDING AND IMPROVEMENTS	FURNITURE, FIXTURES AND EQUIPMENT	TOTAL CAPITAL ASSETS
CAPITAL ASSETS				
Balance June 30, 2013	86,588	661,246	202,387	950,221
Additions	-	-	19,534	19,534
Deletions	-	7,254	-	7,254
Balance June 30, 2014	**86,588**	**653,992**	**221,921**	**962,501**
ACCUMULATED DEPRECIATION				
Balance June 30, 2013	-	(144,578)	(160,628)	(305,206)
Additions	-	(19,838)	(15,823)	(35,661)
Deletions	-	-	-	-
Balance June 30, 2014	-	(164,416)	(176,450)	(340,867)
Net Capital Assets	**86,588**	**489,576**	**45,470**	**621,634**

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 22 year period. Beginning July 1, 2007, the minimum employer contribution rate was established at 6%. A.R.S. 38-891.

During the year ended June 30, 2014 contributions were made in accordance with contribution requirements determined by an actuarial valuation of the Plan as of June 30, 2012. Employer contributions, including AOC, represented 13.68% of covered payroll [7.50% for normal costs (7.17% pension and .33% health insurance) and 6.18% for amortization of unfunded actuarial accrued liability in aggregate (5.41% pension and .77% health insurance subsidy)]. AOC cost-sharing employer contributions represented 15.58% of covered payroll [7.32% for normal costs (7.03% pension and .29% health insurance) and 8.26% for amortization of unfunded actuarial accrued liability in aggregate (7.42% pension and .84% health insurance subsidy)]. (7.96% for dispatchers). Member contributions, for both CORP and AOC, represented 8.41% .

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

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. §38-906 consists of a fixed dollar amount set by statute and paid by the Plan 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 Plan represents other post employment benefits. As of July 1, 2013 the Plan administers a separate healthcare plan as defined under IRC §401(h) or an equivalent arrangement. In addition, the Plan is statutorily authorized A.R.S. §38-906 to maintain a separate account for the health insurance subsidy assets and benefit payments. The Health Insurance assets are accounted for by employer and are available to pay only Health Insurance benefits.

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 , pending the results of the sunset audit review by the legislature and the auditor general's office.

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 $5.8 million for all three plans and has been recorded as a liability. It is anticipated that a final resolution will be reached within the next few fiscal years.

NOTE 10: FUNDING STATUS AND PROGRESS - HEALTH INSURANCE

The required schedule of funding progress for health insurance premium subsidy 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 health insurance subsidy benefits are as follows:

Valuation Date:	June 30, 2014
Actuarial Cost Method:	Entry Age Normal
Amortization Method:	Level Percent of Payroll, Closed
Remaining Amortization Period:	22 years closed for unfunded accrued actuarial liability
Asset Valuation Method:	7-Year Smoothed Market Value, 80%/120% Market
Investment Rate of Return:	7.85%
Projected Salary Increases:	4.00% to 7.25% which includes inflation at 4.00%

As of June 30, 2014 health insurance premium subsidy, including AOC, has assets of $5,085,191 for a funding ratio of 105.24%. The assets for health insurance premium subsidy were $102,100,399 with liabilities of $97,015,208. The excess is .80% of covered payroll, $625,263,855. As of June 30, 2014 the AOC cost-sharing plan health insurance premium subsidy had liabilities of $10,487,387 for a funding ratio of 37.75%. The assets for the AOC health insurance premium subsidy were $6,359,967 with liabilities of $16,847,354. The liability is 9.47% of covered payroll, $110,728,017.

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".

ACCOUNTING STATUS

DETERMINATION OF TOTAL PENSION LIABILITY

The total pension liability shown in this subsection is also shown as of the last date of the pension plan's fiscal year, June 30, 2014. A single discount rate of 7.85% was used to measure the total pension liability. This single discount rate was based on the expected rate of return on pension plan investments of 7.85%. The projection of cash flows used to determine this single discount rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability. The actuarial methods for AOC were the same as CORP aggregate.

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

Valuation Date:	June 30, 2014
Actuarial Cost Method:	Entry Age Normal
Amortization Method:	Level Percent of Payroll, Closed
Remaining Amortization Period:	22 years
Asset Valuation Method:	Fair value
Inflation	4.00%; no explicit price inflation assumption
Actuarial Assumptions:	
Investment Rate of Return:	7.85%
Projected Salary Increases:	4.00% to 7.25%
Payroll Growth	4.00%
Retirement Age Mortality	Experience-based table of rates specific to the type of eligibility condition RP-2000 mortality table (adjusted by 105% for males and females)
Assumed Future Permanent Benefit Increases	Members retired on or before July 1, 2011: 2.25% of benefit Members retired on or after August 1, 2011: 0.5% of benefit

EXPECTED RETURN - GEOMETRIC BASIS
TARGET INVESTMENT ALLOCATION
(INCLUDING AOC)

ASSET CLASS	TARGET ALLOCATION	REAL RETURN GEOMETRIC BASIS	LONG-TERM EXPECTED PORTFOLIO REAL RATE OF RETURN
Short Term Investments	2%	3.25%	0.07%
Absolute Return	4%	6.75%	0.27%
Risk Parity	4%	6.04%	0.24%
Fixed Income	7%	4.75%	0.33%
Real Assets	8%	5.96%	0.48%
GTAA	10%	5.73%	0.57%
Private Equity	11%	9.50%	1.05%
Real Estate	11%	6.50%	0.72%
Credit Opportunities	13%	8.00%	1.04%
Non-U.S. Equity	14%	8.63%	1.21%
U.S. Equity	16%	7.60%	1.22%
Total	**100%**		**7.18%**

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. The geometric method is the best method used to calculate the average rate per period on an investment that is compounded over multiple periods.

MEASUREMENT OF NET PENSION LIABILITY

The net pension liability is to be measured as the total pension liability, less the amount of the pension plan's fiduciary net position. As of the plan year ending June 30, 2014, the net pension liability is $224,393,018. If a single discount rate that is one percent lower was used, the net pension liability would have been $296,305,755. Similarly, if a single discount rate that was one percent higher was used, the net pension liability would have been $164,643,155. Total Pension Liability for FY2014 is $541,912,095. The Plan's Fiduciary Net Position is $317,519,077 which is 58.59% of Total Pension Liability.

ADMINISTRATIVE OFFICE OF THE COURTS (575)
SENSITIVITY OF NET POSITION LIABILITY TO THE SINGLE DISCOUNT RATE ASSUMPTION

	1% DECREASE 6.85%	SINGLE RATE ASSUMPTION 7.85%	1% INCREASE 8.85%
Total Pension Liability	613,824,832	541,912,095	482,162,232
Plan Fiduciary Net Position	317,519,077	317,519,077	317,519,077
Net Position Liability (Asset)	**296,305,755**	**224,393,018**	**164,643,155**

NOTE 11: PENDING LAWSUITS

In compliance with the Supreme Court decision regarding permanent benefit increase (PBI) payments, the Public Safety Personnel Retirement System issued a retroactive permanent benefit increase payment for its eligible members (those members who retired effectively on or before July 1, 2011). We are still awaiting the outcomes of the others lawsuits filed in the Superior Court of Arizona in Maricopa County that challenged Senate Bill 1609 in 2011.

NOTE 12: ESTABLISHMENT OF HEALTH INSURANCE RESERVES

In order to preserve the non-taxable status of the health insurance subsidy benefit, the IRS required CORP to maintain a reserve separate from the pension reserve. Consequently, reserve balances for the health insurance subsidy were constructed from prior years of contribution and subsidy distribution data. Previously, employer contributions were reported net of health insurance subsidy distributions with the subsidy payments included in pension benefits. Changes were employed to report pension and health insurance subsidy contributions separately including ten year schedules. Likewise, pension benefits paid and health insurance subsidy payments are being reported separately.

REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF FUNDING PROGRESS
HEALTH INSURANCE PREMIUM SUBSIDY (INCLUDING AOC)
(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)
06/30/12	0	90,882	90,882	0.00%	626,223	14.50%
06/30/13	0	93,544	93,544	0.00%	604,068	15.50%
06/30/14	102,100	97,015	(5,085)	105.24%	625,264	(0.80)%

SCHEDULE OF FUNDING PROGRESS
HEALTH INSURANCE PREMIUM SUBSIDY
ADMINISTRATIVE OFFICE OF THE COURTS (575)
(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)
06/30/12	0	15,838	15,839	0.00%	99,994	15.84%
06/30/13	0	16,451	16,451	0.00%	100,709	16.34%
06/30/14	6,359	16,847	16,847	37.75%	110,728	9.47%

HEALTH INSURANCE CONTRIBUTIONS
SCHEDULE OF EMPLOYER CONTRIBUTIONS (INCLUDING AOC)

FISCAL YEAR END JUNE 30,	ANNUAL REQUIRED CONTRIBUTIONS	PERCENT CONTRIBUTED
2012	8,371,142	100.00%
2013	8,194,628	100.00%
2014	6,681,242	100.00%

SCHEDULE OF EMPLOYER CONTRIBUTIONS
HEALTH INSURANCE CONTRIBUTIONS
ADMINISTRATIVE OFFICE OF THE COURTS (575)

FISCAL YEAR END JUNE 30,	ANNUAL REQUIRED CONTRIBUTIONS	PERCENT CONTRIBUTED
2012	1,245,749	100.00%
2013	1,363,709	100.00%
2014	1,204,069	100.00%

REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF PENSION CONTRIBUTIONS
ADMINISTRATIVE OFFICE OF THE COURTS (575)
LAST 10 FISCAL YEARS (BUILT PROSPECTIVELY FROM 2014)

FISCAL YEAR END JUNE 30,	ACTUARIALLY DETERMINED CONTRIBUTION	ACTUAL CONTRIBUTION	CONTRIBUTION DEFICIENCY (EXCESS)	COVERED PAYROLL	CONTRIBUTION AS A % OF COVERED PAYROLL
2014	15,930,155	15,551,633	378,522	110,728,017	14.04%

** Based on Projected Payroll*

SCHEDULE OF EMPLOYERS NET PENSION LIABILITY
ADMINISTRATIVE OFFICE OF THE COURT (575)
LAST 10 FISCAL YEARS (BUILT PROSPECTIVELY FROM 2014)

FISCAL YEAR END JUNE 30,	TOTAL PENSION LIABILITY	PLAN NET POSITION	NET PENSION LIABILITY	NET POSITION AS A % OF TOTAL LIABILITY	COVERED PAYROLL	NET LIABILITY AS A % OF COVERED PAYROLL
2014	541,912,095	317,519,007	224,393,088	58.59%	110,728,017	202.65%

SCHEDULE OF INVESTMENT RETURNS
MONEY WEIGHTED RATE OF RETURN
LAST TEN FISCAL YEARS

SCHEDULE OF CHANGES IN EMPLOYER'S NET PENSION LIABILITY AND RELATED RATIOS
ADMINISTRATIVE OFFICE OF THE COURTS (575)

LAST 10 FISCAL YEARS (BUILT PROSPECTIVELY)

FISCAL YEAR ENDING JUNE 30,	2014
TOTAL PENSION LIABILITY	
Service Cost	16,955,738
Interest on Total Pension Liability	35,423,999
Benefit Changes	45,420,437
Expected-Actual Experience of Total Pension Liability	9,870,077
Benefit Payments and Refunds	(17,082,841)
Net Change in Total Pension Liability	**90,587,410**
Beginning Total Pension Liability	**451,324,685**
Ending Total Pension Liability (A)	**541,912,095**
PLAN FIDUCIARY NET POSITION	
Employer Contributions	15,551,633
Employee Contributions	9,132,189
Pension Plan Net Investment Income	36,147,891
Benefit Payments and Refunds	(17,082,841)
Pension Plan Administrative Expense	(304,890)
Other	(4,624,871)
Net Changes in Plan Fiduciary Net Position	**38,819,111**
Beginning Plan Fiduciary Net Position	**278,699,966**
Ending Plan Fiduciary Net Position (B)	**317,519,077**
Net Pension Liability (A-B)	**224,393,018**
Plan Fiduciary Net Position as % of Total Pension Liability	**58.59%**
Covered Employee Payroll	**110,728,017**
Net Position Liability as % of Covered Employee Payroll	**202.65%**

REQUIRED SUPPLEMENTARY INFORMATION

NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

ACTUARIAL METHODS AND ASSUMPTIONS USED TO DETERMINE RECOMMENDED CONTRIBUTION AMOUNTS

The information presented in the required supplementary schedules was determined as part of the actuarial valuations at the dates indicated. Additional information as of the latest actuarial valuation follows:

PENSION

Valuation date	June 30, 2012
Actuarial cost method	Entry Age Normal
Amortization method	Level percent of pay, Closed
Remaining amortization period	24 years for underfunded, 20 years for overfunded
Asset valuation method	7-year smoothed market 80%/120% market corridor
Inflation	4%; No explicit price inflation assumption is used in this evaluation.
Actuarial assumptions:	
Investment Rate of Return	8.00%
Projected Salary Increases	5.00% - 8.25%
Payroll Growth	5.00%
Cost of Living Adjustments	None

HEALTH INSURANCE

As of July 1, 2013, the assets for Health Insurance premiums were separated from the pension assets. The Health Insurance contributions will be accounted for by employer and are only available to pay health insurance benefits.

SCHEDULE OF CHANGES IN RESERVE BALANCE
FOR THE YEARS ENDED JUNE 30, 2014 AND 2013

	CORP				AOC			
	REFUNDABLE MEMBERS' RESERVE	EMPLOYERS' RESERVE	HEALTH INSURANCE RESERVE	FUTURE BENEFIT INCREASE RESERVE	REFUNDABLE MEMBERS' RESERVE	EMPLOYERS' RESERVE	HEALTH INSURANCE RESERVE	FUTURE BENEFIT INCREASE RESERVE
BALANCE AS OF JUNE 30, 2012	**$ 302,733,061**	**$ 664,461,373**	**$ 70,091,293**	**$ -**	**$ 71,102,740**	**$ 170,401,456**	**$ 3,363,684**	**$ -**
DISTRIBUTION OF REVENUES AND EXPENSES								
Members' Contributions	42,981,467	-	-	-	8,481,808	-	-	-
Employers' Contributions	-	49,306,682	6,071,192	-	-	11,800,018	1,263,033	-
Earnings (Loss) on Investments Net of Investment Expenses	-	103,797,008	7,646,452	-	-	26,415,270	408,803	-
Pension and Insurance Benefits	-	(81,203,339)	(2,523,480)	-	-	(13,610,114)	(306,145)	-
Refunds to Terminated Members	(18,913,138)	(10,065,326)	-	-	(1,488,428)	(712,606)	-	-
Administrative Expenses	-	(1,020,953)	-	-	-	(245,737)	-	-
DISTRIBUTION OF TRANSFERS	-	-	-	-	-	-	-	-
Excess Investment Earnings to be used for Future Benefit Increases	-	-	-	-	-	-	-	-
Earnings (Loss) on Excess Investment Earnings Account Assets	-	-	-	-	-	-	-	-
Amount Utilized by Benefit Increases Granted	-	-	-	-	-	-	-	-
Net Transfers In (Out) and Purchase of Service Credits	(619,950)	(494,117)	-	-	264,670	193,344	-	-
Balances Transferred to Employers' Reserve due to Retirement	(17,033,197)	17,033,197	-	-	(3,615,005)	3,615,005	-	-
BALANCE AS OF JUNE 30, 2013	**309,148,243**	**741,814,525**	**81,285,457**	**-**	**74,745,785**	**197,856,636**	**4,729,375**	**-**
DISTRIBUTION OF REVENUES AND EXPENSES								
Members' Contributions	42,697,294	-	-	-	9,039,472	-	-	-
Employers' Contributions	-	62,246,291	5,477,173	-	-	15,551,633	1,204,069	-
Earnings (Loss) on Investments Net of Investment Expenses	-	145,433,409	10,977,241	-	-	37,418,753	687,469	-
Pension and Insurance Benefits	-	(91,318,857)	(2,728,206)	-	-	(15,767,955)	(309,357)	-
Refunds to Terminated Members	(18,649,269)	(10,482,553)	-	-	(993,407)	(321,479)	-	-
Administrative Expenses	-	(1,143,482)	-	-	-	(294,209)	-	-
DISTRIBUTION OF TRANSFERS	-	-	-	-	-	-	-	-
Excess Investment Earnings to be used for Future Benefit Increases	-	-	-	-	-	-	-	-
Earnings (Loss) on Excess Investment Earnings Account Assets	-	-	-	-	-	-	-	-
Amount Utilized by Benefit Increases Granted	-	-	-	-	-	-	-	-
Net Transfers In (Out) and Purchase of Service Credits	166,543	(186,220)	-	-	226,626	57,222	-	-
Balances Transferred to Employers' Reserve due to Retirement	(16,123,485)	16,123,485	-	-	(3,902,687)	3,902,687	-	-
BALANCE AS OF JUNE 30, 2014	**$ 317,239,326**	**$ 862,486,598**	**$ 95,011,665**	**$ -**	**$ 79,115,789**	**$ 238,403,288**	**$ 6,311,556**	**$ -**

SUPPORTING SCHEDULES INFORMATION

SCHEDULE OF RECEIPTS AND DISBURSEMENTS
FOR THE YEARS ENDED JUNE 30, 2014 AND 2013

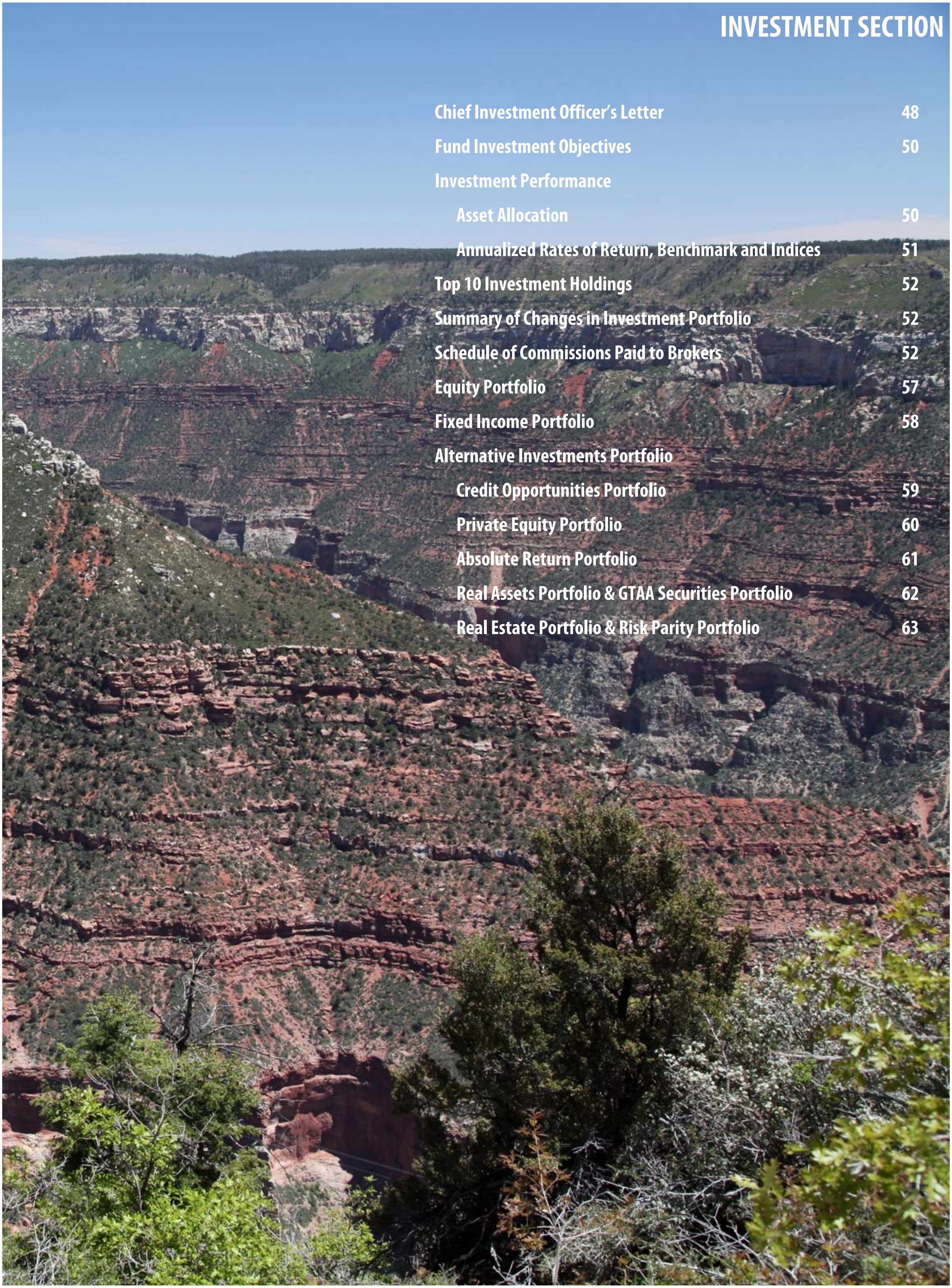
	2014	2013
RECEIPTS		
Members' Contributions	51,832,199	50,515,340
Employers' Contributions	77,504,980	60,562,605
Health Insurance Contributions	6,688,833	7,341,816
Alternative Contributions	223,066	203,683
Interest	1,887,076	1,235,410
Dividends	11,228,184	9,950,791
Other Income	14,835,250	15,173,741
Securities Lending Income	410,888	214,579
Transfer In	296,833	184,576
Service Purchase	466,027	814,501
Maturities and Sales of:		
U S Equity	182,306,562	50,445,686
NON-U S Equity	90,809,588	59,160,564
GTAA	28,404,384	8,234,336
Fixed Income	35,766,890	28,972,892
Absolute Return	2,505,819	5,897,409
Credit Opportunities	47,724,655	39,692,984
Private Equity	40,457,626	12,499,137
Real Assets	36,525,112	16,488,584
Real Estate	48,076,329	6,622,095
Risk Parity	35,913,687	4,726,465
Total Receipts	**713,863,988**	**378,937,194**
DISBURSEMENTS		
Pension Benefits	105,319,930	93,179,451
Refunds to Terminiated Members	30,446,708	31,179,499
Drop Benefits	1,766,882	1,633,892
Health Insurance Subsidy	3,037,563	2,829,625
Investment and Administrative Expenses	31,463,178	7,703,654
Transfer Out	498,689	840,629
Acquisitions of:		
U S Equity	212,152,166	5,247,854
NON-U S Equity	86,771,371	56,301,758
GTAA	14,175,795	4,893,972
Fixed Income	42,928,797	10,530,893
Absolute Return	3,634,904	10,191,575
Credit Opportunities	28,941,104	49,969,060
Private Equity	17,773,886	25,278,900
Real Assets	23,646,273	24,708,256
Real Estate	67,251,397	15,742,268
Risk Parity	14,079,692	35,780,231
Total Disbursements	**683,888,335**	**376,011,517**
INCREASE (DECREASE) IN CASH	29,975,653	2,925,677
BEGINNING CASH BALANCE - July 1	29,639,900	26,714,223
ENDING CASH BALANCE - June 30	**59,615,553**	**29,639,900**

SCHEDULE OF ADMINISTRATIVE EXPENSES
FOR THE YEAR ENDED JUNE 30, 2014

EXPENSE CATEGORY	ADMINISTRATIVE	INVESTMENT	TOTAL
Accounting and Auditing Services	18,292	-	18,292
Actuarial Services	29,548	-	29,548
Building Expense	28,928	-	28,928
Communications	8,046	-	8,046
Computer Related Expense	25,058	8,756	33,814
Contractual Services	11,011	-	11,011
Depreciation Expense	35,661	-	35,661
Fund Manager Initiatives	3,630	-	3,630
Furniture and Equipment	4,983	163	5,146
Investment Services	-	31,309,168	31,309,168
Legal Services	303,846	157,394	461,240
Local Board Training	-	-	-
Payroll Taxes and Fringe Benefits	207,071	62,192	269,263
Postage Expenses	6,319	-	6,319
Printing and Publications	2,395	-	2,395
Professional Services	177,613	354,200	531,813
Salaries and Wages	557,845	218,779	776,624
Supplies and Services	6,074	-	6,074
Training Expenses	8,410	9,480	17,890
Travel Expense	2,961	11,137	14,098
TOTAL	**1,437,691**	**32,131,269**	**33,568,960**

SCHEDULE OF CONSULTANT EXPENSES
FOR THE YEAR ENDED JUNE 30, 2014

CONSULTANT	SERVICE PROVIDED	FEES PAID
ALBOURNE AMERICA, LLC	International Alternative Investment Consultant	113,342
BNY MELLON ASSET SERVICING	Independent Investment Advisor	38,774
COOLEY LLP	Investment Counsel	3,579
ERNST & YOUNG LLP	Investment Consultant	50,498
FOLEY & LARDNER, LLC	Investment Counsel	12,727
GABRIEL ROEDER SMITH & COMPANY	Actuary	74,873
GOODWIN PROCTER	Legislative Liaison	6,349
HEINFELD, MEECH & CO.	Independent Auditor	19,234
HIGHGROUND, INC	Legislative Liaison	16,057
JACKSON WALKER LLP	Investment Counsel	7,700
KUTAK ROCK LLP	General Counsel	310,176
LEWIS AND ROCA, LLP	HR Consultant	25,144
LIGHT STONE SOLUTIONS, LLC	Due Diligence	36,948
NEPC, LLC	Independent Investment Advisor	84,613
OFFICE OF THE ATTORNEY GENERAL	General Counsel	13,849
ORG PORTFOLIO MANAGEMENT LLC	Real Estate Consultant	59,032
OSAM INC.	IT Counsel	7,160
PATRICE ROBINSON CONSULTING	IT Consultant	8,183
PILLSBURY	Investment Counsel	1,602
PUBLIC POLICY PARTNERS	Legislative Liaison	23,613
ROPES & GRAY LLP	Investment Counsel	1,330
STEPSTONE GROUP LLC	Equity Advisors	19,677
STEPTOE & JOHNSON, LLP	Litigation Counsel	13,964
WHETSTINE, CHARLES	IRS Consultant	13,268
Grand Total		**961,692**



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

Administration
Ryan Parham Chief Investment Officer
Jared A. Smout Deputy Administrator

March 3, 2015

The Board of Trustees and
The Deputy 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, 2013 and ending June 30, 2014, I submit the following comments and observations for your consideration and for the consideration of the respective parties in interest of the System:

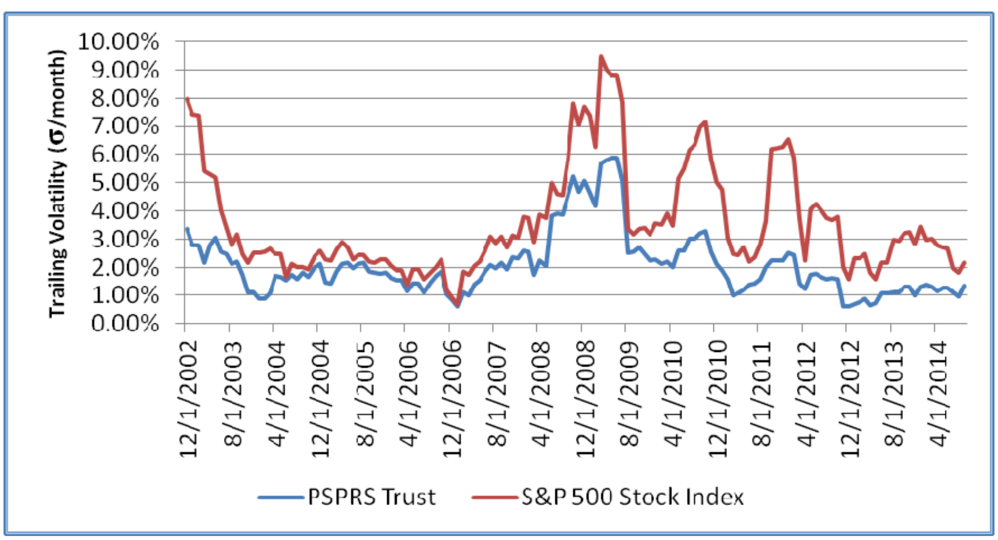
INTRODUCTION

On behalf of the PSPRS investment team, it is a pleasure to provide this annual update of investment activities of the PSPRS Trust for the fiscal year ending June 30, 2014. This marks approximately the fourth year in the operation of a substantially less risky portfolio, and five years since we began moving away from the old U.S. stock (equity) heavy strategy. In 2014, we returned approximately 13.28% or approximately $988,000,000.00 in earnings. In 2013, our return was approximately 10.64% and our five year annualized return is approximately 10.68%. This is exactly the increase in consistency that we have been charged with delivering to the PSPRS system. Our assumed earnings rate is 7.85%. That is a primary goal for the system's investments for us to "break even." 7.85% is the rate calculated to pay our liabilities and to move toward 100% funding over time. Even with much less risk, in the last five years we have exceeded that goal by almost 3% per year.

DIVERSIFICATION (HOW MUCH UP AND HOW MUCH DOWN)

The Trust's portfolio returns for the fiscal year ending June 30, 2014 continue to come from many diversified sources (10 separate asset classes.) We expect that diversification to help us to *capture* most of strong positive markets and to *protect* us from the worst of devastating negative markets. This was demonstrated in 2014 where we captured almost 3/4 of the returns of stock heavy portfolios. But in Q3 2014, when stocks were hard hit we had only 1/3 of the losses of those portfolios.

For the past five years the total volatility of the PSPRS portfolio has been roughly one half that of the U.S. Stock markets.



The practical implications of this shift can be seen in the following worst case stress model results:

Events	Today's Portfolio	PSPRS Trust Actual
Asian Crisis of 1997	3.4%	5.7%
Russian/LTCM Crisis 1998	-3.1%	-5.5%
WTC Attacks - Sept. 11	-6.1%	-11.7%
Stock Market Crash 2002	-8.0%	-21.1%
August Crisis 2007	1.3%	1.6%
January Crisis 2008	-4.1%	-2.7%
Credit Crunch 2008 (Aug to Nov)	-15.1%	-23.1%
Crisis 2009 (Jan-Feb)	-8.5%	-12.9%
Flash Crash 2010	-3.5%	-3.7%

Volatility analysis and stress test results such as these led us to perform a dedicated study of the Trust's risk and efficiency evolution over time. Results were published in the *Journal of Asset Management* in August, 2014 (entitled "Modern Pension Fund Diversification") and lead us to conclude that the current portfolio has almost 1/4 as much risk at it had just seven years ago, that it has roughly half the risk of a 60% stock/40% bond portfolio, but it has also maintained roughly the same expected return.

Independent peer comparison analysis places the PSPRS Trust among the top 10% lowest risk, and top 10% highest efficiency (Sharpe Ratio) of defined-benefit pension funds in the United States today, based on one year, three year and five year track records.

THE PSPRS TEAM (A FURTHER NOTE)

We have been much in the news in the last year as a variety of reckless allegations made by former staff members were investigated, often at our request. I am happy to report that, yet again, PSPRS has been exonerated of any wrong doing, most recently by the U.S. Attorney's office. I can further confirm that all members of the PSPRS investment staff are currently paid below the median and below the average of their peers in similar funds throughout the U.S. as reported in a recent compensation survey.

The current PSPRS Investment team brings together more than 100 years of experience, 7 master level degrees along with 5 doctorate level degrees. When we add that to the hundreds of analysts who work within our consultancies in offices around the world, we have expertise, experience and coverage to manage our truly global and diversified portfolio.

I am wonderfully proud of all the hard work that has been done by Staff and our Consultants which has produced these admirable results.

Respectfully and Gratefully Submitted,

Ryan P. Parham

Ryan P. Parham
Chief Investment Officer

FUND INVESTMENT OBJECTIVES

The objective of the Fund is to ensure the integrity of the Elected Officials' Retirement Plan, Public Safety Personnel Retirement Plan and the Corrections Officer Retirement Plan in order to adequately fund benefit levels for members as stated in Title 38, Chapter 5, Articles 3,4 and 6 of the Arizona Revised Statutes and as amended from time to time by the Legislature. To achieve the objective, the Fund will do the following:

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

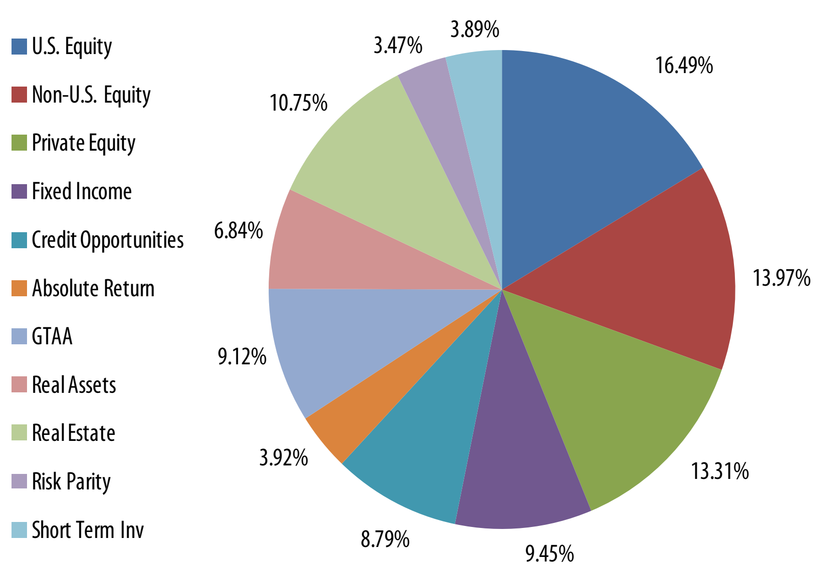
Consistent with the Fund objectives, the primary investment objective of the Fund is to maximize long-term real (after inflation) investment returns recognizing established risk (volatility) parameters and the need to preserve capital by:

- Deriving a reasonable asset allocation model that attempts to fully achieve the primary investment objective, over the long term.
- Consistent with these 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, 2014



ANNUALIZED RATES OF RETURN*
JUNE 30, 2014

Description	1 Year	3 Years	5 Years	10 Years
PSPRS - Total Fund	13.28%	7.65%	10.68%	5.77%
Target Fund Benchmark	*13.82%*	*8.84%*	*11.15%*	*4.81%*
Total Equity	21.20%	10.36%	14.72%	6.75%
Target Equity Benchmark	*23.68%*	*11.78%*	*15.82%*	*7.92%*
U.S. Equity	21.90%	13.85%	17.57%	N/A
Russell 3000	*25.22%*	*16.46%*	*19.33%*	*N/A*
Non-U.S. Equity	20.35%	5.54%	10.71%	N/A
MSCI ACWI Ex-US Net	*21.75%*	*5.73%*	*11.11%*	*N/A*
Private Equity	26.60%	14.46%	19.04%	N/A
Russell 3000 + 100 bps	*26.22%*	*17.46%*	*20.33%*	*N/A*
Fixed Income	6.21%	4.62%	6.31%	5.04%
BC Global Aggregate	*7.39%*	*2.57%*	*4.60%*	*5.06%*
Credit Opportunities	11.31%	7.89%	14.75%	N/A
ML US High Yield BB-B Constrained, CSFB Arbitrage	*8.59%*	*7.70%*	*11.19%*	*N/A*
Absolute Return	8.28%	9.54%	N/A	N/A
BofA ML 3-Month T-Bill + 200 bps	*2.05%*	*2.07%*	*N/A*	*N/A*
GTAA	7.51%	4.78%	N/A	N/A
3-Month LIBOR + 300bps	*3.23%*	*3.33%*	*N/A*	*N/A*
Real Assets	8.85%	4.24%	5.10%	N/A
CPI + 200 bps	*4.08%*	*3.84%*	*4.00%*	*N/A*
Real Estate	-1.26%	1.54%	-2.77%	N/A
NCREIF NPI	*11.21%*	*11.32%*	*9.67%*	*N/A*
Risk Parity	9.71%	N/A	N/A	N/A
BC Global Agg, MSCI AC World Net, Dow Jones UBS Ind	*12.07%*	*N/A*	*N/A*	*N/A*
Short Term Investments	0.27%	-0.05%	0.05%	1.76%
BofA ML 3-Month T-Bill	*0.05%*	*0.07%*	*0.11%*	*1.63%*

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

Target Fund Benchmarks (Effective Dates)

July 1, 2013 to Present: 17% Russell 3000, 14% MSCI ACWI Ex-US Net, 10% Russell 3000 + 100 bps, 8% BC Global Aggregate, 12% Credit Opportunities Benchmark, 4% BofA ML 3-Month T-Bill + 200 bps, 10% 3-Month LIBOR + 300 bps, 8% CPI + 200 bps, 11% NCREIF NPI, 4% Risk Parity Benchmark and 2% BofA ML 3-Month T-Bill.

July 1, 2012 - June 30, 2013: 18% Russell 3000, 14% MSCI World Ex-US Net, 9% Russell 3000 + 100 bps, 12% BC Global Aggregate, 12% Credit Opportunities Benchmark, 4% BofA ML 3-Month T-Bill + 200 bps, 8% 3-Month LIBOR + 300 bps, 7% CPI + 200 bps, 10% NCREIF NPI, 4% Risk Parity Benchmark and 2% BofA ML 3-Month T-Bill.

July 1, 2010 - June 30, 2012: 20% Russell 3000, 15% MSCI World Ex-US Net, 8% 3-Month LIBOR + 300 bps, 20% BC US Aggregate, 4% BofA ML 3-Month T-Bill + 200 bps, 9% BofA ML US High Yield BB-B Constrained, 8% Russell 3000 + 100 bps, 6% CPI + 200 bps, 8% NCREIF NPI and 2% BofA ML 3-Month T-Bill.

April 1, 2009 - June 30, 2010: 30% Russell 3000, 20% MSCI ACWI Ex-US Net, 20% BC US Aggregate, 8% NCREIF NPI, 8% Russell 3000 + 100 bps, 8% BofA ML US High Yield BB-B Constrained, 5% CPI + 200 bps and 1% BofA ML 3-Month T-Bill

Target Equity Benchmarks (Effective Dates)

July 1, 2013 to Present: 54.84% Russell 3000 and 45.16% MSCI ACWI Ex-US Net.

July 1, 2012 - June 30, 2013: 56.25% Russell 3000 and 43.75% MSCI ACWI Ex-US Net.

July 1, 2010 - June 30, 2012: 57.14% Russell 3000 and 42.86% MSCI ACWI Ex-US Net.

EQUITY PORTFOLIO TOP 10 HOLDINGS
JUNE 30, 2014

Description	Shares	Fair Value
STATE STREET INTL EQ	24,129,267	153,492,569
STATE STREET US EQTY	2,086,681	103,764,987
CRESTLINE ALPHA	34,350,513	34,350,514
ACADIAN US MANAGED	568,548	26,588,573
SEG BAXTER STREET	5,897,285	19,088,290
EAGLE SMALL CAP ST	538,124	16,968,670
ESG CBE	15,617,053	15,617,053
SOUTHPOINT	14,734,984	14,734,984
THB MICRO CAP	1,385,368	13,733,478
GOTHAM INSTL SELECT	350,848	11,868,166

FIXED INCOME PORTFOLIO TOP 10 HOLDINGS
JUNE 30, 2014

Description	Shares	Fair Value
BGI CORE ACTIVE BOND FUND	2,415,946	58,780,888
IGUAZU PARTNERS LP	16,060,886	16,060,886
BLACKROCK FIXED INCOME GLOBAL	14,765,372	14,765,371
GOLDENTREE HIGH YIELD VALUE	12,242,693	12,242,693
FRANKLIN TEMPLETON EMD	10,908,625	10,908,625
CAPITAL GUARDIAN EMERGING	486,439	7,525,218
CBO HLDGS III 04-3 CL A 144A	2,437,106	2,430,101
FHLMC MULTICLASS MTG 3561 B	1,967,741	2,072,189
FHLMC MULTICLASS MTG 3740 KD	1,967,741	2,063,196
SKYWAY CONCESSION CO LLC 144A	2,558,063	2,008,080

SUMMARY OF CHANGES IN INVESTMENT PORTFOLIO
JUNE 30, 2014
(IN THOUSANDS)

	JUNE 30, 2013 BALANCE					JUNE 30, 2014 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	18.61%	256,644	208,838	187,489	193,489	263,440	202,838	17.15%
Non U. S. Equity	14.37%	198,214	183,468	90,775	89,354	222,571	184,889	14.49%
GTAA	8.74%	120,617	99,720	28,404	14,175	145,911	113,949	9.50%
Fixed Income	11.32%	156,186	140,226	35,767	43,065	150,884	132,928	9.83%
Absolute Return	4.20%	57,963	46,098	2,506	3,636	62,603	44,968	4.08%
Credit Opportunities	9.22%	127,251	118,225	49,621	31,898	140,606	135,948	9.16%
Private Equity	11.60%	160,061	139,871	40,458	17,774	212,873	162,555	13.86%
Real Assets	6.50%	89,688	82,914	36,574	23,699	109,380	95,789	7.12%
Real Estate	13.16%	181,577	201,153	48,076	67,251	171,945	181,978	11.20%
Risk Parity	2.28%	31,424	31,299	36,041	16,307	55,473	51,033	3.61%
Total Portfolio	100.00%	1,379,625	1,251,812	555,711	500,648	1,535,686	1,306,875	100.00%

SCHEDULE OF COMMISSIONS PAID TO BROKERS
YEAR ENDED JUNE 30, 2014

BROKER	NUMBER OF SHARES TRADED	AVERAGE COMMISSION	TOTAL COMMISSIONS
ABEL NOSER CORP, NEW YORK	2,763	0.0300	83
AQUA SECURITIES LP, NEW YORK	1,286	0.0200	26
B.RILEY & CO.,LLC, LOS ANGELES	9,226	0.0364	336
BAIRD, ROBERT W & CO INC, MILWAUKEE	133,730	0.0331	4,420
BANCO BTG PACTUAL SA, RIO DE JANEIRO	56,379	0.0227	1,278
BANCO ITAU, SAO PAULO	130,015	0.0126	1,634
BANCO SANTANDER, NEW YORK	36,597	0.0019	69
BANQUE PARIBAS, PARIS	8,286	0.0746	618
BARCLAYS BK PLC, NEW YORK	17,274	0.0241	416
BARCLAYS CAPITAL INC./LE, NEW JERSEY	79	0.0115	1

SCHEDULE OF COMMISSIONS PAID TO BROKERS
YEAR ENDED JUNE 30, 2014

BROKER	NUMBER OF SHARES TRADED	AVERAGE COMMISSION	TOTAL COMMISSIONS
BARCLAYS CAPITAL LE, JERSEY CITY	24,757	0.0135	333
BARCLAYS CAPITAL, LONDON (BARCGB33)	3,632	0.0031	11
BARRINGTON RESEARCH ASSOCIATES, BROOKLYN	9,302	0.0376	349
BB&T SECURITIES, LLC, RICHMOND	38,556	0.0333	1,285
BENCHMARK COMPANY LLC, BROOKLYN	142	0.0100	1
BERNSTEIN SANFORD C & CO, NEW YORK	69,390	0.0200	1,388
BLOOMBERG TRADEBOOK LLC, NEW YORK	151,910	0.0200	3,038
BMO CAPITAL MARKETS CORP, NEW YORK	15,353	0.0312	479
BNP PARIBAS BKRGE (INT), KING OF PRUSSIA	8,161	0.0143	117
BNP PARIBAS PRIME BRKRGE INC,NEW YORK	330	0.2211	73
BNY CONVERGEX, NEW YORK	2,852	0.0150	43
BTIG LLC, SAN FRANCISCO	124,753	0.0189	2,359
BURKE & QUICK PARTNERS LLC, JERSEY CITY	9,851	0.0306	301
CANACCORD GENUITY INC.NEY YORK	54,532	0.0260	1,420
CANTOR CLEARING SERV, NEW YORK	1,476	0.0100	15
CANTOR FITZGERALD & CO INC, NEW YORK	138,874	0.0158	2,200
CAPITAL ONE SOUTHCOAST INC, NEW ORLEANS	7,738	0.0460	356
CITIGROUP GBL MKTS AUSTRALIA PTY, SYDNEY	3,142	0.0035	11
CITIGROUP GBL MKTS INC, NEW YORK	18,561	0.0192	357
CITIGROUP GBL MKTS/SALOMON, NEW YORK	107,748	0.0037	395
CITIGROUP GLOBAL MARKETS LTD, LONDON	26,587	0.0042	111
CJS SECURITIES INC, JERSEY CITY	4,646	0.0366	170
COMPASS POINT RESEARCH & TR, JERSEY CITY	65,152	0.0252	1,644
COWEN AND COMPANY LLC, NEW YORK	25,403	0.0271	688
CRAIG HALLUM, MINNEAPOLIS	106,235	0.0317	3,371
CREDIT LYONNAIS SECS (ASIA), HONG KONG	57,084	0.0029	164
CREDIT LYONNAIS SECS, SINGAPORE	394,817	0.0019	735
CREDIT RESEARCH & TRADING LLC, JERSEY	6,230	0.0354	220
CREDIT SUISSE (EUROPE), LONDON	10,754	0.0060	65
CREDIT SUISSE (EUROPE), SEOUL	38,646	0.0390	1,508
CREDIT SUISSE AUSTRALIA EQ, MELBOURNE	3,191	0.0017	6
CREDIT SUISSE, NEW YORK (CSUS)	3,058,157	0.0016	4,810
CREDIT SUISSE, SAO PAULO	250,769	0.0041	1,040
CREDIT SUISSE, TAIPEI	1,872,699	0.0008	1,555
DAVIDSON(D A) & CO INC, NEW YORK	2,980	0.0207	62
DEUTSCHE BK SECS INC, NY (NWSCUS33)	3,351,904	0.0050	16,788
DOUGHERTY COMPANY, BROOKLYN	42,584	0.0303	1,288
EVERCORE GROUP LLC, JERSEY CITY	5,066	0.0390	197
FBR CAPITAL MARKETS & CO, ARLINGTON	3,899	0.0309	120
FIG PARTNERS LLC, ATLANTA	43,189	0.0323	1,393
FIRST ANALYSIS SECS CORP, CHICAGO	7,768	0.0500	388
GBM BRASIL DTVM SA, RIO DE JANEIRO	32,704	0.0233	763
GLOBAL HUNTER SECURITIES LTD,JERSEY	3,556	0.0363	129
GOLDMAN SACHS & CO, NY	306,132	0.0323	9,875

SCHEDULE OF COMMISSIONS PAID TO BROKERS
YEAR ENDED JUNE 30, 2014

BROKER	NUMBER OF SHARES TRADED	AVERAGE COMMISSION	TOTAL COMMISSIONS
GOLDMAN SACHS (ASIA) LLC, TAIPEI	494,297	0.0034	1,696
GOLDMAN SACHS EXECUTION & CLEARING, NY	21,806	0.0171	373
GOLDMAN SACHS INTL, LONDON (GSILGB2X)	238,153	0.0059	1,404
GOODBODY STOCKBROKERS, DUBLIN	389	0.0070	3
G-TRADE SERVICES LTD, HAMILTON	2,952	0.0014	4
GUGGENHEIM CAPITAL MKT LLC, JERSEY CITY	4,470	0.0500	224
HONG KONG & SHANGHAI BKG CORP, AUCKLAND	1,390	0.0024	3
HSBC BANK AUSTRALIA LTD, SYDNEY	215,921	0.0008	183
HSBC BANK PLC (MIDLAND BK)(JAC), LONDON	701,578	0.0042	2,924
INSTINET CORP, NEW YORK	132,590	0.0161	2,128
INSTINET CORP, NY	23,369	0.0270	632
INSTINET EUROPE LIMITED, LONDON	1,354,573	0.0057	7,657
INVESTEC SECURITIES (331), LONDON	199,185	0.0147	2,928
INVESTMENT TECHNOLOGY GROUP LTD,DUBLIN	735,284	0.0050	3,696
INVESTMENT TECHNOLOGY GROUP, NEW YORK	52,725	0.0113	594
ISI GROUP INC, NY	528,855	0.0103	5,470
ITAU USA SECURITIES INC, NEW YORK	409,654	0.0028	1,142
ITG AUSTRALIA LTD, MELBOURNE	16,884	0.1213	2,048
ITG CANADA CORP, TORONTO	43,605	0.0118	513
ITG HONG KONG LIMITED, HONG KONG	2,262,473	0.0007	1,512
ITG INC, NY	5,081	0.0174	89
J P MORGAN SECS LTD, LONDON	48,480	0.0450	2,184
J P MORGAN SECURITIES INC, BROOKLYN	13,183	0.0143	188
J.P. MORGAN CLEARING CORP, NEW YORK	141,215	0.0151	2,134
JANNEY MONTGOMERY SCOTT, PHILADELPHIA	4,505	0.0500	225
JEFFERIES & CO INC, NEW YORK	110,714	0.0229	2,539
JEFFERIES & CO LTD, LONDON	6,295	0.0023	15
JMP SECURITIES, SAN FRANCISCO	20,981	0.0339	710
JOHNSON RICE & CO, NEW ORLEANS	9,978	0.0379	378
JONESTRADING INSTL SVCS LLC, WESTLAKE	157,420	0.0164	2,586
JPMORGAN SECURITIES INC, NEW YORK	1,132,878	0.0002	174
KEEFE BRUYETTE AND WOODS, JERSEY CITY	74,758	0.0314	2,346
KEYBANC CAPITAL MARKETS INC, NEW YORK	123,932	0.0362	4,485
KING (CL) & ASSOCIATES, ALBANY	3,466	0.0210	73
KNIGHT DIRECT LLC, JERSEY CITY	2,735	0.0133	36
KNIGHT EQUITY MARKETS L.P.,JERSEY CITY	342,104	0.0168	5,742
LEERINK SWANN & CO, JERSEY CITY	3,514	0.0314	110
LEK SECURITIES CORP, NEW YORK	43,707	0.0188	824
LIQUIDNET INC, BROOKLYN	203,902	0.0191	3,889
LOOP CAPITAL MARKETS, JERSEY CITY	3,513	0.0105	37
MACQUARIE BANK LIMITED, SYDNEY	9,066	0.0006	5
MACQUARIE BANK LTD, HONG KONG	7,674	0.0022	17
MACQUARIE CAPITAL (USA) INC., NEW YORK	81,448	0.0085	692
MACQUARIE EQUITIES LTD, SYDNEY	8,436	0.0075	63

SCHEDULE OF COMMISSIONS PAID TO BROKERS
YEAR ENDED JUNE 30, 2014

BROKER	NUMBER OF SHARES TRADED	AVERAGE COMMISSION	TOTAL COMMISSIONS
MACQUARIE SECURITIES LTD, AUCKLAND	2,453	0.0078	19
MAINFIRST BANK AG,FRANKFURT AM MAIN	21,919	0.1756	3,848
MERIDIAN EQUITY PARTNERS, NEW YORK	39,849	0.0237	946
MERRILL LYNCH CANADA (MLCT), TORONTO	2,105	0.0121	26
MERRILL LYNCH INTL (KSI), LONDON	125,502	0.0383	4,810
MERRILL LYNCH INTL LONDON EQUITIES	357,810	0.0056	2,020
MERRILL LYNCH INTL LTD (IPB), LONDON	39,896	0.0079	315
MERRILL LYNCH PIERCE FENNER SMITH INC NY	132,382	0.0136	1,801
MERRILL LYNCH PIERCE FENNER, WILMINGTON	78,304	0.0121	949
MIZUHO SECURITIES USA, INC., NEW YORK	326	0.0233	8
MONTROSE SECURITIES EQ, SAN FRANCISCO	1,200	0.0100	12
MORGAN STANLEY & CO INC, NY	8,927,315	0.0035	30,809
MORGAN STANLEY & CO INTL LTD, SEOUL	7,669	0.0491	376
MORGAN STANLEY HONG KONG SEC LTD	76,616	0.0005	41
MORGAN STANLEY SECURITIES LTD, LONDON	161	0.0025	0
MS SECS SVCS INC INTL, BROOKLYN	7,726	0.0158	122
NATIONAL FINL SVCS CORP, NEW YORK	10,829	0.0379	410
NEEDHAM & CO, NEW YORK	17,731	0.0297	527
NEWEDGE USA LLC, NEW YORK	20	21.6909	427
NOBLE INTL INVESTMENTS INC, JERSEY CITY	5,219	0.0315	164
NORTHLAND SECS INC, JERSEY CITY	30,199	0.0298	901
NUMIS SECURITIES INC., NEW YORK	135,478	0.0212	2,867
ODDO ET CIE, PARIS	9,241	0.0935	864
OPPENHEIMER & CO INC, NEW YORK	54,162	0.0358	1,939
PACIFIC CREST SECURITIES, PORTLAND	25,616	0.0339	869
PERSHING LLC, JERSEY CITY	48,353	0.0281	1,360
PICKERING ENERGY PARTNERS, HOUSTON	1,844	0.0494	91
PIPER JAFFRAY & CO, MINNEAPOLIS	45,040	0.0304	1,370
PULSE TRADING LLC, BOSTON	457,796	0.0298	13,643
RAYMOND JAMES & ASSOC INC, ST PETERSBURG	57,563	0.0263	1,513
RBC CAPITAL MARKETS LLC, NEW YORK	2,022,217	0.0051	10,367
RBC DOMINION SECS INC, TORONTO (DOMA)	22,078	0.0124	274
ROTH CAPITAL PARTNERS LLC, IRVINE	24,584	0.0282	692
SANDLER O'NEILL & PARTNERS, NEW YORK	110,595	0.0250	2,769
SANFORD C. BERNSTEIN & CO, WHITE PLAINS	1,944	0.0186	36
SCOTIA CAPITAL (USA) INC, NEW YORK	10,062	0.0449	451
SG AMERICAS SECURITIES LLC, NEW YORK	80,301	0.0185	1,488
SG SEC (LONDON) LTD, LONDON	2,995	0.0048	14
SIDOTI & CO LLC, NEW YORK	41,749	0.0334	1,396
SIS SEGAINTERSETTLE AG, ZURICH	21,998	0.0952	2,095
STATE STREET BROKERAGE SVCS, BOSTON	76,374	0.0308	2,350
STEPHENS INC, LITTLE ROCK	80,166	0.0362	2,898
STERNE AGEE & LEACH INC	12,205	0.0347	423
STIFEL NICOLAUS	295,497	0.0090	2,671

SCHEDULE OF COMMISSIONS PAID TO BROKERS
YEAR ENDED JUNE 30, 2014

BROKER	NUMBER OF SHARES TRADED	AVERAGE COMMISSION	TOTAL COMMISSIONS
SUNTRUST CAPITAL MARKETS INC, ATLANTA	2,726	0.0452	123
UBS EQUITIES, LONDON	38,537	0.0050	193
UBS SECURITIES LLC, STAMFORD	88,912	0.0222	1,971
UBS WARBURG ASIA LTD, HONG KONG	111,000	0.0025	279
UBS WARBURG AUSTRALIA EQUITIES, SYDNEY	82,170	0.0082	671
UBS WARBURG, LONDON	25,813	0.0028	73
WEDBUSH MORGAN SECS INC, LOS ANGELES	4,886	0.0375	183
WEEDEN & CO, NEW YORK	164,553	0.0240	3,950
WELLS FARGO SECURITIES LLC, CHARLOTTE	6,083	0.0114	70
WILLIAM BLAIR & CO, CHICAGO	42,885	0.0316	1,357
WUNDERLICH SECURITIES INC, MEMPHIS	16,039	0.0377	605
TOTAL COMMISSIONS	**35,012,678**	**0.0070**	**245,623**

U.S. EQUITY PORTFOLIO
YEAR ENDED JUNE 30, 2014

SHARES	DESCRIPTION	COST	FAIR VALUE	UNREALIZED GAIN (LOSS)
568,548	ACADIAN US MANAGED	23,301,148	26,588,573	3,287,425
7,378	AZ GDH 115-65	1,458,131	1,674,955	216,824
100,256	AZ GDH 140-40	3,361,331	3,628,744	267,413
34,883	AZ GHVS 115-65	1,558,783	1,702,726	143,943
89,600	AZ GHVS 140-40	3,455,653	3,769,797	314,144
34,350,513	CRESTLINE ALPHA	29,516,113	34,350,514	4,834,401
538,124	EAGLE SMALL CAP ST	12,445,939	16,968,670	4,522,731
145,329	FRONTPOINT ALPHA	156,987	145,329	(11,658)
350,848	GOTHAM INSTL SELECT	11,118,447	11,868,166	749,719
321,151	GOTHAM VALUE 1000	10,563,278	11,575,011	1,011,733
114,521	GOTHAM VALUE 2000	2,410,562	2,600,307	189,745
308,645	RANGER SMALL CAP	8,863,822	11,248,887	2,385,065
14,734,984	SOUTHPOINT	11,806,445	14,734,984	2,928,539
341	SSGA BETA	0	546,281	546,281
2,086,681	STATE STREET US EQTY	67,342,478	103,764,987	36,422,509
1,385,368	THB MICRO CAP	11,403,195	13,733,478	2,330,283
138,726	THB SMALL CAP VAL	4,075,876	4,538,188	462,312
55,275,896	**TOTAL US EQUITY PORTFOLIO**	**202,838,188**	**263,439,597**	**60,601,409**

NON-U.S. EQUITY PORTFOLIO
YEAR ENDED JUNE 30, 2014

SHARES	DESCRIPTION	COST	FAIR VALUE	UNREALIZED GAIN (LOSS)
1,331,838	BLKRK FRONTIER FUND	5,903,611	11,211,955	5,308,344
15,617,053	ESG CBE	14,758,056	15,617,053	858,997
1,306,783	GOTHAM 400 INTL	7,505,868	8,200,001	694,133
879,386	GOTHAM INSTL INTL	7,028,934	7,831,202	802,268
139,449	INTL EQUITY FUNDS	6,540,264	7,130,061	589,797
5,897,285	SEG BAXTER STREET	18,588,073	19,088,290	500,217
24,129,267	STATE STREET INTL EQ	124,563,766	153,492,569	28,928,803
49,301,061	**TOTAL NON-US EQUITY PORTFOLIO**	**184,888,572**	**222,571,131**	**37,682,559**

FIXED INCOME PORTFOLIO
YEAR ENDED JUNE 30, 2014

PAR VALUE	DESCRIPTION	COUPON RATE	MATURITY	COST	FAIR VALUE
U.S. GOVERNMENT SECURITIES					
119,636	FHLMC POOL #H1-0069	6.00%	11/01/2036	119,746	133,741
125,499	FHLMC POOL #H1-5010	6.00%	11/01/2036	125,610	140,208
1,967,741	FHLMC MULTICLASS MTG 3561 B	4.00%	08/15/2029	1,947,717	2,072,189
1,967,741	FHLMC MULTICLASS MTG 3740 KD	4.00%	11/15/2038	1,927,208	2,063,196
1,276,233	FHLMC MULTICLASS MTG 4012 MW	3.50%	03/15/2042	1,282,152	1,317,583
5,456,850	**TOTAL US GOVERNMENT SECURITIES**			**5,402,433**	**5,726,917**

PAR VALUE	DESCRIPTION	COUPON RATE	MATURITY	COST	FAIR VALUE
CORPORATE BONDS					
469,914	ACA ABS 2006-1 LTD 1A A3L 144A	1.78%	06/10/2041	163,167	5
379,380	ASSOCIATES CORP OF NORTH AMERI	6.95%	11/01/2018	366,156	453,071
983,870	AUSTRALIA & NEW ZEALAND B 144A	4.88%	01/12/2021	1,007,129	1,108,842
37,406	AUTO BD RECEIVABLES TR 94-A	6.40%	04/15/2009	37,406	0
393,548	BANK ONE CORP	8.00%	04/29/2027	387,368	531,872
590,322	BASSDRILL BETA LTD	8.50%	04/24/2018	599,124	599,124
2,415,946	BGI CORE ACTIVE BOND FUND	0.00%	01/00/1900	48,625,708	58,780,888
14,765,372	BLACKROCK FIXED INCOME GLOBAL	0.00%	01/00/1900	14,758,057	14,765,371
486,439	CAPITAL GUARDIAN EMERGING	0.00%	01/00/1900	6,279,933	7,525,218
2,437,106	CBO HLDGS III 04-3 CL A 144A	1.00%	06/01/2019	2,430,101	2,430,101
1,847,033	CBO HLDGS III 1A 04-1 C-2 144A	7.00%	02/10/2038	1,917,223	1,917,223
983,870	CHICAGO PARKING METERS LL 144A	5.49%	12/30/2020	1,069,344	1,069,339
885,483	CHLOE MARINE CORP LTD	12.00%	12/28/2016	948,450	962,963
168,439	CONAGRA FOODS INC	9.75%	03/01/2021	185,380	219,700
295,161	CON-WAY INC	6.70%	05/01/2034	256,196	325,090
10,908,625	FRANKLIN TEMPLETON EMD	0.00%	01/00/1900	8,744,197	10,908,625
590,322	GENERAL ELECTRIC CAPITAL CORP	0.49%	08/07/2018	552,348	584,266
983,870	GILEAD SCIENCES INC	4.50%	04/01/2021	996,462	1,092,618
905,161	GLBL INVESTMNT GRP FNCE	11.00%	09/24/2017	837,550	916,475
12,242,693	GOLDENTREE HIGH YIELD VALUE	0.00%	01/00/1900	9,838,704	12,242,693
688,709	GOLDMAN SACHS GROUP INC/THE	6.75%	10/01/2037	719,580	828,538
237	GRACIE INTERNATIONAL CREDIT	0.00%	01/00/1900	491,935	476,658
1,279,032	HSBC FINANCE CORP	0.66%	06/01/2016	1,243,418	1,279,390
16,060,886	IGUAZU PARTNERS LP	0.00%	01/00/1900	13,774,187	16,060,886
13,731	JP MORGAN MBS SERI R2 3A1 144A	4.85%	04/28/2026	13,855	13,817
787,096	MARINE ACCURATE WELL	9.50%	04/03/2018	822,223	822,516
29,612	MORGAN STANLEY ABS CAPI NC1 M2	2.48%	12/27/2033	26,288	29,328
25,030	MORGAN STANLEY ABS CAPI NC2 M2	1.96%	12/25/2033	21,471	20,333
237,399	NORTH STREET REFE 3A CTFS 144A	3.99%	04/30/2031	216,546	216,546
983,870	NORTH STREET REFE 3A NOTE 144A	1.24%	04/30/2031	377,719	167,779

FIXED INCOME PORTFOLIO
YEAR ENDED JUNE 30, 2014

PAR VALUE	DESCRIPTION	COUPON RATE	MATURITY	COST	FAIR VALUE
CORPORATE BONDS					
826,451	OCEANTEAM SHIPPING ASA	11.48%	10/24/2017	859,169	859,169
669,032	ONEOK PARTNERS LP	6.65%	10/01/2036	729,848	823,404
688,709	PROTECTIVE LIFE CORP	8.45%	10/15/2039	783,634	1,002,823
787,096	SANTA MARIA OFFSHORE LTD	8.88%	07/03/2018	823,398	838,258
1,180,645	SECURITY MUTUAL LIFE CO OF NEW	9.38%	12/15/2016	1,200,497	1,200,497
2,558,063	SKYWAY CONCESSION CO LLC 144A	0.61%	06/30/2026	1,948,722	2,008,080
1,967,741	TRAINER WORTHAM FI 2A A3L 144A	1.98%	04/10/2037	1,452,452	20
931,710	TRI-COMMAND MILITARY HOUS 144A	5.38%	02/15/2048	838,005	825,858
393,548	UNITED UTILITIES PLC	4.55%	06/19/2018	375,853	417,547
393,548	WACHOVIA CORP	0.50%	06/15/2017	380,004	393,009
373,871	WESTERN GROUP HOUSING LP 144A	6.75%	03/15/2057	426,503	439,451
83,645,976	**TOTAL US CORPORATE BONDS**			**127,525,310**	**145,157,391**
89,102,826	**TOTAL FIXED INCOME PORTFOLIO**			**132,927,743**	**150,884,308**

CREDIT OPPORTUNITIES PORTFOLIO
YEAR ENDED JUNE 30, 2014

DESCRIPTION	COST	FAIR VALUE	UNREALIZED GAIN (LOSS)
APOLLO EUR PRIN FIN	12,342,462	10,705,116	(1,637,346)
CASTLE CREEK TARP	4,890,318	4,989,554	99,236
CENTERBRIDGE SC I	0	3,412,379	3,412,379
CENTERBRIDGE SC II	5,532,040	6,526,574	994,534
CREDIT OPPS PUBLIC	21,159,882	21,803,991	644,109
CRESTLINE OPP FD II	1,634,453	1,507,468	(126,985)
EJF DEBT OPPS FUND	7,870,963	12,587,502	4,716,539
ESG CME FUND	14,758,056	9,224,566	(5,533,490)
OHA STRATEGIC CREDIT	982,058	2,336,176	1,354,118
PAG ASIA OPP FUND	7,870,963	9,603,353	1,732,390
PAG SPEC SITUATIONS	3,609,010	4,059,659	450,649
PNMAC MORTG OPP	25,580,631	19,987,017	(5,593,614)
SJC DIR LENDING II	3,509,004	3,406,813	(102,191)
SJC DIRECT LENDING	4,048,497	3,958,353	(90,144)
STARK ABS OPPS	122,663	134,873	12,210
TPG OPPS II	13,371,387	16,896,716	3,525,329
TPG OPPS III	794,900	767,540	(27,360)
WEST FACE LT OPPS	7,870,964	8,698,661	827,697
TOTAL CREDIT OPPORTUNITIES PORTFOLIO	**135,948,251**	**140,606,311**	**4,658,060**

PRIVATE EQUITY PORTFOLIO
YEAR ENDED JUNE 30, 2014

DESCRIPTION	COST	FAIR VALUE	UNREALIZED GAIN (LOSS)
ABRY PARTNERS V	1,995,768	1,194,472	(801,296)
APOLLO INV FD VII	5,907,245	9,695,120	3,787,875
AVALON VENTURES IX	2,949,366	3,456,659	507,293
AVALON VENTURES X	1,329,712	1,371,511	41,799
BARING ASIA PE V	3,912,099	4,347,208	435,109
BERKSHIRE PARTN VIII	1,322,061	1,419,818	97,757
BCP V	2,866,830	3,923,511	1,056,681
CASTLE CREEK V	2,686,719	2,758,458	71,739
CASTLE CREEK IV	9,294,024	16,673,689	7,379,665
CENTERBRIDGE CP II	8,134,135	8,516,912	382,777
CHARLESBANK VII	3,755,952	5,887,800	2,131,848
CORTEC V	3,340,355	3,939,785	599,430
PROSPECTOR EQ CAP	103,003	124,572	21,569
DAG II CO-INV	3,453,812	1,526,241	(1,927,571)
DAG VENTURES II	1,027,391	821,032	(206,359)
DAG III CO-INV	16,430	8,492,953	8,476,523
DAG VENTURES III	2,227,035	4,040,732	1,813,697
DAG IV CO-INV	4,274,486	7,378,955	3,104,469
DAG IV DIRECT	4,818,442	5,946,377	1,127,935
DAG V COINV	787,096	786,188	(908)
DAG V DIRECT	1,585,901	2,743,280	1,157,379
DFJ MERCURY II	2,920,305	3,473,058	552,753
DRUG RYLTY II CO-INV	1,397,700	1,477,533	79,833
DRUG RYLTY II DIRECT	2,430,385	3,220,598	790,213
EQT VI	3,227,920	3,672,915	444,995
INSIGHT EQUITY II	6,752,161	8,380,117	1,627,956
INSIGHT MEZZANINE I	275,686	301,178	25,492
JMI EQUITY FUND VII	3,207,653	3,207,670	17
KKR ASIA FUND II	1,230,077	1,227,379	(2,698)
LADDER	4,465,899	5,955,258	1,489,359
LITTLEJOHN FUND IV	5,673,541	8,523,236	2,849,695
LITTLEJOHN IV COINV	641,523	1,628,256	986,733
LONGWORTH VP III	2,195,999	2,804,243	608,244
MADRONA VENTURES V	250,395	256,618	6,223
DFJ MERCURY III	259,742	201,369	(58,373)
MESIROW FINANCIAL	3,129,884	2,095,184	(1,034,700)
MIDOCEAN CO-INV	1,149,249	1,670,041	520,792
MIDOCEAN PTNS	5,858,633	7,326,463	1,467,830
MILLENNIUM TV II	2,361,289	2,315,264	(46,025)
SP TRIDENT V COINV	874,196	1,332,941	458,745

PRIVATE EQUITY PORTFOLIO
YEAR ENDED JUNE 30, 2014

DESCRIPTION	COST	FAIR VALUE	UNREALIZED GAIN (LOSS)
OAKTREE EPF III	5,660,881	6,718,353	1,057,472
PATRIA BRAZIL IV	615,268	852,238	236,970
PENINSULA EQ PTNS	839,466	778,945	(60,521)
STEPSTONE SECONDARY	10,322,415	13,428,130	3,105,715
STERLING GROUP III	2,650,411	3,431,506	781,095
TOWERBROOK III	5,315,333	7,257,972	1,942,639
TOWERBROOK IV	43,408	43,408	0
SP TRIDENT FUND V	6,016,326	6,929,605	913,279
TRUSTBRIDGE PARTN IV	4,170,218	5,571,505	1,401,287
VALLEY VENTURES III	1,562,407	569,872	(992,535)
VALLEY VENT III ANNX	515,732	227,656	(288,076)
VISTA EQUITY FUND IV	8,224,578	9,537,240	1,312,662
VIVO VENTURES VII	2,528,025	3,411,728	883,703
TOTAL PRIVATE EQUITY PORTFOLIO	**162,554,567**	**212,872,752**	**50,318,185**

ABSOLUTE RETURN PORTFOLIO
YEAR ENDED JUNE 30, 2014

DESCRIPTION	COST	FAIR VALUE	UNREALIZED GAIN (LOSS)
DAVIDSON KEMPNER	13,774,186	16,889,355	3,115,169
GSAM HF SEED 2011	9,127,292	10,522,637	1,395,345
LSV SPEC OPP FD IV	3,094,648	5,955,117	2,860,469
LSV SPEC OPPS FD III	1,152,714	5,242,179	4,089,465
LUXOR CAP PARTNERS	4,045,399	5,026,583	981,184
OZ MASTER FUND	13,774,186	18,967,520	5,193,334
TOTAL ABSOLUTE RETURN PORTFOLIO	**44,968,425**	**62,603,391**	**17,634,966**

REAL ASSETS PORTFOLIO
YEAR ENDED JUNE 30, 2014

DESCRIPTION	COST	FAIR VALUE	UNREALIZED GAIN (LOSS)
ACTIS ENERGY 3	983,348	689,719	(293,629)
ALTERNA I	4,757,380	6,914,495	2,157,115
ALTERNA II	604,450	584,347	(20,103)
CONSERVATION FOREST	3,008,237	2,848,549	(159,688)
CONSERVATN FOREST II	4,589,464	5,658,397	1,068,933
DENHAM COMMODITY VI	2,820,853	3,557,695	736,842
EDESIA ALPHA FUND	4,919,352	5,170,863	251,511
EIF US POWER FUND IV	3,225,306	2,434,922	(790,384)
ENCAP FUND IX	1,044,259	1,063,881	19,622
ENERGY RECAP FUND	1,810,880	2,334,605	523,725
FUNDAMENTAL PARTN II	6,896,442	8,271,644	1,375,202
GEOSPHERE	0	322,812	322,812
JP MORGAN AIRRO FUND	4,495,000	5,436,083	941,083
JPM AIRRO SIDECAR	4,500,059	5,292,223	792,164
MAGNETAR LLC - COINV	560,806	560,806	0
MAGNETAR MTP ERGY FD	15,741,927	15,974,907	232,980
MCQURIE EUR INFR III	3,746,207	6,054,877	2,308,670
MCQURIE INFRA PT II	2,952,992	3,773,051	820,059
ORG SECONDARY RA	3,853,526	5,339,282	1,485,756
TAYLOR WOODS	4,919,352	5,307,108	387,756
TIPS AND RA	18,197,794	19,886,161	1,688,367
TVEST CROSSOVER III	2,161,415	1,903,683	(257,732)
TOTAL REAL ASSETS PORTFOLIO	**95,789,049**	**109,380,110**	**13,591,061**

GTAA SECURITIES PORTFOLIO
YEAR ENDED JUNE 30, 2014

DESCRIPTION	COST	FAIR VALUE	UNREALIZED GAIN (LOSS)
ALPHADYNE	9,838,704	9,239,888	(598,816)
BLACKROCK GBL ASCENT	11,248,226	10,163,152	(1,085,074)
BLUETREND FUND	17,857,787	18,912,621	1,054,834
BREVAN HOWARD	9,838,704	9,401,291	(437,413)
BRIDGEWATER GTAA	30,730,146	56,186,667	25,456,521
BRIDGEWATER PAMM	5,903,223	7,071,513	1,168,290
DE SHAW MULTI ASSET	28,532,242	34,935,693	6,403,451
TOTAL GTAA SECURITIES PORTFOLIO	**113,949,032**	**145,910,825**	**31,961,793**

REAL ESTATE PORTFOLIO
YEAR ENDED JUNE 30, 2014

DESCRIPTION	COST	FAIR VALUE	UNREALIZED GAIN (LOSS)
ALCION II	2,942,226	2,507,363	(434,863)
ARES US REAL ESTATE	7,399,172	8,394,551	995,379
BREP VI	9,683,685	17,710,902	8,027,217
CATALYST EURO	6,459,893	5,976,413	(483,480)
CLEARBELL II	792,162	1,027,217	235,055
CLSA FUDO CAP II	4,593,539	4,463,639	(129,900)
DESERT TROON	78,280,007	58,611,522	(19,668,485)
GREENFIELD VI	5,084,380	5,847,116	762,736
H2 CREDIT PARTNERS	7,870,963	10,414,276	2,543,313
HARRISON ST RE	5,722,653	5,182,463	(540,190)
HARRISON ST RE COINV	1,299,669	2,034,237	734,568
IRON POINT RE	9,932,421	13,301,805	3,369,384
IRON POINT RE II	904,298	967,276	62,978
LUBERT ADLER FD VI B	3,780,007	4,775,770	995,763
MOUNT GRANGE	3,759,652	6,987,579	3,227,927
ORG SECONDARY RE	7,681,020	9,099,049	1,418,029
OWH BERKANA HLD	8,724,109	2,588,010	(6,136,099)
PATRON IV	710,279	859,609	149,330
PEBBLECREEK	7,487,254	2,262,902	(5,224,352)
PIVOTAL EQUITY	491,935	1,623,386	1,131,451
WALTON MEXICO	6,261,025	5,083,745	(1,177,280)
WALTON ST FD VII	2,117,342	2,226,447	109,105
TOTAL REAL ESTATE PORTFOLIO	**181,977,691**	**171,945,277**	**(10,032,414)**

RISK PARITY PORTFOLIO
YEAR ENDED JUNE 30, 2014

DESCRIPTION	COST	FAIR VALUE	UNREALIZED GAIN (LOSS)
BRIDGEWATER RA FUND	15,741,927	16,070,000	328,073
BRIDGEWTR ALL WEATHR	23,599,518	27,643,674	4,044,156
FFTW TIPS/CURRENCY	7,750,395	7,759,560	9,165
RISK PARITY FUNDS	3,940,887	3,999,816	58,929
TOTAL RISK PARITY PORTFOLIO	**51,032,727**	**55,473,050**	**4,440,323**

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ACTUARIAL SECTION

GRS
Gabriel Roeder Smith & Company
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November 4, 2014

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: Jared Smout, Deputy Administrator

The purpose of the annual actuarial valuation of the Arizona Corrections Officer Retirement Plan as of June 30, 2014 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, 2015.

The funding objective is stated in Article 4, Chapter 5, Title 38, Sections 843B and 848N of the Arizona Revised Statutes. 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, 2014.

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 prepared by the actuary and provided to the administrative staff to be included in the "Actuarial Section" of the June 30, 2014 CAFR:

- Aggregate Actuarial Balance Sheet as of June 30, 2014
- 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, 2014

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The Board of Trustees
November 4, 2014
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GRS did not prepare any of the schedules included in the "Financial Section" of the June 30, 2014 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. 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 $14.8 million ($14.0 million for pension and $0.8 million for health) of unrecognized investment losses that will in the absence of other gains, drive the contribution rate up over the next several years.

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. 67 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, 2014 valuations were based upon assumptions that were recommended in connection with a study of experience covering the 2006-2011 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.

Based upon the results of the June 30, 2014 valuations, the retired lives are less than fully funded on a funding value of assets basis and market value of assets basis. They are much less than fully funded based upon the market value of assets. It is most important that this plan receive contributions at least equal to the actuarial rates.

The June 30, 2014 actuarial valuation reflected the following changes:

- Assumption and method changes:
  - Wage inflation was decreased from 4.50% to 4.00%.

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In order to gain a full understanding of the actuarial condition of the plan, it is important to read the full actuarial report that we have provided to the System.

Mark Buis and James D. Anderson 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,

Mark Buis

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

James D. Anderson

James D. Anderson, F.S.A, M.A.A.A

MB/JDA:bd

AGGREGATE ACTUARIAL BALANCE SHEET
YEAR ENDED JUNE 30, 2014

ACTUARIAL ASSETS	2014
ACCRUED ASSETS	
Member Accumulated Contributions	396,381,172
Employer and Benefit Payment Reserves	1,202,187,050
Funding Value Adjustment	14,743,691
Total Accrued Assets	**1,613,311,913**
PROSPECTIVE ASSETS	
Member Contributions	346,589,727
Employer Normal Costs	273,458,330
Employer Unfunded Actuarial Accrued Liability	1,121,248,459
Total Prospective Assets	**1,741,296,516**
Total Actuarial Assets	**3,354,608,429**

ACTUARIAL PRESENT VALUES (LIABILITY)	
PENSIONS IN PAYMENT STATUS	
Pensions in payment status	1,302,307,759
PROSPECTIVE PAYMENTS	
Retirement Payments	1,890,632,838
Health Insurance Payments	76,869,369
Member Contribution Refunds	84,798,463
Pension Increase Reserve	-
Total Prospective Payments	**2,052,300,670**
Total Actuarial Present Values (Liabilities)	**3,354,608,429**

SUMMARY OF VALUATION ASSUMPTIONS

ECONOMIC ASSUMPTIONS
Interest Rate: 7.85% (net of expenses)
Salary Increases: 4.00% for inflation

HEALTHY MORTALITY TABLE
RP2000 Health Annuitant Mortality Table adjusted by 105% for both males and females.
This assumption was first used for the FY2012 valuation of the System.

DISABLED MORTALITY TABLES
RP2000 Health Annuitant Mortality Table set forward 10 years for both males and females.
This assumption was first used for the FY2012 valuation of the System.

MORTALITY RATES AND LIFE EXPECTANCY
HEALTHY MORTALITY

SAMPLE AGES	PROBABILITY OF DYING NEXT YEAR		FUTURE LIFE EXPECTANCY (YEARS)	
	MEN	WOMEN	MEN	WOMEN
50	.21%	.17%	30.37	33.14
55	.36%	.27%	25.76	28.47
60	.67%	.51%	21.35	23.95
65	1.27%	.97%	17.24	19.72
70	2.22%	1.67%	13.54	15.86
75	3.78%	2.81%	10.27	12.40
80	6.44%	4.59%	7.50	9.38

MORTALITY RATES AND LIFE EXPECTANCY
DISABLED MORTALITY

SAMPLE AGES	PROBABILITY OF DYING NEXT YEAR		FUTURE LIFE EXPECTANCY (YEARS)	
	MEN	WOMEN	MEN	WOMEN
50	.67%	.51%	21.74	24.38
55	1.27%	.98%	17.61	20.12
60	2.22%	1.67%	13.88	16.23
65	3.78%	2.81%	10.57	12.74
70	6.44%	4.59%	7.75	9.68
75	11.08%	7.74%	5.49	7.09
80	18.34%	13.17%	3.86	5.15

ACTIVE MEMBERS MORTALITY TABLE
Sample rates of mortality for death-in-service set forward 0 years for both males and females.
This assumption was first used for the FY2012 valuation of the System.

MORTALITY RATES
ACTIVE MEMBERS

SAMPLE AGES	PROBABILITY OF DYING NEXT YEAR	
	MEN	WOMEN
50	.21%	.17%
55	.36%	.27%
60	.67%	.51%
65	1.27%	.97%

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
80% 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 80% Joint and Survivor form of payment with no reduction, for married members. 80% 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
70% of future retirees are expected to utilize health care. 80% of those are assumed to be married.

FUTURE COST OF LIVING INCREASES
Future cost of living increases are not reflected in the liabilities. The 2012 Experience Study recommended reducing the expected rate of return by approximately 0.5% to account for this contingency.

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						
					PORTION OF ACCRUED LIABILITIES COVERED BY NET ASSETS AVAILABLE FOR BENEFITS		
YEAR ENDED JUNE 30,	ACTIVE MEMBER CONT. $ (1)	RETIRANTS AND BENEFICIARIES $ (2)	ACTIVE MEMBERS (ER PORTION) $ (3)	VALUATION ASSETS AVAILABLE FOR BENEFITS $ (2)	(1)	(2)	(3)
2005	178,353	332,199	395,473	872,981	100.00%	100.00%	91.60%
2006	193,819	384,513	402,876	919,868	100.00%	100.00%	84.80%
2007	213,688	430,172	466,941	940,126	100.00%	100.00%	63.40%
2008	296,317	504,462	589,584	1,027,026	100.00%	100.00%	68.90%
2009	314,100	586,596	683,597	1,309,124	100.00%	100.00%	59.70%
2010	345,122	689,910	686,973	1,382,144	100.00%	100.00%	50.50%
2011	353,892	823,664	831,013	1,466,750	100.00%	100.00%	34.80%
2012	373,726	918,771	939,047	1,512,989	100.00%	100.00%	23.50%
2013	382,417	1,011,478	936,343	1,559,583	100.00%	100.00%	17.70%
2014	396,381	1,269,515	971,649	1,511,212	100.00%	87.82%	0.00%

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 14,595 active members in the Plan as of June 30, 2014, compared to 14,480 for the prior year.

ATTAINED	YEARS OF SERVICE TO VALUATION DATE							TOTALS	
AGE	0-4	5-9	10-14	15-19	20-24	25-29	30+	NO.	AVG. SALARY
< 25	1,121	11						1,132	35,100
25-29	1,966	406	3					2,375	36,691
30-34	1,007	918	255	1				2,181	40,340
35-39	601	669	530	165				1,965	43,679
40-44	530	555	502	507	44			2,138	45,580
45-49	328	396	383	368	164	17		1,656	47,056
50-54	232	290	280	268	151	86	6	1,313	47,662
55-59	170	203	254	207	89	62	13	998	46,948
60-69	82	155	148	119	60	33	17	614	47,312
70+	23	60	63	38	18	14	7	223	48,081
Total	**6,060**	**3,663**	**2,418**	**1,673**	**526**	**212**	**43**	**14,595**	**42,841**

COMPARATIVE SCHEDULE

YEAR ENDED JUNE 30,	ACTIVE MEMBERS	PAYROLL +000	AGE (YEARS)	SERVICE (YEARS)	AVERAGE SALARY	INCREASE IN AVG. PAY
2005	11,752	404,156	39.6	6.0	34,390	4.30%
2006	11,914	437,744	39.3	6.2	36,742	6.80%
2007	12,780	515,428	39.0	6.0	40,331	9.80%
2008	14,716	642,621	39.6	7.0	43,668	8.30%
2009	14,580	630,825	40.2	7.4	43,266	(0.90)%
2010	14,319	616,481	40.3	7.8	43,053	(0.50)%
2011	14,565	609,243	40.1	7.7	41,829	(2.80)%
2012	14,991	626,223	39.8	7.7	41,773	(0.10)%
2013	14,580	604,068	39.7	8.0	41,431	(0.80)%
2014	14,595	625,264	39.6	8.1	42,841	3.40%

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
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
2012	64	284	3,476	1,078,072	7,358,770	87,918,348	7.7%	25,293
2013	69	403	3,810	1,418,636	9,965,863	96,465,575	9.7%	25,319
2014	56	336	4,090	1,070,772	12,167,340	107,562,143	11.5%	26,299

**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, 2014, there were 1,687 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	485	16				501
30-39	418	86	15			519
40-44	131	28	18	6	1	184
45-49	103	15	18	2		138
50-54	75	15	19	5	2	116
55-59	61	20	33	11	2	127
60-69	47	7	34	8	1	97
70 +	2	1		1	1	5
Total	**1,322**	**188**	**137**	**33**	**7**	**1,687**

SCHEDULE OF EXPERIENCE GAIN (LOSS)
YEAR ENDED JUNE 30, 2014

(1)	UAAL* at start of year	771,793,536
(2)	Normal cost for year	96,352,744
(3)	Funding Method Contribution	130,000,717
(4)	Interest accrued on (1), (2) and (3)	59,265,109
(5)	Expected UAAL before changes [(1)+(2)-(3)+(4)]	797,410,672
(6)	Changes from benefit increases	258,620,730
(7)	Change in Reserve for future pension increases	-
(8)	Expected UAAL after changes: (5)+(6)+(7)	1,056,031,402
(9)	Actual UAAL at end of year	1,126,333,650
(10)	**Experience Gain (Loss): (8)-(9)**	**(70,302,248)**

** Unfunded Actuarial Accrued Liability*

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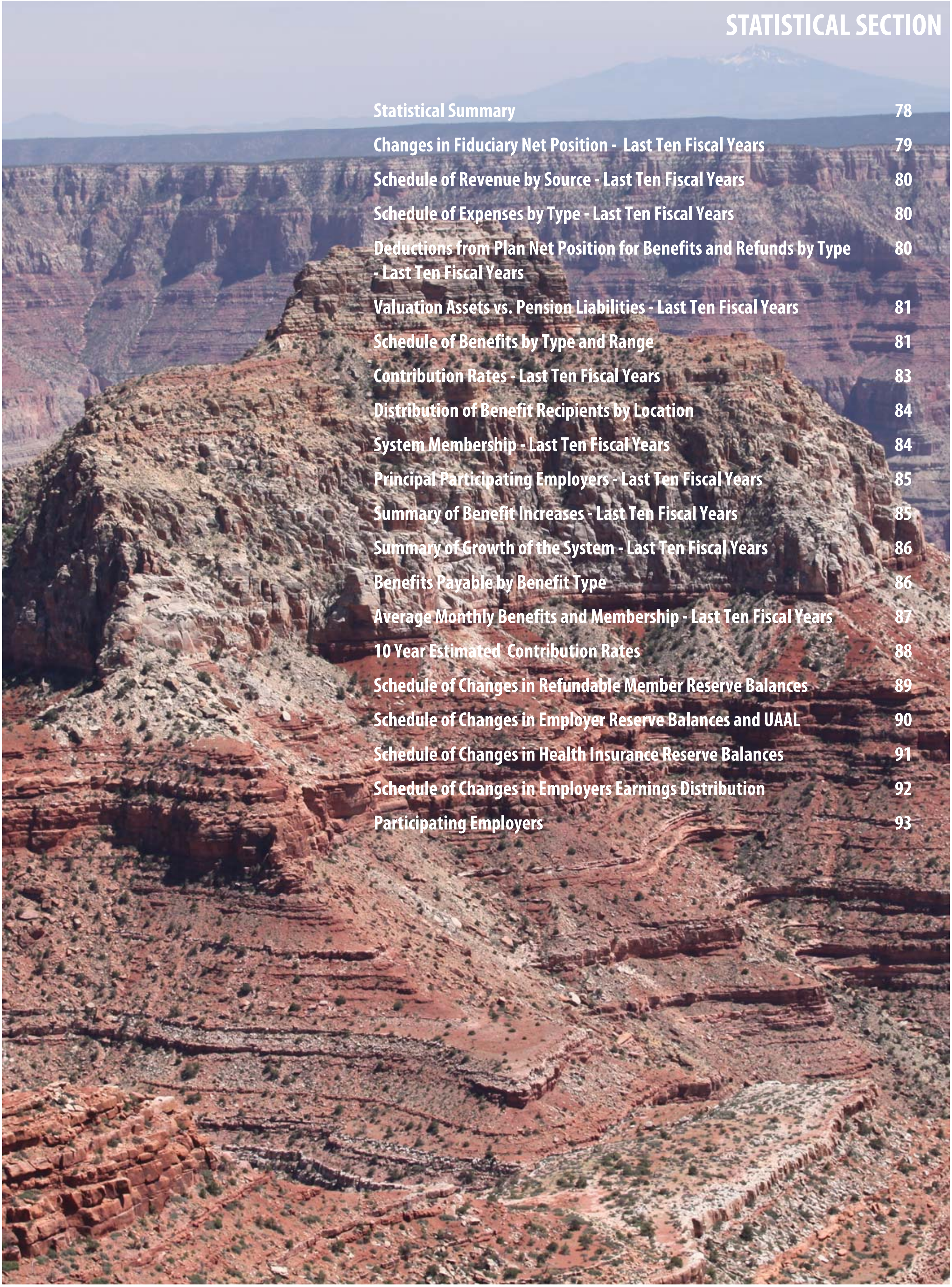


STATISTICAL SECTION

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 FIDUCIARY NET POSITION LAST 10 FISCAL YEARS
(IN THOUSANDS)

	2014	2013	2012	2011	2010
ADDITIONS					
Member Contributions	$ 51,737	$ 50,649	$ 51,968	$ 50,891	$ 54,481
Employer Contributions	77,798	61,107	51,524	45,068	49,155
Health Insurance Contributions	6,681	7,334	7,568	6,935	5,282
Net Investment Gain (Loss)	194,517	138,268	(15,165)	193,212	129,267
Member Service Purchase	466	814	851	777	733
Transfers IN	297	185	368	242	543
Total Additions (Reductions)	**331,496**	**258,357**	**97,114**	**297,125**	**239,461**
DEDUCTIONS					
Pension & Insurance Benefits	110,124	97,643	90,867	79,058	66,412
Refunds To Terminated Members	30,447	31,179	25,744	24,928	19,775
Administrative Expenses	1,438	1,267	1,183	1,185	915
Transfers OUT	499	841	964	945	586
Total Deductions	**142,508**	**130,930**	**118,758**	**106,116**	**87,688**
NET INCREASE (DECREASE)	**188,988**	**127,427**	**(21,644)**	**191,009**	**151,773**
NET POSITION HELD IN TRUST					
Beginning of Fiscal Year, July 1	1,409,580	1,282,154	1,303,798	1,112,789	961,016
End of Fiscal Year, June 30	**$ 1,598,568**	**$ 1,409,581**	**$ 1,282,154**	**$ 1,303,798**	**$1,112,789**

	2009	2008	2007	2006	2005
ADDITIONS					
Member Contributions	$ 53,098	$ 111,098	$ 41,355	$ 37,134	$ 34,590
Employer Contributions	50,379	144,581	21,749	21,343	13,815
Health Insurance Contributions	5,636	6,148	2,874	2,685	2,477
Net Investment Gain (Loss)	(216,313)	(68,040)	144,850	64,198	66,277
Member Service Purchase	429	871	930	994	719
Transfers IN	352	3,217	456	1,234	1,071
Total Additions (Reductions)	**(106,419)**	**197,875**	**212,214**	**127,588**	**118,948**
DEDUCTIONS					
Pension & Insurance Benefits	57,697	51,046	41,630	36,709	31,098
Refunds To Terminated Members	14,879	16,212	16,634	15,741	16,653
Administrative Expenses	1,065	1,103	732	674	922
Transfers OUT	512	864	2,063	1,555	637
Total Deductions	**74,153**	**69,225**	**61,060**	**54,679**	**49,310**
NET INCREASE (DECREASE)	**(180,572)**	**128,650**	**151,155**	**72,909**	**69,639**
NET POSITION HELD IN TRUST					
Beginning of Fiscal Year, July 1	1,141,588	1,012,938	861,783	788,874	719,235
End of Fiscal Year, June 30	**$961,016**	**$1,141,588**	**$1,012,938**	**$861,783**	**$788,874**

FINANCIAL TRENDS

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

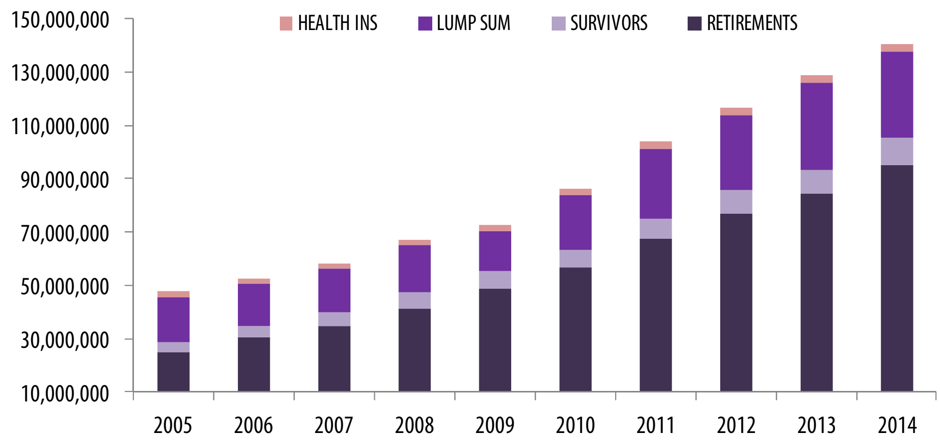
YEAR ENDING JUNE 30,	MEMBER CONT.	EMPLOYER CONT.	HEALTH INSURANCE CONT.	% OF COVERED PAYROLL	INVESTMENT INCOME (LOSS)	TRANSFERRED IN FROM OTHER PLANS	TOTAL
2005	34,589,714	13,814,464	2,477,450	4.07%	66,277,084	1,789,618	118,948,330
2006	37,134,076	21,343,413	2,684,637	5.47%	64,197,983	2,228,116	127,588,225
2007	41,354,907	21,749,008	2,873,685	4.46%	144,850,095	1,386,706	212,214,401
2008	111,097,660	144,581,325	6,147,893	6.72%	(68,039,675)	4,087,988	197,875,191
2009	53,098,136	50,378,712	5,636,426	8.65%	(216,313,556)	781,196	(106,419,086)
2010	54,480,961	49,154,582	5,282,496	7.49%	129,267,190	1,276,087	239,461,316
2011	50,891,168	45,067,749	6,934,982	8.57%	193,212,289	1,018,286	297,124,474
2012	51,967,894	51,524,317	7,568,087	9.50%	(10,340,020)	1,219,350	101,939,628
2013	50,648,775	61,106,590	7,334,225	11.31%	138,267,533	999,077	258,356,200
2014	51,736,766	77,797,924	6,681,242	13.68%	194,516,872	762,860	331,495,664

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

YEAR ENDING JUNE 30,	BENEFITS	HEALTH INSURANCE SUBSIDY	ADMIN. EXPENSES	REFUNDS	TRANSFERRED TO OTHER PLANS	TOTAL
2005	28,697,101	2,400,849	922,183	16,652,638	637,008	49,309,779
2006	34,849,946	1,858,582	674,058	15,741,460	1,555,240	54,679,286
2007	39,716,871	1,913,186	732,236	16,634,320	2,062,977	61,059,590
2008	48,972,663	2,073,245	1,102,992	16,211,929	864,053	69,224,882
2009	55,488,889	2,207,889	1,064,825	14,879,342	511,697	74,152,642
2010	64,039,674	2,372,104	915,378	19,774,873	586,100	87,688,129
2011	76,359,270	2,699,129	1,184,756	24,927,660	945,170	106,115,985
2012	87,977,793	2,890,441	1,182,692	25,743,514	964,033	118,758,473
2013	94,813,343	2,829,735	1,266,690	31,179,499	840,629	130,929,896
2014	107,086,812	3,037,563	1,437,691	30,446,708	498,689	142,507,463

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

YEAR ENDING JUNE 30,	NORMAL BENEFITS	SURVIVOR BENEFITS	DISABILITY BENEFITS	TOTAL BENEFITS	DROP PROGRAM	SEPARATION REFUNDS	HEALTH INSURANCE SUBSIDY
2005	23,519,992	3,871,675	1,305,434	28,697,101	-	16,652,638	2,400,849
2006	28,928,172	4,472,559	1,449,215	34,849,946	-	15,741,460	1,858,582
2007	33,341,839	4,860,093	1,514,939	39,716,871	-	16,634,320	1,913,186
2008	39,831,873	5,934,454	1,625,680	47,392,007	1,580,656	16,211,929	2,073,245
2009	46,752,709	6,685,021	1,805,702	55,243,432	245,457	14,879,342	2,207,889
2010	54,722,001	6,740,427	1,914,842	63,377,270	662,404	19,774,873	2,372,104
2011	65,448,261	7,467,220	2,105,741	75,021,222	1,338,048	24,927,660	2,699,129
2012	74,822,948	8,602,328	2,259,626	85,684,902	2,292,891	25,743,514	2,890,441
2013	81,829,319	9,043,592	2,306,541	93,179,451	1,633,892	31,179,499	2,829,735
2014	92,737,553	10,049,794	2,532,583	105,319,930	1,766,882	30,446,708	3,037,563



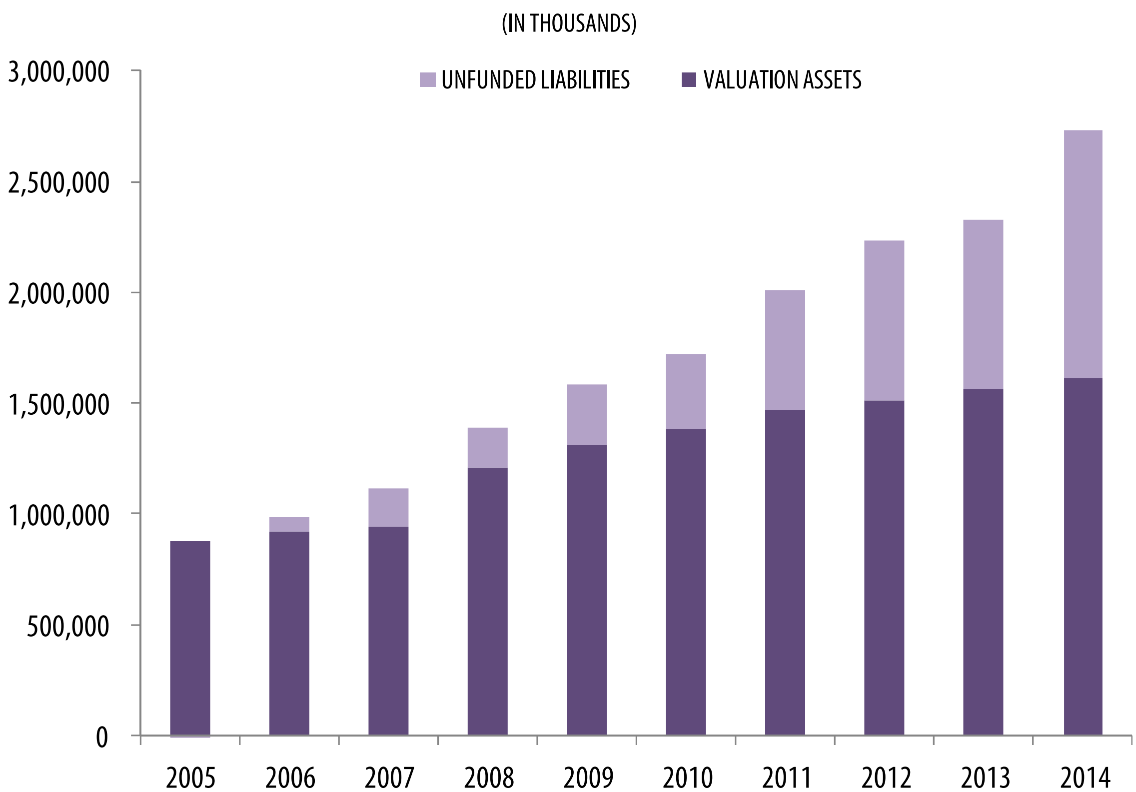
VALUATION ASSETS vs. PENSION LIABILITIES
INCLUDES HEALTH INSURANCE SUBSIDY
LAST TEN FISCAL YEARS
(IN THOUSANDS)

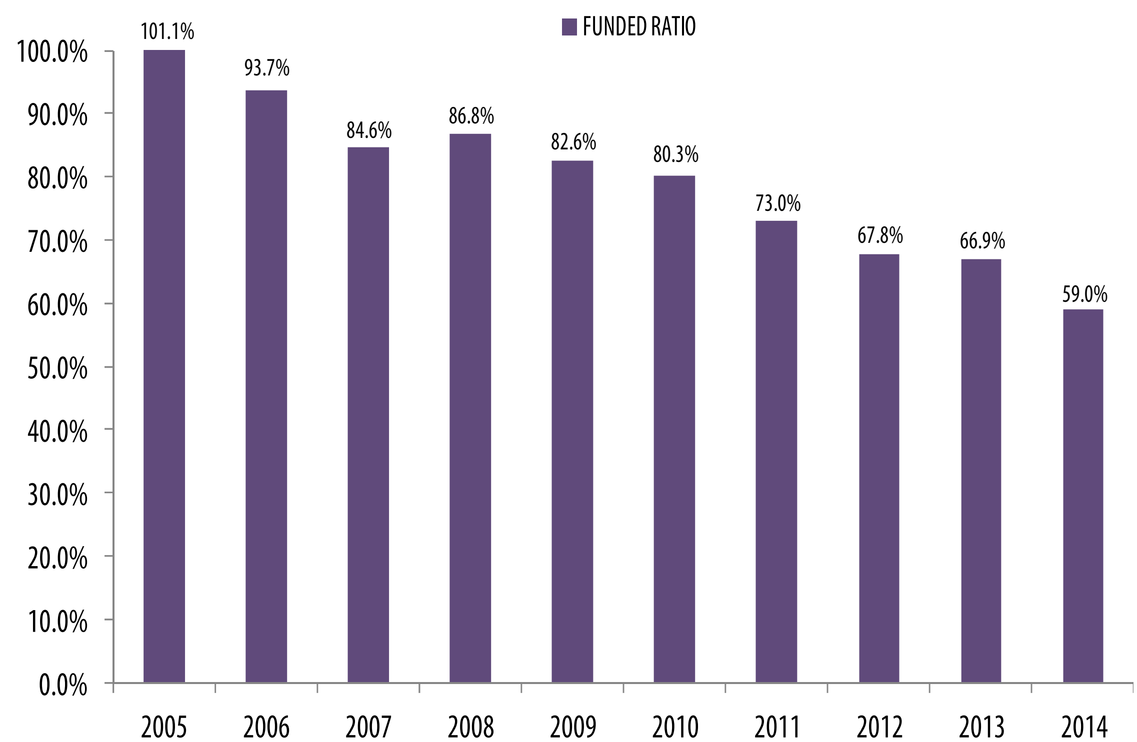
YEAR ENDING JUNE 30,	VALUATION ASSETS	UNFUNDED LIABILITIES	ACCRUED LIABILITIES	FUNDED RATIO
2005	872,981	(9,190)	863,791	101.1%
2006	919,867	61,340	981,207	93.7%
2007	940,126	170,675	1,110,801	84.6%
2008	1,207,026	183,337	1,390,363	86.8%
2009	1,309,124	275,169	1,584,293	82.6%
2010	1,382,144	339,862	1,722,006	80.3%
2011	1,466,750	541,820	2,008,569	73.0%
2012	1,512,989	718,555	2,231,544	67.8%
2013	1,559,583	770,655	2,330,238	66.9%
2014	1,613,312	1,121,248	2,734,560	59.0%

SCHEDULE OF BENEFITS BY TYPE AND RANGE
FISCAL YEAR 2014

MONTHLY BENEFIT AMOUNT	NORMAL BENEFITS	SURVIVOR BENEFITS	DISABILITY BENEFITS	TOTAL BENEFITS
Under 1,000	292	105	12	409
1,001-2,000	1,070	391	81	1,542
2,001-3,000	1,399	55	26	1,480
3,001-4,000	415	99	2	426
4,001-5,000	157	2	-	159
5,001-6,000	44	2	-	46
6,001-7,000	15	1	1	17
7,001-8,000	8	1	-	9
8,001-9,000	1	-	-	1
9,001-10,000	-	-	-	-
Over 10,001	1	-	-	1
Totals	**3,402**	**566**	**122**	**4,090**

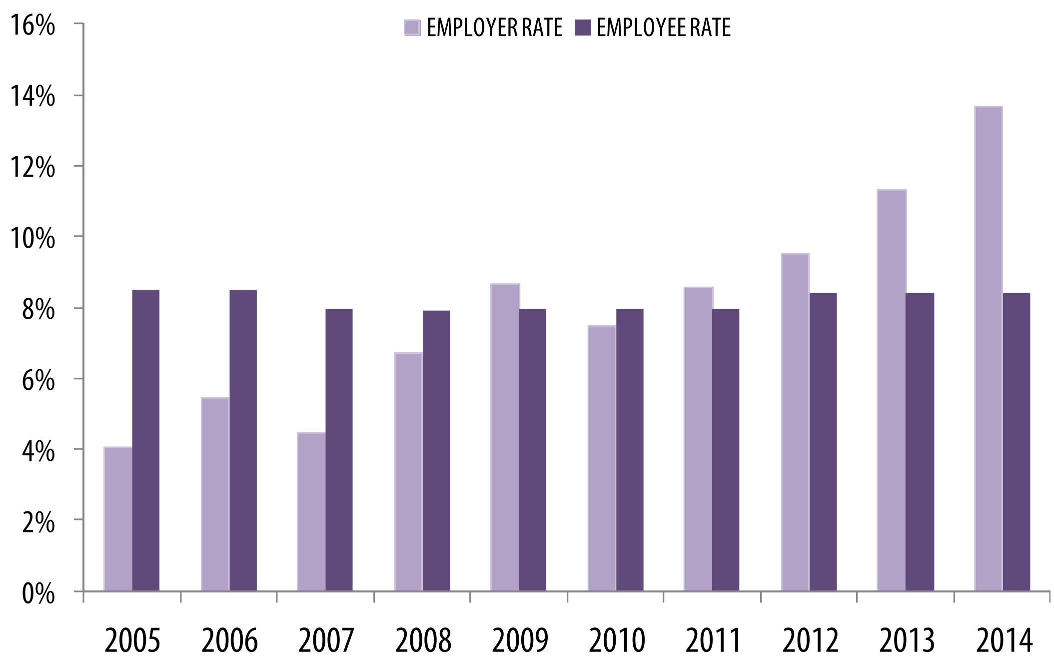
FINANCIAL TRENDS





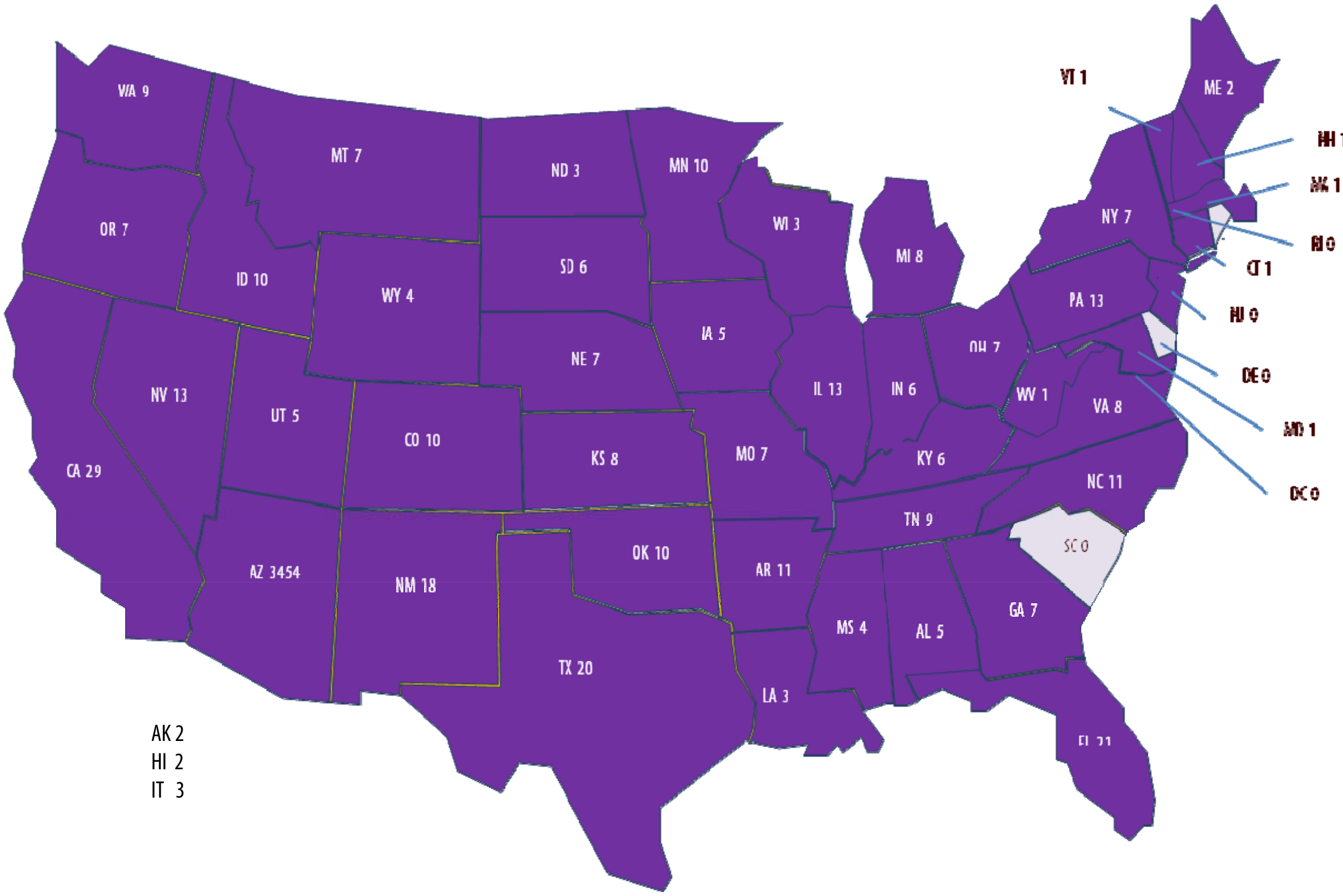
CONTRIBUTION RATES
LAST TEN FISCAL YEARS

YEAR ENDING JUNE 30,	AVERAGE EMPLOYER RATE	EMPLOYEE RATE
2005	4.07%	8.50%
2006	5.47%	8.50%
2007	4.46%	7.96%
2008	6.72%	7.93%
2009	8.65%	7.96%
2010	7.49%	7.96%
2011	8.57%	7.96%
2012	9.50%	8.41%
2013	11.31%	8.41%
2014	13.68%	8.41%



OPERATING INFORMATION

DISTRIBUTION OF BENEFIT RECIPIENTS BY LOCATION



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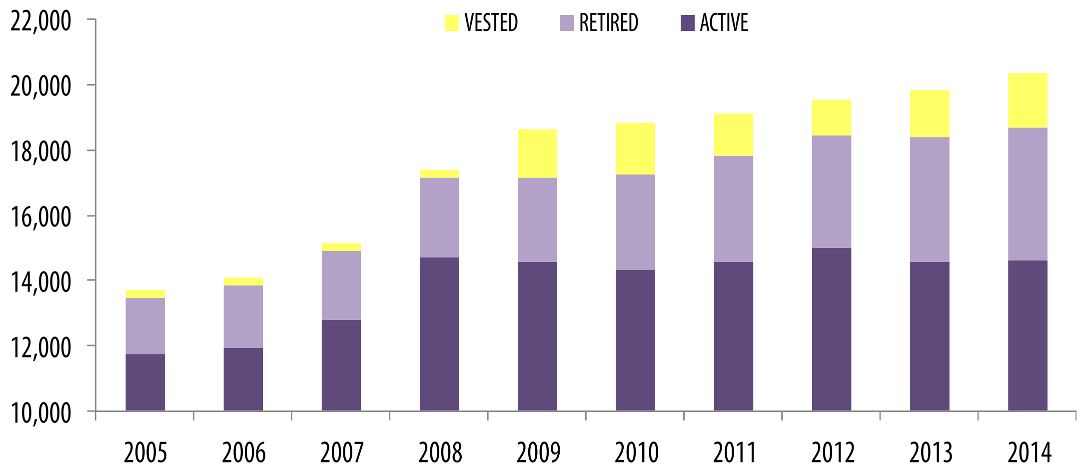
MEMBERSHIP IN RETIREMENT SYSTEM
LAST TEN FISCAL YEARS

YEAR ENDING JUNE 30,	ACTIVE	BENEFICIARY RETIRED	TERMINATED VESTED	TOTAL
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
2012	14,991	3,476	1,101	19,568
2013	14,580	3,810	1,463	19,853
2014	14,595	4,090	1,687	20,372



PRINCIPAL PARTICIPATING EMPLOYERS
LAST TEN FISCAL YEARS

	2014			2005		
EMPLOYER	**COVERED EMPLOYEES**	**RANK**	**% OF MEMBERSHIP**	**COVERED EMPLOYEES**	**RANK**	**% OF MEMBERSHIP**
STATE	8,648	1	59.26%	8,612	1	73.28%
MARICOPA COUNTY	2,109	2	14.45%	1,825	2	15.53%
PIMA COUNTY	461	3	3.16%	429	3	3.65%
PINAL COUNTY	260	4	1.78%	118	6	1.00%
YAVAPAI COUNTY	180	5	1.23%	193	4	1.64%
YUMA COUNTY	161	6	1.10%	147	5	1.25%
MOHAVE COUNTY	115	7	0.79%	79	8	0.67%
COCONINO COUNTY	90	8	0.62%	80	7	0.68%
COCHISE COUNTY	60	9	0.41%	64	9	0.54%
GILA COUNTY	59	10	0.40%	49	11	0.42%
ALL OTHERS	2,452		16.80%	158		1.34%
TOTAL	**14,595**		**100.00%**	**11,754**		**100.00%**

SUMMARY OF BENEFIT INCREASES
LAST TEN FISCAL YEARS

YEAR ENDING JUNE 30,	**EXCESS YIELD PER STATUTE**	**EXCESS EARNINGS**	**EARNED ON EXCESS AVAILABLE**	**UTILIZED TO FUND COLA**	**EXCESS EARNINGS AVAILABLE**	**BENEFIT INCREASE 4% CAP**
2005	0.23%	810,817	4,237,276	(9,545,626)	41,415,092	4.00%
2006	0.00%	-	3,383,613	(11,506,060)	33,292,645	4.00%
2007	7.77%	35,123,022	5,583,177	(13,572,783)	60,426,061	4.00%
2008	0.00%	-	(4,258,829)	(15,533,554)	40,633,678	4.00%
2009	0.00%	-	(7,311,624)	(18,197,108)	15,124,946	4.00%
2010	4.47%	22,836,733	2,037,330	(21,264,230)	18,734,779	4.00%
2011	0.00%	18,471,995	3,254,231	(25,641,306)	14,819,699	4.00%
2012	0.00%	-	(117,076)	(14,702,623)	-	1.94%
2013	0.00%	4,244,357	-	(4,244,357)	-	0.55%
2014	0.00%	12,916,571	-	(12,916,571)	-	1.59%

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
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%
2012	1,205,454,963	38,880,876	8.00%	4.27%	9.50%
2013	1,283,208,335	68,918,508	7.85%	7.20%	11.31%
2014	1,370,985,156	105,803,854	7.85%	7.72%	13.68%

BENEFITS PAYABLE JUNE 30, 2014
BY TYPE OF BENEFIT

PENSIONS BEING PAID	NO.	ANNUAL PENSIONS	AVERAGE PENSIONS
RETIRED MEMBERS			
Service Pensions	3,402	94,941,342	27,908
Disability Pensions	122	2,580,038	21,148
Total Retired Members	3,524	97,521,380	27,673
SURVIVORS OF MEMBERS			
Spouses	529	9,414,624	17,797
Children w/Guardians	37	626,139	16,923
Total Survivors of Members	566	10,040,763	17,740
TOTAL PENSIONS BEING PAID	**4,090**	**107,562,143**	**26,299**

	AVERAGE AGE	AVERAGE SERVICE	AVG. AGE AT RETIREMENT
Normal retired members	63.8	19.8	56.7
Disability retired members	56.4	9.6	46.2
Spouse beneficiaries	66.1	12.5	52.2

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
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
2012	Average monthly benefit	1,233	1,185	1,168	1,733	2,363	3,392	4,435	2,108
	Average final average salary								3,743
	Number of retirees	142	170	740	477	1,406	434	107	3,476
2013	Average monthly benefit	1,243	1,189	1,176	1,721	2,357	3,373	4,333	2,110
	Average final average salary								3,808
	Number of retirees	148	169	811	524	1,566	477	115	3,810
2014	Average monthly benefit	1,340	1,292	1,216	1,791	2,428	3,482	4,423	2,192
	Average final average salary								3,719
	Number of retirees	150	174	864	554	1,706	517	125	4,090

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

10 YEAR ESTIMATED CONTRIBUTION RATES
(IN PERCENTAGE)

	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024	FY 2025	FY 2026
CORP Aggregate	18.16	17.92	17.73	17.65	17.41	17.20	17.08	16.97	16.87	16.77
State Department of Corrections	16.77	18.57	18.49	18.40	18.15	17.94	17.82	17.71	17.61	17.52
Dept. of Public Safety - Dispatchers	15.61	17.11	17.11	17.17	16.95	16.75	16.68	16.63	16.60	16.57
Dept. of Public Safety - Detention	6.84	6.88	6.85	6.84	6.77	6.71	6.67	6.62	6.58	6.54
The Judiciary	17.97	19.59	19.59	19.60	19.38	19.20	19.11	19.01	18.90	18.79
Dept. of Juvenile Corrections	20.54	23.19	23.19	23.13	22.88	22.65	22.51	22.39	22.33	22.27

** Estimated contribution rates for the next 10 years per Amended Statute 38-848.*

OPERATING INFORMATION

SCHEDULE OF CHANGES IN REFUNDABLE MEMBER RESERVE BALANCES
FISCAL YEAR ENDED JUNE 30, 2014

SYSTEM	2013 BALANCES	RESERVE TRANSFERS	CONTRIBUTIONS RECEIVED	WITHDRAWN MEMBERS	2014 BALANCES
ADMIN. OFFICE OF THE COURT	74,745,785	(3,768,777)	9,132,189	(993,407)	79,115,789
APACHE COUNTY - CORP	283,815	0	46,277	(30,271)	299,822
CITY OF AVONDALE - DETENTION	337,426	(36,602)	42,178	0	343,003
CITY OF SOMERTON - DISPATCHERS	114,003	0	13,532	0	127,536
COCHISE COUNTY - CORP	1,250,828	(20,252)	141,534	(55,794)	1,316,316
COCONINO COUNTY - CORP	1,819,235	(146,088)	320,700	(164,288)	1,829,560
DEPARTMENT OF CORRECTIONS - CORP	202,483,646	(12,263,948)	27,721,719	(12,635,694)	205,305,723
DEPARTMENT OF PUBLIC SAFETY	2,484,062	(241,525)	213,262	(29,347)	2,426,453
DEPARTMENT OF PUBLIC SAFETY DETENTION	14,523	13,353	4,458	0	32,335
DEPT OF JUVENILE CORRECTIONS-CORP	12,787,620	(709,761)	1,530,548	(821,706)	12,786,702
GILA COUNTY - CORP	1,098,027	(51,853)	186,454	(30,264)	1,202,364
GILA COUNTY - DISPATCHERS	248,575	(13,700)	20,281	(29,692)	225,464
GRAHAM COUNTY - DETENTION	519,156	(5,284)	93,360	(118,801)	488,431
GRAHAM COUNTY - DISPATCHERS	143,320	0	16,679	(13,836)	146,164
MARICOPA COUNTY - CORP	55,309,966	(1,689,312)	8,207,931	(2,168,110)	59,660,474
MOHAVE COUNTY - CORP	1,401,210	(26,174)	328,515	(113,743)	1,589,808
NAVAJO COUNTY - CORP	811,939	(40,491)	141,818	(80,794)	832,471
ORO VALLEY - DISPATCHERS	371,434	0	32,699	0	404,133
PIMA COUNTY - CORP	12,535,935	(541,196)	1,686,264	(1,308,530)	12,372,473
PINAL COUNTY - CORP	7,344,877	(255,957)	1,066,349	(650,293)	7,504,976
PINAL COUNTY - DISPATCHERS	485,814	0	51,276	(3,972)	533,119
SANTA CRUZ COUNTY - CORP	462,031	(3,756)	107,243	(78,203)	487,316
TOWN OF MARANA - DISPATCHERS	311,791	0	36,306	0	348,097
TOWN OF WICKENBURG-DISPATCHERS	107,470	(39,860)	11,532	0	79,143
YAVAPAI COUNTY - CORP	3,358,258	(93,068)	549,792	(141,300)	3,673,682
YAVAPAI COUNTY - DISPATCHERS	142,779	(7,725)	21,529	0	156,583
YUMA COUNTY - CORP	2,920,501	(157,054)	478,367	(174,632)	3,067,182
TOTALS	**383,894,028**	**(20,099,029)**	**52,202,793**	**(19,642,676)**	**396,355,115**

SCHEDULE OF CHANGES IN EMPLOYER RESERVE BALANCES AND UNFUNDED ACTUARIAL ACCRUED LIABILITIES
FISCAL YEAR ENDED JUNE 30, 2014

SYSTEM	2013 BALANCES	MOVE TO HEALTH INS	RESERVE TRANSFERS	CONTRIB RECEIVED	PENSION PAYMENTS	DROP PAYMENT	ENHANCED REFUNDS	DIST. OF EARNINGS	2014 BALANCES	UNFUNDED AAL 2013
ADMIN. OFFICE OF THE COURT	202,586,011	(4,729,375)	3,959,908	15,551,633	(15,767,955)	0	(321,479)	37,124,545	238,403,288	160,988,965
APACHE COUNTY - CORP	986,156	(128,723)	0	50,332	(95,650)	0	0	158,549	970,664	291,981
CITY OF AVONDALE - DETENTION	522,673	(17,098)	36,602	46,842	(11,584)	0	0	118,520	695,955	328,174
CITY OF SOMERTON - DISPATCHERS	262,509	(10,051)	0	31,926	(31,882)	0	0	50,359	302,861	455,526
COCHISE COUNTY - CORP	3,681,538	(497,992)	20,252	222,257	(370,931)	0	(22,176)	617,823	3,650,771	2,224,683
COCONINO COUNTY - CORP	4,155,664	(328,462)	78,299	313,756	(186,628)	0	(86,897)	782,141	4,727,872	1,163,089
DEPARTMENT OF CORRECTIONS - CORP	551,076,903	(57,091,576)	11,817,547	40,166,085	(63,596,785)	0	(7,132,976)	95,459,924	570,699,122	417,672,578
DEPARTMENT OF PUBLIC SAFETY	5,089,845	(110,043)	244,464	318,070	(253,201)	0	(12,123)	1,016,924	6,293,935	3,521,243
DEPT. OF PUBLIC SAFETY DETENTION	(6,783)	(704)	822	2,140	0	0	0	2,366	(2,159)	30,449
DEPT OF JUVENILE CORRECTIONS-CORP	47,149,445	(4,900,741)	976,372	2,516,628	(6,163,950)	0	(373,220)	7,450,405	46,654,940	31,605,083
GILA COUNTY - CORP	2,336,997	(221,268)	51,308	191,319	(116,405)	0	(1,533)	457,815	2,698,234	415,984
GILA COUNTY - DISPATCHERS	1,020,448	(63,724)	(6,295)	26,396	(79,830)	0	(27,252)	157,373	1,027,116	306,528
GRAHAM COUNTY - DETENTION	1,272,894	(48,262)	5,284	104,148	(117,947)	0	(68,078)	228,216	1,376,255	319,902
GRAHAM COUNTY - DISPATCHERS	277,649	(11,985)	0	14,898	0	0	(3,459)	56,196	333,299	(65,272)
MARICOPA COUNTY - CORP	129,791,052	(11,470,651)	1,617,235	11,963,290	(12,624,052)	0	(1,281,589)	24,146,574	142,141,859	98,574,664
MOHAVE COUNTY - CORP	4,503,562	(446,060)	32,285	288,751	(195,889)	0	(15,810)	776,232	4,943,070	(1,246,097)
NAVAJO COUNTY - CORP	2,460,447	(251,299)	(41,688)	142,344	(149,060)	0	(45,309)	414,048	2,529,484	330,442
PIMA COUNTY - CORP	34,942,078	(2,792,049)	552,241	2,970,482	(4,857,233)	0	(809,122)	5,981,242	35,987,639	37,086,399
PINAL COUNTY - CORP	14,539,408	(929,689)	295,420	1,217,129	(690,523)	0	(392,522)	2,890,777	16,930,000	5,879,365
PINAL COUNTY - DISPATCHERS	859,697	(109,744)	0	67,831	(55,690)	0	0	175,777	937,872	629,851
SANTA CRUZ COUNTY - CORP	1,630,514	(165,002)	(1,590)	92,945	(86,064)	0	(17,989)	268,431	1,721,246	(157,548)
TOWN OF MARANA - DISPATCHERS	430,960	(24,446)	0	48,667	0	0	0	102,910	558,092	387,065
ORO VALLEY - DISPATCHERS	739,609	(66,381)	0	63,179	(68,874)	0	0	145,290	812,823	812,415
TOWN OF WICKENBURG-DISPATCHERS	275,336	(27,706)	39,860	21,137	(40,704)	0	0	48,583	316,508	251,101
YAVAPAI COUNTY - CORP	6,362,141	(805,525)	106,528	797,162	(758,881)	0	(117,783)	1,263,235	6,846,876	6,173,752
YAVAPAI COUNTY - DISPATCHERS	467,111	(15,549)	(3,622)	25,937	(39,444)	0	0	79,937	514,370	153,319
YUMA COUNTY - CORP	8,272,129	(750,729)	115,943	542,639	(727,650)	0	(74,714)	1,440,276	8,817,896	2,520,894
TOTALS	**1,025,685,993**	**(86,014,832)**	**19,897,173**	**77,797,924**	**(107,086,812)**	**0**	**(10,804,030)**	**181,414,471**	**1,100,889,886**	**770,654,535**

OPERATING INFORMATION

SCHEDULE OF CHANGES IN HEALTH INSURANCE RESERVE BALANCES
FISCAL YEAR ENDED JUNE 30, 2014

SYSTEM	2013 BALANCES	CONTRIBUTIONS RECEIVED	SUBSIDY BENEFITS	RESERVE EARNINGS	2014 BALANCES
ADMIN. OFFICE OF THE COURT	4,729,375	1,204,069	309,357	687,470	6,311,556
APACHE COUNTY - CORP	128,723	5,842	213	17,468	151,820
CITY OF AVONDALE - DETENTION	17,098	3,461	0	2,500	23,059
CITY OF SOMERTON - DISPATCHERS	10,051	2,601	0	1,507	14,159
COCHISE COUNTY - CORP	497,992	20,094	13,888	66,545	570,744
COCONINO COUNTY - CORP	328,462	30,825	6,585	45,229	397,932
DEPARTMENT OF CORRECTIONS - CORP	57,091,576	3,768,687	2,161,589	7,688,473	66,387,146
DEPARTMENT OF PUBLIC SAFETY	110,043	24,244	13,227	15,345	136,406
DEPARTMENT OF PUBLIC SAFETY DETENTION	704	583	0	132	1,419
DEPT OF JUVENILE CORRECTIONS-CORP	4,900,741	276,627	197,666	656,061	5,635,764
GILA COUNTY - CORP	221,268	21,727	2,890	30,635	270,740
GILA COUNTY - DISPATCHERS	63,724	2,140	0	8,605	74,468
GRAHAM COUNTY - DETENTION	48,262	8,437	2,580	6,798	60,917
GRAHAM COUNTY - DISPATCHERS	11,985	1,362	0	1,682	15,029
MARICOPA COUNTY - CORP	11,470,651	865,180	175,692	1,569,085	13,729,224
MOHAVE COUNTY - CORP	446,060	30,078	1,733	61,119	535,525
NAVAJO COUNTY - CORP	251,299	14,165	0	34,313	299,777
ORO VALLEY - DISPATCHERS	66,381	3,738	1,200	8,984	77,903
PIMA COUNTY - CORP	2,792,049	192,262	135,403	374,560	3,223,468
PINAL COUNTY - CORP	929,689	91,293	6,370	129,102	1,143,713
PINAL COUNTY - DISPATCHERS	109,744	3,994	0	14,839	128,577
SANTA CRUZ COUNTY - CORP	165,002	8,289	0	22,463	195,753
TOWN OF MARANA - DISPATCHERS	24,446	2,372	0	3,404	30,221
TOWN OF WICKENBURG-DISPATCHERS	27,706	1,420	0	3,774	32,899
YAVAPAI COUNTY - CORP	805,525	53,335	4,567	110,212	964,504
YAVAPAI COUNTY - DISPATCHERS	15,549	1,758	0	2,182	19,488
YUMA COUNTY - CORP	750,729	42,661	4,603	102,224	891,009
TOTALS	**86,014,832**	**6,681,242**	**3,037,563**	**11,664,710**	**101,323,221**

SCHEDULE OF CHANGES IN EMPLOYER EARNINGS DISTRIBUTION
FISCAL YEAR ENDED JUNE 30, 2014

SYSTEM	2013 EMPLOYER RESERVE	2014 EMPLOYER RESERVE	2013 MEMBER RESERVE	2014 MEMBER RESERVE	COMBINED RESERVES	MEAN BALANCE	FACTOR	INVESTMENT EARNINGS
ADMIN. OFFICE OF THE COURT	202,586,011	201,278,744	74,745,785	79,115,789	557,726,329	139,431,582	20.46394%	37,124,545
APACHE COUNTY - CORP	986,156	812,114	283,815	299,822	2,381,907	595,477	0.08740%	158,549
CITY OF AVONDALE - DETENTION	522,673	577,435	337,426	343,003	1,780,537	445,134	0.06533%	118,520
CITY OF SOMERTON - DISPATCHERS	262,509	252,502	114,003	127,536	756,550	189,138	0.02776%	50,359
COCHISE COUNTY - CORP	3,681,538	3,032,948	1,250,828	1,316,316	9,281,629	2,320,407	0.34056%	617,823
COCONINO COUNTY - CORP	4,155,664	3,945,731	1,819,235	1,829,560	11,750,190	2,937,548	0.43113%	782,141
DEPARTMENT OF CORRECTIONS - CORP	551,076,903	475,239,198	202,483,646	205,305,723	1,434,105,471	358,526,368	52.61980%	95,459,924
DEPARTMENT OF PUBLIC SAFETY	5,089,845	5,277,010	2,484,062	2,426,453	15,277,370	3,819,342	0.56055%	1,016,924
DEPARTMENT OF PUBLIC SAFETY DETENTION	(6,783)	(4,525)	14,523	32,335	35,550	8,888	0.00130%	2,366
DEPT OF JUVENILE CORRECTIONS-CORP	47,149,445	39,204,534	12,787,620	12,786,702	111,928,301	27,982,075	4.10684%	7,450,405
GILA COUNTY - CORP	2,336,997	2,240,419	1,098,027	1,202,364	6,877,807	1,719,452	0.25236%	457,815
GILA COUNTY - DISPATCHERS	1,020,448	869,743	248,575	225,464	2,364,230	591,058	0.08675%	157,373
GRAHAM COUNTY - DETENTION	1,272,894	1,148,039	519,156	488,431	3,428,520	857,130	0.12580%	228,216
GRAHAM COUNTY - DISPATCHERS	277,649	277,103	143,320	146,164	844,236	211,059	0.03098%	56,196
MARICOPA COUNTY - CORP	129,791,052	117,995,285	55,309,966	59,660,474	362,756,776	90,689,194	13.31017%	24,146,574
MOHAVE COUNTY - CORP	4,503,562	4,166,839	1,401,210	1,589,808	11,661,418	2,915,354	0.42788%	776,232
NAVAJO COUNTY - CORP	2,460,447	2,115,435	811,939	832,471	6,220,293	1,555,073	0.22823%	414,048
PIMA COUNTY - CORP	34,942,078	30,006,397	12,535,935	12,372,473	89,856,882	22,464,221	3.29700%	5,981,242
PINAL COUNTY - CORP	14,539,408	14,039,223	7,344,877	7,504,976	43,428,484	10,857,121	1.59347%	2,890,777
PINAL COUNTY - DISPATCHERS	859,697	762,095	485,814	533,119	2,640,725	660,181	0.09689%	175,777
SANTA CRUZ COUNTY - CORP	1,630,514	1,452,815	462,031	487,316	4,032,676	1,008,169	0.14797%	268,431
TOWN OF MARANA - DISPATCHERS	430,960	455,182	311,791	348,097	1,546,031	386,508	0.05673%	102,910
ORO VALLEY - DISPATCHERS	739,609	667,533	371,434	404,133	2,182,709	545,677	0.08009%	145,290
TOWN OF WICKENBURG-DISPATCHERS	275,336	267,924	107,470	79,143	729,874	182,468	0.02678%	48,583
YAVAPAI COUNTY - CORP	6,362,141	5,583,642	3,358,258	3,673,682	18,977,723	4,744,431	0.69633%	1,263,235
YAVAPAI COUNTY - DISPATCHERS	467,111	434,433	142,779	156,583	1,200,905	300,226	0.04406%	79,937
YUMA COUNTY - CORP	8,272,129	7,377,620	2,920,501	3,067,182	21,637,432	5,409,358	0.79391%	1,440,276
TOTALS	**1,025,685,993**	**919,475,417**	**383,894,028**	**396,355,115**	**2,725,410,554**	**681,352,638**	**100.00000%**	**181,414,471**

PARTICIPATING EMPLOYERS

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

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

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