

PUBLIC SAFETY PERSONNEL RETIREMENT SYSTEM



COMPREHENSIVE ANNUAL FINANCIAL REPORT

A PENSION TRUST FUND OF THE STATE OF ARIZONA



FOR THE FISCAL YEAR ENDED JUNE 30, 2006

38

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's best for our members and financial health and integrity of the System.
- Proactive
- Committed to high quality, uniform, sustainable service.
- Innovative and cost effective in Plan administration and services.
- Use best practices in Human Resource management.

Public Safety Personnel Retirement System
A Pension Trust Fund of the State of Arizona



Thirty-Eighth
Comprehensive Annual Financial Report

For the Fiscal Year Ended
June 30, 2006

Prepared by the Finance Department

Public Safety Personnel Retirement System
5010 E Camelback Road, Suite 200
Phoenix, Arizona 85016
Phone 602-255-5575 Fax 602-255-5572 www.psprs.com

Introductory Section

Certificate of Achievement	8
Fund Manager Report	9-12
Letter of Transmittal	13-16
Professional Advisors	17
Fund Manager	18
Executive Staff and Organizational Chart	19

Financial Section

Independent Auditor's Report	22
Management Discussion and Analysis	23-25
Basic Financial Statements	26
Statement of System Net Assets	26
Statement of Changes in System Net Assets	27
Notes to the Financial Statements	28-37
Required Supplementary Information	38
Schedule of Funding Progress	38
Schedule of Employer Contributions	38
Supporting Schedules	39
Changes in Fund Balance Reserves	39
Receipts and Disbursements	40
Administrative Expense	41
Consultants	41

Investment Section

Chief Investment Officer's Report	44-45
Investment Advisor's Letter	46
Investment Objectives	47
Investment Performance	48-49
Investment Returns	48
Asset Allocation	48
Ten Year Cumulative Return, Benchmark & Indices	49
Top Investment Holdings	50
Change in Portfolios	51
Broker Commissions	51

Table of Contents

Investment Section (continued)

Stock Portfolio	52-55
Stocks Purchased	55-59
Stocks Sold	59-63
Treasury Bond Portfolio	63
Government Agency Bond Portfolio	64-67
Corporate Bond Portfolio	68-69
Bonds Purchased	69-71
Bonds Sold	71-72
Commercial Paper Portfolio	72
Real Estate Portfolio	73-74
Alternative Investment Portfolio	74
New Real Estate Projects	75

5

Actuarial Section

Actuary's Certification Letter	78
Actuarial Balance Sheet	79
Actuarial Assumptions	80-81
Solvency Test	82
Summary of Active Member Data	83
Summary of Retirees and Beneficiaries	84
Summary of Inactive Member Data	84
Schedule of Experience Gain/(Loss)	85

Statistical Section

Financial Trends	88
Revenues & Disbursements	88
Demographics	89
Operating Information	90-91
Employer Earnings Distribution	92-96
Changes in Refundable Member Reserves	97-101
Changes in Employer Reserves	102-113

Introductory Section

Table of Contents

Certificate of Achievement	8
Fund Manager Report	9
Letter of Transmittal	13
Professional Advisors	17
Fund Manager	18
Executive Staff and Organizational Chart	19

Certificate of Achievement

Certificate of Achievement for Excellence in Financial Reporting

Presented to

Arizona Public Safety Personnel Retirement System

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2005

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



Carla E. Perry

President

Jeffrey R. Emer

Executive Director

Fund Manager Report

PUBLIC SAFETY PERSONNEL RETIREMENT SYSTEM

Carter Olson

Fund Manager Chairman

3010 East Camelback Road, Suite 200

Phoenix, Arizona 85016-4416

Billy Shields

Fund Manager Vice Chairman

James M. Hacking

Administrator

Fritz Beesemyer

Fund Manager Member

James Gentner

Fund Manager Member

James A. Nielsen

Assistant Administrator

Tracey D. Peterson

Assistant Administrator

Brian Delfs

Fund Manager Advisor

Chief Investment Officer

Chief Operations Officer

December 14, 2006

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

Dear Governor Napolitano:

The Fund Manager of the Public Safety Personnel Retirement System (PSPRS) respectfully submits the Thirty-Eighth Comprehensive Annual Financial Report for the fiscal year ended June 30, 2006 (FY'06), in accordance with the provisions of A.R.S. Section 38-848.

As of June 30th, we can report that significant progress has been made in terms of our efforts to manage the funding challenges of the PSPRS Plan. But before summarizing the Plan's fiscal year-end funding situation and the consequences and prospects for the future, it is first necessary to provide some historical perspective and describe the developments that occurred during the fiscal year that contributed to the year-end results.

As you recall, during the 1990s, PSPRS annually generated investment returns well in excess of the System's actuarially assumed rate of 9%. As a result, throughout the decade and through FY'03, the System was more than 100% funded. Consequently, the PSPRS employers' contribution rates were abnormally low. For example, based on the PSPRS FY'01 results, the computed aggregate FY'03 employer contribution was only 3.75% (4.46% when the statutory minimum rate per employer was factored in). However, the employer "normal cost" (i.e., the employer share of the cost, expressed as a level percent of payroll, of the addition to liability that resulted from the covered participant group's service credit accruing during FY'01) for that year was 11.21%. The amortization of the excess assets that year had the effect of reducing the employer normal cost required contribution by 7.46% of payroll.

But as a result of the 2001 and 2002 financial market contractions and the gradual reduction in the PSPRS rate of return assumption to the current level of 8.5%, the funding ratio/employer contribution requirement situation has reversed. The PSPRS Plan now has an unfunded liability and that liability (expressed as a level percent of payroll and amortized over a period of years) must be added to employer normal cost. This makes the required employer contribution abnormally high. This situation is further exacerbated by the fact that the cost of the Plan is spread over less than 100% of participant payroll because compensation paid to participants in the Deferred Retirement Option Plan (DROP) is not subject to pension contributions.

In addition, for the next several years, the PSPRS Plan's financial condition will most likely deteriorate further and, as it does, employer contribution rates will continue to rise. In large part, this is because the effects of the

2001-2002 financial market contractions are not yet fully reflected in the System's actuarial value of assets, **since those values are determined annually based on a rolling seven-year average.**

Last year at this time, the members of the PSPRS Fund Manager, the System's governing board, were told that the FY'07 aggregate PSPRS employer contribution rate was going to increase to 17.1% -- up from 12.8% the year before. **In recognition that very large year-over-year employer contribution rate increases were having severe budgetary impacts and crowding out other personnel-related spending priorities, the Board determined that prudence required a review of certain actuarial factors that seemed to be aggravating the contribution rate escalation problem.**

Having developed a consensus among the PSPRS constituency groups and the contributing employers as to a needed set of actuarial changes that would improve the Plan's funding condition and thus reduce the required aggregate employer contribution rate, the System developed a legislative proposal (SB 1357) to authorize those changes. Once SB 1357 was signed into law (Laws 2006, Chapter 251), the PSPRS Board acted promptly to extend the time period for paying off unfunded liabilities to the thirty-year maximum permitted by the new law. All PSPRS contributing employers that had an unfunded liability as of June 30, 2005 were affected by the Board's action.

10

That action was coupled with other actuarial changes already approved by the PSPRS governing Board. Those other changes were: 1) a reduction in the Plan's actuarial salary growth assumption from an annual 6% to 5.5% to more accurately reflect actual covered group experience; and 2) a change from the Entry Age Normal actuarial methodology to the Projected Unit Credit methodology to make the actuarial method of choice consistent among all four Arizona state retirement plans. These combined changes improved the Plan's funding ratio from 82.1% to 83.2% and reduced the FY'07 aggregate employer contribution rate from the scheduled 17.1% to 13.8% -- only a 1% increase over the preceding year.

Unfortunately, the actuarial changes approved by the PSPRS Board provide only short-term relief from the pattern of Plan funding ratio erosion and escalating employer contribution rates. If the Plan had been able to generate a rate of return on invested assets that was significantly better than the 8.5% actuarial assumed rate of return in FY'06, then the rate of escalation in employer contributions in the future would have moderated. Unfortunately, that did not turn out to be the case (See the discussion below and the report from the System's Chief Investment Officer on page 44). The actual rate of return was 8.30%.

It should come as no surprise, therefore, that, as of June 30, 2006, the PSPRS Plan's funding ratio has declined to 77.0 % and the aggregate employer contribution rate scheduled to take effect on July 1, 2007 will be 16.53%. However, this aggregate rate is still less than the 17.1% that was originally scheduled to take effect on July 1, 2006.

We have directed the System's Administrator to consult with representatives of the PSPRS constituency groups **to determine whether or not a new legislative initiative seems warranted and, if so, what such an initiative should contain.** The PSPRS Administrator will keep the Governor's Office fully informed as to the outcome of those consultations.

FY'06 Investment Results

As indicated above, the PSPRS Plan's FY'06 return was 8.30%. While this investment return compares favorably with the 3.57% benchmark (i.e., 45% S&P 500 index; 45% Lehman Government/Credit index; 10% 91 Day T – Bill) return at the total fund level, **it is still less than the 8.5% actuarially assumed rate of return. Does this pose a problem and could the Plan have done better?**

Fund Manager Report

According to the System's actuary, this slight under-performance of the actuarial rate of return assumption does **not pose a problem, since the assumption is long-term and there will be years when the Plan out-performs and under-performs the actuarial assumption. The issue is whether the assumption is reasonable when compared** with actual rate-of-return experience over a period of years. The System's actuary will be conducting an experience study this fiscal year and will make recommendations for any changes in assumptions that appear warranted because of significant variance with Plan and covered group experience.

More troubling, however, is the realization that the PSPRS Plan's 8.3% return was less than the better-than-9% return needed to allocate new assets to the Plan's Reserve for Future Benefit Increases – the Reserve that funds the annual post-retirement benefit increases for eligible retirees and survivors. While the Plan's Reserve still has assets sufficient to continue funding annual adjustments for the next few years, even in the absence of inflows of new assets, the failure to generate a better-than-9% return is a cause for some concern that the Fund Manager will undertake to address.

The PSPRS Plan could have generated a much higher rate of return this past fiscal year if the Plan had had the means to get significant exposure to the higher return financial markets. As it turned out, the best places to be in terms of investment return for the twelve months ending June 30, 2006 were emerging market stocks (35.9% market return), international stocks (28.4% market return), small and mid-capitalization U.S. stocks (13.9% and 13.2% market returns), Real Estate Investment Trust (REIT) stocks (19.7% market return) and real estate generally (18.7% market return).

However, because of current PSPRS investment constraints that include the relatively small number of investment professional staff and the historical preference for low cost internal asset management, the PSPRS Plan was largely under-exposed or not exposed at all to most of these relatively better-performing financial markets during the past fiscal year. Instead, nearly 57% of the Plan's assets were invested in large capitalization U.S. stocks (8.6% market return); 20% of the assets were in U.S. fixed income securities (-1.5% market return) and nearly 5% were in cash equivalents (4.0% market return).

In recognition that the Plan must be positioned to take advantage of higher returning financial markets in order **to avoid missed opportunities, this year the System included in its administrative and technical corrections legislation (SB 1359) certain provisions that will give the PSPRS Fund Manager additional investment authority.** SB 1359, which went into effect on September 21st, **gives the PSPRS Board the authority to use new investment vehicles (i.e., Exchange Traded Funds, [ETFs]) that will enable further diversification of invested assets and reduction in risk and provide the potential for enhanced returns.**

In addition, the System's Investment Department's staff is being augmented in order to increase "due diligence" and internal portfolio management capability and thereby increase the Plan's exposure to real estate, private equity and other asset classes or sub-classes where the Plan is currently lacking.

In conjunction with this, the System has undertaken a search process for an independent investment consultant to advise the PSPRS Board as to the most appropriate mix of asset classes (given the Board's risk and return objectives) **along with realistic and achievable invested asset target percentages.**

System Governance, Administrative and Internal Operations Changes

With respect to governance, administrative and internal operations changes, the following should be noted. First, the PSPRS Fund Manager implemented new sub-committees to stream-line the review and decision-making process for the Board.

12

Second, the Board completed the development of a comprehensive set of governance policies and procedures.

Third, the Board completed the search, interview and hiring process for a new permanent System Administrator.

Fourth, the PSPRS' internal administrative structure was reorganized to improve efficiency and communications, eliminate internal control problems, decentralize decision-making, empower department managers and **increase their accountability to the Administrator. This reorganization resulted in the creation of an Executive Team** that is responsible for the organization's day-to-day asset management and administrative operations.

Fifth, the organization successfully completed its first strategic planning and administrative and capital expenditure budget-building process.

Sixth, in terms of information technology (IT), PSPRS has implemented a data base conversion project to enhance response time, further improve efficiency, build in additional capabilities and establish an improved base for internal control improvements.

Seventh, during this new fiscal year, PSPRS will improve and/or develop web sites that will provide more and **improved data exchange capabilities, services and information, (including a web accessible member handbook)**, for the PSPRS active and retired members and the Local Board network that makes determinations as to Plan eligibility, benefit entitlement and benefit amounts.

Finally, the System is: 1) undertaking phase one of a business continuity/disaster recovery project; 2) **experimenting with electronic means for conducting training/education sessions for members of PSPRS Local Boards**; 3) completing document imaging so that all member/beneficiary files will be readily accessible electronically; and 4) renovating the existing office space and occupying some additional space (within the existing building which the System owns) to accommodate the increased staff complement.

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

Respectfully submitted,



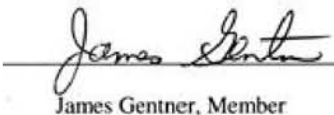
Chris
Carter Olson, Chairman



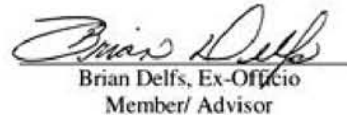
Billy Shields, Member



Fritz Beesemyer, Member



James Gentner, Member



Brian Delfs, Ex-Officio
Member/ Advisor

Letter of Transmittal

PUBLIC SAFETY PERSONNEL RETIREMENT SYSTEM

Carter Olson

Fund Manager Chairman

3010 East Camelback Road, Suite 200

Phoenix, Arizona 85016-4416

Billy Shields

Fund Manager Vice Chairman

James M. Hacking

Administrator

Fritz Beesmyer

Fund Manager Member

James Gentner

Fund Manager Member

James A. Nielsen

Assistant Administrator

Tracey D. Peterson

Assistant Administrator

Brian Delfs

Fund Manager Advisor

Chief Investment Officer

Chief Operations Officer

December 14, 2006

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

Gentlemen:

There is presented, herewith, the **Thirty-Eighth Comprehensive Annual Financial Report of the operations** and financial conditions of the Public Safety Personnel Retirement System (PSPRS or the System), State of Arizona, for the fiscal year ended June 30, 2006. The System was created on July 1, 1968 to provide a uniform **statewide retirement system for public safety personnel**. The System has experienced great change during the past thirty-eight years, providing a normal twenty year retirement and offering disability benefits, survivor benefits for spouses and children, post-retirement increases and health insurance subsidies.

Arizona Revised Statutes Title 38 requires the Fund Manager to transmit to the Governor and the Legislature this annual report within six months of the close of each fiscal year. Incorporated in this report are the audited financial statements, management's discussion and analysis, and other financial data from the June 30, 2006 report of Barrows & Schatza, P.L.C., Certified Public Accountants and auditors for the System. Also included are the actuarial certification statement and the actuarial balance sheet from the June 30, 2006 actuarial valuation prepared by the System's actuary, Rodwan Consulting Company.

This report has been organized into five sections as follows:

- **Introductory Section** – containing general information regarding the operations of the PSPRS;
- **Financial Section** – presenting the independent auditor's report on the System's basic financial statements, management's discussion and analysis, and schedules of the funds administered by the PSPRS;
- **Investment Section** – reporting detailed lists of the investment transactions and portfolios of the System, along with investment performance including a report from the System's Chief Investment Officer;
- **Actuarial Section** – containing actuarial information regarding the funding of the System; and
- **Statistical Section** – containing statistical data pertaining to the benefits paid by the PSPRS and growth of the System.

FINANCIAL INFORMATION

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

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

The System uses the accrual basis of accounting for both revenues and expenses. Contributions to the System are based on principles of level-cost financing with current service financed as a level percent of payroll on a current basis and prior service amortized as a level percent of payroll over a period of at least twenty but not more than thirty years.

REVENUES

Revenues to the System are derived from three sources: member contributions, employer contributions and investment income. As shown by the Schedule of Revenues by Source included in the Statistical Section later in this report, the System had a positive investment return this fiscal year that was further enhanced by member contributions, direct employer contributions, and insurance premium taxes. Please refer to the Statistical Section for a ten-year history of revenues and expenses.

ADMINISTRATIVE AND INVESTMENT EXPENSES

The 2005/2006 administrative and investment expenses of the administrative office totaled \$3,793,593 compared to \$2,292,065 for the prior year. Our administrative and investment expenses are approximately 8 basis points of the total assets managed. This is very low compared with other retirement systems. A dedicated staff and constantly improving internal expertise has allowed management to keep costs low even though assets managed have increased substantially over the years and service needs have escalated due to increasing numbers of participants and beneficiaries.

INVESTMENTS

The System invests primarily in bonds rated A or better and blue chip common stock and had a total rate of return for the fiscal year of 8.30%. The Investment Section of this Report contains the report of the Chief Investment Officer along with graphs depicting the funds performance, a detailed summary of the investment portfolio, all investment transactions, and commissions paid to investment professionals who provide services to PSPRS. All investments are held in trust at Wells Fargo, one of the largest banks in the world.

SYSTEM FINANCIAL OUTLOOK

PSPRS is in an investment environment far different from that of the late 1990s. In order to maintain a prudent funding level, the Fund Manager reduced the assumed earnings rate from 8.75% to a more realistic and more sustainable rate of 8.50%, effective July 1, 2005. In addition, a number of meetings were held with constituent group representatives during the first half of the fiscal year. As a result of those meetings, the following actions were recommended:

- Reduce the Actuarial Salary Growth Assumption to reflect the actual salary growth experience of the covered group;
- Change the Actuarial Methodology to "Projected Unit Credit;"
- **Increase the Length of the Period for Amortizing Unfunded Actuarial Accrued Liability (UAAL) for those contributing employers that had unfunded liabilities as of June 30, 2005;**
- **Clarify that the interest rate to be credited to participant DROP Accounts would vary, depending on the assumed earnings rate as set by the PSPRS Fund Manager from time-to-time;**
- **Increase the Minimum Employer Contribution rate from 5% to 8% for those employers with current contribution rates in excess of the new minimum; and**

Letter of Transmittal

- **Create a Contingent “Rainy Day” Reserve for each employer group within the PSPRS to hold a portion of any excess assets that any contributing employer’s account may acquire in the future.**

All the recommended actions were implemented prior to fiscal year-end. The PSPRS actuary recalculated each employer’s June 30, 2005 valuation and each employer’s July 1, 2006 required contribution rate. In the aggregate, the PSPRS employers’ contribution rate declined from 17.1% to 13.8%—making the aggregate rate just 1% higher than the aggregate 12.8% rate in effect for the employers during FY’06.

ENACTED LEGISLATION

Some of the aforementioned recommended actions required legislative approval before they could be implemented. The following is a summary of the enacted legislation that authorized those actions or otherwise affected the operations and benefits of the PSPRS Plan:

- a. HB 2113 Retirement Plans; Continuation – Continues PSPRS as the administrative entity for the PSPRS Plan for ten years through December 31, 2016.
- b. SB 1357 PSPRS Employer Contribution Rate Stabilization Act – Authorized the PSPRS Fund Manager to set the actuarial unfunded liability amortization period for each contributing employer within a range of twenty to thirty years taking into account the recommendation of the actuary. It also raised the employer contribution minimum rate from 5% to 8% and established a stabilization reserve for each contributing employer’s account to hold a portion of any excess assets that may be accumulated in the future.
- c. SB 1359 Public Retirement Plans; Administrative Amendments – Amended a number of existing statutes to include, among other things, a definition of salary, catastrophic disability, killed in the line of duty, same position transfers, “cherry-picking” and disabilities and authorization for the System’s Fund Manager to utilize Exchange Traded Funds (ETFs).

ACTUARIAL AND FUNDING INFORMATION

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

There is no single all-encompassing test to measure a retirement system’s funding progress and current status. A traditional measure is the ratio of assets to actuarial accrued liability, often referred to as the “percent funded.” The percent funded for the PSPRS Plan at June 30, 2006, was 77.0%.

The System is funded through a member contribution of 7.65% of gross payroll, an employer contribution set by an actuarial valuation expressed as a percent of gross payroll and a distribution of the net earnings of the System. While each employer has a different contribution rate, the aggregate rate for the contributing employers as a group for the 2006/2007 fiscal year is 13.83% of gross payroll. The firefighter groups and the Department of Public Safety receive a percentage of the Insurance premium tax, which underwrites a large portion of their employer contributions.

POST RETIREMENT BENEFIT INCREASES

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

percent of the average benefit being paid. A benefit increase schedule can be found in the Statistical Section.

CERTIFICATE OF ACHIEVEMENT

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the System for the PSPRS Plan's comprehensive annual financial report (CAFR) for the fiscal year ended June 30, 2005. This was the fifteenth consecutive year that the System has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government unit must publish an easily readable and efficiently organized comprehensive annual financial report. **This report must satisfy both generally accepted accounting principles and applicable legal requirements.**

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

STRATEGIC INITIATIVES

During this past fiscal year, the System underwent a thorough analysis of where it currently stands in terms of the level of service and resources available to meet the growing needs of its stakeholders. From that analysis, **a number of strategic initiatives were implemented to move the System in the direction of greater customer service, and sound administrative and investment policies and practices. Those initiatives fall into the following four categories:**

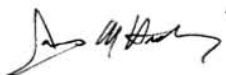
- Financial Performance: Initiatives in this category may enable the Plan to outperform consistently its investment benchmarks; use strategically chosen investment strategies; and use appropriate external advisors.
- Customer Service: Initiatives in this category address education, training and communication to stakeholders and consistent, accurate and timely service.
- Product, Process and Service Improvement: Initiatives in this category address cost-effective efficiency in our internal and external administrative processes through the use of technology while ensuring data quality, data security, high productivity and employee satisfaction.
- Learning and Growth: Initiatives in this category address the need to attract and retain highly qualified employees who are committed to continuously increasing their ability and desire to produce required results; developing and sustaining effective leadership, and fostering a capable and motivated workforce.

SUMMARY

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

I would like to take this opportunity to express my gratitude to the members of the Fund Manager, the staff, the System's advisors, and all others who have worked so diligently to assure the continued successful operation of the System. I am grateful to be a part of the System's leadership and I look forward to the System's continued success in the future.

Respectfully submitted,



Administrator

Professional Advisors

Barrows & Schatza, PLC	Independent Auditors
Clark Strategic Advisors, Inc	Investment Advisor
Cortex Applied Research	Governance Consultant
Kutak Rock, LLP	General Counsel
McLagan Partners, Inc	Human Resource Consultant
Rodwan Consulting Group	Actuary
Rose & Allyn Public Relations	Communications Consultant
Standard & Poor's Investment Advisory Services LLC	Investment Advisor
Wells Fargo Bank	Custodian

A schedule of Administrative Consultant fees may be found in the Financial Section, page 41. A schedule of Investment Consultant fees, Brokerage Commissions and Research Expense may be found in the Investments Section on page 51.

Fund Manager



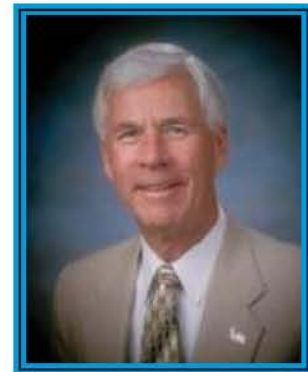
Carter Olson
Chairman



Billy Shields
Vice Chairman



Fritz Beesemyer
Member



Jim Gentner
Member



Brian Delfs
Advisor

Executive Staff and Organizational Chart



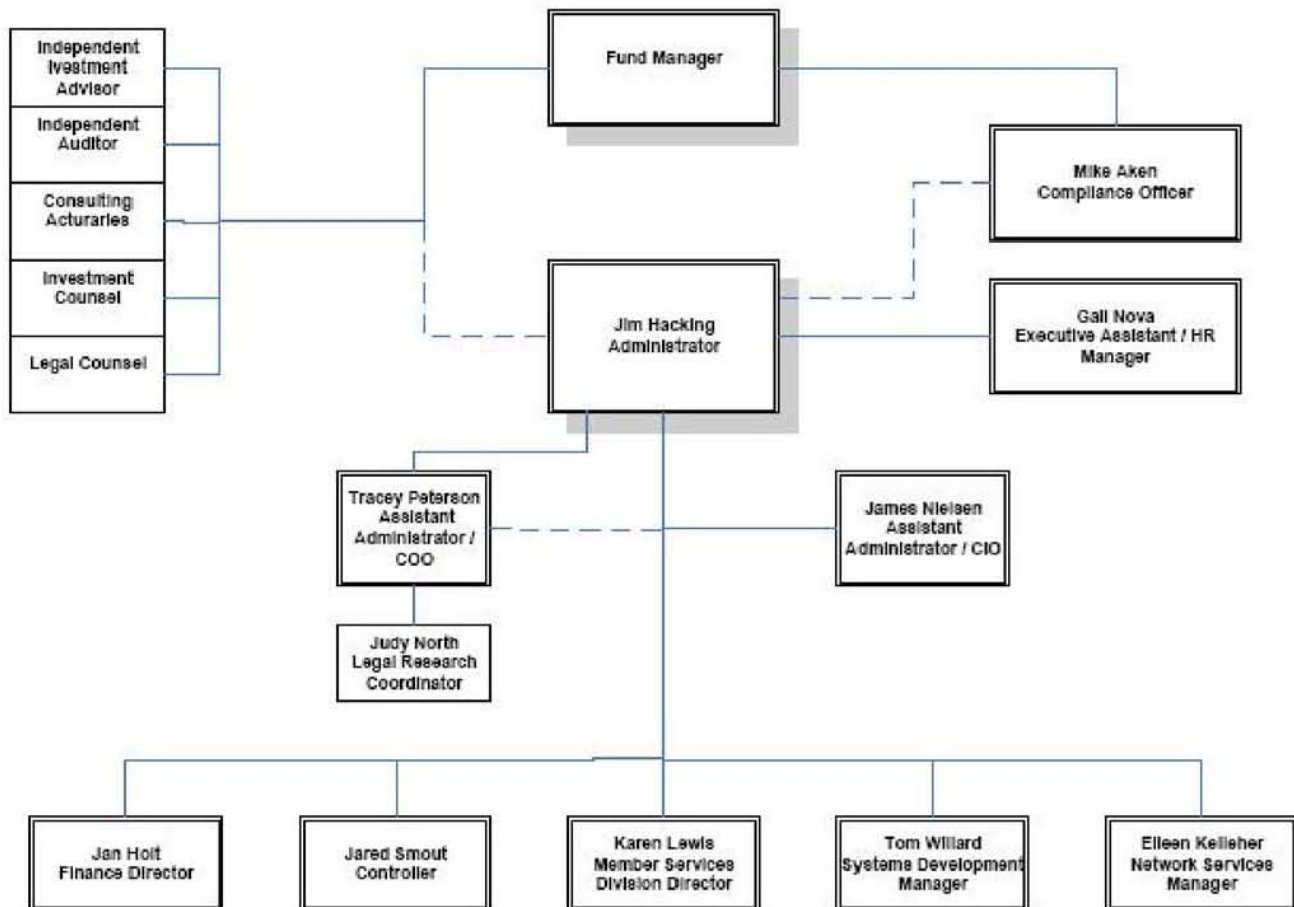
James Nielsen
Assistant Administrator
Chief Investment Officer



Jim Hacking
Administrator



Tracey Peterson
Assistant Administrator
Chief Operations Officer



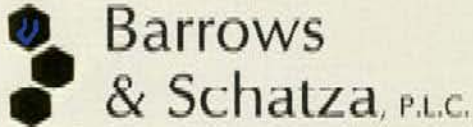


\$100

Financial Section

Table of Contents

Independent Auditor's Report	22
Management Discussion and Analysis	23
Statement of Net Assets	26
Statement of Changes in Net Assets	27
Note 1 Summary of Significant Accounting Policies	28
Note 2 Plan Description	28
Note 3 Investments and Cash	33
Note 4 Contributions	37
Note 5 Staff and Other Benefits	37
Required Supplementary Information	38
Schedule of Funding Progress & Contributions	38
Employer Contributions	38
Supporting Schedules	39
Changes in Fund Balance Reserves	39
Receipts and Disbursements	40
Administrative Expense and Consultants	41



Phoenix, Arizona

INDEPENDENT AUDITOR'S REPORT

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

22

We have audited the accompanying statements of system net assets of the STATE OF ARIZONA PUBLIC SAFETY PERSONNEL RETIREMENT SYSTEM as of June 30, 2006 and 2005, and the related statements of changes in system net assets for the years then ended, appearing on pages 26 and 27, respectively. These financial statements are the responsibility of the System's managements. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial status of STATE OF ARIZONA PUBLIC SAFETY PERSONNEL RETIREMENT SYSTEM as of June 30, 2006 and 2005, and the results of its operations and changes in system net assets for the years then ended in conformity with generally accepted accounting principles.

Our audit was made for the purpose of forming an opinion on the financial statements taken as a whole. The accompanying supplementary information, Management's Discussion and Analysis, Schedule of Funding Progress and Schedule of Employer Contributions are required by the Governmental Accounting Standards Board and are not a required part of the basic financial statements. Also, the accompanying additional information, contained on pages 39 and 40, are not required disclosures under Governmental Accounting Standards Board (GASB) statement No. 25 and are not a required part of the basic financial statements. The additional information schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly presented in all material respects in relation to the basic financial statements taken as a whole.

Barrows & Schatza, P.L.C.

December 14, 2006

Management Discussion and Analysis

The Public Safety Personnel Retirement System's management prepared this discussion and analysis to assist the reader in focusing on significant financial issues, and to provide an overview of the System's financial activity, identify changes in the System'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.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the PSPRS financial reporting which is comprised of the following components: 1) basic financial statements, 2) notes to the financial statements, 3) required supplementary information and 4) other supplementary schedules.

1. Basic Financial Statement.

The Statement of Net Assets is presented as of June 30, 2006 with total comparative information as of June 30, 2005. This statement reflects the resources available to pay benefits to members, including retirees and beneficiaries, at the end of the years reported. The Statement of Changes in Plan Net Assets comparatively reports the changes in revenues and expenses for the fiscal years ended June 30, 2006 and 2005.

23

2. Notes to the Financial Statement.

An integral part of the financial statements, the notes provide facts and additional information that are essential to a full understanding of the statements. Disclosures include significant accounting policies, plan description, plan benefits and detailed presentation of major assets.

3. Required Supplementary Information.

Presents schedules related to employer contributions and the funding of the plan.

4. Other Supplementary Schedules.

Consists of detailed information supporting administrative and investment expense.

Financial Analysis of the System

As of 6/30/2006, net assets were \$4.9 billion. The average increase in net assets and investments over the last 3 years has been 6.7%. At fiscal year end the asset allocation was 70% Equity, 12% Bonds, 9% US Government Securities, 5% Cash and Cash Equivalents, 4% Real Estate, Real Estate Debt and Venture Capital.

Management's Discussion and Analysis

	Net Assets		
	2006	2005	2004
Cash	584,254	2,742,837	8,618,698
Receivables	26,343,288	28,678,794	35,438,464
Investments *	5,788,081,932	5,516,043,658	5,088,079,761
Net Capital Assets	<u>3,580,997</u>	<u>3,622,716</u>	<u>4,629,082</u>
Total Assets*	5,818,590,471	5,551,088,005	5,136,766,005
Liabilities*	<u>912,191,945</u>	<u>943,046,116</u>	<u>827,030,932</u>
Net Assets	4,906,398,526	4,608,041,889	4,309,735,073

*Includes Security Lending Collateral

24

	Additions		
	2006	2005	2004
Member Contributions	75,616,322	67,947,506	63,978,505
Employer Contributions	127,218,686	104,497,150	79,000,130
Service Purchase/ Transfers	10,533,585	9,156,465	9,177,386
Investment Income, net	<u>379,512,078</u>	<u>383,530,412</u>	<u>562,613,259</u>
Total Additions	592,880,671	565,131,533	714,769,280

Employer contributions increased 22% in 2006 and 32% in 2005 compared to member contributions which increased 11% and 6%, respectively. The employee contribution rate remained at the statutory rate of 7.65% and the average employer rate increase was 2.69% in 2006. Active membership at year end was 17,324 an increase of 6% over the prior year. Service purchases increased 15% over last year. Net investment income has decreased over the past three years about 32%. High investment income in 2004 was due to a strong stock and bond market. This years rate of return was 8.3% compared to 14.97% in 2004.

Management's Discussion and Analysis

Deductions

	<u>2006</u>	<u>2005</u>	<u>2004</u>
Pension Benefits	250,984,602	230,766,004	212,935,295
Insurance Benefits	10,203,920	11,417,919	10,774,433
Refunds	7,225,720	7,647,443	6,390,643
Drop Benefits	22,839,120	15,265,160	6,175,715
Administrative Expense	2,979,511	1,599,784	1,099,932
Transfers out	<u>291,161</u>	<u>128,407</u>	<u>196,287</u>
Total Deduction	294,524,034	266,824,717	237,572,305

Pension payment increases are averaging 8.6% over the three year period. At year end retired members totaled 6,974. Retiree increases are averaging 4%. The 10% decrease in insurance was primarily due to a change in the eligibility criteria for Rural Subsidy. The deferred Retirement Option Plan (DROP) was implemented in 2001 with a maximum eligibility period of 5 years (See Notes to the Financial Statements, for more information on DROP). In June 2006, some members began to reach the end of the five year period, accordingly, benefits increased 50% over last year. Administrative expenses increased from 3 basis points in 2004 to 6 basis points of assets under management in 2006. The increase was due to an increase in staffing in all departments. Total deductions increased 10% in 2006 and 12% in 2005.

25

Change in Net Assets

	<u>2006</u>	<u>2005</u>	<u>2004</u>
Beginning Balance	4,608,041,889	4,309,735,073	3,832,538,098
Additions	592,880,671	565,131,533	714,769,280
Deductions	294,524,034	266,824,717	237,572,305
Net Increase	298,356,637	298,306,816	477,196,975
Ending Balance	4,906,398,526	4,608,041,889	4,309,735,073
Funding Percent	77.0%	83.2%	92.4%

Basic Financial Statements

Statement of System Net Assets

For the Years Ended June 30, 2006 and 2005

	2006	2005
ASSETS		
Cash	\$584,254	\$2,742,837
Receivables		
Members' Contributions	2,154,336	1,916,730
Employers' Contributions	3,995,254	8,208,304
Interest and Dividends	19,980,118	16,420,198
Due from other Plans	213,580	2,133,562
Total Receivables	26,343,288	28,678,794
Investments at Fair Value (Notes 1 and 3)		
U.S. Government Securities	449,167,514	242,049,653
Corporate Bonds	592,358,170	662,003,093
Commercial Paper	235,731,138	276,388,385
Corporate Stocks	3,436,622,445	3,198,451,663
Alternative Investments	162,163,866	194,104,748
Total Investments	4,876,043,133	4,572,997,542
Collateral Held In Trust for Securities on Loan	912,038,799	943,046,116
Capital Assets (Note 3)		
Land	495,434	495,434
Building and Improvements	3,020,815	3,006,361
Furniture, fixtures, and equipment	277,518	213,146
Total Capital Assets	3,793,767	3,714,941
Accumulated Depreciation	(212,770)	(92,225)
Net Capital Assets	3,580,997	3,622,716
Total System Assets	5,818,590,471	5,551,088,005
Accrued Accounts Payable	(153,146)	
Liability - Collateral Subject to Return to Borrower	(912,038,799)	(943,046,116)
Net Assets Held In Trust for Pension Benefits	\$4,906,398,526	\$4,608,041,889
Net Asset Reserves		
Refundable Members' Reserve	\$698,024,851	\$643,712,465
Employers' Reserve	3,717,658,934	3,426,816,099
Future Benefit Increase Reserve	490,714,741	537,513,325
Total Net Asset Reserves	\$4,906,398,526	\$4,608,041,889

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

Basic Financial Statements

Statement of Changes in System Net Assets

For the Years Ended June 30, 2006 and 2005

	<u>2006</u>	<u>2005</u>
<i>Additions</i>		
Contributions		
Members' Contributions (Notes 2 and 4)	\$75,616,322	\$67,947,506
Employers' Contributions (Notes 2 and 4)	127,218,686	104,497,150
Member Service Purchase	9,408,500	8,162,634
Total Contributions	212,243,508	180,607,290
Net (Depreciation) Appreciation		
in Fair Value of Investments (Notes 1 and 3)	237,238,575	249,836,883
Interest	86,613,249	86,350,883
Dividends	55,502,470	46,985,876
Securities Lending Activities		
Securities Lending Income	\$41,370,164	\$20,834,935
Borrower Rebates	(39,981,850)	(19,281,404)
Agents Share of Income	(416,449)	(504,480)
Net Securities Lending Income (Note 3)	971,865	1,049,051
	380,326,159	384,222,693
Less Investment Expense	(814,081)	(692,281)
Net Investment Income	379,512,078	383,530,412
Amounts Transferred from Other State-Sponsored Pension Plans and		
Total Additions	592,880,671	565,131,533
<i>Deductions</i>		
Pension Benefits (Note 2)	250,984,602	230,766,004
Insurance Benefits (Note 2)	10,203,920	11,417,919
Refunds to Terminated Members (Note 2)	7,225,720	7,647,443
Drop Benefits	22,839,120	15,265,160
Administrative Expenses	2,979,511	1,599,784
Amounts Transferred to Other State-Sponsored Pension Plans		
Total Deductions	294,524,034	266,824,717
Net (Decrease) Increase	298,356,637	298,306,816
Net Assets Held In Trust for Pension Benefits		
Beginning of Year - July 1	4,608,041,889	4,309,735,073
End of Year - June 30	\$4,906,398,526	\$4,608,041,889

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

Notes to the Financial Statements

Note 1

Summary of Significant Accounting Policies

BASES OF ACCOUNTING

PSPRS 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 System. 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. System reports assets on a Fair Value Basis. Certain cost information may be provided for reference only and to comply with state law. Furniture and equipment purchases less than \$5,000, are expensed in the year of purchase. Purchases more than \$5,000 are depreciated over the estimated useful life of each asset using the straight line method. Investment income net of administrative and investment expenses is allocated to each employer group based on the average relative fund size for each employer group for that year.

NEW ACCOUNTING PRONOUNCEMENT

Governmental Accounting Standards Board (GASB) Statement 44 is effective for all reporting periods beginning after June 15, 2005. To assist the user in understanding the financial and economic condition of the entity, the statistical section will be separated into five categories; financial trends, revenue capacity, debt capacity, demographics, economic and operating information.

28

By state statute, this System 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 \$143,087,585 for FYE 2006 and \$134,385,810 for FYE 2005.

Note 2 Plan Description

ORGANIZATION

The Public Safety Personnel Retirement System (PSPRS), a pension trust fund of the State of Arizona, is an agent multiple-employer public employee retirement system established by Title 38, Chapter 5, Article 4 of the Arizona Revised Statutes, to provide benefits for public safety employees of certain state and local governments. The Fund Manager and 213 Local Boards jointly administer the System.

The Fund Manager is a five-member board. Effective August 6, 1999, it became the Governor's responsibility to appoint all members of the Fund Manager, who serve a fixed three-year term. In 2005, Senate Bill 1378 requires that appointees representing the state as an employer and the public, must have substantial investment experience.

The Fund Manager is responsible for the investment of the System's assets, setting employer contribution rates in accordance with an actuarial study, adopting a budget, hiring personnel to administer the System, setting up records, setting up accounts for each member and each Local Board, paying benefits and the general protection and administration of the System.

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

Notes to the Financial Statements

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

The Fund Manager of the PSPRS is also responsible for the investment and general administration of two other statewide retirement plans—the Corrections Officer Retirement Plan and the Elected Officials' Retirement Plan. The investments and expenses of these plans are held and accounted for separately from those of the PSPRS. 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 governmental entity.

Any state or local government in the State of Arizona may elect to have its paid, full-time eligible employees (generally, fire fighters and police officers in full-time hazardous duty positions) covered by the PSPRS. As of June 30, 2006, PSPRS has 212 employers and 26,137 members of which 17,324 are active members, 1,746 are DROP members, 4,935 are retired members, 978 are beneficiaries, 1,061 are disability members.

PSPRS provides retirement benefits as well as death and disability benefits. A member of the System does not have vested rights to benefits under the System until he files an application for benefits and is found eligible for those benefits.

An eligible claimant's rights to benefits vest on the date of his application for those benefits or his last day of employment under the System, whichever occurs first. A summary of benefits and plan provisions follows:

29

SUMMARY OF BENEFITS

Purpose (A.R.S. §38-841) To provide a uniform, consistent and equitable statewide program for public safety personnel who are regularly assigned hazardous duty in the employ of the State of Arizona, or a political subdivision of the State. Membership consists of those eligible employees who are employed by an employer who entered the system in 1968 or who has entered into an agreement to join the System on behalf of an eligible group.

Eligibility (A.R.S. §38-842.14) Full-time paid firefighters of a participating employer, whose customary employment is at least forty hours per week and who is or was regularly assigned to hazardous duty of the type normally expected of a firefighter and full-time paid certified peace officers of a participating employer, whose customary employment is at least forty hours per week and who is or was regularly assigned to hazardous duty of the type normally expected of a certified peace officer.

Contributions (A.R.S. §38-843) Each member shall contribute 7.65% of compensation to the system on a pre-tax basis by payroll deduction (A.R.S. §38-843.C). Each employer shall contribute a level percent of compensation as determined by actuarial valuation to ensure proper funding for the system but not less than 2% of compensation (A.R.S. §38-843.B).

Credited Service (A.R.S. §38-842.9) The member's total period of service before the member's effective date of participation, plus those compensated periods of the member's service thereafter for which the member made contributions to the fund.

Average Monthly Compensation (A.R.S. §38-842.4) One thirty-sixth of total compensation paid a member during the highest three consecutive years out of the last twenty years of credited service.

Compensation (A.R.S. §38-842.8) For purposes of computing retirement benefits, base salary, overtime pay, shift differential pay and holiday pay paid to an employee by the employer on a regular monthly, semimonthly or bi-weekly payroll basis and longevity pay paid to an employee at least every six months for which contributions are made to the System. Compensation does not include payments for unused sick leave, payment in lieu of vacation, payment for compensatory time or any other payment for fringe benefits.

Notes to the Financial Statements

Normal Retirement Date (A.R.S. §38-842.21) First day of month immediately following completion of twenty years of service, or following sixty-second birthday and completion of fifteen years of service.

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

For retirement with twenty years of credited service but less than twenty-five years of credited service, 50% of average monthly compensation for the first twenty years of credited service, plus 2% of average monthly compensation for each year of credited service between twenty and twenty-five. (A.R.S. §38-845.A.2)

For retirement with twenty years of service, but less than twenty years of credited service, the pension is reduced by a rate of 4% per year for each year of credited service under twenty years. (A.R.S. §38-845.A.1)

For retirement with twenty-five or more years of credited service, 50% of average monthly compensation for the first twenty years of credited service, plus 2-1/2% of average monthly compensation for each year of credited service above twenty years, up to a maximum of 80% of average monthly compensation. (A.R.S. §38-845.A.2)

Deferred Retirement Option Plan (DROP) (A.R.S. §38-844.02 through 38-844.09) A member with 20 or more years of credited service under the System may enter into a DROP program with his employer. Under the DROP program, the member must voluntarily and irrevocably elect to enter into the program with his employer for a period of up to 60 months. During the DROP period, the member remains in the employ of the employer as a full-time paid firefighter or full-time paid certified peace officer but no member or employer contributions are made to the System; therefore no additional years of credited service are accrued on the member's behalf. The member's monthly pension is calculated based upon the years of credited service and average monthly compensation at the beginning of the DROP period. This monthly pension amount and interest is credited to a DROP participation account monthly. The interest rate will depend on drop entry year and will be between 8.5 to 9%. At the end of the DROP period or prior to that time if the member terminates employment, the monies in the DROP participation account will be either paid to the member in a lump-sum amount or paid in a lump-sum distribution to an eligible retirement plan or individual retirement account. The member will then begin receiving the monthly pension amount directly from the System in the same amount as was being credited to the DROP participation account.

Deferred Retirement (A.R.S. §38-846.01) A member with at least ten years of credited service, who terminates employment, may elect to leave their contributions in the System and receive a deferred retirement allowance, commencing at age sixty-two. Pension is a lifetime monthly annuity, based on twice the amount of the member's contributions. Under this option, there is no survivor benefit payable. The benefit is forfeited if the member elects a refund of contributions.

Accidental Disability Retirement (Service Connected) (A.R.S. §38-842.1, A.R.S. §38-845.B and A.R.S. §38-844.B) Total and permanent disability incurred in performance of duty, preventing performance of a reasonable range of duties within the employee's job classification. No credited service requirement. The pension is 50% of average monthly compensation or normal pension amount, whichever is greater.

Catastrophic Disability Retirement (Service Connected) (A.R.S. §38-842.5, A.R.S. §38-845.E, A.R.S. §38-844.C and A.R.S. §38-844.F) Physical condition incurred in performance of duty, which totally and permanently prevents engaging in any gainful employment. No credited service requirement. The pension is 90% of average monthly compensation for first 60 months, and then reduced to either 62.5% of average monthly compensation or normal pension amount, whichever is greater.

Ordinary Disability Retirement (Not Service Connected) (A.R.S. §38-842.22 and §38-845.C and §38-844.B) **Physical condition:** Total and permanent disability preventing performance of a reasonable range of duties

Notes to the Financial Statements

within the employee's department, prior to normal retirement date. Mental condition: Total and permanent disability preventing any substantial gainful activity, prior to normal retirement date. Benefit is a percentage of normal retirement. The percentage is computed based on the employee's years of credited service divided by twenty.

Offset Of Ordinary Disability Pension (A.R.S. §38-844.H) Before the member's normal retirement date, an ordinary disability pension will be reduced if the retiree engages in any employment and the income from this employment is greater than the retiree's pension. The reduction is equal to the difference between the retiree's income from employment and the retiree's pension.

Temporary Disability (Service Connected) (A.R.S. §38-844.J and §38-842.29) Total and presumably temporary disability, incurred in performance of duty, prior to normal retirement, preventing performance of a reasonable range of duties within the employee's department. No credited service requirement. Monthly pension is one-twelfth of 50% of annual compensation at time of disability. Payments terminate after twelve months or return to work. Member must terminate employment to receive this benefit.

Survivor Pension (A.R.S. §38-846) The survivors of members, who die in service, or after retirement, are eligible for benefits as follows: No credited service requirement.

Spouse's Pension – Four-fifths (80%) of the pension the deceased active member would have been paid for accidental disability retirement, or in the case of retired member, four-fifths (80%) of retired member's pension. Requires two years of marriage for a retired member's spouse. Terminates on death. For a member killed in the line of duty, the spouse's pension is 100% of deceased member's average monthly benefit compensation, less any amount payable for an eligible child. (A.R.S. §38-846.A and §38-846.B)

Child's Pension - One-tenth of pension deceased active member would have been paid for accidental disability retirement (equal shares of two-tenths if more than two children), or, in the case of a retired member, one-tenth of the retired member's pension (equal shares of two-tenths if more than two children). Eligible child must be unmarried, a dependent of the surviving spouse or guardian and either under the age of 18 or a full-time student under the age of 23 or under a disability which began before the age of 23. (A.R.S. §38-842.13 and §38-846.E)

Guardian's Pension - Same amount as spouse's pension. Payable only during periods no spouse is being paid and there is at least one eligible child. (A.R.S. §38-846.C and §38-846.D)

Death Benefit (A.R.S. §38-846.F) If a member has accumulated contributions remaining in the System at the date of death of the last pension recipient the remaining accumulated contributions are payable to the beneficiary named by the member.

Termination Refund (A.R.S. §38-846.02) Upon termination of employment, for any reason other than death or retirement, a member shall, within twenty days after filing an application with the Fund Manager, receive a lump-sum payment, equal to his accumulated contributions, as of the date of termination, less any benefits paid or any amounts owed to the System. A member forfeits all membership rights and credited service in the System upon receipt of refund of contributions. If the member has 5 or more years of credited service upon termination, the member shall receive an additional amount according to the following schedule: 5 to 5.9—25% of member contributions, 6 to 6.9—40% , 7 to 7.9—55% , 8 to 8.9—70% , 9 to 9.9—85% , 10 or more—100% of member contributions deducted from the member's salary pursuant to ARS 38-843.C plus interest at 3% if left on deposit after 30 days.

Transfer Of Contributions To Another Employer (A.R.S. §38-853) A member who terminates employment with an employer and accepts, within two years, a position with the same, or another employer participating in the System, shall have the credited service transferred to the member's record with the new employer, provided

Notes to the Financial Statements

the member leaves the accumulated contributions on deposit with the Fund. The termination of employment shall not constitute a break in service; however, the period not employed shall not be considered as service.

Reemployment And Repayment Of Contributions (A.R.S. §38-849.C) Members who terminate and take a refund of their contributions may elect, only upon reemployment with the same employer, to recover their prior service. To recover this prior service, their re-employment must be within two years from date of termination and they sign a written election within ninety days after re-employment to reimburse the Fund within one year the amount of monies refunded plus interest at the rate of 9%.

Reemployment After Retirement (A.R.S. §38-849.D) A retired member who is reemployed by an employer shall not make contributions nor accrue credited service during the period of reemployment. However, if the employer from which the member retired reemploys the retired member in the same position, the retired member's pension is suspended during the period of reemployment.

Transfer Into Or Out Of System (A.R.S. §38-855) A member who changes employment or transfers or is assigned to a non-eligible position because of a change in duties or otherwise may elect one of the following options:

32

1. Leave service credits and contributions on account with the PSPRS, except that after two years, the member must request a refund of his accumulated contributions or transfer his credited service to another state retirement plan or system.
2. Apply for refund of accumulated member contributions (forfeiting all service credits and membership rights).
3. Transfer all service credits to the Arizona retirement system or plan applicable to the new position pursuant to the requirements for transfer between Arizona state retirement systems.

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

Redemption Of Prior Service (A.R.S. §38-853.01.A) Active members who had previous service in this state in a covered position with an employer now participating in the system or had previous service as a full-time paid fire-fighter or full-time paid certified peace officer 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., may elect to redeem any part of the prior service by paying into the system the amounts required in A.R.S. §38-853.01.B., if the prior service is not on account with any other retirement system.

Benefit Increases (A.R.S. §38-856) Effective July 1 of each year, retired members or survivors of retired members may be entitled to a permanent benefit increase in their base benefit. The maximum amount of the increase is four percent (4%) of the average normal PSPRS benefit being received on the preceding June 30 and is contingent upon sufficient excess investment earnings for the fund. To be eligible for the increase the retiree or survivor must be age 55 or older on July 1 of the current year and must have been receiving benefits on or before July 31 of the previous year. Retirees or survivors are also eligible if they were receiving benefits on or before July 31 of the two previous years regardless of age.

Health Insurance Premium Subsidy (A.R.S. §38-857) For PSPRS retirees or survivors who have elected group health and accident insurance coverage provided and administered by the State of Arizona another PSPRS employer, the PSPRS will pay up to the following amounts:

Single coverage: \$150.00; Medicare eligible \$100.00
 Family coverage: \$260.00; one Medicare eligible \$215.00; all Medicare eligible \$170.00

Notes to the Financial Statements

Effective July 1, 2005 through June 30, 2007, retirees or survivors who live in a non-service area and are eligible for Medicare receive up to the following amounts in addition to the subsidy listed above after they have paid an out-of-pocket expense as set forth below. A non-service area is defined as an area in the State of Arizona where the state retiree group insurance program or employer's retiree health insurance program does not provide or administer a health maintenance organization (HMO) for which the retiree or survivor is eligible. The subsidy consists of up to the following amounts:

- Single coverage Medicare eligible: \$170.00 after \$100.00 paid out-of-pocket.
- Family coverage Medicare eligible with one dependent Medicare eligible: \$350.00 after \$200.00 paid out-of-pocket.
- Family coverage member Medicare eligible: \$470.00 after \$400.00 paid out-of-pocket.

State Taxation Of PSPRS Benefits (A.R.S. §38-852 and §43-1022) Effective tax year commencing January 1, 1989, all PSPRS retirement benefits in excess of \$2500 annually will be subject to Arizona state tax.

Purchase Of Handgun Or Shotgun (A.R.S. §38-845) A PSPRS retiree has the ability to purchase the handgun or shotgun issued by the employer to the member at less than fair market value, subject to approval of the employer.

33

Note 3 Investments and Cash

Investments are reported at fair value. Marketable securities (stocks & bonds), traded on public exchanges are priced by PSPRS's custodian Wells Fargo Bank N.A. using third party pricing- services. Equity securities are valued at the last reported sales price. Fixed-income securities are generally valued using the last reported sales price or thinly traded bonds are reported at fair market using estimates. Short term and alternative investments are generally reported at cost. Investment income is recognized as earned.

Cash deposits are subject to the general depository laws of the State of Arizona, which require cash to be either insured by the Federal Deposit Insurance Corporation or collateralized by certain securities including U.S. Government obligations and first mortgages.

Statutes enacted by the Arizona Legislature authorize the Fund Manager to make investments in accordance with the "Prudent Man" rule. The Fund Manager is not limited to the so-called "Legal Investments for Trustees."

In making every investment, the Fund Manager shall exercise the judgment and care under the circumstance then prevailing which men of ordinary prudence, discretion and intelligence exercise in the management of their own affairs, not in regard to speculation but in regard to the permanent disposition of their funds, considering the probable income from their funds as well as the probable safety of their capital, provided:

- 1) That not more than seventy percent of the pension fund is invested at any given time in corporate stocks, based on cost value of such stocks irrespective of capital appreciation.
- 2) That not more than five percent of the pension fund is invested in securities issued by any one institution, agency or corporation, other than securities issued as direct obligations of, and fully guaranteed by, the United States Government.
- 3) That not more than five percent of the voting stock of any one corporation shall be owned.

Notes to the Financial Statements

4) That corporate stocks eligible for purchase shall be restricted to stocks that, except for bank stocks and insurance stocks, are either:

A) Listed or approved on issuance for listing on an exchange registered under the Securities Exchange Act of 1934, as amended (15 United States Code §78a through §7811);

(B) Designated or approved on notice of issuance for designation on the national market system of a national securities association registered under the Securities Exchange Act of 1934, as amended (15 United States Code §78a through §7811)

C) Listed or approved on issuance for listing on an exchange registered under the laws of this [Arizona] state or any other state; or

D) Listed or approved on issuance for listing on an exchange registered by a foreign country with which the United States is maintaining diplomatic relations at the time of purchase, except that no more than ten percent of the pension fund shall be invested in foreign equity securities based on the cost of the stock irrespective of capital appreciation. A.R.S. §38-848.D

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

34

Custodial Credit Risk

Custodial Credit Risk is the risk that PSPRS will not be able (a) to recover deposits if the depository financial institution fails or (b) to recover value of 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, 2006, PSPRS had no fund or deposits that were not covered by depository insurance or collateralized with securities held by Wells Fargo Bank's trust department or agent. Nor does PSPRS have any investments that are not registered in the name of PSPRS and are either held by the counterpart or the counterparty's trust department or agent.

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 System does invest in fixed income securities with floating rates that contain coupon adjustment mechanisms in a rising interest rate environment. The previous and following tables quantify, the interest rate risk of the System's fixed income assets.

Callable Bonds By Security Type

Fixed Income	Fair Value	% Of All Fixed
Corporate Bonds	56,337,898	3.91%
Agencies	234,613,249	16.30%

Notes to the Financial Statements

Segmented Time Distribution by Security Type Investment Maturities In Years

Security Type	Fair Value	≤ 1	1 - 5	6 - 10	11 - 15	16 - 20	≥ 20
Corporate Bonds	544,244,977	13,042,301	70,894,985	99,656,221	59,331,870	48,267,945	253,051,655
Agencies	381,803,383	8,154,807		155,935,377	106,985,133	39,405,058	71,323,008
CBO	45,229,295			6,006,000	14,230,989		24,992,306
CDO	2,883,897						2,883,897
Commercial Paper	235,731,138	235,731,138					
	1,209,892,690	256,928,246	70,894,985	261,597,598	180,547,992	87,673,003	352,250,866

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 is 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).

Average Credit Quality and Exposure Levels

Security Type	Fair Value	% of All Fixed Income	Weighted Avg Credit
Corporate Bonds	535,109,408	37.2%	A
Mortgages	9,135,568	0.6%	AAA
Agencies	381,803,383	26.5%	AAA
CBO	45,229,295	3.1%	A
CDO	2,883,896	0.2%	BBB
Commercial Paper	235,731,138	16.4%	A1P1
Alternative Investments	162,163,866	11.3%	-
Total	1,372,056,556	95.3%	

Notes to the Financial Statements

Ratings Dispersion Detail

<u>Credit Rating</u>	<u>Corporate Bonds</u>	<u>CBO</u>	<u>CDO</u>	<u>Commercial Paper</u>
AAA	19,871,634	7,354,791		
AA	60,390,194			
A	263,102,208	31,868,504		235,731,138
BBB	169,464,218		2,883,896	
BB		6,006,000		
B	22,281,154			
Total	535,109,408	45,229,295	2,883,896	235,731,138

Securities Lending

36

The System is party to a securities lending agreement with a bank. The bank, on behalf of the System, 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 System 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, 2006 the fair value of securities on loan was \$891,374,588 and the collateral was \$912,038,799.

<u>Asset Class</u>	<u>Out On Loan</u>	<u>Total Available to Loan</u>	<u>% Of Available on Loan</u>
Stocks	486,575,240	3,436,622,445	14.2%
Agencies	313,897,259	381,803,383	82.2%
Treasuries	67,364,131	67,364,131	100.0%
Corporate Bonds	23,537,958	592,358,170	4.0%
Total	891,374,588	4,478,148,129	19.9%

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.

Note 4 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 the 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 rolling thirty (30) year period, unless the employer's account had an excess assets as of June 30, 2005. In that case the amortization period is twenty (20) years. Beginning July 1, 2006, the minimum employer contribution rate increased from 2% to 5% or to 8% in the case of employers whose contribution rate was in excess of 8% as of June 30, 2005.

Notes to the Financial Statements

During the year ended June 30, 2006, contributions totaling \$202,835,008 (\$127,218,686 employer and \$75,616,322 member) were made in accordance with contribution requirements determined by an actuarial valuation of the System as of June 30, 2005. The employer contributions consisted of approximately \$102,271,897 **for normal cost and** \$24,946,789 for amortization of unfunded actuarial accrued liability in aggregate. Employer contributions represented 12.8% of covered payroll (10.29% **for normal costs and** 2.51% for amortization of unfunded actuarial accrued liability.) Member contributions represented 7.65% of covered payroll and are attributable to normal costs.

Note 5 Staff and Other Benefits

In addition to the retirement benefits provided through the PSPRS, the System also administers a Fire Fighter Cancer Insurance Policy Program. Participating employers that employ fire fighters shall participate in the program. The program is a welfare benefit plan or trust intended to pay expenses incurred in the treatment of cancer as provided in the policy of insurance secured or established by the Fund Manager pursuant to A.R.S. 38-642. The participating employers fund the program by paying annual premiums. The Fund Manager sets the premium, not to exceed \$180, for every active fire fighter on record. By statute, benefits are limited to the assets in the program and those benefits may be reduced or eliminated at any time.

PSPRS also adopted a supplemental defined contribution plan for all contributing members of an eligible group. An eligible group is defined as the employees of the Fund Manager, PSPRS, the Elected Officials' Retirement Plan and the Corrections Officer Retirement Plan. 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. 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. PSPRS administers the supplemental defined contribution plan through a third party administrator. All contributions are sent directly to the third administrator from the participating employer groups.

PSPRS staff are members of Arizona State Retirement System (ASRS). The ASRS is a cost sharing, multiple employer, defined benefit pension plan established by the State of Arizona (Title 38 Chapter 5 of the Arizona Revised Statutes.) Employees and the PSPRS paid a matching contribution of 6.9% of gross salary. Retirement benefits are calculated on the basis of age, average monthly compensation and service credit. Staff is eligible for full retirement benefits on a) their 65th birthday, b) their 62nd birthday and completion of at least 10 years of credited service or c) the first day that the sum of their age plus total credited service equals 80. Retired staff with over 5 years of service will be entitled to a supplemental payment between \$30 to \$600 per month for employer or ASRS health insurance premiums.

Employees and employer also paid .5% of gross salary to ASRS for Long Term Disability (LTD). After 6 months of disability LTD will pay 66 2/3 of average salary to staff members.

Required Supplementary Information

Schedule of Funding Progress

While not any one or two numeric indices can fully describe the financial condition of a retirement system, the ratio of unfunded actuarial accrued liabilities (UAAL) to active member payroll is significant. The ratio of unfunded actuarial accrued liabilities to member payroll is a relative index of condition where inflation is present in both items. Observation of the ratio over a period of years gives an indication of funding achievement. The smaller the index, the stronger the system's condition. Unfunded (Excess) Actuarial Accrued Liabilities are being amortized on a level percent method over a rolling twenty (20) to thirty (30) year period. Those employers whose account had an unfunded accrued liability as of June 30, 2005 have a thirty year amortization period. All others have a twenty year period.

38

Actuarial Valuation Date	Actuarial Value of Assets	(AAL) Projected Unit Credit	UAAL (excess)	Funded Ratio	Covered Payroll	UAAL % of Covered Payroll
In Thousands						
6-30-97	\$2,915,173	\$2,533,435	\$(381,738)	115.1%	\$579,341	-65.9%
6-30-98	\$3,192,627	\$2,743,998	\$(448,629)	116.3%	\$625,222	-71.8%
6-30-99	\$3,709,251	\$3,082,202	\$(627,049)	120.3%	\$682,184	-91.9%
6-30-00	\$4,260,168	\$3,415,157	\$(845,011)	124.7%	\$751,280	-112.5%
6-30-01	\$4,661,941	\$3,674,758	\$(987,183)	126.9%	\$826,740	-119.4%
6-30-02	\$4,684,386	\$4,144,211	\$(540,175)	113.0%	\$854,249	-63.2%
6-30-03	\$4,781,377	\$4,739,613	\$(41,764)	100.9%	\$881,285	-4.7%
6-30-04	\$4,774,313	\$5,167,333	\$393,020	92.4%	\$911,718	43.1%
6-30-05	\$4,886,963	\$5,872,735	\$985,773	83.2%	\$974,863	101.1%
6-30-06	\$4,999,911	\$6,495,012	\$1,495,101	77.0%	\$1,073,685	139.2%

As of 6/30/05, AAL is calculated using the projected unit credit method. Significant assumptions used in determining AAL include: (a) a rate of return on the investment of present and future assets of 8.50% per year compounded annually; (b) projected salary increases of 5.50% per year compounded annually, attributable to an assumed inflation rate of 5.50% and (c) additional projected salary increases ranging from 1.0% to 3.0% per year, depending on age, attributable to seniority/merit.

Schedule of Employer Contributions

Fiscal Year Ended June 30	Annual Required Contributions	Percentage Contributed
2000	46,890,892	100%
2001	52,540,310	100%
2002	51,983,407	100%
2003	50,800,669	100%
2004	79,000,130	100%
2005	104,497,150	100%
2006	127,218,686	100%

Supporting Schedules

Changes in Fund Balance Reserves

	Refundable Members' Reserve	Employers' Reserve	Future Benefit Increase Reserve
Balance - June 30, 2004	\$594,479,065	\$3,146,636,979	\$568,619,029
Distribution of Revenues and Expenses			
Members' Contributions	67,947,506		
Employers' Contributions		104,497,150	
Earnings (Loss) on Investments Net of Investment Expenses		383,530,412	
Pension and Insurance Benefits		(257,449,083)	
Refunds to Terminated Members	(5,208,796)	(2,438,648)	
Administrative Expenses		(1,599,784)	
Distribution of Transfers			
Excess Investment Earnings to be used for Future Benefit Increases		(2,198,002)	2,198,002
Earnings (Loss) on Excess Investment Earnings Account Assets		(51,818,252)	51,818,252
Amount Utilized by Benefit Increases Granted		85,121,958	(85,121,958)
Net Transfers from Other State-Sponsored Pension Plans and Purchase of Service Credits	8,419,930	608,129	
Inter-System Transfers -- Member Account Balances Transferred to Employers' Reserve due to Retirement	(21,925,240)	21,925,240	
Balance - June 30, 2005	\$643,712,465	\$3,426,816,100	\$537,513,325
Distribution of Revenues and Expenses			
Members' Contributions	75,616,322		
Employers' Contributions		127,218,686	
Earnings (Loss) on Investments Net of Investment Expenses		379,512,079	
Pension and Insurance Benefits		(284,027,642)	
Refunds to Terminated Members	(4,900,140)	(2,325,579)	
Administrative Expenses		(2,979,511)	
Distribution of Transfers			
Excess Investment Earnings to be used for Future Benefit Increases		0	0
Earnings (Loss) on Excess Investment Earnings Account Assets		(44,699,608)	44,699,608
Amount Utilized by Benefit Increases Granted		91,498,192	(91,498,192)
Net Transfers from Other State-Sponsored Pension Plans and Purchase of Service Credits	232,601	601,321	
Inter-System Transfers -- Member Account Balances Transferred to Employers' Reserve due to Retirement	(26,044,896)	26,044,896	
Balance - June 30, 2006	\$698,024,851	\$3,717,658,934	\$490,714,741

Supporting Schedules

Receipts and Disbursements For the Years Ended June 30, 2006 & 2005

	2006	2005
RECEIPTS		
Members' Contributions	75,378,715	\$68,134,988
Employers' Contributions	131,431,736	103,700,225
Interest	81,942,414	96,047,560
Dividends	56,593,196	46,794,712
Real Estate Income (Net)	103,188	49,373
Securities Lending Income	992,055	1,046,215
Amounts Transferred from Other		
State-Sponsored Pension Plans	1,125,085	993,831
and Purchase of Service Credits	9,408,500	8,162,634
Due from Other Pension Plans	2,011,696	
Maturities and Sales of		
U.S. Government Securities	35,385,564	65,020,946
Corporate Bonds	160,445,428	160,013,727
Commercial Paper	7,974,987,408	7,860,859,824
Other Investments	244,482,812	216,563,135
Common Stock	782,780,748	871,292,516
Real Estate Property		1,442,799
Total Receipts	9,557,068,545	9,500,122,485
DISBURSEMENTS		
Pension Benefits	261,188,522	257,449,083
Refunds to Terminated Members	7,225,720	7,647,443
Drop Benefits	22,839,120	
Investment and Administrative Expenses	3,689,441	2,306,751
Amounts Transferred to Other		
State-Sponsored Pension Plans	291,161	128,407
Due from Other Pension Plans		2,111,761
Acquisitions of		
U.S. Government Securities	265,717,365	127,312,828
Corporate Bonds	128,863,327	211,470,704
Corporate Notes	7,934,330,162	7,972,321,289
Other Investments	74,601,305	161,991,885
Common Stock	860,481,005	762,841,445
Real Estate Property		416,751
Total Disbursements	9,559,227,128	9,505,998,347
NET CHANGE IN CASH	(2,158,583)	(5,875,862)
BEGINNING CASH BALANCE - July 1	2,742,837	8,618,698
ENDING CASH BALANCE - June 30	\$584,254	\$2,742,837

Supporting Schedules

Administrative Expense

	<u>Administrative</u>	<u>Investment</u>	<u>Total</u>
Accounting and Auditing Services	\$8,500	-	\$8,500
Actuarial Services	119,664	-	119,664
Computer Equipment	74,548	14,779	89,327
Contractual Services	167,907	33,289	201,196
Depreciation Expense	100,439	19,913	120,352
Fund Manager Initiatives	188,436	37,358	225,794
Furniture and Equipment	15,676	3,108	18,784
Investment Services	-	71,310	71,310
Occupancy Expenses	4,072	807	4,879
Office Supplies	21,491	4,261	25,752
Payroll Taxes and Fringe Benefits	389,744	118,837	508,581
Postage Expenses	41,377	8,203	49,580
Printing, Publications and Subscriptions	23,455	4,650	28,105
Professional Services	432,613	85,768	518,381
Salaries and Wages	1,274,297	388,545	1,662,842
Telephone Expenses	12,446	2,467	14,913
Training Expenses	100,663	19,957	120,620
Travel Expenses	4,183	829	5,012
	<u>\$2,979,511</u>	<u>\$814,081</u>	<u>\$3,793,592</u>

41

Consultants

	<u>Fees Paid</u>
Barrows & Schatza, PLC	8,500
Cortex Applied Research, Inc.	66,465
Kutak Rock, LLP	435,138
McLagan Partners, Inc.	85,288
Peak Performance	10,478
Pridestaff	36,856
Rodwan Consulting Group	148,212
Rose & Allyn Public Relations	46,022
Splnelli	9,609
Stivers Staffing Services	48,656
Systems Integration Solutions, Inc.	61,464
Wells Fargo Bank*	36,170
Total	<u>\$992,858</u>

*Up to \$34,000 paid by Custodian side of bank.

Investment Section

Table of Contents

Chief Investment Officer's Report	44
Investment Advisor's Letter	46
Investment Objectives	47
Investment Returns	48
Asset Allocation	48
Ten Year Cumulative Return	49
Top 10 Stock Holdings	50
Top 10 Corporate Bond Holding	50
Summary of Investment Activity	51
Broker Commission	51
Stock Portfolio	52
Bond Portfolio	63
Commercial Paper Portfolio	72
Alternative Investment Portfolio	75
New Real Estate Projects	75

Chief Investment Officer's Report

PUBLIC SAFETY PERSONNEL RETIREMENT SYSTEM

Carter Olson*Fund Manager Chairman***3010 East Camelback Road, Suite 200****Phoenix, Arizona 85016-4416****Billy Shields***Fund Manager Vice Chairman***James M. Hacking***Administrator***Fritz Beesemyer***Fund Manager Member***James Gentner***Fund Manager Member***James A. Nielsen***Assistant Administrator***Tracey D. Peterson***Assistant Administrator***Brian Delfs***Fund Manager Advisor**Chief Investment Officer**Chief Operations Officer*

September 21, 2006

**The Fund Manager and Administrator
Public Safety Personnel Retirement System**

It is a privilege for me to once again present this year's Investment Section of the Public Safety Personnel Retirement System's (PSPRS) Comprehensive Annual Financial Report for the fiscal year ending June 30, 2006. **This data was compiled by our Accounting Department staff and reviewed by our investment consultant Standard & Poor's.** The PSPRS investment portfolio posted a total fund return of 8.30% for the recently completed fiscal year. In a period of significant market volatility, the portfolio produced favorable investment results and outperformed its balanced benchmark index goal for the fiscal year (the Balanced Index is calculated using the following formula: 45% Stock Benchmark + 45% Lehman Govmnt/Credit + 10% 91 Day T-bill). **These positive results continue even as we maintain our control over our administrative investment costs, which are approximately 2 basis points (two one hundredths of one percent – 0.02%) of the assets managed.** The average mutual fund expense is approximately 100-150 basis points or 1% to 1.5% of the assets managed. PSPRS' assets are managed in-house, saving the System and thereby its stakeholders millions of dollars annually.

A number of significant factors occurred during the year, as referenced below. The Investment Section of this Report provides a more detailed review of these items.

- As of June 30, 2006, PSPRS had total investment assets of \$4,876,627,387.
- The total fund returned 8.30% (net of all fees, including trading costs of approximately 2 basis points) for the fiscal year 2006 and has a 9.17% return over the last twenty years. In the long term, the fund has produced returns in excess of our actuarial target return of 8.5%.
- Over the last three years the total portfolio has returned 10.74% adding \$1.359 billion to the total fund.
- Over the last three years the equity portfolio returned 12.00%, surpassing the S&P 500 return of 11.21% over that same time period.

As fiscal year 2006 came to a close, one of the major economic concerns was the housing market. Fortunately, we were able to capitalize on the market with some liquidity events. A retreat in the housing market may have a significant impact on consumer spending and the economy as a whole.

Chief Investment Officer's Report

Page 2

Energy prices rose to record levels and the Federal Reserve continued to raise interest rates. In spite of these events, it may be likely that the Federal Reserve Board can continue to engineer the proverbial "soft landing" for the U.S. economy.

At PSPRS, we understand that investing is a combination of art and science. It is a process that requires discipline, focus and conviction, even when it is contrary to what others in the herd are doing. Consequently, we continue to base our decisions on a few guiding principles fundamental to prudent investment management:

- Meaningful enhanced diversification among asset classes when entry points appear reasonable
- Rebalancing the portfolio to target allocations
- Seeking appropriate investment risk/return tradeoffs

While it may appear that there is safety in being in the herd, the herd, by definition, is destined to be average at best. Being average will not meet the needs or desires of PSPRS stakeholders. Through our disciplined investment process, PSPRS has developed and implemented a strategy to prudently invest the assets of our members to provide for current and future retirement benefits. As with any strategy, there will be periods of absolute and/or relative underperformance in the short-term. It is easy for short-term oriented investors to forget that markets overshoot, both on the upside and downside. Given the long time horizon of PSPRS, we shall continue to avoid giving in to the short-term investment mentality that drives markets and most of their participants.

With the long-term needs of the System in mind, we continue to judiciously diversify and look for opportunities in less efficient asset classes. Such investments should dampen overall portfolio volatility and improve performance over the long run. While PSPRS currently has a diversified investment portfolio that ranges from conventional stock and bond investments to real estate and venture capital, we continue to look for meaningful tactical opportunities to invest in asset classes that are under represented or not currently represented in the portfolio. Legislation enacted this year that authorizes PSPRS to purchase and hold Exchange Traded Funds (ETFs) should help in this regard.

Going forward, the System will continue to face numerous challenges, but we will strive to seek opportunities as they arise. While we cannot guarantee future results, our disciplined investment process should allow us to maintain consistent performance over the long-run. Our patience and discipline has paid off in the past, and we shall continue to strive to produce the investment results necessary to meet the long-term needs of our members. Our goal is to protect and strengthen our investments and our members' financial future.

Sincerely,



James A Nielsen
Chief Investment Officer

The McGraw-Hill Companies

**STANDARD
& POOR'S****Standard & Poor's Investment
Advisory Services LLC**55 Water Street, 42nd Floor
New York, NY 10041-0003
212 438 3237 Tel
212 438 3929 Fax

September 15, 2006

**The Fund Manager
Public Safety Personnel Retirement System
of the State of Arizona
3010 E. Camelback Road Ste. 200
Phoenix, Arizona 85016**

Dear Sirs:

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

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

Based on the foregoing, during the past fiscal year, the stock portfolio underperformed the NYSE and S&P 500 indices, while the bond portfolio outperformed the Lehman Government/Credit Index. The overall fund, which also includes real estate, private equity and venture capital holdings (totaling less than 5% of the fund), outperformed a custom benchmark, using bond and stock indices weighted in a fixed proportion. The overall fund has attained a rate of return over the past ten years that compares favorably with this custom index.

Sincerely,

**David J. Braverman
Vice President**

Investment Objectives

Fund Investment Objectives

The objective of the Fund is to ensure the integrity of the Public Safety Personnel Retirement System 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:

1. Maintain a goal for the Fund's assets to be equal to the Fund's liabilities within any twenty-year period;
2. Annually adjust the employer contribution rates based on the recommendations made by the annual actuarial valuations;
3. 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;
4. 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;
5. Provide the opportunity for increased benefits for retirees as the legislature may from time to time enact through systematic growth of the investments of the fund.

47

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:

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

Investment Performance

Investment Returns

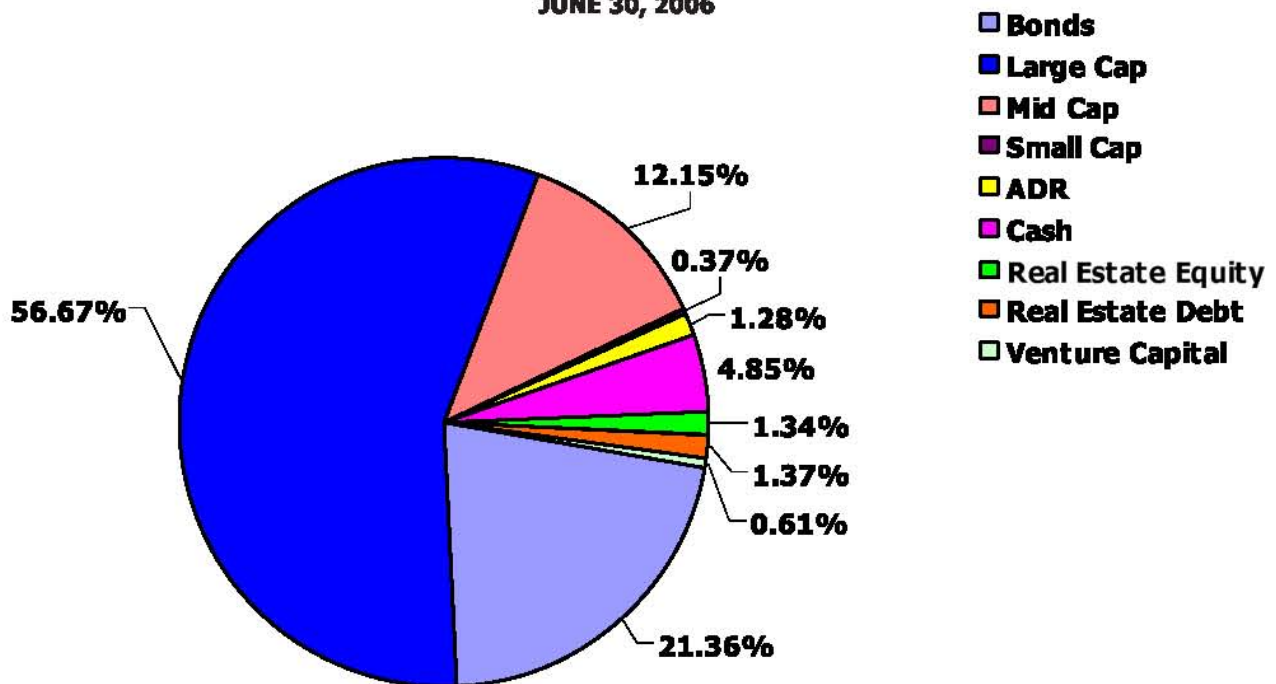
Annualized Rates of Return	1 Year	3 Year	5 Year	10 Year	20 Year
PSPRS Total Fund	8.30%	10.74%	4.22%	7.37%	9.17%
Benchmark*	3.57%	6.07%	3.97%	7.03%	8.46%
PSPRS Domestic Equity	6.69%	12.0%	1.46%	6.85%	10.0%
Equity Benchmark*	8.63%	11.21%	2.49%	7.82%	9.71%
S&P 500 Index*	8.63%	11.21%	2.49%	8.32%	11.01%
NYSE*	15.90%	16.49%	6.62%	10.03%	10.83%
PSPRS Fixed Income	0.13%	4.64%	6.84%	7.42%	8.17%
Lehman Gov\Credit	-1.53%	1.60%	5.13%	6.23%	7.31%
91 Day T-Bill	3.98%	2.36%	2.24%	3.81%	4.91%

* Total Fund Benchmark = 45% Equity Benchmark + 45% Lehman Gov\Credit +10% T Bill (91 day)
 Equity Benchmark = S&P 500 Index, prior to July 1, 1998, NYSE

48

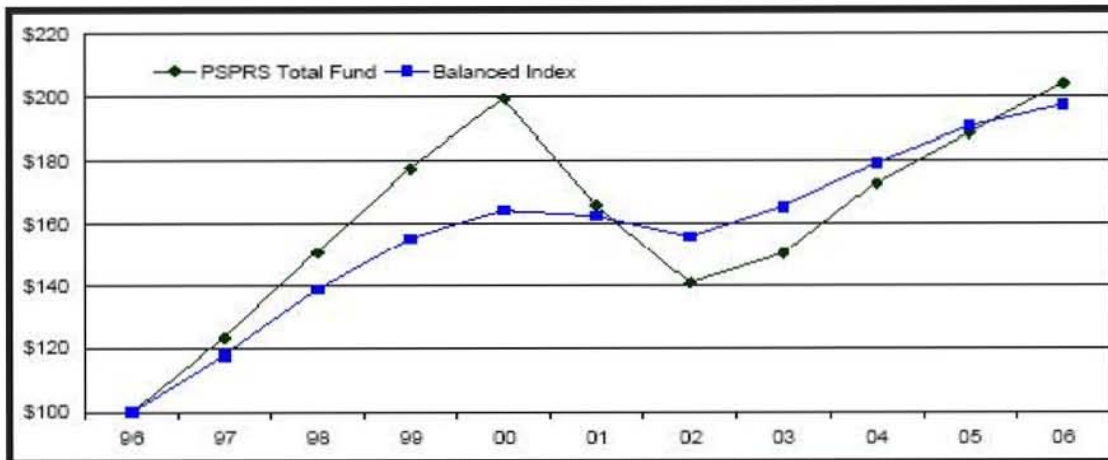
Asset Allocation

JUNE 30, 2006

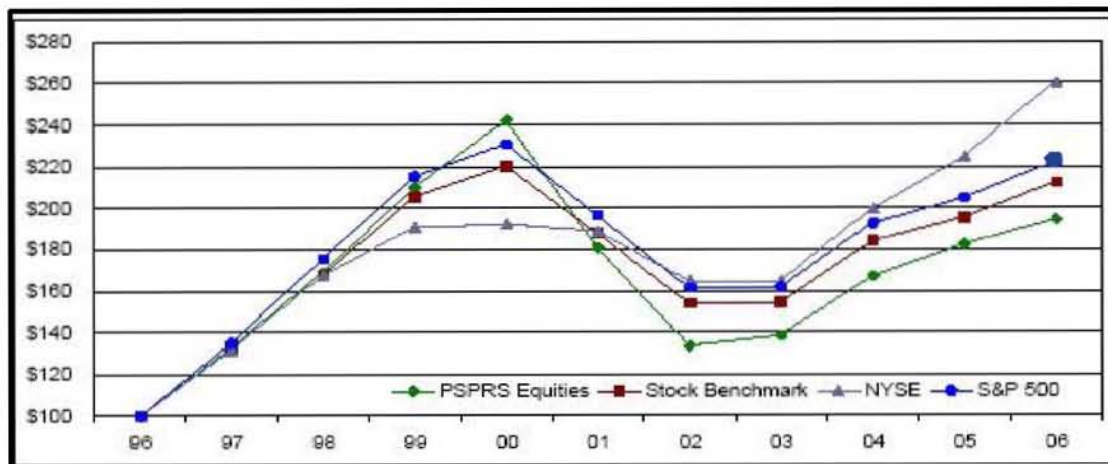


Investment Performance

Ten Year Cumulative Return, Benchmark & Indices

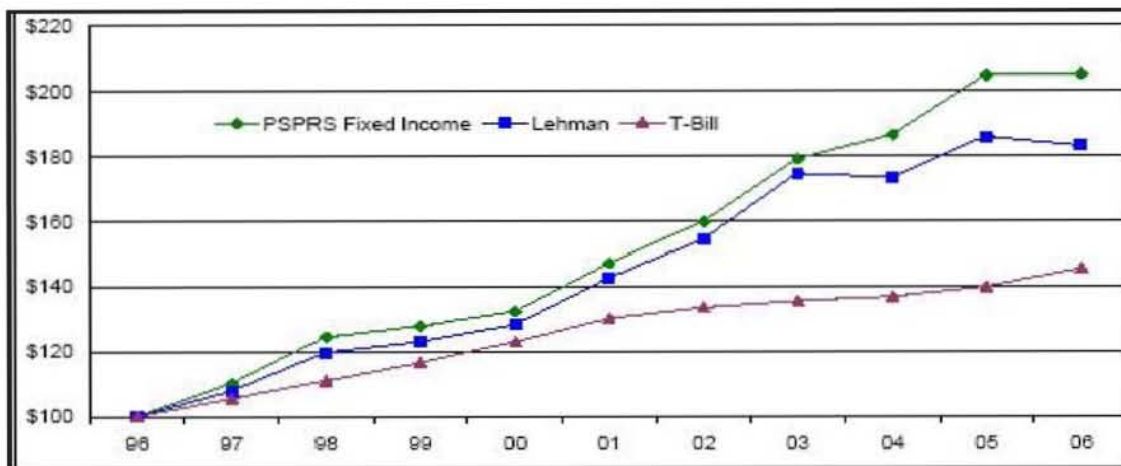


Total Fund



Equities

49



Fixed Income

Top Investment Holdings

Top 10 Stock Holdings

JUNE 30, 2006

SHARES	DESCRIPTION	FAIR VALUE
1,975,300	EXXON MOBIL CORP	121,184,655
1,896,300	BANK OF AMERICA CORPORATION	91,212,030
1,851,132	CITIGROUP, INC.	89,317,119
3,056,500	MICROSOFT CORPORATION	71,216,450
948,900	AMGEN	61,896,747
1,096,900	PROCTER & GAMBLE COMPANY	60,987,640
995,700	ALLSTATE CORPORATION	54,494,661
899,600	JOHNSON & JOHNSON CO	53,904,032
895,400	PEPSICO INC.	53,759,816
674,300	INTERNATIONAL BUSINESS MACH.	51,799,726

50

Top 10 Corporate Bond Holdings

JUNE 30, 2006

PAR VALUE	SECURITY	FAIR VALUE
18,449,868	REG DIVERSIFIED FUNDING SR NOTES	20,354,817
18,500,000	UNION CENTRAL LIFE	19,638,490
20,250,000	PROTECTIVE LIFE CPI+150	19,331,460
17,000,000	USF&G CAPITAL II, SERIES B	17,862,920
15,200,000	PREFERRED CPO	15,542,000
14,666,000	JPM CAPITAL TRUST II	15,376,421
13,500,000	FARMERS INSURANCE EXCHANGE	14,978,655
12,000,000	SECURITY MUTUAL LIFE NEW YORK	14,971,440
14,000,000	FIRST HAWAIIAN CAPITAL TRUST	14,804,720
14,230,988	CBO HOLDINGS SPIRIT 2004-3A	14,230,989

Summary of Investment Activity

Change in Portfolios

(In thousands)

Description	JUNE 30, 2005			JUNE 30, 2006			Fair Value	Book Value	Fair Value Percent
	Fair Value Percent	Fair Value	Book Value	Acquisitions	Maturities and Sales	(Premium) Discount			
U.S. Treasury Obligations	1.50%	68,578	51,208	16,903	11,471	(42)	67,364	56,597	1.38%
Federal Agency Obligations	3.79%	173,471	168,832	248,815	24,115	271	381,803	393,803	7.83%
Total Government Securities	5.29%	242,050	220,039	265,717	35,586	229	449,168	450,400	9.21%
Corporate Bonds	14.47%	662,003	617,420	128,863	164,245	(24)	592,358	582,014	12.15%
Total Bond Portfolio	19.76%	904,053	837,459	394,581	199,831	205	1,041,526	1,032,413	21.36%
Commercial Paper	6.04%	276,388	276,388	7,934,330	7,974,987		235,731	235,731	4.83%
Common Stock	69.90%	3,198,452	2,477,169	860,481	614,431		3,436,622	2,723,219	70.48%
Alternative Investments	4.25%	194,105	194,105	74,601	106,542		162,164	162,164	3.33%
Total Portfolio *	100%	4,572,998	3,785,122	9,263,993	8,895,791	205	4,876,043	4,153,528	100%

* Excluding Cash

51

Brokerage Commission & Investment Management Costs

FISCAL YEAR ENDED JUNE 30, 2006

Broker	Shares Traded	Average Commission	Total Commissions
BNY BROKERAGE	7,982,657	.050	\$399,132
GREENBERG FINANCIAL GROUP	5,738,900	.020	\$114,778
INVESTORS CAPITAL CORPORATION	1,381,100	.031	\$42,622
ISI GROUP, INC.	4,649,768	.046	\$215,277
MERRILL LYNCH	225,000	.050	\$11,250
MORGAN STANLEY DEAN WITTER	5,568,900	.020	\$113,628
SAMCO FINANCIAL SERVICES, INC.	5,095,334	.020	\$101,907
SANFORD C. BERNSTEIN & CO., LLC	3,682,000	.050	\$184,100
U.S. FINANCIAL INVESTMENTS INC.	3,109,450	.020	\$62,189
UBS \ PAINE WEBBER	7,490,906	.021	\$154,318
TOTAL COMMISSIONS	44,924,015	.031	\$1,399,201

The Plan participated in a soft dollar arrangement with the following brokers. (1-4)

- (1) Standard & Poor's Securities, Inc., the value of these services were \$350,000.
- (2) ISI Group, Inc., the value of these services is approximately \$69,000.
- (3) Covato/Lipsitz, Inc., the value of these services is approximately \$15,192.
- (4) Sanford C Bernstein & Co, LLC is approximately \$69,968.
- (5) Clark Strategic Advisors, Inc, cash payments were \$112,000.

Third party brokers are used in some cases. Estimates for (2), (3) & (4) were calculated using the difference between the per share brokerage value and the per share commission paid. Standard and Poor's Securities payment will not be in soft dollars next year and (5) Clark Strategic Advisors, Inc is not a soft dollar arrangement.

JUNE 30, 2006

Shares	Description	Market Price	Market Value
300,000	ADVANCED MICRO DEVICES	24.42	7,326,000
399,300	ABBOTT LABORATORIES	43.61	17,413,473
225,950	ABERCROMBIE & FITCH	55.43	12,524,409
496,800	ADOBE SYSTEMS	30.36	15,082,848
795,200	AETNA INC	39.93	31,752,336
302,300	AFFILIATED COMPUTER SERVICES	51.61	15,601,703
199,500	ALBERTO CULVER CO	48.72	9,719,640
201,300	ALCAN INC	46.94	9,449,022
995,700	ALLSTATE CORPORATION	54.73	54,494,661
250,100	ALLTEL CORPORATION	63.83	15,963,883
500,900	ALTERA CORPORATION	17.55	8,790,795
283,500	AMDOCS LTD	36.60	10,376,100
498,000	AMERICAN CAPITAL STRATEGIES LTD	33.48	16,673,040
249,200	AMERICAN EXPRESS	53.22	13,262,424
853,300	AMERICAN INT'L GROUP	59.05	50,387,365
448,600	AMERICAN STANDARD COMPANY INC	43.27	19,410,922
948,900	AMGEN	65.23	61,896,747
182,700	AMSOUTH BANCORPORATION	26.45	4,832,415
176,400	ANALOG DEVICES, INC.	32.14	5,669,496
125,100	ANHEUSER BUSCH COMPANY	45.59	5,703,309
546,800	APACHE CORPORATION	68.25	37,319,100
700,000	APPLIED MATERIALS	16.28	11,396,000
100,000	ARACRUZ CELULOSE SA	52.42	5,242,000
498,900	AUTOMATIC DATA PROCESSING	45.35	22,625,115
99,400	AUTOZONE INC	88.20	8,767,080
118,350	BALL CORP	37.04	4,383,684
1,896,300	BANK OF AMERICA CORPORATION	48.10	91,212,030
67,900	BASF AG	80.29	5,451,691
150,250	BEAR STEARNS COMPANY	140.08	21,047,020
501,400	BED BATH & BEYOND	33.17	16,631,438
674,000	BEST BUY CO INC	54.84	36,962,160
348,900	BJ SERVICES COMPANY	37.26	13,000,014
333,600	BOEING CO.	81.91	27,325,176
314,600	BURLINGTON NORTHERN SANTE FE	79.25	24,932,050
92,300	CACI INTERNATIONAL	58.33	5,383,859
451,500	CANADIAN NATIONAL RAILWAY	43.75	19,753,125
399,300	CAPITAL ONE FINANCIAL	85.45	34,120,185
175,400	CAREMARK RX INC	49.87	8,747,198
524,000	CENTURY TELEPHONE INC	37.15	19,466,600
89,400	CEPHALON INC	60.10	5,372,940
250,100	CHATTEM INC	30.37	7,595,537
174,700	CHECK POINT SOFTWARE TECHNOLOGIES LTD	17.60	3,074,720
323,600	CHESAPEAKE ENERGY	30.25	9,788,900
649,100	CHEVRON CORP	62.06	40,283,146
480,800	CHICO'S FAS INC	26.98	12,971,984

Stock Portfolio

Shares	Description	Market Price	Market Value
309,300	CHUBB CORPORATION	49.90	15,434,070
175,000	CIMAREX ENERGY CO	43.00	7,525,000
2,396,200	CISCO SYSTEMS	19.53	46,797,786
1,851,132	CITIGROUP, INC.	48.25	89,317,119
1,147,400	CITIZENS COMMUNICATIONS	13.05	14,973,570
171,500	CITRIX SYSTEMS INC	40.10	6,877,150
275,300	CLARCOR INC	29.79	8,201,187
454,200	COACH INC	29.90	13,580,580
397,800	COCA-COLA CO	43.02	17,113,356
324,500	COLGATE PALMOLIVE CO	59.90	19,437,550
376,000	COMCAST CORP-SPECIAL CL A	32.78	12,325,280
397,700	COMMERCE BANCORP, INC.	35.67	14,185,959
399,800	COMMUNITY HEALTH SYSTEMS INC	36.75	14,692,650
757,350	CONSTELLATION BRANDS	25.00	18,933,750
302,250	CONSTELLATION ENERGY GROUP INC	54.52	16,478,670
297,700	CON-WAY INC.	57.93	17,245,761
325,100	COVANCE INC	61.22	19,902,622
750,100	CVS CORP	30.70	23,028,070
184,200	D. R. HORTON	23.82	4,387,644
199,300	DANAHER CORP.	64.32	12,818,976
522,500	DEAN FOODS	37.19	19,431,775
499,100	DELL INC	24.46	12,207,986
274,200	DENTSPLY INTERNATIONAL INC	60.60	16,616,520
125,000	DEVON ENERGY CORPORATION	60.41	7,551,250
451,100	DOW CHEMICAL	39.03	17,606,433
584,680	DUKE ENERGY CORPORATION	29.37	17,172,052
1,297,000	EMC CORP	10.97	14,228,090
400,500	EMULEX CORP.	16.27	6,516,135
175,000	ENDO PHARMACEUTICAL HOLDINGS INC	32.98	5,771,500
83,600	ENERGEN CORP	38.41	3,211,076
251,600	EXELON CORP	56.83	14,298,428
399,000	EXPRESS SCRIPTS	71.74	28,624,260
1,975,300	EXXON MOBIL CORP	61.35	121,184,655
399,400	FEDEX CORPORATION	116.86	46,673,884
598,900	FISERV INC	45.36	27,166,104
1,050,800	FLEXTRONICS INTERNATIONAL	10.62	11,159,496
176,630	FMC CORP	64.39	11,373,206
398,900	FORTUNE BRANDS, INC.	71.01	28,325,889
300,700	FRANKLIN RESOURCES INC	86.81	26,103,767
200,900	GANNETT COMPANY	55.93	11,236,337
301,500	GENENTECH, INC.	81.80	24,662,700
398,400	GENZYME CORPORATION	61.05	24,322,320
745,100	GILEAD SCIENCES, INC	59.16	44,080,116
448,800	GLOBALSANTAFE CORP	57.75	25,918,200
224,400	GOLDMAN SACHS GROUP INC	150.43	33,756,492
200,500	GRAINGER (W W) INC	75.23	15,083,615

Stock Portfolio

Shares	Description	Market Price	Market Value
399,800	GUITAR CENTER INC	44.47	17,779,106
558,300	HARTFORD FINANCIAL SERVICES GROUP	84.60	47,232,180
201,300	HERSHEY FOODS CORPORATION	55.07	11,085,591
946,900	HOME DEPOT	35.79	33,889,551
78,900	HYDRIL	78.52	6,195,228
270,000	INDYMAC BANCORP INC	45.85	12,379,500
659,300	INGERSOLL-RAND 'A'	42.78	28,204,854
1,268,300	INTEL CORPORATION	19.00	24,097,700
674,300	INTERNATIONAL BUSINESS MACH.	76.82	51,799,726
381,700	JABIL CIRCUIT	25.60	9,771,520
349,100	JACOBS ENGINEERING GROUP INC.	79.64	27,802,324
899,600	JOHNSON & JOHNSON CO	59.92	53,904,032
599,700	JP MORGAN CHASE & CO	42.00	25,187,400
150,100	KOHL'S CORP	59.12	8,873,912
1,052,700	LANDSTAR SYSTEMS, INC	47.23	49,719,021
448,800	LEHMAN BROTHERS HOLDINGS	65.15	29,239,320
149,700	LENNAR CORP Class A	44.37	6,642,189
588,200	LILLY ELI	55.27	32,509,814
148,900	LINEAR TECHNOLOGY CORP	33.49	4,986,661
122,000	MANITOWOC COMPANY INC.	44.50	5,429,000
298,700	MCAFFEE INC	24.27	7,249,449
74,900	MEDTRONIC, INC.	46.92	3,514,308
423,800	MERRILL LYNCH & CO INC	69.56	29,479,528
374,800	METLIFE INC.	51.21	19,193,508
397,000	MICROCHIP TECHNOLOGY INC.	33.55	13,319,350
3,056,500	MICROSOFT CORPORATION	23.30	71,216,450
723,100	MOTOROLA INC	20.15	14,570,465
260,100	MOVADO GROUP INC	22.95	5,969,295
399,700	MYLAN LABORATORIES	20.00	7,994,000
994,000	NABORS INDUSTRIES, LTD	33.79	33,587,260
618,900	NOKIA CORPORATION	20.26	12,538,914
149,800	NORDSTROM INC	36.50	5,467,700
298,700	OLIN CORP.	17.93	5,355,691
74,800	OMNICOM GROUP	89.09	6,663,932
251,800	ONEOK INC	34.04	8,571,272
895,400	PEPSICO INC.	60.04	53,759,816
286,800	PETCO ANIMAL SUPPLIES INC	20.43	5,859,324
323,700	PETSMART, INC	25.60	8,286,720
1,896,550	PFIZER INC.	23.47	44,512,029
798,000	POOL CORPORATION	43.63	34,816,740
951,162	POWERWAVE TECHNOLOGIES INC	9.12	8,674,597
1,096,900	PROCTER & GAMBLE COMPANY	55.60	60,987,640
199,700	PSYCHIATRIC SOLUTIONS INC	28.66	5,723,402
601,600	QUALCOMM INCORPORATED	40.07	24,106,112
698,000	QUIKSILVER, INC	12.18	8,501,640
90,600	RESMED INC	46.95	4,253,670

Stock Portfolio/Purchases

Shares	Description	Market Price	Market Value
67,300	RESPIRONICS INC	34.22	2,303,006
174,700	ROBERT HALF INTERNATIONAL	42.00	7,337,400
273,000	RPM INTERNATIONAL INC	18.00	4,914,000
125,000	SCHOLASTIC CORPORATION	25.97	3,246,250
106,500	SCOTT'S CO'A'	42.32	4,507,080
198,100	SEALED AIR	52.08	10,317,048
473,300	SEI INVESTMENTS COMPANY	48.88	23,134,904
322,900	SEMPRA ENERGY	45.48	14,685,492
186,100	SKYWEST INC	24.80	4,615,280
174,700	SMITH INTERNATIONAL INC	44.47	7,768,909
71,500	SOVRAN SELF STORAGE	50.79	3,631,485
579,746	SPRINT NEXTEL CORPORATION	19.99	11,589,123
698,300	ST. JUDE MEDICAL	32.42	22,638,886
636,450	STAPLES, INC.	24.35	15,497,558
71,000	STEAK N SHAKE	15.14	1,074,940
277,800	STERICYCLE INC	65.10	18,084,780
475,900	STRATEGIC HOTELS & RESORTS	20.74	9,870,166
265,300	SUPERIOR ENERGY SERVICES	33.90	8,993,670
349,000	SYSCO CORPORATION	30.56	10,665,440
900,400	T. ROWE PRICE GROUP INC	37.81	34,044,124
473,500	TELEFONOS DE MEXICO	20.83	9,863,005
796,400	TEXAS INSTRUMENTS	30.29	24,122,956
476,700	TYCO INTERNATIONAL LTD.	27.50	13,109,250
167,300	UGI CORP	24.62	4,118,926
306,700	UNITED NATURAL FOODS	33.02	10,127,234
399,200	UNITED PARCEL SERVICE	82.33	32,866,136
184,350	URS CORP	42.00	7,742,700
224,700	UTI WORLDWIDE INC	25.23	5,669,181
403,100	VALERO ENERGY CORPORATION	66.52	26,814,212
128,400	VCA ANTECH, INC.	31.93	4,099,812
897,700	VERIZON COMMUNICATIONS	33.49	30,063,973
226,200	VISHAY INTERTECHNOLOGY INC	15.73	3,558,126
224,100	VORNADO REALTY TRUST	97.55	21,860,955
401,300	WACHOVIA CORP	54.08	21,702,304
645,800	WALGREEN COMPANY	44.84	28,957,672
1,047,900	WAL-MART STORES	48.17	50,477,343
95,300	WASTE CONNECTIONS	36.40	3,468,920
393,600	WELLPOINT INC	72.77	28,642,272
349,500	WILLIAMS COMPANIES, INC.	23.36	8,164,320
149,800	WINNEBAGO INDUSTRIES INC	31.04	4,649,792
TOTAL COMMON STOCK PORTFOLIO			3,436,622,445

55

Stocks Purchased

JULY 1, 2005 THROUGH JUNE 30, 2006

Company	Shares	Div Rate	Income	Yield	Avg Cost	Cost
ABERCROMBIE & FITCH	950	0.18	166	0.29	60.62	57,589

Stocks Purchased

Company	Shares	Div Rate	Income	Yield	Avg Cost	Cost
ADVANCED MICRO DEVICES	300,000	-	-	-	28.87	8,662,470
AFFILIATED COMPUTER SERVICES	2,300	-	-	-	49.85	114,655
AIRGAS INC	21,500	0.06	1,290	0.23	25.79	554,443
ALCAN INC	101,300	0.15	15,195	0.44	33.72	3,415,571
ALCOA INC	2,200	0.15	330	0.48	31.15	68,530
ALLEGHENY TECHNOLOGIES INC	125,000	0.10	12,500	0.35	28.22	3,527,419
ALLTEL CORPORATION	100	0.39	39	0.63	61.56	6,156
ALTERA CORPORATION	500,900	-	-	-	20.38	10,207,486
AMDOCS LTD	309,500	-	-	-	33.58	10,393,774
AMERICAN CAPITAL STRATEGIES LTD	500,000	0.82	410,000	2.38	34.48	17,240,977
AMERICAN INT'L GROUP	205,000	0.17	33,825	0.26	64.40	13,201,320
AMSOUTH BANCORPORATION	1,300	0.26	338	0.91	28.53	37,069
ANALOG DEVICES, INC.	1,400	0.16	224	0.46	34.69	48,566
ANHEUSER BUSCH COMPANY	100	0.27	27	0.57	46.96	4,696
ANSYS INC.	300	-	-	-	50.41	15,123
APPLIED MATERIALS	700,000	0.05	35,000	0.30	16.95	11,864,370
ARACRUZ CELULOSE SA	100,000	0.28	28,455	0.55	52.06	5,206,311
BALL CORP	18,350	0.10	1,835	0.27	36.37	667,409
BANK OF AMERICA CORPORATION	300,000	0.50	150,000	1.09	46.05	13,814,394
BASF AG	68,000	2.00	135,965	2.60	76.76	5,220,010
BAUSCH & LOMB INC	100,000	0.13	13,000	0.16	82.12	8,211,666
BED BATH & BEYOND	1,400	-	-	-	35.98	50,372
BOEING CO.	33,600	0.30	10,080	0.40	75.43	2,534,320
CACI INTERNATIONAL	71,900	-	-	-	58.35	4,195,238
CANADIAN NATIONAL RAILWAY	1,500	0.14	214	0.33	43.54	65,310
CAPITAL ONE FINANCIAL	400,000	0.03	10,664	0.03	84.75	33,898,217
CAREMARK RX INC	83,400	0.10	8,340	0.20	50.68	4,226,311
CENTURY TELEPHONE INC	275,000	0.06	17,188	0.19	33.01	9,078,075
CEPHALON INC	160,200	-	-	-	80.66	12,921,191
CHATTEM INC	250,100	-	-	-	37.23	9,311,526
CHECK POINT SOFTWARE TECHNOLOGIES LTD	175,000	-	-	-	18.93	3,312,350
CHESAPEAKE ENERGY	325,000	0.06	19,500	0.19	31.59	10,267,396
CHEVRON CORP	50,000	0.52	26,000	0.88	58.95	2,947,300
CHICO'S FAS INC	480,800	-	-	-	30.34	14,586,198
CHUBB CORPORATION	310,000	0.25	77,500	0.49	51.21	15,874,230
CIMAREX ENERGY CO	175,000	0.04	7,000	0.10	38.40	6,720,385
CINERGY CORP	238,500	0.16	37,301	0.36	43.19	10,299,901
CISCO SYSTEMS	175,000	-	-	-	21.24	3,717,000
CITIZENS COMMUNICATIONS	1,150,000	0.25	287,500	1.99	12.53	14,411,752
CITRIX SYSTEMS INC	351,500	-	-	-	27.20	9,561,055
CLARCOR INC	212,700	0.07	14,357	0.19	34.77	7,396,595
COACH INC	454,200	-	-	-	30.66	13,927,661
COLGATE PALMOLIVE CO	225,000	0.32	72,000	0.61	52.65	11,846,302
COMCAST CORP-SPECIAL CL A	1,000	-	-	-	31.24	31,240
COMMUNITY HEALTH SYSTEMS INC	400,000	-	-	-	39.61	15,845,957
CONSTELLATION BRANDS	1,100	-	-	-	24.51	26,961

Stocks Purchased

Company	Shares	Div Rate	Income	Yield	Avg Cost	Cost
CONSTELLATION ENERGY GROUP INC	550	0.38	208	0.73	51.76	28,468
COVANCE INC	100	-	-	-	58.72	5,872
CULLEN/FROST BANKERS	200	0.34	68	0.60	56.66	11,332
CVS CORP	100,100	0.04	3,879	0.13	30.59	3,062,285
DANAHER CORP.	200,000	0.02	4,000	0.03	57.91	11,582,024
DELL INC	80,700	-	-	-	31.71	2,559,215
DENTSPLY INTERNATIONAL INC	275,000	0.07	19,250	0.12	56.95	15,661,114
DOW CHEMICAL	1,100	0.38	413	0.93	40.12	44,132
EDUCATION MANAGEMENT	500	-	-	-	42.83	21,415
EMC CORP	665,000	-	-	-	13.68	9,097,957
EMULEX CORP.	400,500	-	-	-	17.74	7,103,999
ENDO PHARMACEUTICAL HOLDINGS INC	175,000	-	-	-	31.92	5,585,843
ENERGEN CORP	25,800	0.11	2,838	0.29	38.17	984,670
EXELON CORP	126,600	0.40	50,640	0.77	51.84	6,563,435
EXXON MOBIL CORP	178,400	0.32	57,088	0.56	56.79	10,131,941
FISERV INC	150,000	-	-	-	45.08	6,761,821
FLEXTRONICS INTERNATIONAL	800	-	-	-	10.95	8,760
FMC CORP	26,630	0.18	4,793	0.32	56.44	1,503,048
FRANKLIN RESOURCES INC	700	0.12	84	0.14	87.56	61,292
GANNETT COMPANY	900	0.29	261	0.53	54.90	49,410
GENENTECH, INC.	1,500	-	-	-	78.44	117,660
GOLDMAN SACHS GROUP INC	225,000	0.35	78,750	0.29	119.41	26,867,775
GRAINGER (W W) INC	500	0.29	145	0.40	73.37	36,685
HERSHEY FOODS CORPORATION	201,300	0.25	49,319	0.47	52.51	10,569,596
HOME DEPOT	100,500	0.15	15,075	0.37	40.42	4,061,959
HYDRIL	50,000	-	-	-	68.72	3,436,147
INDYMAC BANCORP INC	270,000	0.46	124,200	1.05	43.71	11,803,028
INGERSOLL-RAND 'A'	900	0.16	144	0.36	44.31	39,879
INTEL CORPORATION	175,000	0.10	17,500	0.40	24.77	4,333,893
INTERNATIONAL BUSINESS MACH.	75,000	0.30	22,500	0.36	82.45	6,183,713
INTERNATIONAL RECTIFIER CORP	350,000	-	-	-	47.34	16,567,374
INTERNATIONAL SPEEDWAY CORP	100,000	0.06	6,000	0.10	58.87	5,887,238
JP MORGAN CHASE & CO	168,300	0.34	57,222	0.88	38.80	6,529,517
KOHL'S CORP	150,100	-	-	-	48.33	7,253,785
LA QUINTA CORP	450,000	-	-	-	8.20	3,692,185
LANCE, INC	500	0.16	80	0.66	24.31	12,155
LILLY ELI	590,000	0.40	236,000	0.70	56.90	33,573,349
MANITOWOC COMPANY INC.	26,400	0.04	924	0.07	50.66	1,337,547
MAXIM INTEGRATED PRODUCTS INC	300	0.13	38	0.40	31.56	9,468
MCAFFEE INC	100,000	-	-	-	32.53	3,252,824
MENTOR CORPORATION	175,000	0.18	31,500	0.38	47.00	8,224,869
MERRILL LYNCH & CO INC	425,000	0.25	106,250	0.33	76.66	32,581,722

Stocks Purchased

Company	Shares	Div Rate	Income	Yield	Avg Cost	Cost
METLIFE INC.	375,000	0.52	195,000	1.04	50.05	18,770,441
MICROSOFT CORPORATION	175,000	0.09	15,750	0.33	27.42	4,798,500
MOTOROLA INC	725,000	0.05	36,250	0.21	23.50	17,038,989
MOVADO GROUP INC	260,100	0.06	15,606	0.29	20.94	5,447,659
MYLAN LABORATORIES	400,000	0.06	24,000	0.28	21.44	8,577,612
NEXTEL PARTNERS 'A'	600	-	-	-	28.36	17,016
NORDSTROM INC	150,000	0.11	15,750	0.28	37.20	5,579,723
OLIN CORP.	300,000	0.20	60,000	0.96	20.82	6,247,341
ONEOK INC	96,500	0.30	28,950	0.90	33.42	3,224,942
P.F. CHANG'S CHINA BISTRO	1,100	-	-	-	42.98	47,278
PAYLESS SHOESOURCE INC	275,400	-	-	-	17.98	4,952,459
PETCO ANIMAL SUPPLIES INC	286,800	-	-	-	23.00	6,595,852
PETSMART, INC	325,000	0.03	9,750	0.13	22.98	7,469,094
PFIZER INC.	450,000	0.24	108,000	0.97	24.81	11,163,504
POWERWAVE TECHNOLOGIES INC	951,162	-	-	-	12.02	11,435,662
PROCTER & GAMBLE COMPANY	100,000	0.31	31,000	0.57	54.30	5,430,410
PSYCHIATRIC SOLUTIONS INC	100,000	-	-	-	47.81	4,781,210
QUALCOMM INCORPORATED	1,600	0.12	192	0.26	46.63	74,608
QUIKSILVER, INC	200,000	-	-	-	12.41	2,481,500
RESMED INC	600	-	-	-	45.61	27,366
RESPIRONICS INC	24,200	-	-	-	37.45	906,290
ROBERT HALF INTERNATIONAL	175,000	0.08	14,000	0.21	38.54	6,743,646
RPM INTERNATIONAL INC	275,000	0.16	44,000	0.87	18.29	5,031,103
SCHOLASTIC CORPORATION	1,300	-	-	-	26.36	34,268
SCOTT'S CO'A'	55,300	0.13	6,913	0.25	49.86	2,757,189
SKYWEST INC	104,500	0.03	3,135	0.13	22.65	2,367,216
SMITH INTERNATIONAL INC	175,000	0.08	14,000	0.25	32.44	5,677,014
SOUTH FINANCIAL GROUP	300	0.17	51	0.62	27.39	8,217
SOVRAN SELF STORAGE	38,500	0.62	23,678	1.28	48.18	1,854,919
SPECTRUM BRANDS INC.	650	-	-	-	37.52	24,388
SPRINT NEXTEL CORPORATION	200,000	0.03	5,000	0.10	26.01	5,202,208
STEAK N SHAKE	900	-	-	-	17.23	15,507
STERICYCLE INC	279,000	-	-	-	58.79	16,403,187
STRATEGIC HOTELS & RESORTS	475,900	0.23	109,457	1.11	20.78	9,890,101
SUPERIOR ENERGY SERVICES	267,100	-	-	-	24.51	6,547,150
SYMANTEC CORPORATION	400	-	-	-	16.09	6,436
T. ROWE PRICE GROUP INC	200	0.14	28	0.18	77.81	15,562
TELEFONES DE MEXICO	475,000	0.18	85,025	0.78	22.96	10,906,666
TYCO INTERNATIONAL LTD.	1,700	0.10	170	0.37	27.15	46,155
UGI CORP	100,300	0.18	17,678	0.83	21.31	2,137,376
UNITED NATURAL FOODS	257,650	-	-	-	32.45	8,361,112
URS CORP	140,400	-	-	-	43.49	6,106,474
VALERO ENERGY CORPORATION	203,100	0.08	16,248	0.10	83.97	17,053,347

Stocks Purchased/Sold

Company	Shares	Div Rate	Income	Yield	Avg Cost	Cost
VCA ANTECH, INC.	128,400	-	-	-	23.48	3,015,146
VERIZON COMMUNICATIONS	600,000	0.41	243,000	1.27	31.94	19,161,668
VISHAY INTERTECHNOLOGY INC	1,200	-	-	-	15.37	18,444
WACHOVIA CORP	1,300	0.51	663	0.95	53.71	69,823
WASTE CONNECTIONS	40,850	-	-	-	33.39	1,364,087
WEBEX COMMUNICATIONS	246,611	-	-	-	25.96	6,402,394
WELLPOINT INC	18,000	-	-	-	76.72	1,380,933
ZIMMER HOLDINGS INC	300	-	-	-	61.83	18,549
TOTAL COMMON STOCK ACQUIRED	24,865,903		3,438,293.01		34.60	860,481,005

Stocks Sold

JULY 1, 2005 THROUGH JUNE 30, 2006

Company	Shares	Price	Amount	Gain (Loss)
ABBOTT LABORATORIES	600,700	42.481	25,518,251	17,580,409
ACCO BRANDS CORPORATION	94,007	27.630	2,597,413	1,104,356
ADOBE SYSTEMS	3,200	29.910	95,712	31,969
AETNA INC	4,800	39.870	191,376	94,591
AIRGAS INC	71,500	36.694	2,623,603	827,727
ALBERTO CULVER CO	117,300	44.877	5,264,129	994,463
ALCOA INC	203,800	30.052	6,124,659	2,230,103
ALLEGHENY TECHNOLOGIES INC	125,000	52.675	6,584,410	3,054,288
ALLSTATE CORPORATION	4,300	56.180	241,574	138,932
ALLTEL CORPORATION	400,000	62.625	25,050,120	1,554,851
AMBAC FINANCIAL GROUP INC	200,000	81.509	16,301,770	4,905,220
AMDOCS LTD	26,000	37.305	969,921	123,169
AMERICA WEST AIRLINES	444,900	7.826	3,481,639	(2,808,014)
AMERICAN CAPITAL STRATEGIES LTD	2,000	34.220	68,440	(524)
AMERICAN EXPRESS	250,800	54.246	13,604,817	5,451,170
AMERICAN INT'L GROUP	1700	61.250	104,125	29,193
AMERICAN STANDARD COMPANY INC	1,400	42.570	59,598	23,869
AMERIPRISE FINANCIAL INC	80,000	37.200	2,976,000	1,222,384
AMGEN	101,100	81.104	8,199,569	4,297,131
ANHEUSER BUSCH COMPANY	125,000	43.252	5,406,550	(1,095,919)
ANSYS INC.	42,500	48.774	2,072,876	729,454
APACHE CORPORATION	103,200	61.958	6,394,077	4,014,255
APOLLO GROUP, INC.	175,000	49.886	8,730,120	(2,850,075)
AT&T CORP. (NEW)	338,268	24.992	8,453,878	477,454
AUTOMATIC DATA PROCESSING	1,100	45.120	49,632	5,974
AUTOZONE INC	600	88.490	53,094	624
BANK OF AMERICA CORPORATION	564,095	46.820	26,410,923	8,488,216
BASF AG	100	80.450	8,045	369

59

Stocks Sold

Company	Shares	Price	Amount	Gain (Loss)
BAUSCH & LOMB INC	100,000	67.811	6,781,137	(1,435,738)
BEAR STEARNS COMPANY	149,750	122.682	18,371,566	4,818,536
BEST BUY CO INC	263,500	45.676	12,035,635	2,904,584
BIOMET INC	150,000	36.603	5,490,442	(52,303)
BJ SERVICES COMPANY	251,100	34.389	8,634,990	3,835,904
BURLINGTON NORTHERN SANTE FE	103,100	76.998	7,938,534	3,264,802
CANADIAN NATIONAL RAILWAY	150,000	42.453	6,367,930	3,990,310
CAPITAL AUTOMOTIVE REIT	45,200	38.750	1,751,500	444,371
CAPITAL ONE FINANCIAL	700	81.920	57,344	(1,978)
CENTURY TELEPHONE INC	1,000	35.430	35,430	1,911
CEPHALON INC	100,000	67.771	6,777,116	(762,386)
CHECK POINT SOFTWARE TECHNOLOGIES LTD	300	18.230	5,469	(209)
CHESAPEAKE ENERGY	1,400	29.300	41,020	(3,209)
CHEVRON CORP	900	-	52,398	7,390
CHUBB CORPORATION	700	50.810	35,567	(767)
CISCO SYSTEMS	3,800	20.600	78,280	39,870
CITIGROUP, INC.	15,534	48.840	758,681	135,962
CITIZENS COMMUNICATIONS	2,600	12.690	32,994	411
CITRIX SYSTEMS INC	180,000	36.589	6,585,949	1,680,616
COCA-COLA CO	2,200	43.600	95,920	(13,948)
COHERENT, INC.	47,200	33.896	1,599,900	183,898
COLGATE PALMOLIVE CO	500	59.990	29,995	3,632
COLONIAL PROPERTY TRUST	37,000	43.289	1,601,699	237,235
COMCAST CORP-SPECIAL CL A	275,000	-	7,666,071	(1,094,730)
COMMERCE BANCORP, INC.	2,300	37.760	86,848	37,613
COMMUNITY HEALTH SYSTEMS INC	200	36.700	7,340	(583)
CONSTELLATION BRANDS	43,750	25.834	1,130,255	452,103
CON-WAY INC.	2,300	59.732	137,385	26,823
COOPER COMPANIES	225,000	52.041	11,709,299	(5,292,937)
CULLEN/FROST BANKERS	44,200	57.000	2,519,404	1,155,154
D. R. HORTON	315,800	27.965	8,831,300	2,881,499
DANAHER CORP.	700	62.720	43,904	3,367
DEAN FOODS	2,500	36.000	90,000	27,358
DELL INC	206,600	25.161	5,198,228	(2,771,345)
DENTSPLY INTERNATIONAL INC	800	59.750	47,800	2,240
DEVON ENERGY CORPORATION	325,000	58.770	19,100,366	5,942,401
DUKE ENERGY CORPORATION	320	27.980	8,954	191
EDUCATION MANAGEMENT	107,200	43.000	4,609,600	1,473,576
EMBARQ CORPORATION	29,012	39.796	1,154,567	(163,194)
EMC CORP	3,000	12.720	38,160	568
ENERGEN CORP	2,200	33.200	73,040	1,955

Stocks Sold

Company	Shares	Price	Amount	Gain (Loss)
EXPRESS SCRIPTS	251,000	76.975	19,320,667	16,302,548
EXXON MOBIL CORP	3,100	60.780	188,418	72,036
FEDEX CORPORATION	600	110.050	66,030	22,747
FISERV INC	1,100	44.120	48,532	6,428
FLEXTRONICS INTERNATIONAL	600,000	10.295	6,177,198	(2,143,114)
FORTUNE BRANDS, INC.	1,100	76.810	84,491	20,594
GENZYME CORPORATION	1,600	58.110	92,976	870
GILEAD SCIENCES, INC	4,900	54.680	267,932	182,561
GLOBALSANTAFE CORP	101,200	54.324	5,497,568	1,991,815
GOLDMAN SACHS GROUP INC	600	146.150	87,690	16,043
GUITAR CENTER INC	200	49.350	9,870	(315)
HARTFORD FINANCIAL SERVICES GROUP	2,200	87.020	191,444	78,498
HOLOGIC INC	87,400	46.473	4,061,743	2,713,720
HOME DEPOT	3,600	38.490	138,564	90,255
HUDSON UNITED BANCORP	43,600	42.119	1,836,375	478,382
HUMANA INC	150,000	57.098	8,564,755	3,542,199
HYDRIL	300	73.690	22,107	4,119
INTEL CORPORATION	181,700	25.483	4,630,277	(648,802)
INTERNATIONAL BUSINESS MACH.	700	80.020	56,014	22,091
INTERNATIONAL RECTIFIER CORP	350,000	35.034	12,261,727	(4,316,137)
INTERNATIONAL SPEEDWAY CORP	100,000	51.960	5,195,991	(693,464)
JABIL CIRCUIT	218,300	32.129	7,013,750	2,554,542
JACOBS ENGINEERING GROUP INC.	900	76.610	68,949	39,483
JO-ANN STORES, INC	48,000	15.455	741,840	(572,450)
JOHNSON & JOHNSON CO	400	59.860	23,944	1,402
JP MORGAN CHASE & CO	300	42.640	12,792	2,835
LA QUINTA CORP	450,000	10.877	4,894,621	1,191,232
LANCE, INC	85,600	22.212	1,901,306	586,315
LANDSTAR SYSTEMS, INC	147,300	43.721	6,440,160	4,550,585
LEHMAN BROTHERS HOLDINGS	76,200	112.888	8,602,082	2,261,263
LENNAR CORP Class A	250,300	53.276	13,335,006	6,526,328
LEXMARK INTERNATIONAL GROUP	300,000	44.523	13,357,015	(8,408,067)
LILLY ELI	1,800	50.660	91,188	(11,901)
LINEAR TECHNOLOGY CORP	1,100	33.840	37,224	(5,731)
MAXIM INTEGRATED PRODUCTS INC	100,300	32.228	3,232,448	(1,184,624)
MBNA CORP	258,200	26.548	6,854,681	4,243,811
MCAFFEE INC	1,300	23.410	30,433	(8,312)
MEDTRONIC, INC.	75,100	56.203	4,220,814	611,514
MENTOR CORPORATION	175,000	38.779	6,786,388	(1,447,439)
MERRILL LYNCH & CO INC	1,200	70.860	85,032	(6,963)
METLIFE INC.	200	51.400	10,280	269

61

Stocks Sold

Company	Shares	Price	Amount	Gain (Loss)
MICROCHIP TECHNOLOGY INC.	3,000	34.400	103,200	24,230
MICROSOFT CORPORATION	18,500	22.880	423,280	(236,894)
MOHAWK INDUSTRIES	58,900	79.606	4,688,775	498,602
MOTOROLA INC	1,900	20.740	39,406	(5,248)
MYLAN LABORATORIES	300	20.700	6,210	(405)
NABORS INDUSTRIES, LTD	6,000	35.610	213,660	49,859
NATIONAL CITY CORP	300,000	35.986	10,795,821	1,140,111
NEXTEL PARTNERS 'A'	450,600	28.336	12,768,350	5,049,013
NOKIA CORPORATION	206,100	16.199	3,338,549	51,686
NORDSTROM INC	200	34.590	6,918	(522)
OLIN CORP.	1,300	17.630	22,919	(4,153)
OMNICOM GROUP	275,200	82.552	22,718,419	47,892
P.F. CHANG'S CHINA BISTRO	301,100	40.457	12,181,546	4,193,344
PACIFIC SUNWEAR OF CALIFORNIA	400,000	23.207	9,282,873	1,105,311
PAYLESS SHOESOURCE INC	275,400	24.723	6,808,696	1,850,520
PEPSICO INC.	4,600	59.270	272,642	56,846
PETSMART, INC	1,300	26.750	34,775	4,899
PFIZER INC.	3,450	23.720	81,834	(19,968)
PLANTRONICS, INC.	450,000	29.112	13,100,320	722,215
POOL CORPORATION	427,000	38.745	16,544,123	11,458,247
PRAXAIR INC	250,000	48.104	12,026,109	3,196,705
PROCTER & GAMBLE COMPANY	3,100	54.280	168,268	24,539
PSYCHIATRIC SOLUTIONS INC	300	29.940	8,982	1,810
QUANEX CORP	26,000	53.415	1,388,790	79,539
QUIKSILVER, INC	2,000	12.900	25,800	6,560
RALCORP HOLDINGS INC	38,500	42.155	1,622,975	300,452
RESPIRONICS INC	100	34.190	3,419	14
ROBERT HALF INTERNATIONAL	300	40.830	12,249	688
RPM INTERNATIONAL INC	2,000	18.670	37,340	750
SCHOLASTIC CORPORATION	76,300	26.417	2,015,651	55,093
SEALED AIR	1,900	50.860	96,634	(564)
SEI INVESTMENTS COMPANY	226,700	43.144	9,780,748	848,374
SEMPRA ENERGY	2,100	45.300	95,130	27,136
SMITH INTERNATIONAL INC	300	40.070	12,021	2,289
SOUTH FINANCIAL GROUP	41,300	27.769	1,146,852	(166,260)
SPECTRUM BRANDS INC.	49,250	21.445	1,056,144	(327,881)
SPRINT NEXTEL CORPORATION	504	22.160	11,169	1,489
ST. JUDE MEDICAL	901,700	43.096	38,859,544	20,677,051
STAPLES, INC.	1,050	24.140	25,347	6,831
STEAK N SHAKE	68,600	16.394	1,124,594	(152,544)
STERICYCLE INC	1,200	65.700	78,840	8,289

Stocks Sold / Treasury Bond Portfolio

Company	Shares	Price	Amount	Gain (Loss)
SUPERIOR ENERGY SERVICES	1,800	29.990	53,982	9,860
SYMANTEC CORPORATION	1150400	16.999	19,555,653	12,359,895
SYSCO CORPORATION	351,000	30.489	10,701,773	211,535
TELEFONOS DE MEXICO	1,500	20.960	31,440	(3,002)
TEXAS INSTRUMENTS	3,600	31.620	113,832	25,365
TREEHOUSE FOODS INC	105,000	30.211	3,172,110	881,137
TYCO INTERNATIONAL LTD.	700,000	26.780	18,745,851	(4,506,180)
UNITED NATURAL FOODS	550	29.900	16,445	(894)
UNITED PARCEL SERVICE	800	80.300	64,240	5,649
URS CORP	50	44.490	2,225	214
US AIRWAYS GROUP	94,916	21.036	1,996,676	(1,253,605)
UTI WORLDWIDE INC	300	28.780	8,634	1,636
VERITY, INC	31,650	9.893	313,100	(59,856)
VERIZON COMMUNICATIONS	2,300	30.790	70,817	(7,094)
VISHAY INTERTECHNOLOGY INC	200,000	13.718	2,743,572	(2,531,528)
VODAFONE GROUP	1,050,000	21.739	22,825,677	200,548
VORNADO REALTY TRUST	175900	84.613	14,883,449	7,385,712
WALGREEN COMPANY	4,200	41.250	173,250	101,706
WAL-MART STORES	152,100	49.809	7,576,020	(597,689)
WATTS WATER TECHNOLOGIES 'A'	83,000	34.552	2,867,828	1,506,914
WEBEX COMMUNICATIONS	300,311	34.052	10,226,245	2,505,427
WELLPOINT INC	74,400	72.182	5,370,328	1,291,374
WILLIAMS COMPANIES, INC.	500	20.580	10,290	(2,171)
WINNEBAGO INDUSTRIES INC	200	28.430	5,686	(1,465)
ZIMMER HOLDINGS INC	100,300	58.220	5,839,480	(2,256,376)
TOTAL COMMON STOCK SOLD	20,813,967		782,186,181	167,096,814

63

Treasuries

JUNE 30, 2006

Par Value	Security	Coupon	Market Value
10,000,000	U.S. TREASURY BOND 7.500 11/15/2016	7.500	11,828,100.00
10,000,000	U.S. TREASURY BOND 8.125 08/15/2019	8.125	12,660,200.00
10,000,000	U.S. TREASURY BOND 9.125 05/15/2018	9.125	13,391,400.00
10,000,000	U.S. TREASURY BOND 8.000 11/15/2021	8.000	12,789,100.00
4,050,000	U.S. TREASURY INFL IDX N/B 2012	3.000	4,672,914.30
8,100,000	U.S. TREASURY NTS INFL IX N/B	1.875	7,958,841.30
4,050,000	U.S. TREASURY WI INFL IDX N/B	0.875	4,063,575.60
56,200,000	TOTAL U.S. TREASURY OBLIGATIONS		67,364,131.20

Government Agency Bond Portfolio

Government Bonds

Par Value	Security	Coupon	Market Value
9,000,000	FEDERAL FARM CR BKS CONS SYST	5.300	8,505,000
11,200,000	FEDERAL FARM CR BKS CONS SYSTEM	5.150	10,696,000
20,700,000	FEDERAL FARM CREDIT 5.5%	5.500	19,516,167
15,800,000	FEDERAL FARM CREDIT BANK	5.300	14,649,602
8,700,000	FEDERAL FARM CREDIT BK CONST SYST 5.40%	5.400	8,392,803
6,200,000	FEDERAL FARM CREDIT BKS 00719	5.000	5,973,328
9,600,000	FEDERAL HOME LN BKS 5.375 07/07/15	5.375	9,252,000
9,086,000	FEDERAL HOME LOAN BK #00710	6.000	8,997,412
10,100,000	FEDERAL HOME LOAN BKS 00218	5.150	9,797,000
6,715,000	FEDERAL HOME LOAN BKS 5.35% 2015	5.350	6,406,513
8,600,000	FEDERAL HOME LOAN BKS TR #00575	5.650	8,148,500
36,400,000	FEDERAL HOME LOAN BKS TR#00553 5.38%	5.380	33,954,284
11,900,000	FEDERAL HOME LOAN BKS TR#00766	5.250	11,405,436
6,751,000	FEDERAL HOME LOAN MTG CORP FHR 3159 PB	6.000	6,723,793
9,400,000	FEDERAL HOME LOAN MTG MED TERM NOTE	5.400	9,034,246
5,579,217	FNMA 4.40 12/25/12	4.400	5,281,220
10,318,475	FNMA 4.45 08/25/12	4.450	9,763,971
3,600,000	FNMA 5.00 11/15/12	5.000	3,466,116
4,000,000	FNMA 5.00 11/25/21	5.000	3,661,120
23,700,000	FNMA 6.00 05/24/19	6.000	22,989,000
23,827,000	FNMA 5.25% 7/14/2015	5.250	22,873,920
14,864,452	FNMA FNR 2003-42 EP	4.000	13,944,194
4,350,000	FNMA FNR 2005-27 AB	5.500	4,094,133
9,018,000	FNMA FNR 2005-27 AC	5.500	8,370,778
12,521,421	FNMA FNR 2005-45 BG	4.500	11,362,689
2,370,00	FNMA GTD REMI 5.50% 2031	5.500	2,289,041
4,150,000	FNR 2006-60 PC	6.000	4,104,807
3,462,000	FREDDIE MAC 5.000 07/02/2018	5.000	3,191,999
10,900,000	FREDDIE MAC 5.000 08/10/2012	5.000	10,511,742
17,000,000	FREDDIE MAC 5.250 07/28/2015	5.250	16,293,480
8,200,000	FREDDIE MAC 5.250 11/05/2012	5.250	7,948,916
4,000,000	FREDDIE MAC 6.000 06/01/2036	6.000	3,972,840
4,050,000	FREDDIE MAC 6.00% 12/15/2006	6.000	4,050,000
8,200,000	GNMA 2003-012RE 5.50% 2031	5.500	7,978,108
7,020,000	GNMA 2003-034PC 5.50% 2032	5.500	6,837,691
80,981	GNMA Pool #153415	9.000	86,674
29,857	GNMA Pool #156462	9.000	31,956
64,604	GNMA Pool #159801	9.000	69,445
51,988	GNMA Pool #160350	9.000	55,643
18,023	GNMA Pool #161638	9.000	19,290
83,082	GNMA Pool #161684	9.000	88,923
20,659	GNMA Pool #162599	9.000	22,112
123,806	GNMA Pool #164501	9.000	132,509

64

Government Agency Bond Portfolio

Par Value	Security	Coupon	Market Value
337,345	GNMA Pool #164681	9.000	361,060
74,907	GNMA Pool #164924	9.000	80,174
158,139	GNMA Pool #165172	9.000	169,257
83,740	GNMA Pool #168283	9.000	89,627
34,989	GNMA Pool #172800	9.000	37,449
148,627	GNMA Pool #173847	9.000	159,076
93,420	GNMA Pool #174829	9.000	99,987
69,886	GNMA Pool #178234	9.000	74,799
32,050	GNMA Pool #182491	9.000	34,303
18,590	GNMA Pool #182914	9.000	19,897
55,822	GNMA Pool #183553	9.000	59,770
32,651	GNMA Pool #183715	9.000	34,946
301,798	GNMA Pool #183733	9.000	323,145
21,518	GNMA Pool #185639	9.000	23,031
206,309	GNMA Pool #187705	9.000	220,901
20,540	GNMA Pool #188192	9.000	21,993
82,597	GNMA Pool #190921	9.000	88,403
44,932	GNMA Pool #191648	9.000	48,110
122,320	GNMA Pool #191943	9.000	131,246
89,391	GNMA Pool #194468	9.000	95,675
14,513	GNMA Pool #198466	9.000	15,539
48,707	GNMA Pool #206683	9.000	52,440
44,577	GNMA Pool #208638	9.000	47,730
52,407	GNMA Pool #210798	9.000	56,231
40,155	GNMA Pool #216520	9.000	42,995
15,733	GNMA Pool #221494	9.000	16,846
79,985	GNMA Pool #221509	9.000	85,608
63,720	GNMA Pool #223282	9.000	68,370
61,017	GNMA Pool #223307	9.000	65,469
18,211	GNMA Pool #228184	9.000	19,540
36,249	GNMA Pool #228233	9.000	38,895
50,024	GNMA Pool #229731	9.000	53,562
77,174	GNMA Pool #234450	9.000	82,806
74,625	GNMA Pool #236041	10.000	81,390
26,343	GNMA Pool #236835	10.000	28,731
35,956	GNMA Pool #236937	9.000	38,580
4,196	GNMA Pool #236939	9.000	4,502
119,881	GNMA Pool #237138	10.000	130,748
19,154	GNMA Pool #237195	9.000	20,552
5,283	GNMA Pool #238133	9.000	5,668
18,365	GNMA Pool #247506	9.000	19,772
127,620	GNMA Pool #249621	9.000	136,933
83,898	GNMA Pool #252052	9.000	90,020
138,154	GNMA Pool #252055	9.000	148,235
20,301	GNMA Pool #257869	9.000	21,822

65

Government Agency Bond Portfolio

Par Value	Security	Coupon	Market Value
80,511	GNMA Pool #266545	9.000	86,543
97,762	GNMA Pool #271090	9.000	105,086
24,588	GNMA Pool #271897	9.000	26,430
27,215	GNMA Pool #273548	9.000	29,254
86,854	GNMA Pool #274140	9.000	93,361
30,263	GNMA Pool #277907	9.000	32,530
21,450	GNMA Pool #284420	9.000	23,093
39,094	GNMA Pool #285101	9.000	42,089
17,336	GNMA Pool #285593	9.000	18,665
116,937	GNMA Pool #286371	9.000	125,898
35,528	GNMA Pool #286427	9.000	38,250
29,162	GNMA Pool #287851	9.000	31,397
89,537	GNMA Pool #290000	9.000	96,398
24,299	GNMA Pool #290057	9.000	26,161
21,873	GNMA Pool #291136	9.000	23,549
16,861	GNMA Pool #298952	9.000	18,178
94,484	GNMA Pool #319521	8.000	100,046
685,046	GNMA Pool #337419	7.000	706,535
284,718	GNMA Pool #345731	8.000	301,989
107,838	GNMA Pool #348865	8.000	114,287
53,943	GNMA Pool #352219	8.000	57,170
565,851	GNMA Pool #352964	7.000	583,868
868,357	GNMA Pool #366756	7.000	896,005
611,999	GNMA Pool #371734	7.000	631,486
990,524	GNMA Pool #377589	7.500	1,036,841
386,474	GNMA Pool #386030	7.000	398,779
294,950	GNMA Pool #398831	8.000	313,254
151,182	GNMA Pool #402544	7.500	158,327
380,697	GNMA Pool #403979	8.500	411,115
275,147	GNMA Pool #405618	7.500	288,150
131,236	GNMA Pool #417666	7.500	137,372
386,083	GNMA Pool #421711	7.500	404,330
226,202	GNMA Pool #429356	7.500	236,892
152,219	GNMA Pool #430384	8.000	161,665
277,184	GNMA Pool #432701	8.000	294,386
282,874	GNMA Pool #433892	7.000	291,846
63,728	GNMA Pool #434101	7.000	65,749
40,260	GNMA Pool #438772	8.000	42,759
42,214	GNMA Pool #438778	8.000	44,833
102,510	GNMA Pool #439645	8.000	108,872
12,668	GNMA Pool #441619	7.500	13,249
298,626	GNMA Pool #450368	7.000	308,098
56,606	GNMA Pool #458918	7.000	58,401
581,407	GNMA Pool #464692	7.000	599,849

Government Agency Bond Portfolio

Par Value	Security	Coupon	Market Value
312,803	GNMA Pool #466888	7.000	322,725
661,676	GNMA Pool #469797	7.000	682,664
330,900	GNMA Pool #470493	7.000	341,476
256,708	GNMA Pool #472997	7.000	264,912
157,706	GNMA Pool #478875	7.500	164,940
303,214	GNMA Pool #478881	7.500	317,123
365,286	GNMA Pool #482784	7.000	376,873
199,845	GNMA Pool #485451	6.500	202,615
454,926	GNMA Pool #486539	7.000	469,356
65,471	GNMA Pool #486761	7.000	67,548
111,523	GNMA Pool #487221	7.000	115,087
458,833	GNMA Pool #487222	7.000	473,497
355,424	GNMA Pool #493996	7.000	366,783
287,455	GNMA Pool #499876	7.000	296,642
367,795	GNMA Pool #500931	7.000	379,549
2,756,658	GNMA Pool #503019	6.000	2,741,331
10,843	GNMA Pool #504418	7.000	11,189
1,806,892	GNMA Pool #505728	7.000	1,864,640
190,816	GNMA Pool #506075	7.000	196,914
209,211	GNMA Pool #509328	7.000	215,897
105,292	GNMA Pool #510100	7.000	108,657
96,376	GNMA Pool #510302	7.000	99,456
232,119	GNMA Pool #510958	7.000	239,538
116,368	GNMA Pool #510983	7.000	120,087
211,085	GNMA Pool #512888	7.000	217,831
307,346	GNMA Pool #512915	7.000	317,169
121,104	GNMA Pool #513367	7.000	124,975
58,509	GNMA Pool #520045	6.500	59,319
867,705	GNMA Pool #530203	6.500	879,731
1,104,764	GNMA Pool #530611	6.500	1,120,076
562,242	GNMA Pool #530631	6.500	570,035
621,270	GNMA Pool #541464	6.500	629,881
716,472	GNMA Pool #549889	6.500	726,403
383,165	GNMA Pool #549890	6.500	388,476
78,232	GNMA Pool #549915	6.500	79,316
3,014,238	GNMA Pool #552518	6.500	3,054,418
347,850	GNMA Pool #557424	6.500	352,671
137,091	GNMA Pool #557467	6.500	138,991
618,719	GNMA Pool #560189	6.500	627,295
1,717,692	GNMA Pool #780076	8.000	1,820,685
1,776,775	GNMA Pool #780220	7.500	1,858,791
314,443	GNMA Pool #781129	7.000	324,546
397,398,527	TOTAL FEDERAL AGENCY OBLIGATIONS		381,803,383

Corporate Bond Portfolio

Corporate Bonds

Par Value	Security	Coupon	Market Value
4,400,000	ALBERTSON'S INC 7.25% 2013	7.250	4,186,600
3,850,000	ALBERTSON'S INC DEBS 8.70% 2030	8.700	3,647,105
7,800,000	AMERICAN AIRLINES	7.858	8,268,000
3,480,000	AT&T BROADBAND CORP	9.455	4,323,900
3,500,000	AUTOZONE INC 5.50% 2015	5.500	3,156,965
5,000,000	AXA SA	8.600	5,950,500
10,000,000	BANKERS TRUST	7.750	10,446,800
12,000,000	BAYER HYPO-VEREINSBANK	8.741	14,130,960
8,100,000	BAYERISCHE LANDESBANK	0.000	6,156,000
8,100,000	BEAR STEARNS CO INC	7.448	8,100,000
3,750,000	BELL ATLANTIC MARYLAND 2023	7.150	3,764,250
8,750,126	CBO HOLDINGS III LTD.	7.000	8,750,126
14,230,988	CBO HOLDINGS SPIRIT 2004-3A	6.500	14,230,989
6,006,000	CHARTWELL CBO 10/10/12	5.650	6,006,000
4,700,000	CLEAR CHANNEL COMM 6.875% 2018	6.875	4,485,210
4,350,000	CONAGRA FOODS INC	7.000	4,423,298
3,500,000	CONAGRA FOODS INC 9.75% 2021	9.750	4,321,100
8,040,000	CONTINENTAL AIRLINES INC	6.320	8,016,925
12,756,000	CONTINENTAL AIRLINES INC	7.918	13,227,207
5,700,000	CONTINENTAL AIRLINES INC	6.503	5,688,885
2,740,787	CONTINENTAL AIRLINES INC	7.256	2,812,103
4,115,290	CONTINENTAL AIRLINES INC	8.048	4,341,631
3,719,532	CONTINENTAL AIRLINES INC	6.703	3,697,550
5,000,000	DAIMLER CHRYSLER	8.500	5,661,400
1,040,118	DELTA FUNDING HOME EQUITY LOAN TRUST	7.600	1,039,618
13,500,000	FARMERS INSURANCE EXCHANGE	8.625	14,978,655
8,700,000	FIRST DATA CORPORATION	4.700	8,116,665
5,000,000	FIRST DOMINION FUNDING II	7.498	5,000,000
14,000,000	FIRST HAWAIIAN CAPITAL TRUST	8.343	14,804,720
1,570,000	FORD MOTOR COMPANY	9.500	1,405,150
13,050,000	FORD MTR CR CO GLOBAL NT	5.700	13,042,301
284,320	GALILEO SECURITIES INC.	1.450	284,320
3,520,000	GLENCORE FUNDING LLC GTD NT	6.000	3,214,781
4,250,000	GOLDMAN SACHS	5.125	3,973,240
10,000,000	GOLDMAN SACHS GROUP INC.	8.000	11,008,500
8,120,000	GTE SOUTHWEST INC 1ST MTG 8.5%	8.500	9,135,568
10,800,000	HARTFORD LIFE GLOBAL FDG TRUST	5.170	10,302,876
4,350,000	HJ HEINZ FINANCE	6.750	4,256,040
3,500,000	HUNTINGTON BANKS SUB NTS	6.600	3,547,180
13,050,000	HUTCHISON WHAMPOA FINANCIAL	7.450	13,975,245
4,500,000	HUTCHISON WHAMPOA INTL LTD	7.450	4,756,770
5,550,000	JACKSON NATIONAL LIFE	8.150	6,478,349
7,600,000	JPM CAPITAL TRUST I	7.540	7,898,224

Corporate Bond Portfolio/ Bonds Purchased

Par Value	Security	Coupon	Market Value
14,666,000	JPM CAPITAL TRUST II	7.950	15,376,421
4,150,000	KNIGHT RIDDER INC 5.75% 2017	5.750	3,746,579
3,300,000	LEHMAN BROS HDLGS FLOAT 05/14	6.470	3,132,591
9,000,000	LIBERTY MUTUAL INSURANCE	7.875	9,611,100
5,000,000	MID OCEAN 2000-1A A2	7.725	4,294,562
7,354,791	MID OCEAN 2001-1A A1	6.556	7,354,791
9,375,290	MMCAPS FUNDING I LTD/INC	8.030	9,987,871
7,600,000	MORGAN STANLEY	4.750	6,967,832
2,000,000	NATIONAL RURAL UTILITIES	8.000	2,415,160
2,800,000	NORTH STREET 2001-3A CTFS	6.480	2,800,000
9,000,000	NORTH STREET 2001-3A NOTE FLT	4.210	9,000,000
2,900,284	PACIFIC SHORES CDO	4.860	2,883,897
4,920,000	PETROLIAM NASIONAL BERHD PETROL 144A	7.625	5,568,702
15,200,000	PREFERRED CPO	8.946	15,542,000
10,160,000	PREMAT ACA TRUST SERIES 1	4.230	10,315,550
7,339,080	PRINCIPAL LIFE INC FDG FRN	4.650	6,774,118
20,250,000	PROTECTIVE LIFE CPI+150	4.920	19,331,460
18,449,868	REG DIVERSIFIED FUNDING SR NOTES	9.250	20,354,817
4,350,000	SARA LEE CORP	6.130	3,822,432
8,500,000	SECURITY BENEFIT	8.750	9,695,780
12,000,000	SECURITY MUTUAL LIFE NEW YORK	9.375	14,971,440
3,900,000	TIME WARNER ENT DEBS 2023	8.375	4,336,683
3,850,000	TOYOTA MTR CREDIT FLTR	4.248	3,727,763
7,200,000	TRAINER WORTHAM FIRST REP CBO	4.360	4,592,827
4,000,000	TRIBUNE COMPANY 6.61% 2027	6.610	3,624,480
18,500,000	UNION CENTRAL LIFE	8.200	19,638,490
4,050,000	UNITED UTILITIES	4.550	3,433,833
5,800,000	UPM-KYMMENE CORP 7.45% 2027	7.450	5,925,106
7,770,000	US CELLULAR CORP	6.700	7,264,484
17,000,000	USF&G CAPITAL II, SERIES B	8.470	17,862,920
8,730,000	WESTINGHOUSE ELECTRIC	7.875	9,259,475
4,350,000	WEYERHAUSER CO DEBS	7.950	4,590,773
7,000,000	WYETH	6.450	7,014,210
10,500,000	ZAIS INVESTMENT GRADE LTD	2.481	10,500,000
11,000,000	ZURICH CAPITAL TRUST I	8.376	11,628,320
577,938,476	TOTAL CORPORATE BONDS		592,358,170

69

Treasury Bonds Purchased

Security	Price	Par Value	Principal	Accrued Int	Market Value
U.S. TREASURY INFL IDX N/B 2012	116.22	4,050,000	4,707,108	45,374	4,752,482
U.S. TREASURY NTS INFL IX N/B	100.49	4,050,000	4,069,807	428	4,070,235
U.S. TREASURY NTS INFL IX N/B	100.53	4,050,000	4,071,451	18,272	4,089,724
U.S. TREASURY WI INFL IDX N/B	100.10	4,050,000	4,054,202	907	4,055,109
TOTAL U.S. TREASURY OBLIG ACQUIRED		16,200,000	16,902,568	64,982	16,967,550

Bonds Purchased

Government Agency Bonds Purchased

Security	Price	Par Value	Principal	Interest	Total Amount
FEDERAL FARM CR BKS CONS SYST	99.90	9,000,000	8,991,000	53,000	9,044,000
FEDERAL FARM CR BKS CONS SYSTEM	99.75	11,200,000	11,172,000	131,382	11,303,382
FEDERAL FARM CREDIT 5.5%	96.89	3,900,000	3,778,632	100,696	3,879,328
FEDERAL FARM CREDIT 5.5%	97.23	8,800,000	8,556,328	155,956	8,712,284
FEDERAL HOME LOAN BK #00710	100.09	9,086,000	9,094,518	27,258	9,121,776
FEDERAL HOME LOAN BKS 00218	99.69	10,100,000	10,068,438	0	10,068,438
FEDERAL HOME LOAN BKS 5.35% 2015	98.30	6,715,000	6,601,114	22,952	6,624,066
FEDERAL HOME LOAN BKS TR #00575	99.88	8,600,000	8,589,250	1,350	8,590,600
FEDERAL HOME LOAN BKS TR#00553 5.38%	99.97	16,400,000	16,394,875	186,268	16,581,143
FEDERAL HOME LOAN BKS TR#00553 5.38%	99.06	20,000,000	19,812,500	277,967	20,090,467
FEDERAL HOME LOAN BKS TR#00766	99.13	11,900,000	11,795,875	76,358	11,872,233
FEDERAL HOME LOAN MTG CORP FHR 3159 PB	101.00	6,751,000	6,818,510	27,004	6,845,514
FEDERAL HOME LOAN MTG MED TERM NOTE	99.65	9,400,000	9,367,100	4,230	9,371,330
FNMA 5.25% 7/14/2015	98.67	15,827,000	15,615,710	182,340	15,798,050
FNMA 5.25% 7/14/2015	99.03	8,000,000	7,922,500	44,333	7,966,833
FNMA GTD REMI 5.50% 2031	96.41	2,370,000	2,284,828	5,793	2,290,621
FNR 2006-60 PC	100.16	4,150,000	4,156,474	0	4,156,474
FREDDIE MAC 5.250 07/28/2015	99.55	17,000,000	16,923,500	0	16,923,500
FREDDIE MAC 6.000 06/01/2036	99.10	4,000,000	3,964,000	19,333	3,983,333
FREDDIE MAC 6.00% 12/15/2006	100.25	4,050,000	4,060,125	19,575	4,079,700
GNMA 2003-012RE 5.50% 2031	97.72	4,150,000	4,055,328	10,778	4,066,107
GNMA 2003-012RE 5.50% 2031	97.63	4,050,000	3,953,813	9,900	3,963,713
GNMA 2003-034PC 5.50% 2032	98.00	7,020,000	6,879,600	2,145	6,881,745
TOTAL FED AGENCY OBLIG ACQUIRED		250,769,000	248,814,797	1,539,100	250,353,896

Corporate Bonds Purchased

Security	Price	Par Value	Principal	Interest	Total Amount
ALBERTSON'S INC 7.25% 2013	95.38	2,650,000	2,527,438	7,472	2,534,909
ALBERTSON'S INC 7.25% 2013	95.10	1,750,000	1,664,250	4,934	1,669,184
ALBERTSON'S INC DEBS 8.70% 2030	99.98	3,850,000	3,849,230	102,346	3,951,576
AUTOZONE INC 5.50% 2015	94.74	3,500,000	3,315,970	47,590	3,363,560
BELL ATLANTIC MARYLAND 2023	100.00	3,750,000	3,750,000	0	3,750,000
CHARTWELL CBO 10/10/12	95.10	6,006,000	5,711,706	127,252	5,838,958
CLEAR CHANNEL COMM 6.875% 2018	100.61	700,000	704,270	5,615	709,885
CLEAR CHANNEL COMM 6.875% 2018	100.42	4,000,000	4,016,840	25,972	4,042,812
CONAGRA FOODS INC	106.45	4,350,000	4,630,575	62,592	4,693,167
CONAGRA FOODS INC 9.75% 2021	128.55	3,500,000	4,499,250	154,510	4,653,760
FIRST DATA CORPORATION	93.48	8,700,000	8,132,586	152,202	8,284,788
FORD MTR CR CO GLOBAL NT	96.00	13,050,000	12,528,000	49,858	12,577,858

Bonds Purchased / Bonds Sold

Security	Price	Par Value	Principal	Interest	Total Amount
GLENCORE FUNDING LLC GTD NT	94.42	3,520,000	3,323,725	35,787	3,359,511
GOLDMAN SACHS	100.71	4,250,000	4,280,090	4,235	4,284,325
GTE SOUTHWEST INC 1ST MTG 8.5%	117.80	8,120,000	9,565,360	239,653	9,805,013
HJ HEINZ FINANCE	108.84	4,350,000	4,734,497	66,881	4,801,378
KNIGHT RIDDER INC 5.75% 2017	94.27	4,150,000	3,912,205	13,257	3,925,462
NORTH STREET 2001-3A NOTE FLT	88.00	9,000,000	7,920,000	0	7,920,000
PREFERRED CPO	110.75	2,000,000	2,215,000	85,981	2,300,981
REG DIVERSIFIED FUNDING SR NOTES	114.50	6,354,444	7,275,839	246,544	7,522,382
SARA LEE CORP	93.23	4,350,000	4,055,288	26,644	4,081,931
TIME WARNER ENT DEBS 2023	113.50	3,900,000	4,426,500	38,106	4,464,606
TRIBUNE COMPANY 6.61% 2027	98.12	4,000,000	3,924,960	85,930	4,010,890
UNITED UTILITIES	86.00	4,050,000	3,483,000	60,913	3,543,913
UPM-KYMMENE CORP 7.45% 2027	104.96	5,800,000	6,087,680	163,238	6,250,918
US CELLULAR CORP	97.10	3,520,000	3,417,920	655	3,418,575
WEYERHAUSER CO DEBS	112.90	4,350,000	4,911,150	83,574	4,994,724
TOTAL CORPORATE BONDS ACQUIRED		127,520,444	128,863,327	1,891,741	130,755,068

71

Bonds Sold

JULY 1, 2005 THROUGH JUNE 30, 2006

Treasuries Sold

Security	Coupon	Par Value	Sale Price	Interest	Principal
U.S. TREASURY BOND 12.750 11/15/2010	12.750	5,000,000	100.0	-	5,000,000
U.S. TREASURY BOND 9.375 02/15/2006	9.375	6,500,000	100.0	-	6,500,000
TOTAL U.S. TREASURY OBLIGATIONS		11,500,000		-	11,500,000

Government Agency Bonds Sold

FNMA 4.40 12/25/12	4.4	1,629,187	99.5	-	1,621,544
FNMA 4.45 08/25/12	4.45	3,185,514	99.5	-	3,168,527
FNMA FNR 2003-42 EP	4	3,787,018	97.9	-	3,708,687
FNMA FNR 2005-45 BG	4.5	897,691	96.4	-	865,715
GNMA Pool Subtotal		15,023,562		-	14,750,540
TOTAL FEDERAL AGENCY OBLIGATIONS		38,646,521		-	24,115,013

Corporate Bonds Sold

BOEING CORPORATION	8.750	1,000,000	137.3	42,292	1,372,500
CBO HOLDINGS III LTD.	7.000	78,221	94.7	-	74,039
CBO HOLDINGS SPIRIT 2004-3A	6.500	902,528	98.4	-	887,856
CONTINENTAL AIRLINES INC	7.256	198,310	95.7	-	189,778
CONTINENTAL AIRLINES INC	6.503	-	-	-	313,130
CONTINENTAL AIRLINES INC	6.703	313,341	(5.5)	-	(17,168)

Bonds Sold / Commercial Paper Portfolio

Security	Price	Par Value	Principal	Interest	Total Amount
CONTINENTAL AIRLINES INC	8.048	256,584	97.8	-	250,826
COUNTRYWIDE CAPITAL I	8.000	10,500,000	103.3	95,667	10,841,250
DAIMLER CHRYSLER FLOATER	3.890	12,450,000	100.0	-	12,444,405
DELTA FUNDING HOME EQUITY LOAN TRUST	7.600	1,128,820	99.4	-	1,121,579
ELECTRONIC DATA SYSTEMS	7.125	10,000,000	107.2	201,875	10,718,500
FIRST EMPIRE CAPITAL TRUST I	8.277	10,000,000	109.0	140,249	10,897,100
FIRST EMPIRE CAPITAL TRUST I	8.234	8,000,000	107.6	325,700	8,610,000
FORD HOLDINGS INC	9.375	7,488,000	93.0	-	6,963,840
FORD MOTOR COMPANY	9.500	1,000,000	99.0	7,125	990,000
FORD MOTOR CREDIT	7.250	10,000,000	93.9	174,201	9,393,750
GALILEO SECURITIES INC.	1.450	517,430	90.0	-	465,462
GENERAL MOTORS NOVA SCOTIA FINANCE CO	6.850	2,000,000	96.3	43,003	1,925,000
GMAC	6.875	3,000,000	95.0	90,521	2,850,000
MID OCEAN 2001-1A A1	6.556	899,375	99.8	-	897,224
NORTHWEST AIRLINES 1999-2A	7.575	14,269,694	99.9	-	14,251,059
NORTHWEST AIR LINES INC	7.935	3,121,046	100.0	68,793	3,121,046
NORTHWEST AIR LINES INC	7.041	7,406,677	95.3	243,369	7,054,860
NORTHWEST AIR LINES INC	6.841	11,900,000	95.8	384,426	11,394,250
SAXON ASSET SECURITIES TRUST	7.371	10,900,000	90.0	44,636	9,810,000
WASHINGTON MUTUAL INC	3.557	33,600,000	100.0	-	33,600,703
TOTAL CORPORATE BONDS		160,930,025		1,861,856	160,420,988
TOTAL BONDS SOLD		211,076,546		1,861,856	196,036,000

Commercial Paper Portfolio

JUNE 30, 2006

Description	Interest Rate	Cost	Interest	Maturity Value
BAVARIA FINANCE FUNDING	5.1	28,080,150	119,850	28,200,000
BEETHOVEN FUNDING CORPORATION	5.07	13,815,824	84,176	13,900,000
CATAPULT PMX FUNDING LLC	5.32	24,096,290	103,710	24,200,000
CHECK POINT CHARLIE INC	5.13	17,514,728	85,272	17,600,000
EAST-FLEET FINANCIAL	5.04	30,804,700	195,300	31,000,000
HANNOVER FUNDING	5.13	2,488,956	11,044	2,500,000
HANNOVER FUNDING	5.13	15,031,144	68,856	15,100,000
MICA FUNDING LLC	5.34	12,947,935	52,065	13,000,000
MORRIGAN TRR FUNDING	5.36	14,893,345	6,655	14,900,000
MORRIGAN TRR FUNDING	5.27	17,420,584	79,416	17,500,000
MORRIGAN TRR FUNDING	5.32	9,749,312	50,688	9,800,000
NEPTUNE FUNDING	5.33	4,985,194	14,806	5,000,000
WORLD OMNI VEHICLE LEASING	5.04	43,902,976	297,024	44,200,000
TOTAL COMMERCIAL PAPER		235,731,138	1,168,862	236,900,000

Alternative Investment Portfolio

Real Estate Portfolio

JUNE 30, 2006

Investment	Coupon	Cost
12th St & Bell Road		1,046,032
27th Ave & Georgia		235,645
29th Ave & Camelback		640,014
30th Avenue & Colter		999,315
32nd St & Van Buren		3,237,863
44th Ave & Northern		353,532
67th Avenue & Greenway East		910,028
Beazer Homes Roy's Place	11.00	674,085
Beazer Morning Sun Farms	11.00	280,580
Beazer Verrado	11.00	130,058
Cibola Vista (Engle)	11.00	145,048
Cibola Vista (Lennar)	11.00	73,753
Cimarron (Pivotal Debt)	9.20	14,813,533
Colorado	10.00	2,181,600
Colorado (Pivotal Debt)	9.20	9,211,200
Colorado II (Pivotal Debt)	9.20	5,373,200
Curtis	11.00	264,787
Desert Troon (Perimeter Center)		1,829,172
Desert Troon (Skyline Ranch Marketplace)		2,585,600
Equity Partnership (Nest Featherings)	9.25	739,454
Evans Ranch	11.00	286,490
Fairways		3,555,200
Fairways Corporate Center	9.00	8,520,360
GRAND INN - NOTE	10.00	527,267
Hassayampa		3,102,720
Highland Groves	11.00	37,625
Lennar Phoenix	11.00	785,365
OWH Berkana Development		64,640
OWH Berkana Holdings, LLC		64,640
Pebblecreek Properties	10.00	80,526
Peoria Town Center DTD dev7	9.00	7,312,400
Perimeter (224k Bldg)		5,171,200
Perimeter Center	9.00	11,206,960
Pivotal Cimarron, LLC	10.00	8,726,236
Pivotal Sandia, LLC	10.00	4,726,800
Pivotal Scottsdale 123, LLC	10.00	1,124,268
Pivotal Spa I, LLC		10,408,458
Power Marketplace I	9.00	2,121,000

73

Alternative Investment Portfolio

Investment	Coupon	Cost
Power Marketplace II	9.00	1,414,000
Power Ranch	11.00	309,264
Sandia (Pivotal Debt)	9.20	3,070,282
Savannah Estates	11.00	482,172
Scottsdale 123, LLC	9.20	363,600
Skyline Ranch Marketplace	9.00	3,070,400
Sossaman Estates - Member Capital	11.00	592,388
Sossaman Estates - Mez Loan	11.00	1,928,061
Torreon		2,682,560
Torreon GC		1,454,006
Tortosa	11.00	568,325
Townley Square	11.00	190,937
Trailside Point	9.00	399,152
Westpark	11.00	632,934
74 Whispering Canyon	13.00	1,391,502
Working Capital	5.00	64,640
Working Capital (Pivotal Debt)	9.20	38,376
TOTAL		132,199,250

Venture Capital Portfolio

June 30, 2006

Investment	Cost
NXTV, L.L.C.	12,616,365
Prospector Equity Capital	2,194,623
Valley Ventures III	15,153,628
Total	29,964,616

Real Estate Purchase and Sales

New Real Estate Projects

July 1, 2005 through June 30, 2006

Name	Coupon	Cost
12th St & Bell Road		1,046,032
27th Ave & Georgia		235,645
29th Ave & Camelback		640,014
30th Avenue & Colter		999,315
32nd St & Van Buren		3,237,863
44th Ave & Northern		353,532
67th Avenue & Greenway East		910,028
Beazer Homes Roy's Place	11.000	945,343
Beazer Morning Sun Farms	11.000	280,580
Beazer Verrado	11.000	138,205
Evans Ranch	11.000	295,511
Lennar Phoenix	11.000	2,317,101
Peoria Town Center DTD	9.000	7,312,400
Power Marketplace I	9.000	2,121,000
Power Marketplace II	9.000	1,414,000
Savannah Estates	11.000	547,497
Skyline Ranch Marketplace	9.000	3,070,400
Sossaman Estates - Mez Loan	11.000	1,928,061

75

Actuarial Section

Actuarial Section	1
Actuarial Section	2
Actuarial Section	3
Actuarial Section	4
Actuarial Section	5
Actuarial Section	6
Actuarial Section	7
Actuarial Section	8
Actuarial Section	9
Actuarial Section	10
Actuarial Section	11
Actuarial Section	12
Actuarial Section	13
Actuarial Section	14
Actuarial Section	15
Actuarial Section	16
Actuarial Section	17
Actuarial Section	18
Actuarial Section	19
Actuarial Section	20
Actuarial Section	21
Actuarial Section	22
Actuarial Section	23
Actuarial Section	24
Actuarial Section	25
Actuarial Section	26
Actuarial Section	27
Actuarial Section	28
Actuarial Section	29
Actuarial Section	30
Actuarial Section	31
Actuarial Section	32
Actuarial Section	33
Actuarial Section	34
Actuarial Section	35
Actuarial Section	36
Actuarial Section	37
Actuarial Section	38
Actuarial Section	39
Actuarial Section	40
Actuarial Section	41
Actuarial Section	42
Actuarial Section	43
Actuarial Section	44
Actuarial Section	45
Actuarial Section	46
Actuarial Section	47
Actuarial Section	48
Actuarial Section	49
Actuarial Section	50
Actuarial Section	51
Actuarial Section	52
Actuarial Section	53
Actuarial Section	54
Actuarial Section	55
Actuarial Section	56
Actuarial Section	57
Actuarial Section	58
Actuarial Section	59
Actuarial Section	60
Actuarial Section	61
Actuarial Section	62
Actuarial Section	63
Actuarial Section	64
Actuarial Section	65
Actuarial Section	66
Actuarial Section	67
Actuarial Section	68
Actuarial Section	69
Actuarial Section	70
Actuarial Section	71
Actuarial Section	72
Actuarial Section	73
Actuarial Section	74
Actuarial Section	75
Actuarial Section	76
Actuarial Section	77
Actuarial Section	78
Actuarial Section	79
Actuarial Section	80
Actuarial Section	81
Actuarial Section	82
Actuarial Section	83
Actuarial Section	84
Actuarial Section	85
Actuarial Section	86
Actuarial Section	87
Actuarial Section	88
Actuarial Section	89
Actuarial Section	90
Actuarial Section	91
Actuarial Section	92
Actuarial Section	93
Actuarial Section	94
Actuarial Section	95
Actuarial Section	96
Actuarial Section	97
Actuarial Section	98
Actuarial Section	99
Actuarial Section	100

Actuary's Certification Letter



November 10, 2006

The Fund Manager
Arizona Public Safety Personnel Retirement System
3010 East Camelback Road, Suite 200
Phoenix, Arizona 85016-4416

Attention: James Hacking, Administrator

The purpose of the annual actuarial valuations of the Arizona Public Safety Personnel Retirement System is to determine the liabilities and funding requirements for the participating groups. We certify that the June 30, 2006 annual actuarial valuations were made in accordance with recognized actuarial methods.

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

The actuarial assumptions were adopted by the Fund Manager based upon the recommendations of the actuary and the results of experience studies, the most recent of which covered the 5 year period ended June 30, 2003. The assumptions and methods conform to the parameters established in Governmental Accounting Standards Board Statement 25. Actuarial gains (losses) are amortized as level percents of payroll over 30 years.

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

On the basis of the June 30, 2006 valuation, it is our opinion that the liabilities of the Retirement System are being funded as incurred in accordance with sound actuarial principles.

Respectfully submitted,

A handwritten signature in cursive script that reads 'Sandra W. Rodwan'.

Sandra W. Rodwan
Member, American Academy of Actuaries

78



Actuarial Balance Sheet

JUNE 30, 2006

Actuarial Assets

Accrued Assets

Member Accumulated contributions	\$698,024,851	
Employer and benefit payment reserves	3,976,572,938	
Funding value adjustment	816,028,357	
Total accrued assets*		\$5,490,626,146

Prospective assets (computed value)

Member contributions	919,661,148	
Employer normal costs	1,269,576,382	
Employer unfunded actuarial accrued liability	1,495,100,930	
Total prospective assets		3,684,338,460

Total Actuarial Assets

\$9,174,964,606

***Includes \$490,714,741 reserve for payment of ad-hoc pension increases. The net funding value of assets is \$4,999,911,405.**

Actuarial Present Values (Liability)

Pensions in payment status

Service pensions	\$2,020,447,665	
Disability pensions	363,352,968	
Survivor pensions	261,603,028	
Health insurance	97,983,019	
Total Benefit values		\$2,743,386,680

Prospective pension payments and refunds
(Future retirements and terminations) 5,753,496,006

Prospective health insurance payments (future retirements) 186,598,989

Reserve for future pension increases 490,714,741

Stabilization reserve account 768,190

Total Actuarial Present Values (Liability) \$9,174,964,606

SUMMARY OF VALUATION METHODS

The **actuarial cost method** used for the valuation was the projected unit credit method. **Normal cost contributions** were computed as follows:

The series of contributions, payable from date of employment, sufficient to accumulate at time of retirement the discounted value of each member's projected pension and potential survivors pension was computed, using the assumptions summarized on the following pages, so that each contribution in the series is the portion of the actuarial present value allocated to the current year. The normal cost is expected to increase as accrued service increases..

Actuarial accrued liability was computed and financed as follows:

- (1) Retirants and beneficiaries. The discounted value of pensions likely to be paid retired members and their potential survivors were computed using the investment return and mortality assumptions. The computed amount was reduced by applicable valuation assets and the unfunded amount, if any, was amortized over an open period of 30 years.
- (2) Active members and former members. The actuarial accrued liability associated with service rendered prior to the valuation date, including experience gains and losses, was computed using the investment return, mortality and other factors outlined on the following pages. The computed amount was reduced by applicable valuation assets and the unfunded amount, if any, was amortized over an open period of 30 years. If valuation assets exceed the actuarial accrued liability, the excess was amortized over an open period of 20 years and applied as a credit toward the computed normal cost.

SUMMARY OF PLAN PROVISIONS

See Note 2 in the Notes to the Financial Statements.

SUMMARY OF VALUATION ASSUMPTIONS

Economic Assumptions

The rate of investment return used was 8.50 percent a year, compounded annually. This assumption was first used for the June 30, 2005 valuations. The assumption consists of 3.5% for assuming maturity and principal risks and 5.00% in recognition of inflation. These components, adopted by the Fund Manager, as recommended by the system's actuary, were revised for the June 30, 2005 annual valuations. This assumption is used to discount the value of future payments.

The rates of salary increase used are in accordance with the following graded table. These assumptions, adopted by the Fund Manager, as recommended by the System's actuary, were first used for the June 30, 2006 valuations. The assumption consists of 5.00% in recognition of inflation, a graded allowance for promotion and longevity, and .5% for other across-the-board factors.

Sample Annual Rates of Salary Increase

Age	Across-the-Board	Merit and Longevity	Other	Total
20	5.00%	0.00%	0.00%	5.00%
25	5.00%	0.00%	0.00%	5.00%
30	5.00%	0.00%	0.00%	5.00%
35	5.00%	0.00%	0.00%	5.00%
40	5.00%	0.00%	0.00%	5.00%
45	5.00%	0.00%	0.00%	5.00%
50	5.00%	0.00%	0.00%	5.00%
55	5.00%	0.00%	0.00%	5.00%
60	5.00%	0.00%	0.00%	5.00%
65	5.00%	-	.5	5.50
		-	.5	5.50

Demographic Assumptions

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

Disability Mortality Rates: 1971 Group Annuity Mortality Table Projected to 1984 (Male), female ages set back six years.

SOLVENCY TEST – Testing the financial solvency of a retirement system 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 system are level in concept and soundly executed, and if the system continues its present operations pattern for the indefinite future, the system will pay all promised benefits when due—the ultimate test of financial soundness.

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

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

In a system 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 system 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.

82

Aggregate Accrued Liabilities for

Valuation Date	(1) Active Member Contributions	(2) Retirants And Beneficiaries	(3) Active Members (Employer Financed Portion)	Valuation Assets Available for Benefits (2)	Portion of Accrued Liabilities Covered by Net Assets Available for Benefits		
					(1)	(2)	(3)
6-30-97	\$344,167	\$1,045,721	\$1,143,547	\$2,915,173	100.0%	100.0%	100.0%
6-30-98	\$368,729	\$1,140,194	\$1,235,075	\$3,192,627	100.0%	100.0%	100.0%
6-30-99	\$395,991	\$1,328,328	\$1,357,883	\$3,709,251	100.0%	100.0%	100.0%
6-30-00	\$418,847	\$1,524,355	\$1,471,955	\$4,260,168	100.0%	100.0%	100.0%
6-30-01	\$449,792	\$1,722,264	\$1,502,702	\$4,661,941	100.0%	100.0%	100.0%
6-30-02	\$495,565	\$1,905,916	\$1,742,730	\$4,684,386	100.0%	100.0%	100.0%
6-30-03	\$543,817	\$2,117,512	\$2,078,284	\$4,435,373	100.0%	100.0%	82.9%
6-30-04	\$594,479	\$2,323,470	\$2,249,383	\$4,774,313	100.0%	100.0%	82.5%
6-30-05	\$643,712	\$2,566,487	\$2,741,738	\$4,886,963	100.0%	100.0%	61.2%
6-30-06*	\$698,025	\$2,743,387	\$3,053,601	\$4,999,911	100.0%	100.0%	51.0%

* Includes changes in actuarial cost method.
See Schedule of Funding Progress in the Required Supplementary Information

Summary of Active Member Data

Listed below is a summary of Active Members by age group, years of service and annual compensation. The summary points out that 1,383 active members were eligible for retirement on June 30, 2006, compared to 1,363 for the prior year.

Attained Age	Years of Service to Valuation Date							Totals	
	0 - 4	5 - 9	10 - 14	15 - 19	20 - 24	25 - 29	30 Plus	No.	Valuation Payroll
< 20	6							6	\$218,979
20 - 24	896	3						899	\$38,043,866
25 - 29	2,021	580						2,601	\$127,435,068
30 - 34	1,503	1,765	370	3				3,641	\$206,647,551
35 - 39	860	1,392	1,227	358	4			3,841	\$244,571,496
40 - 44	421	535	770	1,069	285	9		3,089	\$215,327,001
45 - 49	166	238	354	619	501	167	2	2,047	\$154,717,787
50 - 54	71	82	118	257	172	136	32	868	\$64,693,858
55 - 59	24	34	47	101	40	19	9	274	\$18,438,649
60 - 69	9	4	13	25	4	3		58	\$3,590,967
70+								-	

83

Historical Active Member Data

Year Ended	Employer Units	Active Members	Total Payroll (+000)	Average Age	Average Years	Average Pay	Average Pay Increase
6-30-97	161	13,109	\$579,341	37.6	10.3	\$44,194	1.9%
6-30-98	167	13,635	\$625,222	37.8	10.3	\$45,854	3.8%
6-30-99	171	14,128	\$682,184	37.8	10.3	\$48,286	5.3%
6-30-00	181	14,886	\$751,280	37.7	10.0	\$50,469	4.5%
6-30-01	186	15,473	\$826,740	37.2	10.0	\$53,431	5.9%
6-30-02	194	15,557	\$854,249	36.9	9.4	\$54,911	2.8%
6-30-03	195	15,530	\$881,285	37.0	9.5	\$56,747	3.3%
6-30-04	199	15,852	\$911,718	37.1	9.5	\$57,517	1.4%
6-30-05	210	16,317	\$974,863	37.6	9.5	\$59,745	3.9%
6-30-06	216	17,324	\$1,073,685	37.4	9.0	\$61,977	3.7%

Summary of Retirants and Inactive Member Data

Retirants and Beneficiaries

Valuation Date	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
6/30/1996	67	318	4,250			\$94,897,897	10.9%	\$22,541
6/30/1997	81	311	4,480			\$104,374,026	10.0%	\$23,508
6/30/1998	75	335	4,740			\$115,542,977	10.7%	\$24,584
6/30/1999	73	423	5,090			\$132,364,761	14.6%	\$26,211
6/30/2000	84	436	5,442			\$152,227,372	15.0%	\$27,973
6/30/2001	89	429	5,782			\$170,281,580	11.9%	\$29,450
6/30/2002	91	298	5,989			\$184,212,972	8.2%	\$30,759
6/30/2003	104	299	6,184			\$207,616,176	12.7%	\$33,573
06/30/04**	119	331	6,396	\$5,951,348	\$22,497,533	\$224,162,361	8.0%	\$35,047
06/30/05**	103	395	6,688	\$3,095,916	\$23,228,295	\$244,294,740	9.0%	\$36,527
06/30/06**	164	450	6,974	\$4,721,490	\$13,926,144	\$265,826,712	8.8%	\$38,671

*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.

** Includes COLA

84

Inactive Members

JUNE 30, 2006

Attained Age	Service				Total
	0-4	5-9	10-14	15-19	
20-24	55				55
25-29	178	14			192
30-34	167	41	10		218
35-39	94	30	21	4	149
40-44	70	19	15	11	115
45-49	25	7	11	6	49
50-54	6	6	10	2	24
55-59	6	3	9	2	20
60-64	1		4		5
65-69			1		1
Totals	602	120	81	25	828

Schedule of Experience Gain \ (Loss)

YEAR ENDED JUNE 30

(\$ Thousands)

	2006	2005	2004	2003	2002
(1) UAAL at start of year*	1,064,974	393,020	(41,764)	(540,175)	(987,183)
(2) Normal cost	174,535	175,547	170,796	164,570	155,923
(3) Funding method contributions	202,835	(180,607)	(150,874)	(118,738)	(114,470)
(4) Interest accrual	89,320	34,168	(2,862)	(39,148)	(86,981)
(5) Expected UAAL before changes	1,125,994	422,128	(24,704)	(533,491)	(1,032,711)
(6) Change from amendments***	none	none	none	none	63,700
(7) Change from assumption revision	(79,201)	134,252	100,000	(346,003)	none
(8) Expected UAAL after changes	1,046,793	556,380	75,296	(879,494)	(969,011)
(9) Actual UAAL	1,495,101	1,064,974	393,020	(41,764)	(540,175)
(10) Gain(+)/Loss(-) (8)-(9)	(448,308)	(508,594)	(317,724)	(837,730)	(428,836)
(11) Percent of actuarial accrued liability**	7.5%	9.8%	6.7%	20.2%	11.7%

* Unfunded Actuarial Accrued Liability

** Actuarial Accrued Liability

*** Estimated

The background of the page is a collage of financial and time-related items. A large pocket watch is prominent in the lower-left quadrant, showing a time of approximately 10:10. To its right and above, a calculator is visible with the number '62656473A' on its display. A ruler is also present, running diagonally across the upper right. The overall color palette is a mix of warm and cool tones, with reds, oranges, and blues.

Statistical Section

Table of Contents

Financial Trends	88
Revenue	88
Disbursements	88
Demographics	89
Operating Information	90
Pension Benefits	90
Benefit Increases	91
Growth of the System	91
Employer Earnings Distribution	92
Refundable Member Reserves	97
Changes in Employer Reserves	94

Benefit Expenses By Type

Fiscal Year	Normal Benefits	Survivor Benefits	Disability Benefits	Deferred Benefits	Insurance Benefits	DROP Benefits	Totals
1997	\$80,218,238	\$8,079,674	\$10,871,547	\$40,185	\$3,194,484	-	\$102,404,128
1998	\$87,427,946	\$8,853,712	\$12,460,407	\$31,274	\$3,600,786	-	\$112,374,125
1999	\$97,398,707	\$9,883,152	\$14,628,479	\$34,071	\$3,934,962	-	\$125,879,371
2000	\$111,641,295	\$12,187,246	\$17,061,548	\$46,197	\$4,365,887	-	\$145,302,173
2001	\$126,279,381	\$14,049,906	\$19,543,264	\$53,946	\$4,801,247	-	\$164,727,744
2002	\$137,556,909	\$15,342,508	\$21,914,529	\$70,335	\$9,715,347	\$435,573	\$185,035,202
2003	\$151,170,457	\$20,135,779	\$24,102,353	\$81,550	\$11,196,923	\$3,028,175	\$209,715,238
2004	\$163,080,132	\$26,321,345	\$23,431,361	\$102,458	\$10,774,433	\$6,175,715	\$229,885,444
2005	\$176,394,304	\$25,357,132	\$28,883,283	\$131,285	\$11,417,919	\$15,265,160	\$257,449,083
2006	\$190,350,994	\$27,991,410	\$32,501,612	\$140,587	\$10,203,920	\$22,839,120	\$284,027,642

Revenues

88

FYE	Member Contributions	Employer Contributions	Insurance Premium Tax	Net Investment Income	Transferred From Other Plans	Total
1997	\$39,788,668	\$42,760,823	\$9,709,146	\$644,116,823	\$1,120,794	\$737,496,254
1998	\$43,094,843	\$38,287,697	\$7,033,235	\$750,793,356	\$1,185,939	\$840,395,070
1999	\$50,791,850	\$36,512,536	\$7,871,808	\$723,369,908	\$1,652,788	\$820,198,890
2000	\$51,610,481	\$38,645,798	\$8,245,094	\$588,132,626	\$1,793,291	\$688,427,290
2001	\$56,816,734	\$45,435,300	\$7,105,010	(\$895,995,528)	\$2,110,704	(\$784,527,780)
2002	\$59,503,252	\$44,518,693	\$7,464,714	(\$654,569,820)	\$9,396,119	(\$533,687,042)
2003	\$62,058,631	\$40,047,132	\$10,753,537	\$233,424,569	\$7,272,432	\$353,556,301
2004	\$63,978,505	\$68,058,390	\$10,941,740	\$562,613,259	\$9,177,386	\$714,769,280
2005	\$67,947,506	\$92,778,813	\$11,718,337	\$383,530,412	\$9,156,465	\$565,131,533
2006	\$75,616,322	\$121,561,838	\$5,656,848 *	\$379,512,079	\$10,533,585	\$592,880,672

* Changed accrual period from calendar year to fiscal year. According to previous practice amount would be \$11,313,696.

Disbursements

Fiscal Year	Benefits	Refunds	Administrative Expense	Transfer To Other Plans	Total Deductions	Change In System Net Assets
1997	102,404,128	2,866,764	540,899	237,792	106,049,583	631,446,671
1998	112,374,125	3,020,135	607,518	185,247	116,187,025	724,208,045
1999	125,879,371	3,317,624	624,710	92,023	129,913,728	690,285,162
2000	145,302,173	5,313,595	616,109	293,862	151,525,739	536,901,551
2001	164,727,744	6,051,785	679,372	501,851	171,960,752	(956,488,532)
2002	185,035,202	6,057,924	735,241	228,610	192,056,977	(725,744,019)
2003	209,715,238	6,422,965	812,332	385,905	217,336,440	136,219,862
2004	229,885,444	6,390,643	1,099,932	196,287	237,572,305	477,196,975
2005	257,449,083	7,647,443	1,599,784	128,407	266,824,717	298,306,816
2006	284,027,642	7,225,720	2,979,511	291,161	294,524,034	298,356,638

Demographics

Retired Member and Survivor Data

The following summary presents an analysis of the benefit changes that have taken place during the past 10 years. The number of retired members and the amount of annual pensions has increased at compounded annual rates of 3.8% and 9.3% over the last five years.

Year Ended June 30	Retired			Annual Pensions	Average Pension	Ratio of Active to Retired	
	Normal	Disability	Survivors Totals				
1997	3,240	573	627	4,440	\$104,374,026	\$23,508	3.0 to 1
1998	3,415	626	659	4,700	\$115,542,977	\$24,584	2.9 to 1
1999	3,655	694	701	5,050	\$132,364,761	\$26,211	2.8 to 1
2000	3,938	763	741	5,442	\$152,227,372	\$27,973	2.7 to 1
2001	4,182	826	774	5,782	\$170,281,580	\$29,450	2.7 to 1
2002	4,315	872	802	5,989	\$184,212,972	\$30,759	2.6 to 1
2003	4,419	912	853	6,184	\$207,616,176	\$33,573	2.5 to 1
2004	4,563	942	891	6,396	\$224,162,361	\$35,047	2.5 to 1
2005	4,733	1012	943	6,688	\$244,294,740	\$36,527	2.5 to 1
2006	4,935	1061	978	6,974	\$265,826,713	\$38,117	2.5 to 1

89

As of June 30, 2006

Pensions Being Paid*	Number	Annual Pensions	Average Pensions
Retired Members-Service Pensions	4,935	\$201,564,185	\$40,844
Disability Pensions	1,061	\$34,212,776	\$32,246
Totals	5,996	\$235,776,961	\$39,322
Survivors of Members- Spouses	932	\$28,894,785	\$31,003
Children with Guardians**	46	\$1,154,967	\$25,108
Totals	978	\$30,049,752	\$30,726
Total Pensions Being Paid	6,974	\$265,826,713	\$38,117

* Does not include DROP participants totaling 1,746 with annual pensions of \$88,105,680

** Does not include pensions payable to children whose parent is being paid a survivor pension.

Average Age and Years of Service

	Average Age	Average Service (yrs)	Average Age at Retirement (yrs)
Normal retired members	61.7	23.2	49.8
Disability retired members	54.0	14.2	43.3
Spouse beneficiaries	65.9	18.4	44.1
DROP Participants	53.5	25.4	50.9

Operating Information

Pension Benefits By Years Of Service

Service In Years	Normal		Disability		Survivors		DROP		Totals	
	No.	Average Pension	No.	Average Pension	No.	Average Pension	No.	Average Pension	No.	Annual Pensions
Children					46	25,108			46	1,154,967
0-4	3	30,813	82	24,272	90	32,489			175	5,006,744
5-9			221	27,758	67	32,763			288	8,329,702
10-14	11	14,389	276	30,647	81	31,140			368	11,139,221
15-19	58	28,133	294	32,588	113	30,584			465	14,668,450
20-24	3,216	35,568	106	37,039	405	28,534	587	37,285	4,314	151,753,808
25-29	1,268	49,180	72	49,274	121	34,573	951	54,440	2,412	121,864,549
30-34	348	60,641	10	57,462	48	38,399	197	69,195	603	37,152,287
35-39	27	58,909			7	30,650	8	72,763	42	2,387,190
40-44	3	57,856					3	77,805	6	406,985
45-49	1	68,490							1	68,490
Totals	4,935		1,061		978		1,746		8,720	353,932,393

90

Pension Benefits By Amounts

Pension In Dollars	Service	Disability	Survivors	DROP	Totals
Children			46		46
\$1 - \$499		2			2
\$500 - \$999	6	7	2		15
\$1,000 - \$1,999	58	97	108	26	289
\$2,000 - \$2,999	2,006	709	656	340	3,711
\$3,000 - \$3,999	1,830	200	110	513	2,653
\$4,000 +	1,035	46	56	867	2,004
Totals	4,935	1,061	978	1,746	8,720

Operating Information

Summary of Benefit Increases

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

Fiscal Year Ended	Excess Yield per Statute*	Excess Earnings Assets**	Excess Earnings	Monthly Benefit Increase Fundable	Maximum per Statutory 4% Cap	Lesser of Two Increase Awarded
06/30/97	2.07%	1,545,766,186	31,997,360	\$80.00	\$78.36	\$78.36
06/30/98	13.23%	1,876,344,607	248,240,392	\$1,335.00	\$81.95	\$81.95
06/30/99	8.70%	1,986,262,497	172,804,837	\$1,375.00	\$87.37	\$87.37
06/30/00	3.31%	2,182,040,163	72,225,529	\$1,490.00	\$93.24	\$93.24
06/30/01	0.00%	2,018,932,892	-	\$1,070.00	\$98.17	\$98.17
06/30/02	0.00%	1,698,146,115	-	\$750.00	\$102.53	\$102.53
06/30/03	0.00%	1,630,985,760	-	\$665.00	\$111.90	\$111.90
06/30/04	5.97%	1,801,505,617	107,495,840	\$765.00	\$116.82	\$116.82
06/30/05	0.11%	1,945,134,726	2,198,002	\$690.00	\$121.76	\$121.76
06/30/06	0.00%	2,109,106,646	-	\$700.00	\$127.06	\$127.06
Amount available: 7-1-07 increase			490,714,741			

91

Summary of Growth of System

Fiscal Year	Total Assets at Book	Realized Earnings from Investments	Assumed Actuarial Yield	Net Effective Yield	Average Employer Cost
1996-97	\$2,615,893,843	\$261,392,961	9.00%	11.07%	8.11%
1997-98	\$2,894,319,707	\$305,281,778	9.00%	11.73%	6.36%
1998-99	\$3,512,950,451	\$652,015,871	9.00%	22.66%	5.82%
1999-00	\$3,845,046,198	\$383,638,465	9.00%	10.99%	5.29%
2000-01	\$4,014,033,477	\$229,978,521	9.00%	6.02%	5.21%
2001-02	\$4,038,098,811	\$95,669,176	9.00%	2.40%	4.21%
2002-03	\$3,580,672,469	(\$359,783,581)	9.00%	(9.01%)	3.75%
2003-04	\$3,639,362,740	\$144,657,402	9.00%	4.08%	7.66%
2004-05	\$3,820,166,058	\$266,719,194	8.75%	7.41%	10.05%
2005-06	\$4,183,883,048	\$445,686,514	8.50%	11.78%	12.80%

Minimum contribution rates were established starting in the year 2000, computed contribution rates are before application of the minimum rates.

Employer Earnings Distribution

SYSTEM	EMPLOYER RESERVE 6/30/2005	EMPLOYER RESERVE 6/30/2006	MEMBER RESERVE 6/30/2005	MEMBER RESERVE 6/30/2006	COMBINED RESERVES	MEAN BALANCE	FAC-TOR	INVEST-MENT EARNINGS
Bisbee Fire	2,269,141	2,030,864	498,965	561,377	5,360,347	2,680,174	0.0007	313,232
Casa Grande Fire	4,834,592	4,632,408	1,094,740	1,168,486	11,730,226	5,865,113	0.0016	685,455
Casa Grande Police	8,145,598	7,920,926	2,115,106	2,100,723	20,282,353	10,141,177	0.0027	1,185,199
Chandler Fire	22,737,067	21,633,612	7,386,089	8,085,240	59,842,009	29,921,005	0.0079	3,496,866
Chandler Police	30,710,626	30,913,531	11,537,987	12,811,335	85,973,478	42,986,739	0.0114	5,023,857
Clifton Fire	356,086	329,696	44,767	44,767	775,315	387,657	0.0001	45,306
Dept. of Public Safety	353,522,721	331,438,469	23,139,790	24,606,483	732,707,463	366,353,732	0.0969	42,815,737
Douglas Fire	3,779,992	3,422,879	545,222	622,786	8,370,879	4,185,440	0.0011	489,152
Douglas Police	4,627,032	4,350,748	955,773	1,086,078	11,019,630	5,509,815	0.0015	643,932
Flagstaff Fire	21,918,482	20,129,518	4,143,214	4,150,653	50,341,866	25,170,933	0.0067	2,941,725
Flagstaff Police	15,125,381	14,118,583	2,987,051	2,990,833	35,221,848	17,610,924	0.0047	2,058,188
Glendale Fire	37,279,161	35,873,892	8,561,039	9,641,450	91,355,543	45,677,772	0.0121	5,338,358
Glendale Police	45,504,308	44,268,465	12,846,299	14,150,797	116,769,869	58,384,934	0.0154	6,823,443
Globe Fire	2,018,838	1,843,048	441,761	495,112	4,798,760	2,399,380	0.0006	280,415
Kingman Fire	4,812,020	4,754,638	1,731,113	1,904,311	13,202,081	6,601,041	0.0017	771,463
Maricopa Cnty Sheriff	113,036,417	107,328,291	22,996,478	24,759,700	268,120,887	134,060,443	0.0355	15,667,635
Mesa Fire	90,279,217	86,115,303	21,795,659	23,521,409	221,711,589	110,855,794	0.0293	12,955,709
Mesa Police	132,286,476	128,427,958	34,761,392	37,141,959	332,617,784	166,308,892	0.0440	19,436,509
Miami Fire	255,205	230,384	0	0	485,588	242,794	0.0001	28,375
Nogales Fire	3,623,390	3,402,281	1,010,351	1,129,941	9,165,963	4,582,982	0.0012	535,613
Phoenix Fire	418,356,413	396,653,751	86,043,309	92,642,753	993,696,227	496,848,113	0.1314	58,066,607
Phoenix Police	713,731,580	681,220,797	141,210,018	152,245,685	1,688,408,079	844,204,040	0.2233	98,662,071
Prescott Fire	12,097,580	11,088,585	2,400,744	2,605,969	28,192,878	14,096,439	0.0037	1,647,450
Prescott Police	8,156,825	7,730,166	2,078,360	2,168,903	20,134,253	10,067,127	0.0027	1,176,544
Scottsdale Police	64,876,268	62,532,245	14,977,366	16,419,515	158,805,395	79,402,697	0.0210	9,279,788
Sierra Vista Fire	6,325,313	6,075,973	1,583,063	1,762,764	15,747,113	7,873,556	0.0021	920,182
Tempe Fire	46,897,793	43,480,550	7,246,256	7,794,419	105,419,018	52,709,509	0.0139	6,160,157
Tempe Police	53,067,489	50,919,628	13,394,595	14,232,749	131,614,461	65,807,230	0.0174	7,890,887
Tucson Fire	155,968,988	144,711,561	22,925,103	23,454,667	347,060,319	173,530,160	0.0459	20,280,458
Tucson Police	225,617,646	216,030,839	34,886,226	36,211,253	512,745,964	256,372,982	0.0678	29,962,294
Winslow Fire	3,083,020	3,053,991	231,359	252,584	6,620,953	3,310,477	0.0009	386,895
Yuma Fire	19,142,663	17,432,453	3,645,492	3,806,732	44,027,340	22,013,670	0.0058	2,572,736
Yuma Police	25,420,456	24,030,284	5,167,756	5,593,628	60,212,125	30,106,063	0.0080	3,518,494
Yuma County Sheriff	7,973,310	7,504,520	1,535,974	1,682,531	18,896,335	9,348,167	0.0025	1,092,520
Game & Fish	27,833,772	25,465,936	4,840,983	5,361,975	63,302,666	31,651,333	0.0084	3,699,089
Sierra Vista Police	8,152,235	7,680,388	1,742,258	1,981,999	19,556,880	9,778,440	0.0026	1,142,806
Benson Police	932,968	890,246	249,309	268,940	2,341,463	1,170,731	0.0003	136,823
Bisbee Police	1,430,140	1,294,818	412,132	460,071	3,597,161	1,798,580	0.0005	210,200
Pima County Sheriff	94,399,935	89,768,525	9,360,223	10,007,543	203,536,226	101,768,113	0.0269	11,893,633
Kingman Police	5,626,750	5,479,027	1,408,996	1,503,230	14,018,003	7,009,001	0.0019	819,142
A.S.U. Campus Police	8,271,698	7,937,723	1,629,895	1,649,287	19,488,604	9,744,302	0.0026	1,138,816
Lake Havasu Fire	13,694,181	12,610,339	3,054,330	2,957,252	32,316,101	16,158,051	0.0043	1,888,390
Mohave Cnty Sheriff	8,898,201	8,707,002	2,052,252	2,258,170	21,915,624	10,957,812	0.0029	1,280,639
Bullhead City Fire	8,701,423	8,602,198	1,969,394	2,300,435	21,573,451	10,786,726	0.0029	1,260,644

Employer Earnings Distribution

SYSTEM	EMPLOYER RESERVE 6/30/2005	EMPLOYER RESERVE 6/30/2006	MEMBER RESERVE 6/30/2005	MEMBER RESERVE 6/30/2006	COMBINED RESERVES	MEAN BALANCE	FAC-TOR	INVEST-MENT EARNINGS
U of A Campus Police	4,869,760	4,570,375	1,197,292	1,359,216	11,996,644	5,998,322	0.0016	701,023
Cochise Cnty Sheriff	7,938,738	7,960,647	1,864,262	1,977,057	19,740,704	9,870,352	0.0026	1,153,547
Safford Police	2,031,172	2,030,237	466,253	538,070	5,065,732	2,532,866	0.0007	296,016
Drexel Heights Fire	3,912,683	3,900,682	1,703,081	1,859,837	11,376,284	5,688,142	0.0015	664,773
Winslow Police	2,334,063	2,221,458	454,895	490,340	5,500,755	2,750,378	0.0007	321,436
Payson Fire	1,706,056	1,719,402	665,070	743,304	4,833,832	2,416,916	0.0006	282,465
Payson Police	2,896,451	2,904,736	939,429	1,073,081	7,813,698	3,906,849	0.0010	456,593
Hualapai Valley Fire	1,104,659	919,139	387,709	371,577	2,783,084	1,391,542	0.0004	162,629
Fry Fire	4,599,007	4,261,368	901,560	723,278	10,485,212	5,242,606	0.0014	612,703
Fredonia Marshalls	194,104	171,304	46,435	40,740	452,583	226,292	0.0001	26,447
N.A.U. Police	2,577,194	2,328,875	361,851	345,032	5,612,952	2,806,476	0.0007	327,993
South Tucson Fire	1,050,338	981,902	250,370	279,976	2,562,586	1,281,293	0.0003	149,745
Avondale Fire	2,406,516	2,862,301	1,177,598	1,515,679	7,962,094	3,981,047	0.0011	465,265
Parker Police	1,057,651	1,050,804	255,424	211,194	2,575,073	1,287,537	0.0003	150,474
Coconino Cnty Sheriff	8,200,513	7,735,006	1,690,702	1,766,795	19,393,017	9,696,508	0.0026	1,133,230
Central Yavapai Fire	7,408,137	7,706,362	2,810,517	3,074,744	20,999,760	10,499,880	0.0028	1,227,120
Buckskin Fire	1,190,098	1,046,489	155,630	190,601	2,582,818	1,291,409	0.0003	150,927
Snowflake Police	661,992	704,318	245,076	231,414	1,842,800	921,400	0.0002	107,684
Cottonwood Police	1,440,394	1,970,463	512,124	627,095	4,550,076	2,275,038	0.0006	265,884
Lake Havasu Police	8,588,459	8,574,913	2,553,675	2,788,365	22,505,411	11,252,706	0.0030	1,315,103
South Tucson Police	599,426	525,990	359,473	424,110	1,908,999	954,499	0.0003	111,552
Apache Junction Police	5,784,015	5,679,092	1,703,862	1,643,375	14,810,345	7,405,172	0.0020	865,442
Navajo County Sheriff	4,561,962	4,148,028	883,022	870,082	10,463,094	5,231,547	0.0014	611,411
Mohave Valley Fire	1,341,140	1,333,430	483,175	554,679	3,712,425	1,856,212	0.0005	216,935
Peoria Fire	11,585,066	11,418,326	4,386,665	4,899,440	32,289,497	16,144,748	0.0043	1,886,836
Peoria Police	14,418,492	15,331,997	4,201,992	4,606,533	38,559,015	19,279,507	0.0051	2,253,195
Paradise Valley Police	5,838,209	5,640,725	1,529,733	1,438,117	14,446,785	7,223,392	0.0019	844,197
Willcox Police	924,837	847,495	181,141	210,584	2,164,056	1,082,028	0.0003	126,457
Show Low Police	1,836,150	2,045,803	506,367	595,551	4,983,871	2,491,935	0.0007	291,232
Eloy Police	1,778,419	1,876,717	804,282	909,666	5,369,084	2,684,542	0.0007	313,742
Nogales Police	4,674,713	4,636,057	1,325,798	1,481,860	12,118,428	6,059,214	0.0016	708,140
Gilbert Police	10,057,469	10,520,242	4,461,309	5,201,484	30,240,504	15,120,252	0.0040	1,767,103
Clifton Police	355,928	335,117	34,616	28,406	754,067	377,033	0.0001	44,064
Coolidge Police	2,013,323	1,998,413	672,712	668,733	5,353,180	2,676,590	0.0007	312,813
Holbrook Police	1,582,509	1,371,563	275,628	296,581	3,526,282	1,763,141	0.0005	206,058
Santa Cruz Cnty Deputy	2,568,984	2,734,358	939,943	1,103,537	7,346,822	3,673,411	0.0010	429,311
Prescott Valley Police	2,685,121	2,816,373	1,201,740	1,412,427	8,115,660	4,057,830	0.0011	474,238
Eagar Police	756,552	739,892	206,318	237,382	1,940,143	970,072	0.0003	113,372
Tolleson Police	1,706,978	1,707,034	460,046	566,189	4,440,247	2,220,124	0.0006	259,466
Florence Police	1,187,326	1,187,086	328,629	426,197	3,129,238	1,564,619	0.0004	182,857
Springerville Police	416,370	479,975	190,239	223,236	1,309,820	654,910	0.0002	76,539
El Mirage Police	1,558,953	1,441,861	687,470	662,027	4,350,311	2,175,156	0.0006	254,210
Superior Police	514,241	412,108	173,086	149,021	1,248,456	624,228	0.0002	72,954
San Luis Police	1,273,746	1,350,815	501,749	524,656	3,650,966	1,825,483	0.0005	213,344

Employer Earnings Distribution

SYSTEM	EMPLOYER RESERVE 6/30/2005	EMPLOYER RESERVE 6/30/2006	MEMBER RESERVE 6/30/2005	MEMBER RESERVE 6/30/2006	COMBINED RESERVES	MEAN BALANCE	FAC-TOR	INVEST-MENT EARNINGS
Page Police	1,882,023	1,676,820	279,909	309,350	4,148,102	2,074,051	0.0005	242,394
Page Fire	297,964	264,608	30,970	59,815	653,357	326,679	0.0001	38,179
Yavapai Cnty Sheriff	8,311,716	7,966,004	2,797,856	3,283,383	22,358,960	11,179,480	0.0030	1,306,545
Pima Police	119,800	99,977	19,161	11,982	250,921	125,460	0.0000	14,663
Apache Cnty Sheriff	2,068,873	1,984,787	797,302	774,979	5,625,940	2,812,970	0.0007	328,752
Cottonwood Fire	838,866	823,611	255,723	309,368	2,227,568	1,113,784	0.0003	130,168
La Paz Cnty Sheriff	3,184,786	3,038,799	972,781	1,013,144	8,209,509	4,104,754	0.0011	479,722
Pinal Cnty Sheriff	15,052,954	14,667,433	3,717,003	4,248,658	37,686,048	18,843,024	0.0050	2,202,183
Clarksdale Police	616,010	628,882	238,032	263,788	1,746,712	873,356	0.0002	102,069
Buckeye Police	1,756,145	2,460,255	691,394	798,673	5,706,466	2,853,233	0.0008	333,457
Marana Marshalls	3,708,717	3,950,097	1,476,610	1,775,195	10,910,619	5,455,310	0.0014	637,562
Tolleson Fire	1,069,278	1,086,690	608,248	712,425	3,476,641	1,738,320	0.0005	203,157
Chino Valley Police	1,220,180	1,293,953	649,306	732,324	3,895,763	1,947,882	0.0005	227,649
Surprise Police	4,381,526	4,746,810	1,853,166	2,112,750	13,094,252	6,547,126	0.0017	765,162
Welton Police	16,325	15,043	40,778	43,042	115,186	57,593	0.0000	6,731
Gila Cnty Sheriff	3,716,355	3,581,482	1,066,692	1,113,341	9,477,870	4,738,935	0.0013	553,839
Pinetop-Lakeside Police	1,285,139	1,194,613	267,763	334,611	3,082,125	1,541,062	0.0004	180,104
Bullhead City Police	7,714,346	8,056,769	3,024,189	3,154,877	21,950,182	10,975,091	0.0029	1,282,658
Williams Police	757,487	718,186	170,621	189,157	1,835,451	917,725	0.0002	107,255
Miami Police	380,922	354,896	73,382	82,916	892,115	446,058	0.0001	52,131
Thatcher Police	1,300,357	1,343,415	444,107	343,955	3,431,835	1,715,918	0.0005	200,539
Youngtown Police	566,083	566,006	182,232	222,148	1,536,470	768,235	0.0002	89,784
D.E.M.A.	3,088,955	3,162,925	1,056,590	986,398	8,294,866	4,147,433	0.0011	484,710
Surprise Fire	3,368,504	3,697,852	1,710,766	2,077,211	10,854,333	5,427,166	0.0014	634,273
Camp Verde Marshalls	944,045	895,520	322,687	328,857	2,491,109	1,245,554	0.0003	145,568
Oro Valley Police	5,676,574	5,947,569	2,415,313	2,575,461	16,614,918	8,307,459	0.0022	970,892
Greenlee Cnty Sheriff	1,345,540	1,333,950	406,736	359,224	3,445,451	1,722,725	0.0005	201,335
Tucson Airprt Auth. Fire	3,746,523	3,749,022	1,087,526	970,639	9,553,710	4,776,855	0.0013	558,271
Tucson Airprt Auth. PD	2,595,961	2,515,757	767,987	919,971	6,799,676	3,399,838	0.0009	397,339
Wickenburg Police	769,462	747,960	340,984	333,815	2,192,221	1,096,110	0.0003	128,102
El Mirage fire	844,260	858,534	285,136	351,358	2,339,289	1,169,644	0.0003	136,696
Patagonia Marshall	288,654	78,139	71,316	22,552	460,661	230,330	0.0001	26,919
Sedona Police	1,560,348	1,734,038	663,352	681,505	4,639,243	2,319,622	0.0006	271,094
Mammoth Police	25,262	50,374	102,403	117,198	295,238	147,619	0.0000	17,252
Globe Police	1,841,655	1,723,634	572,821	548,160	4,686,271	2,343,135	0.0006	273,842
Tombstone Police	259,029	(2,353)	111,338	62,932	430,946	215,473	0.0001	25,182
Golder Ranch Fire Dist.	3,696,331	3,898,404	1,699,000	2,024,604	11,318,340	5,659,170	0.0015	661,387
Fort Mohave Mesa Fire	2,241,098	2,307,715	855,534	923,311	6,327,657	3,163,829	0.0008	369,756
Goodyear Fire	2,228,196	2,523,374	1,352,284	1,670,528	7,774,382	3,887,191	0.0010	454,296
Goodyear Police	3,451,439	3,719,032	1,529,862	1,779,231	10,479,564	5,239,782	0.0014	612,373
Chino Valley Fire Dist.	1,376,512	1,459,635	607,942	724,250	4,168,339	2,084,169	0.0006	243,577
Avondale Police	3,996,377	4,242,864	1,679,941	1,920,011	11,839,193	5,919,596	0.0016	691,823
Graham Cnty Sheriff	863,896	713,793	352,872	328,812	2,259,373	1,129,687	0.0003	132,026

94

Employer Earnings Distribution

SYSTEM	EMPLOYER RESERVE 6/30/2005	EMPLOYER RESERVE 6/30/2006	MEMBER RESERVE 6/30/2005	MEMBER RESERVE 6/30/2006	COMBINED RESERVES	MEAN BALANCE	FAC- TOR	INVEST- MENT EARNINGS
Golden Valley Fire	984,114	969,983	328,525	287,020	2,569,643	1,284,821	0.0003	150,157
Daisy Mountain Fire	1,788,988	1,982,659	1,043,070	1,381,722	6,196,439	3,098,220	0.0008	362,089
Quartzsite Marshall	504,535	538,707	244,581	291,016	1,578,839	789,420	0.0002	92,259
Picturerock Fire	1,022,242	1,226,605	298,664	381,948	2,929,459	1,464,730	0.0004	171,183
Pima Cmnty Coll. PD	2,509,330	2,530,925	889,787	904,398	6,834,441	3,417,220	0.0009	399,370
Northwest Fire	8,440,752	8,546,401	3,448,760	4,110,817	24,546,731	12,273,365	0.0032	1,434,387
Apache Junction Fire	5,009,245	4,910,161	2,214,849	2,498,741	14,632,996	7,316,498	0.0019	855,079
Gilbert Fire	4,461,370	5,217,752	2,682,010	3,434,846	15,795,977	7,897,989	0.0021	923,037
Pine-Strawberry Fire	1,100,912	1,064,508	388,480	424,489	2,978,389	1,489,195	0.0004	174,042
Attmry Genrl Investgtr	5,258,425	4,858,973	1,219,175	1,304,292	12,640,866	6,320,433	0.0017	738,669
St. Johns Police	219,829	229,657	140,558	128,479	718,523	359,262	0.0001	41,987
Pima Cnty Attmry Invst	978,392	941,664	217,115	238,441	2,375,611	1,187,805	0.0003	138,819
Sun Lakes Fire Dist.	2,657,870	2,733,882	1,072,814	1,305,017	7,769,583	3,884,792	0.0010	454,015
Kearny Police	623,884	659,564	126,652	84,452	1,494,552	747,276	0.0002	87,334
Greenlee Cnty Atmry Invst	25,529	25,529	0	0	51,057	25,529	0.0000	2,984
Navajo Cnty Atty Invest	189,920	181,918	123	(0)	371,961	185,981	0.0000	21,736
AZ State Capitol Police	1,335,146	1,390,230	561,917	566,759	3,854,051	1,927,026	0.0005	225,211
Avra Valley Fire	624,716	648,775	206,033	271,807	1,751,331	875,666	0.0002	102,339
San Luis Fire	597,855	644,802	286,821	336,039	1,865,516	932,758	0.0002	109,011
AZ Dept. of Liquor/Licns	2,112,493	2,178,237	670,976	962,396	5,924,103	2,962,051	0.0008	346,175
Maricopa Cnty Atmry Invst	3,192,266	3,017,486	557,647	500,977	7,268,376	3,634,188	0.0010	424,727
Sedona Fire District	3,715,983	3,835,075	1,336,746	1,614,943	10,502,747	5,251,373	0.0014	613,728
Guadalupe Fire	312,068	306,368	203,863	213,887	1,036,186	518,093	0.0001	60,549
Mayer Fire District	492,072	441,793	209,387	221,503	1,364,755	682,378	0.0002	79,749
Somerton Police	587,059	654,931	248,836	311,916	1,802,742	901,371	0.0002	105,343
SunCity West Fire Distrct	3,922,504	3,884,763	1,614,881	1,802,488	11,224,636	5,612,318	0.0015	655,911
Somerton Fire	263,161	310,340	185,237	225,227	983,965	491,982	0.0001	57,498
Tubac Fire District	668,741	721,075	316,897	358,103	2,064,817	1,032,408	0.0003	120,657
LaPaz Cnty Attmry Invst	82,621	85,200	41,649	45,415	254,885	127,442	0.0000	14,894
Sahuarita Police	592,608	682,606	325,611	411,924	2,012,749	1,006,375	0.0003	117,615
Florence Fire Dept	226,351	273,133	92,843	93,945	686,272	343,136	0.0001	40,102
Sun City Fire Dept	5,332,970	5,751,282	4,481,678	4,626,776	20,192,706	10,096,353	0.0027	1,179,960
Hayden Police	103,330	107,648	35,278	38,651	284,908	142,454	0.0000	16,649
Gila River Fire Dept	1,715,765	1,465,596	1,059,071	1,003,517	5,243,950	2,621,975	0.0007	306,430
Gila River Police Dept	1,895,635	1,989,027	1,081,251	1,170,209	6,136,122	3,068,061	0.0008	358,564
SaltRiverPima-MaricpFire	2,838,986	3,244,724	1,287,899	1,554,477	8,926,086	4,463,043	0.0012	521,596
SaltRiverPima-MaricpPD	2,042,919	2,382,829	1,195,425	1,522,331	7,143,504	3,571,752	0.0009	417,430
Lakeside Fire District	308,987	324,802	166,139	203,452	1,003,381	501,690	0.0001	58,633
Pinetop Fire District	676,034	693,936	304,449	344,381	2,018,800	1,009,400	0.0003	117,968
Show Low Fire District	580,202	635,881	198,703	215,737	1,630,524	815,262	0.0002	95,280
Yavapai Cnty Attmry Inv.	257,240	229,957	72,700	72,861	632,759	316,379	0.0001	36,975
Three Points Fire Dist	368,732	296,575	165,084	189,568	1,019,960	509,980	0.0001	59,601
Buckeye Fire	1,177,036	1,365,068	517,190	705,609	3,764,903	1,882,452	0.0005	220,002

Employer Earnings Distribution

SYSTEM	EMPLOYER RESERVE 6/30/2005	EMPLOYER RESERVE 6/30/2006	MEMBER RESERVE 6/30/2005	MEMBER RESERVE 6/30/2006	COMBINED RESERVES	MEAN BALANCE	FAC- TOR	INVEST- MENT EARNINGS
Montezuma/Rimrock	211,937	226,559	107,764	123,778	670,038	335,019	0.0001	39,154
Heber-Overgaard Fire	159,718	180,846	100,644	148,531	589,739	294,870	0.0001	34,461
Diamond Star Fire	165,443	189,999	76,704	100,615	532,761	266,380	0.0001	31,132
Green Valley Fire	2,484,332	2,632,027	744,272	967,473	6,828,105	3,414,052	0.0009	399,000
Summit Fire	1,053,099	1,346,823	432,734	579,957	3,412,613	1,706,307	0.0005	199,416
Camp Verde Fire	626,766	727,145	213,716	292,745	1,860,372	930,186	0.0002	108,711
Fort McDowell Fire	534,136	408,429	206,382	196,510	1,345,458	672,729	0.0002	78,622
Fort McDowell Police	664,214	765,801	314,929	408,901	2,153,844	1,076,922	0.0003	125,860
Highlands Fire	795,686	865,616	293,331	365,277	2,319,909	1,159,954	0.0003	135,564
Rio Rico Fire	246,952	274,611	138,980	198,339	858,882	429,441	0.0001	50,189
Tri-City Fire	176,565	226,398	92,911	132,808	628,683	314,341	0.0001	36,737
Maricopa Park Rangers	686,500	736,874	235,159	112,864	1,771,397	885,698	0.0002	103,512
Verde Valley Fire	1,594,693	1,596,643	534,210	523,325	4,248,871	2,124,436	0.0006	248,283
AZ State Park Rangers	3,212,180	3,407,715	1,775,265	1,872,184	10,267,344	5,133,672	0.0014	599,972
Linden Fire	93,768	89,005	34,449	46,580	263,801	131,900	0.0000	15,415
Hualapai Tribal Police	68,305	98,986	54,264	61,902	283,457	141,728	0.0000	16,564
Pinewood Fire	484,948	517,261	60,441	85,288	1,147,939	573,969	0.0002	67,080
Rincon Valley Fire	208,357	247,118	79,114	124,334	658,923	329,462	0.0001	38,504
Tonopah Fire	61,501	65,131	31,039	55,851	213,522	106,761	0.0000	12,477
Jerome Police	23,344	37,119	12,141	19,901	92,505	46,252	0.0000	5,406
Fort Mojave Tribal Police	155,708	292,737	70,091	159,792	678,328	339,164	0.0001	39,638
Buckey Valley Fire	641,054	723,281	124,680	231,377	1,720,392	860,196	0.0002	100,531
Eloy Fire	110,548	211,527	46,029	89,970	458,074	229,037	0.0001	26,768
Pascua Yaqui Tribal Police	185,866	359,431	85,208	173,072	803,577	401,788	0.0001	46,957
Pascua Yaqui Tribal Fire	213,741	295,373	124,855	199,082	833,051	416,525	0.0001	48,679
Town of Superior Fire	32,844	45,446	14,305	22,055	114,650	57,325	0.0000	6,700
Wickenburg Fire	6,093	10,303	4,803	8,127	29,326	14,663	0.0000	1,714
Carefree Town Marshals	14,056	(0)	10,406	0	24,463	0	-	0
Black Canyon Fire Dist	34,722	32,291	20,406	36,708	124,127	62,063	0.0000	7,253
Graham County Atty Inv	105,680	109,657	33,689	37,478	286,504	143,252	0.0000	16,742
Quartzsite Fire	17,804	55,860	9,401	30,667	113,731	56,866	0.0000	6,646
Rio Verde Fire	80,986	381,653	67,389	214,760	744,787	372,394	0.0001	43,522
Scottsdale Fire	1,346,540	3,950,947	377,483	2,167,865	7,842,835	3,921,418	0.0010	458,296
Ak Chin Indian Fire	1,313,558	1,298,358	11,859	61,028	2,684,804	1,342,402	0.0004	156,886
Ak Chin Indian Police	622,346	683,011	8,285	60,549	1,374,189	687,095	0.0002	80,301
Corona De Tucs Fire Dist	0	79,499	0	30,860	110,359	55,180	0.0000	6,449
Golden Shores Fire Dist	0	103,926	0	32,620	136,547	68,273	0.0000	7,979
Maricopa Fire District	0	360,280	0	150,882	511,162	255,581	0.0001	29,870
Cave Creek Marshals	0	7,375	0	6,545	13,920	6,960	0.0000	813
TOTALS	3,176,453,593	3,043,965,276	643,712,465	698,024,851	7,562,156,184	3,781,065,861	1.0000	441,892,922

Refundable Member Reserves

For the Year Ended June 30, 2006

SYS	SYSTEM	BALANCES 6/30/2005	RESERVE TRANSFERS	CONTRIBUTIONS RECEIVED	WITHDRAWN MEMBERS	BALANCES 6/30/2006
001	BISBEE FIRE DEPARTMENT	498,964.90	0.00	62,411.79	0.00	561,376.69
002	CASA GRANDE FIRE DEPARTMENT	1,094,740.14	(117,628.77)	194,355.25	(2,980.92)	1,168,485.70
003	CASA GRANDE POLICE DEPARTMENT	2,115,106.46	(276,400.46)	313,775.13	(51,758.12)	2,100,723.01
004	CHANDLER FIRE DEPARTMENT	7,386,889.31	(313,760.02)	1,012,911.20	0.00	8,085,240.49
005	CHANDLER POLICE DEPARTMENT	11,537,986.58	(206,938.79)	1,580,018.18	(109,731.45)	12,811,334.52
006	CLIFTON FIRE DEPARTMENT	44,766.70	0.00	0.00	0.00	44,766.70
007	DEPARTMENT OF PUBLIC SAFETY	23,139,790.10	(905,748.00)	2,466,898.72	(94,457.97)	24,606,482.85
008	DOUGLAS FIRE DEPARTMENT	545,222.43	98.75	77,464.47	0.00	622,785.65
009	DOUGLAS POLICE DEPARTMENT	955,773.20	5,806.45	125,075.54	(577.35)	1,086,077.84
010	FLAGSTAFF FIRE DEPARTMENT	4,143,213.85	(429,090.30)	448,345.98	(11,816.84)	4,150,652.69
011	FLAGSTAFF POLICE DEPARTMENT	2,987,050.73	(445,820.33)	483,043.80	(33,440.95)	2,990,833.25
012	GLENDALE FIRE DEPARTMENT	8,561,039.42	2,443.14	1,087,812.29	(9,844.87)	9,641,448.98
013	GLENDALE POLICE DEPARTMENT	12,846,299.07	(265,876.10)	1,695,523.44	(125,149.16)	14,150,797.25
014	GLOBE FIRE DEPARTMENT	441,761.26	0.00	53,351.21	0.00	495,112.47
015	KINGMAN FIRE DEPARTMENT	1,731,112.71	(11,984.16)	206,809.82	(21,627.18)	1,904,311.19
016	MARICOPA COUNTY SHERIFF'S OFFICE	22,996,477.77	(984,452.49)	3,016,431.09	(269,756.27)	24,769,700.10
017	MESA FIRE DEPARTMENT	21,795,659.11	(458,737.25)	2,203,810.21	(19,322.86)	23,521,409.21
018	MESA POLICE DEPARTMENT	34,761,391.66	(1,791,197.40)	4,678,185.80	(506,421.16)	37,141,958.90
020	NOGALES FIRE DEPARTMENT	1,010,351.10	(8,552.05)	157,473.63	(29,331.44)	1,129,941.24
021	PHOENIX FIRE DEPARTMENT	86,043,309.20	(1,841,667.02)	8,444,176.60	(3,065.84)	92,642,752.94
022	PHOENIX POLICE DEPARTMENT	141,210,018.31	(4,513,142.64)	16,385,772.12	(836,963.25)	152,245,684.54
023	PRESCOTT FIRE DEPARTMENT	2,400,743.66	(79,531.11)	284,756.32	0.00	2,605,968.86
024	PRESCOTT POLICE DEPARTMENT	2,078,359.78	(195,304.65)	287,341.01	(1,493.32)	2,168,902.82
025	SCOTTSDALE POLICE DEPARTMENT	14,977,365.94	(612,575.00)	2,219,281.41	(164,557.06)	16,419,515.29
026	SIERRA VISTA FIRE DEPARTMENT	1,583,063.17	33,687.32	146,013.69	0.00	1,762,764.18
027	TEMPE FIRE DEPARTMENT	7,246,255.87	(259,080.22)	807,869.71	(626.64)	7,794,418.72
028	TEMPE POLICE DEPARTMENT	13,394,594.89	(747,715.67)	1,721,499.21	(135,629.52)	14,232,748.91
029	TUCSON FIRE DEPARTMENT	22,925,103.34	(1,305,058.13)	1,884,478.20	(49,856.11)	23,454,667.30
030	TUCSON POLICE DEPARTMENT	34,886,226.07	(2,114,706.11)	3,628,147.80	(189,414.40)	36,211,253.36
031	WINSLOW FIRE DEPARTMENT	231,358.81	0.00	21,225.25	0.00	252,584.06
032	YUMA FIRE DEPARTMENT	3,645,492.13	(208,658.41)	387,489.64	(17,591.59)	3,806,731.77
033	YUMA POLICE DEPARTMENT	5,167,756.27	(192,132.83)	649,201.26	(31,196.20)	5,593,628.50
034	YUMA COUNTY SHERIFF'S DEPT	1,535,974.02	(55,822.03)	249,240.03	(48,860.88)	1,682,531.34
035	GAME AND FISH DEPARTMENT	4,840,983.47	(701.39)	526,508.10	(4,815.53)	5,361,974.65
036	SIERRA VISTA POLICE DEPARTMENT	1,742,257.56	(24,471.06)	283,533.45	(19,320.81)	1,981,988.14
037	BENSON POLICE DEPARTMENT	249,308.66	0.00	33,357.22	(13,725.69)	268,940.19
038	BISBEE POLICE DEPARTMENT	412,131.78	0.00	53,957.01	(6,017.46)	460,071.33
039	PIMA COUNTY SHERIFF'S DEPT	9,360,222.85	(636,463.19)	1,359,360.56	(75,577.07)	10,007,543.15
040	KINGMAN POLICE DEPARTMENT	1,408,996.22	(65,431.75)	217,371.06	(57,705.67)	1,503,229.86
041	ASU CAMPUS POLICE	1,629,895.20	(188,954.20)	235,568.64	(27,222.88)	1,649,286.76
042	LAKE HAVASU CITY FIRE DEPARTMENT	3,054,329.77	(334,875.31)	237,797.89	0.00	2,957,252.35
043	MOHAVE COUNTY SHERIFF'S DEPT.	2,052,251.77	(133,307.37)	363,057.26	(23,831.65)	2,258,170.01
044	BULLHEAD CITY FIRE DEPARTMENT	1,989,384.33	1,717.08	329,323.81	0.00	2,300,435.32
045	U OF A CAMPUS POLICE DEPARTMENT	1,197,292.19	(44,888.98)	206,813.07	0.00	1,359,216.28
046	COCHISE COUNTY SHERIFF'S DEPT	1,884,262.31	(333,851.99)	475,977.68	(29,330.87)	1,977,057.14
047	SAFFORD POLICE DEPARTMENT	466,253.30	(4,294.25)	76,110.71	0.00	538,069.76
049	DREXEL HEIGHTS FIRE DISTRICT	1,703,081.27	(112,142.99)	281,244.42	(12,345.89)	1,859,836.81

Refundable Member Reserves

SYS	SYSTEM	BALANCES 6/30/2005	RESERVE TRANSFERS	CONTRIBUTIONS RECEIVED	WITHDRAWN MEMBERS	BALANCES 6/30/2006
050	WINSLOW POLICE DEPARTMENT	454,894.83	10,228.67	79,472.33	(54,255.80)	490,339.94
051	PAYSON FIRE DEPARTMENT	665,069.79	(35,641.20)	113,875.77	0.00	743,304.36
052	PAYSON POLICE DEPARTMENT	939,429.25	11,785.75	121,866.48	0.00	1,073,081.48
053	HUALAPAI VALLEY FIRE DISTRICT	387,709.14	(73,475.51)	88,911.80	(31,568.29)	371,577.14
054	FRY FIRE DISTRICT	901,559.57	(295,440.56)	127,998.72	(10,839.79)	723,277.94
055	FREDONIA MARSHALS	46,434.84	(15,079.87)	9,384.60	0.00	40,739.57
056	NAU CAMPUS POLICE	361,851.40	(66,610.58)	75,109.66	(25,318.98)	345,031.50
058	SOUTH TUCSON FIRE DEPARTMENT	250,366.93	(13,333.30)	42,939.16	0.00	279,975.79
059	AVONDALE FIRE DEPARTMENT	1,177,597.74	50,336.71	287,744.79	0.00	1,515,679.24
060	PARKER POLICE DEPARTMENT	255,423.69	(54,954.11)	33,829.02	(23,104.11)	211,194.49
061	COCONINO COUNTY SHERIFF'S DEPT	1,690,701.84	(196,898.03)	276,438.49	(3,447.19)	1,766,795.11
062	CENTRAL YAVAPAI FIRE DISTRICT	2,810,517.17	(362,366.60)	626,593.36	0.00	3,074,743.93
064	BUCKSKIN FIRE DISTRICT	155,630.21	0.00	34,970.62	0.00	190,600.83
065	SNOWFLAKE POLICE DEPARTMENT	245,075.53	(47,055.35)	33,394.07	0.00	231,414.25
066	COTTONWOOD POLICE DEPARTMENT	512,123.94	(90,007.10)	204,977.99	0.00	627,094.83
067	LAKE HAVASU CITY POLICE DEPT.	2,553,674.68	(109,712.03)	362,482.83	(18,080.97)	2,788,364.51
069	SOUTH TUCSON POLICE DEPARTMENT	359,472.93	0.00	64,637.03	0.00	424,109.96
070	APACHE JUNCTION POLICE DEPARTMENT	1,703,862.36	(241,670.14)	216,020.20	(34,837.26)	1,643,375.16
071	NAVAJO COUNTY SHERIFF'S DEPT.	883,022.23	(123,490.46)	131,684.75	(21,134.71)	870,081.81
072	MOHAVE VALLEY FIRE DISTRICT	483,175.05	(34,979.13)	106,483.28	0.00	554,679.20
073	PEORIA FIRE DEPARTMENT	4,386,665.03	(55,618.04)	568,392.53	0.00	4,899,439.52
074	PEORIA POLICE DEPARTMENT	4,201,992.12	(249,191.94)	689,214.59	(15,481.83)	4,606,532.94
076	PARADISE VALLEY POLICE DEPARTMENT	1,529,732.66	(236,807.60)	145,192.42	0.00	1,438,117.48
077	WILCOX POLICE DEPARTMENT	181,141.10	(3,053.89)	32,496.57	0.00	210,583.78
078	SHOW LOW POLICE DEPARTMENT	506,366.97	25,165.53	99,745.94	(35,727.44)	595,551.00
079	ELOY POLICE DEPARTMENT	804,282.32	2,483.90	123,096.29	(20,208.65)	909,665.86
080	NOGALES POLICE DEPARTMENT	1,323,798.01	(37,093.05)	194,072.50	(917.43)	1,481,860.03
081	GILBERT POLICE DEPARTMENT	4,461,308.83	(166,923.28)	961,334.63	(54,235.91)	5,201,484.27
083	CLIFTON POLICE DEPARTMENT	34,615.75	(985.54)	7,999.11	(13,223.31)	28,406.01
085	COOLIDGE POLICE DEPARTMENT	672,711.74	(74,806.73)	90,141.14	(19,313.29)	668,732.86
086	HOLBROOK POLICE DEPARTMENT	275,627.92	(27,006.71)	47,980.12	0.00	296,581.33
087	SANTA CRUZ COUNTY SHERIFF'S DEPT.	939,943.12	32,609.78	130,983.82	0.00	1,103,536.72
088	PRESCOTT VALLEY POLICE DEPARTMENT	1,201,739.80	(11,171.27)	223,662.78	(1,804.44)	1,412,426.87
089	EAGAR POLICE DEPARTMENT	206,317.61	20,462.42	33,518.47	(22,916.82)	237,381.68
090	TOLLESON POLICE DEPARTMENT	460,046.10	31,281.70	96,093.31	(21,232.13)	566,188.98
091	FLORENCE POLICE DEPARTMENT	328,629.13	14,711.35	82,856.69	0.00	426,197.17
092	SPRINGERVILLE POLICE DEPARTMENT	190,239.32	6,750.46	26,246.56	0.00	223,236.34
093	EL MIRAGE POLICE DEPARTMENT	687,470.40	(141,667.07)	150,819.49	(34,596.02)	662,026.80
094	SUPERIOR POLICE DEPARTMENT	173,086.41	(43,064.82)	18,999.62	0.00	149,021.21
095	SAN LUIS POLICE DEPARTMENT	501,748.86	(62,696.78)	111,698.65	(26,094.61)	524,656.12
096	PAGE POLICE DEPARTMENT	279,906.18	(25,788.58)	66,942.28	(11,712.93)	309,346.95
097	PAGE FIRE DEPARTMENT	30,970.40	0.00	28,844.26	0.00	59,814.66
098	YAVAPAI COUNTY SHERIFF'S DEPT.	2,797,856.49	(70,131.49)	577,920.77	(22,262.94)	3,283,382.83
100	PIMA POLICE DEPARTMENT	19,161.29	(10,357.33)	7,627.99	(4,449.82)	11,982.13
101	APACHE COUNTY SHERIFF'S DEPT.	797,301.62	(86,304.96)	107,240.72	(43,258.77)	774,978.61
102	COTTONWOOD FIRE DEPARTMENT	255,722.64	1,469.43	52,175.81	0.00	309,367.88
103	LA PAZ COUNTY SHERIFF'S DEPT.	972,780.71	(68,316.12)	108,679.09	0.00	1,013,143.68
104	PINAL COUNTY SHERIFF'S DEPARTMENT	3,717,002.75	(26,147.65)	642,639.18	(84,835.92)	4,248,658.36

Refundable Member Reserves

SYS	SYSTEM	BALANCES 6/30/2005	RESERVE TRANSFERS	CONTRIBUTIONS RECEIVED	WITHDRAWN MEMBERS	BALANCES 6/30/2006
105	CLARKDALE POLICE DEPARTMENT	238,032.17	0.00	25,735.89	0.00	263,768.06
106	BUCKEYE POLICE DEPARTMENT	691,394.36	(72,479.31)	239,750.49	(59,892.95)	798,672.59
107	MARANA POLICE DEPARTMENT	1,476,610.46	24,975.91	289,738.60	(16,129.70)	1,775,195.27
108	TOLLESON FIRE DEPARTMENT	608,247.88	(20,034.83)	124,211.68	0.00	712,424.71
109	CHINO VALLEY POLICE DEPARTMENT	649,306.41	(1,208.21)	99,424.78	(15,207.19)	732,323.79
110	SURPRISE POLICE DEPARTMENT	1,853,165.99	(89,337.45)	420,203.90	(71,262.40)	2,112,750.04
111	WELLTON POLICE	40,777.53	(6,842.09)	13,060.72	(3,954.45)	43,041.71
112	GILA COUNTY SHERIFF'S DEPARTMENT	1,066,691.87	(82,125.83)	130,452.74	(1,677.46)	1,113,341.32
113	PINETOP-LAKESIDE POLICE DEPT.	267,782.65	28,501.92	40,345.95	0.00	334,610.52
114	BULLHEAD CITY POLICE DEPARTMENT	3,024,188.89	(256,533.84)	408,935.94	(21,713.55)	3,154,877.44
115	WILLIAMS POLICE DEPARTMENT	170,621.15	0.00	39,243.43	(20,707.31)	189,157.27
116	MIAMI POLICE DEPARTMENT	73,381.91	0.00	16,332.92	(6,799.09)	82,915.74
117	THATCHER POLICE DEPARTMENT	444,107.16	(127,532.14)	27,380.43	0.00	343,955.45
118	YOUNGTOWN POLICE DEPARTMENT	182,231.79	0.00	39,918.48	0.00	222,148.28
119	DEPARTMENT OF EMER & MILITARY AFF	1,056,589.61	(218,869.74)	155,895.38	(7,217.51)	986,397.74
120	SURPRISE FIRE DEPARTMENT	1,710,765.84	478.11	365,966.86	0.00	2,077,210.81
121	CAMP VERDE MARSHAL'S	322,686.51	(30,920.17)	55,996.07	(18,906.15)	328,857.26
122	ORO VALLEY POLICE DEPARTMENT	2,415,312.97	(177,923.91)	339,853.08	(1,781.02)	2,575,461.12
123	GREENLEE COUNTY SHERIFF'S DEPT.	406,736.26	(47,871.39)	39,764.06	(39,404.59)	359,224.34
124	TUCSON AIRPORT AUTHORITY FIRE DPT	1,087,525.77	(211,244.68)	94,357.96	0.00	970,639.05
125	TUCSON AIRPORT AUTHORITY POLICE	767,986.92	26,899.86	127,244.98	(2,160.63)	919,971.13
126	WICKENBURG POLICE DEPARTMENT	340,984.09	(16,283.75)	43,353.07	(34,238.75)	333,814.66
127	EL MIRAGE FIRE DEPARTMENT	285,136.23	0.00	74,501.19	(8,278.98)	351,358.44
128	PATAGONIA MARSHALS	71,316.48	(52,622.02)	3,857.34	0.00	22,551.80
129	SEDONA POLICE DEPARTMENT	663,352.27	(97,133.57)	115,296.20	0.00	681,504.90
130	MAMMOTH POLICE DEPARTMENT	102,403.20	419.29	14,375.87	0.00	117,198.36
131	GLOBE POLICE DEPARTMENT	572,821.44	(75,220.15)	65,967.17	(15,408.18)	548,160.28
132	TOMBSTONE MARSHAL'S DEPARTMENT	111,338.06	(59,171.98)	21,658.71	(10,892.75)	62,932.04
133	GOLDER RANCH FIRE DISTRICT	1,699,000.29	(2,568.97)	344,239.99	(16,067.22)	2,024,604.09
134	FORT MOJAVE MESA FIRE DISTRICT	855,533.62	(74,997.96)	158,374.75	(15,599.09)	923,311.32
136	GOODYEAR FIRE DEPARTMENT	1,352,284.48	2,063.63	316,180.04	0.00	1,670,528.15
137	GOODYEAR POLICE DEPARTMENT	1,529,862.11	(70,444.37)	319,813.46	0.00	1,779,231.20
138	CHINO VALLEY FIRE DISTRICT	607,941.86	0.00	116,308.52	0.00	724,250.38
139	AVONDALE POLICE DEPARTMENT	1,679,940.90	30,070.11	349,615.96	(139,616.20)	1,920,010.77
140	GRAHAM COUNTY SHERIFF'S DEPT.	352,871.69	(77,914.95)	53,855.33	0.00	328,812.07
142	GOLDEN VALLEY FIRE DISTRICT	328,525.09	(39,867.92)	49,796.99	(51,434.54)	287,019.62
143	DAISY MOUNTAIN FIRE DISTRICT	1,043,069.50	0.00	338,652.74	0.00	1,381,722.24
144	QUARTZSITE POLICE DEPARTMENT	244,581.19	926.30	45,508.48	0.00	291,015.97
145	PICTURE ROCKS FIRE DISTRICT	298,664.41	43,676.89	48,715.08	(8,108.82)	381,947.56
146	PIMA COUNTY COMM. COLLEGE POLICE	889,787.26	(68,795.41)	87,170.00	(3,763.66)	904,398.19
147	NORTHWEST FIRE DISTRICT	3,448,760.19	15,677.92	680,932.60	(34,553.23)	4,110,817.48
148	APACHE JUNCTION FIRE DISTRICT	2,214,849.35	(98,923.58)	397,826.67	(14,811.47)	2,498,740.99
149	GILBERT FIRE DEPARTMENT	2,682,009.62	91,787.05	661,049.71	0.00	3,434,846.38
150	PINE-STRAWBERRY FIRE DISTRICT	388,479.93	(33,115.67)	89,124.69	0.00	424,488.95
151	ATTORNEY GENERAL INVESTIGATORS	1,219,175.42	4,112.29	81,004.64	0.00	1,304,292.35
153	ST. JOHNS POLICE DEPARTMENT	140,557.80	(100.67)	24,414.01	(36,392.44)	128,478.70
154	PIMA COUNTY ATTORNEY INVESTIGATOR	217,114.64	0.00	21,326.08	0.00	238,440.73
155	SUN LAKES FIRE DISTRICT	1,072,814.05	(11,593.77)	243,796.44	0.00	1,305,016.72

Refundable Member Reserves

SYS	SYSTEM	BALANCES 6/30/2005	RESERVE TRANSFERS	CONTRIBUTIONS RECEIVED	WITHDRAWN MEMBERS	BALANCES 6/30/2006
156	KEARNY POLICE DEPARTMENT	126,651.95	(50,760.14)	8,560.37	0.00	84,452.18
157	GREENLEE CNTY ATTY INVESTIGATORS	0.00	0.00	0.00	0.00	0.00
158	NAVAJO COUNTY ATTY'S INVESTIGATOR	123.30	(752.15)	628.85	0.00	(0.00)
160	ARIZONA STATE CAPITOL POLICE	561,916.82	(68,586.66)	96,683.08	(23,254.37)	566,758.87
162	AVRA VALLEY FIRE DISTRICT	206,032.92	(2,528.13)	68,302.58	0.00	271,807.37
163	SAN LUIS FIRE DEPARTMENT	286,820.67	(9,980.44)	70,248.26	(11,049.77)	336,038.72
164	AZ DPT. LIQ. LIC. & CONTROL INVST	670,976.25	41,855.03	246,364.92	0.00	962,396.20
165	MARICOPA CNTY ATTY INVESTIGATORS	557,647.01	(116,474.93)	59,805.35	0.00	500,977.43
166	SEDONA FIRE DISTRICT	1,336,745.99	(54,893.61)	368,754.55	(36,463.52)	1,614,943.41
167	GUADALUPE FIRE DEPARTMENT	203,863.25	(19,950.36)	29,973.67	0.00	213,886.56
168	MAYER FIRE DISTRICT	209,387.11	(23,261.69)	46,352.05	(11,174.50)	221,302.97
169	SOMERTON POLICE DEPARTMENT	248,836.32	6,227.51	56,851.94	0.00	311,915.77
170	SUN CITY WEST FIRE DISTRICT	1,614,881.14	(88,987.14)	276,594.14	0.00	1,802,488.14
171	SOMERTON FIRE DEPARTMENT	185,237.23	(9,538.63)	49,528.36	0.00	225,226.96
172	TUBAC FIRE DISTRICT	316,897.10	(23,694.56)	64,900.06	0.00	358,102.60
173	LA PAZ COUNTY ATTY. INVESTIGATORS	41,648.87	0.00	3,765.78	0.00	45,414.65
174	SAHUARITA POLICE DEPARTMENT	325,611.18	9,053.76	87,088.95	(9,829.70)	411,924.19
176	FLORENCE FIRE DEPARTMENT	92,843.11	1,760.46	34,965.99	(35,624.84)	93,944.72
177	SUN CITY FIRE DISTRICT	4,481,678.26	(171,297.34)	316,394.66	0.00	4,626,775.58
178	HAYDEN POLICE DEPARTMENT	35,278.18	(9,125.91)	12,498.82	0.00	38,651.09
179	GILA RIVER FIRE DEPARTMENT	1,059,071.06	(187,570.75)	217,415.92	(85,399.46)	1,003,516.74
180	GILA RIVER POLICE DEPARTMENT	1,081,250.86	(50,311.57)	236,016.23	(96,746.63)	1,170,208.89
181	SALT RIVER PIMA-MARICOPA FIRE	1,287,898.56	1,994.84	304,743.08	(40,159.46)	1,554,477.00
182	SALT RIVER PIMA-MARICOPA POLICE	1,195,424.72	(12,250.04)	393,449.92	(54,293.23)	1,522,331.37
183	LAKE SIDE FIRE DISTRICT	166,138.75	(3,161.94)	53,224.36	(12,748.77)	203,452.40
185	PINETOP FIRE DISTRICT	304,448.69	(35,311.24)	86,102.58	(10,859.19)	344,380.84
186	SHOW LOW FIRE DISTRICT	198,703.47	(47,041.19)	64,075.13	0.00	215,737.41
187	YAVAPAI CNTY ATTRNY INVESTIGATORS	72,700.33	0.00	160.46	0.00	72,860.79
188	THREE POINTS FIRE DISTRICT	165,083.77	(36,063.89)	60,548.44	0.00	189,568.32
190	BUCKEYE FIRE DEPARTMENT	517,189.57	4,054.70	184,364.95	0.00	705,609.22
191	MONTEZUMA RIMROCK FIRE DISTRICT	107,763.64	(3,202.95)	29,438.63	(10,221.06)	123,778.26
192	HEBER-OVERGAARD FIRE DISTRICT	100,643.75	0.00	47,886.97	0.00	148,530.72
193	DIAMOND STAR FIRE DISTRICT	76,703.72	0.00	23,911.43	0.00	100,615.15
194	GREEN VALLEY FIRE DISTRICT	744,272.31	0.00	223,200.84	0.00	967,473.15
195	SUMMIT FIRE DISTRICT	432,733.50	64,392.10	91,542.89	(8,711.27)	579,957.22
196	CAMP VERDE FIRE DISTRICT	213,715.76	(4,484.29)	83,513.48	0.00	292,744.95
197	FORT MCDOWELL TRIBAL FIRE DEPT.	206,382.35	(46,020.38)	48,426.50	(13,278.19)	196,510.28
198	FORT MCDOWELL TRIBAL POLICE DEPT.	314,929.23	0.00	93,971.34	0.00	408,900.57
199	HIGHLANDS FIRE DISTRICT	293,331.05	(12,445.91)	84,391.65	0.00	365,276.79
200	RIO RICO FIRE DISTRICT	138,980.33	(16,737.50)	76,096.11	0.00	198,338.94
201	TRI-CITY FIRE DISTRICT	92,910.73	0.00	39,887.70	0.00	132,808.43
202	MARICOPA COUNTY PARK RANGERS	235,159.05	(128,041.86)	5,747.09	0.00	112,864.28
203	VERDE VALLEY FIRE DISTRICT	534,210.36	(107,137.72)	96,252.69	0.00	523,325.33
204	ARIZONA STATE PARK RANGERS	1,775,264.81	(42,723.57)	139,642.82	0.00	1,872,184.06
205	LINDEN FIRE DISTRICT	34,448.95	0.00	13,456.84	(1,326.08)	46,579.71
206	HUALAPAI INDIAN TRIBE POLICE DEPT	54,263.50	0.00	29,841.82	(22,302.93)	61,802.39
207	PINEWOOD FIRE DISTRICT	60,441.11	(12,156.39)	42,444.10	(5,440.62)	85,288.20
208	RINCON VALLEY FIRE DISTRICT	79,114.36	(10,765.62)	58,802.58	(2,816.85)	124,334.47

Refundable Member Reserves

SYS	SYSTEM	BALANCES 6/30/2005	RESERVE TRANSFERS	CONTRIBUTIONS RECEIVED	WITHDRAWN MEMBERS	BALANCES 6/30/2006
209	TONOPAH FIRE DISTRICT	31,039.12	(2,768.37)	27,380.01	0.00	55,850.76
210	JEROME POLICE DEPARTMENT	12,141.32	0.00	7,759.57	0.00	19,900.89
211	FORT MOJAVE TRIBAL POLICE DEPT.	70,090.97	23,748.98	74,940.59	(8,988.83)	159,791.71
212	BUCKEYE VALLEY FIRE DISTRICT	124,679.62	(11,375.95)	118,073.77	0.00	231,377.44
213	ELOY FIRE DISTRICT	46,028.50	0.00	43,941.53	0.00	89,970.03
214	PASCUA YAQUI TRIBE FIRE DEPT.	85,207.97	1,433.42	86,431.07	0.00	173,072.46
215	PASCUA YAQUI TRIBE POLICE DEPT.	124,855.01	(26,971.80)	105,554.34	(4,355.63)	199,081.92
216	TOWN OF SUPERIOR (FIRE DEPT)	14,304.93	0.00	7,750.29	0.00	22,055.22
217	WICKENBURG FIRE DEPARTMENT	4,803.09	0.00	3,323.71	0.00	8,126.80
218	CAREFREE TOWN MARSHALS	10,406.29	(11,536.06)	1,129.77	0.00	0.00
219	BLACK CANYON FIRE DISTRICT	20,405.54	(7,630.11)	23,932.56	0.00	36,707.99
220	GRAHAM COUNTY ATTORNEY INVEST.	33,689.02	0.00	3,788.87	0.00	37,477.89
221	QUARTZSITE FIRE DISTRICT	9,400.60	0.00	21,266.17	0.00	30,666.77
222	RIO VERDE FIRE DISTRICT	67,388.55	75,922.73	74,824.70	(3,376.43)	214,759.55
223	SCOTTSDALE FIRE DEPARTMENT	377,483.21	284,191.23	1,512,964.42	(6,773.79)	2,187,865.07
224	AK CHIN INDIAN COMM. FIRE DEPT.	11,859.04	(3,272.01)	52,441.33	0.00	61,028.36
225	AK CHIN INDIAN COMM. POLICE DEPT.	8,284.55	8,555.48	43,708.54	0.00	60,548.57
226	CORONA DE TUCSON FIRE DISTRICT	0.00	0.00	30,859.88	0.00	30,859.88
227	GOLDEN SHORES FIRE DISTRICT	0.00	11,943.93	20,676.43	0.00	32,620.36
228	MARICOPA FIRE DISTRICT	0.00	102,423.55	70,080.85	(21,822.68)	150,681.72
229	CAVE CREEK MARSHALS	0.00	0.00	6,544.91	0.00	6,544.91
212	TOTALS	843,712,464.56	(25,812,294.91)	85,024,821.40	(4,900,140.30)	698,024,850.75

Employer Reserves

Changes in Employer Reserves

102

SYS NO.	SYSTEM	BALANCES 6/30/2005	RESERVE TRANSFERS	CONTRIBUTION RECEIVED	FIRE TAX RECEIVED
					0.00
002	CASA GRANDE FIRE DEPARTMENT	4,834,592.00	114,034.77	275,759.40	27,894.10
					0.00
004	CHANDLER FIRE DEPARTMENT	22,737,066.77	143,354.83	(126,226.80)	364,867.90
					0.00
006	CLIFTON FIRE DEPARTMENT	356,085.85	0.00	(911.67)	911.67
					0.00
008	DOUGLAS FIRE DEPARTMENT	3,779,992.14	5,401.91	201,259.10	6,935.15
					0.00
010	FLAGSTAFF FIRE DEPARTMENT	21,918,482.08	439,174.30	356,366.87	90,658.38
					0.00
012	GLENDALE FIRE DEPARTMENT	37,279,161.40	232.04	597,391.18	244,686.20
					0.00
014	GLOBE FIRE DEPARTMENT	2,018,838.30	0.00	73,713.64	5,418.57
015	KINGMAN FIRE DEPARTMENT	4,812,019.75	(27,354.84)	242,185.77	25,695.30
					0.00
017	MESA FIRE DEPARTMENT	90,279,217.29	106,490.25	1,089,070.00	556,351.00
					0.00
					0.00
020	NOGALES FIRE DEPARTMENT	3,623,389.70	(17,020.95)	231,721.93	18,478.66
021	PHOENIX FIRE DEPARTMENT	418,356,413.49	2,618,577.51	7,305,516.72	1,959,202.74
					0.00
023	PRESCOTT FIRE DEPARTMENT	12,097,579.98	84,623.21	304,047.30	85,884.27
					0.00
					0.00
026	SIERRA VISTA FIRE DEPARTMENT	6,325,312.84	82,632.68	(37,417.38)	37,417.38
027	TEMPE FIRE DEPARTMENT	46,897,792.94	326,979.62	231,807.69	295,675.91
					0.00
029	TUCSON FIRE DEPARTMENT	155,968,987.83	1,632,868.29	4,575,294.47	525,037.42
					0.00
031	WINSLOW FIRE DEPARTMENT	3,083,019.56	0.00	880.21	4,668.72
032	YUMA FIRE DEPARTMENT	19,142,662.58	185,870.41	765,108.12	60,020.75
					0.00
					0.00
					0.00
					0.00
					0.00
					0.00
038	BISBEE POLICE DEPARTMENT	1,430,139.75	0.00	185,852.05	0.00

Employer Reserves

As of June 30, 2006

PENSION PAYMENT	DROP PAYMENT	ENHANCED REFUNDS	DISTRIBUTION OF EARNINGS	BALANCES 6/30/2006	UNFUNDED ACCRUED NORMAL COSTS 6/30/2005
					2,825,529.54
					2,328,923.00
					4,564,722.34
(809,464.16)	(311,118.16)	0.00	3,496,865.86	25,495,346.24	576,227.80
(1,894,014.66)	(303,531.27)	(67,685.05)	5,023,857.39	35,937,388.73	9,583,703.90
(25,478.52)	0.00	0.00	45,305.50	375,912.83	(142,313.14)
(34,654,343.28)	(1,718,840.44)	(61,125.48)	42,815,736.81	374,254,206.26	109,564,698.46
					2,564,585.32
(513,666.28)	0.00	0.00	643,931.74	4,994,679.30	1,871,855.52
(1,730,639.41)	(853,866.14)	0.00	2,941,725.32	23,161,901.40	5,290,809.02
(1,735,137.43)	(233,509.05)	0.00	2,058,187.54	16,176,770.36	7,556,487.54
(2,002,892.41)	0.00	0.00	5,338,358.19	41,456,936.60	4,561,083.24
(4,394,316.09)	(213,779.24)	(11,159.72)	6,823,443.48	51,091,907.99	22,117,416.96
(249,503.87)	0.00	0.00	280,415.39	2,128,882.03	709,208.00
(272,213.04)	0.00	0.00	771,463.19	5,551,796.13	1,311,320.52
(38,266,390.44
)					16,429,747.14
(9,864,702.02)	(447,532.90)	(301,907.94)	19,436,509.40	147,864,467.17	30,382,117.50
					(109,013.00)
(429,956.10)	0.00	(5,853.38)	535,612.76	3,956,372.62	1,804,517.24
					111,011,705.42
(219,712,813.36
(1,175,955.24)	(221,709.76)	0.00	1,647,449.91	12,821,919.67	6,370,665.56
(1,362,319.73)	(7,609.86)	0.00	1,176,544.42	8,906,710.20	9,244,709.80
(5,265,067.02)	(185,155.93)	(99,163.41)	9,279,788.07	71,812,033.39	15,116,891.40
(294,555.36)	0.00	0.00	920,182.04	7,033,572.20	(347,487.66)
(3,218,544.71)	(757,485.20)	0.00	6,160,156.89	49,936,383.14	7,625,000.68
(5,413,415.92)	(230,279.94)	(25,393.22)	7,690,886.73	58,610,514.75	25,952,662.70
(14,555,700.39)	(2,870,653.22)	(39,236.38)	20,280,458.47	165,517,056.49	56,894,227.76
(20,315,336.91)	(1,399,527.28)	(130,909.77)	29,962,293.77	245,993,132.36	78,173,454.38
					(2,854,856.00)
(2,316,356.07)	(337,795.36)	(7,036.64)	2,572,736.16	20,065,209.95	8,794,172.86
(2					3,899,372.90
(994,267.14)	0.00	(8,167.71)	1,092,519.71	8,597,039.26	3,289,843.70
(3,911,865.80)	0.00	0.00	3,699,089.24	29,165,025.51	21,123,941.98
(793,800.64)	0.00	(7,486.50)	1,142,805.63	8,823,193.22	3,368,262.80
(93,665.52)	0.00	(3,431.42)	136,823.30	1,027,069.13	384,340.90
(321,173.89)	0.00	0.00	210,199.97	1,505,017.88	2,265,966.70

Employer Reserves

SYS NO.	SYSTEM	BALANCES 6/30/2005	RESERVE TRANSFERS	CONTRIBUTION RECEIVED	FIRE TAX RECEIVED
					0.00
					0.00
					0.00
042	LAKE HAVASU CITY FIRE DEPARTMENT	13,694,180.68	22,031.31	4,107.06	98,309.24
					0.00
044	BULLHEAD CITY FIRE DEPARTMENT	8,701,423.43	4,184.92	183,344.66	42,202.28
					0.00
					0.00
					0.00
049	DREXEL HEIGHTS FIRE DISTRICT	3,912,683.41	(181,822.01)	201,019.07	30,541.16
					0.00
051	PAYSON FIRE DEPARTMENT	1,706,056.19	49,771.13	55,068.48	29,724.62
					0.00
053	HUALAPAI VALLEY FIRE DISTRICT	1,104,659.19	(218,420.16)	133,100.43	8,905.18
054	FRY FIRE DISTRICT	4,599,007.08	71,595.56	126,224.31	16,610.23
					0.00
					0.00
					0.00
					0.00
					0.00
					0.00
					0.00
062	CENTRAL YAVAPAI FIRE DISTRICT	7,408,137.34	362,366.60	300,492.41	76,616.34
064	BUCKSKIN FIRE DISTRICT	1,190,097.92	0.00	64,533.66	8,568.18
					0.00
					0.00
					0.00
					0.00
					0.00
					0.00
					0.00
072	MOHAVE VALLEY FIRE DISTRICT	1,341,140.14	(47,712.11)	40,002.25	6,434.69
073	PEORIA FIRE DEPARTMENT	11,585,065.85	118,092.04	30,944.43	181,874.30
					0.00
					0.00
					0.00
					0.00
					0.00
					0.00
					0.00
					0.00
085	COOLIDGE POLICE DEPARTMENT	2,013,322.59	24,883.73	128,319.04	0.00

Employer Reserves

PENSION PAYMENT	DROP PAYMENT	ENHANCED REFUNDS	DISTRIBUTION OF EARNINGS	BALANCES 6/30/2006	UNFUNDED ACCRUED NORMAL COSTS 6/30/2005
(9,569,594.91)	(321,993.40)	(31,039.98)	11,893,632.73	101,662,157.37	30,081,416.96
					2,550,187.72
					1,293,428.00
					1,740,040.46
					2,506,951.02
(286,754.76)	0.00	0.00	1,260,643.93	9,905,044.46	(73,818.72)
(647,725.43)	0.00	0.00	701,023.49	5,271,398.76	3,015,177.00
(1					7,407,760.86
(328,705.50)	0.00	0.00	296,015.90	2,326,252.98	1,837,351.00
					(239,900.00)
(:					328,112.00
(91,493.90)	0.00	0.00	282,464.83	2,031,591.35	329,588.38
(353,631.20)	0.00	0.00	456,593.19	3,361,329.39	3,033,246.98
(95,612.76)	0.00	(4,587.88)	162,629.44	1,090,673.44	807,092.00
(535,459.33)	0.00	0.00	612,703.03	4,890,680.88	1,071,289.00
					(105,471.00)
					1,286,930.00
(:					213,020.00
(72,250.56)	0.00	(16,172.88)	150,474.33	1,201,277.99	419,980.00
(1					(215,708.00)
					7,457,519.12
					1,682,529.76
(:					956,387.00
(91,093.78)	0.00	0.00	107,683.95	812,002.04	622,514.00
					1,758,599.66
					2,625,728.32
					3,019,419.00
					3,181,122.38
(667,005.93)	0.00	(10,416.49)	611,410.58	4,759,438.84	2,307,644.52
					(661,213.00)
					(317,118.04)
					3,846,558.20
					4,684,021.96
(146,194.84)	0.00	0.00	126,456.56	973,951.39	881,096.00
(:					878,235.00
(44,228.64)	0.00	(5,052.16)	313,742.25	2,190,458.97	59,668.00
					1,139,638.44
(622,326.73)	0.00	(15,156.48)	1,767,102.86	12,287,344.43	3,572,274.00
					(306,362.00)
(160,387.21)	0.00	(7,725.32)	312,812.90	2,311,225.73	693,270.94

Employer Balances

PENSION PAYMENT	DROP PAYMENT	ENHANCED REFUNDS	DISTRIBUTION OF EARNINGS	BALANCES 6/30/2006	UNFUNDED ACCRUED NORMAL COSTS 6/30/2005
					1,438,582.00
					2,187,472.18
(103,042.80)	0.00	0.00	474,238.35	3,290,611.11	88,853.00
(52,327.20)	0.00	(19,479.30)	113,372.21	853,264.70	120,775.00
(645,565.00
(51,014.04)	0.00	0.00	182,856.93	1,369,942.78	(367,287.00)
					(170,924.00)
(119,382.80)	(139,471.66)	(6,222.10)	254,210.28	1,696,070.86	61,493.40
					(86,243.00)
(82,957.26)	(37,459.21)	(3,922.36)	213,344.05	1,564,158.58	50,232.00
(181,424.76)	0.00	0.00	242,394.20	1,919,214.22	52,336.00
(51,007.50)	0.00	0.00	38,178.90	311,921.99	183,824.00
(1,135,026.73)	0.00	0.00	1,306,545.07	9,272,548.99	7,252,268.76
					(154,433.00)
(384,898.45)	0.00	(9,428.91)	328,751.61	2,313,538.13	2,871,211.00
(60,018.96)	0.00	0.00	130,167.87	953,779.18	192,574.00
(335,027.74)	0.00	0.00	479,722.39	3,518,521.28	1,887,762.50
(1,567,490.63)	0.00	(25,941.92)	2,202,182.98	16,869,615.74	5,364,879.00
(20,728.32)	0.00	0.00	102,069.06	730,951.07	44,407.00
(95,563.15)	0.00	(26,243.54)	333,457.18	2,793,711.83	11,999.00
(174,032.68)	0.00	0.00	637,561.67	4,587,658.32	1,152,553.02
					242,297.00
					(114,989.00)
(226,199.69)	0.00	(29,335.70)	765,162.22	5,511,972.46	534,240.96
0.00	0.00	0.00	6,730.91	21,773.43	88,244.00
					1,614,593.24
(170,563.20)	0.00	0.00	180,103.86	1,374,716.99	723,929.54
(306,167.25)	(28,017.79)	(4,164.35)	1,282,658.15	9,339,427.38	1,672,683.74
					(67,654.00)
					102,440.00
					446,231.12
(51,628.80)	0.00	0.00	89,783.55	655,790.04	203,151.00
(597,394.00
(11,057.28)	0.00	0.00	634,272.59	4,332,124.92	(152,598.00)
(52,740.72)	0.00	0.00	145,567.85	1,041,087.75	46,563.00
(986,473.12
(61,710.68)	0.00	(41,671.70)	201,334.80	1,535,285.03	148,204.00
					1,556,748.46
(451,176.90)	0.00	0.00	397,338.87	2,913,095.94	3,097,347.56
(80,705.04)	0.00	(34,447.00)	128,102.34	876,062.53	897,485.98

Employer Reserves

108

SYS NO.	SYSTEM	BALANCES 6/30/2005	RESERVE TRANSFERS	CONTRIBUTION RECEIVED	FIRE TAX RECEIVED
127	EL MIRAGE FIRE DEPARTMENT	844,260.29	0.00	48,849.54	22,340.55
128	PATAGONIA MARSHALS	288,654.02	(211,523.98)	1,008.50	0.00
129	SEDONA POLICE DEPARTMENT	1,560,348.11	103,402.57	132,832.61	0.00
130	MAMMOTH POLICE DEPARTMENT	25,262.20	334.71	27,580.45	0.00
131	GLOBE POLICE DEPARTMENT	1,841,654.50	(43,017.85)	131,848.51	0.00
132	TOMBSTONE MARSHAL'S DEPARTMENT	259,028.93	(281,087.02)	19,705.15	0.00
133	GOLDER RANCH FIRE DISTRICT	3,696,330.89	4,136.97	240,762.15	51,892.06
134	FORT MOJAVE MESA FIRE DISTRICT	2,241,097.86	105,556.96	134,828.08	13,369.56
136	GOODYEAR FIRE DEPARTMENT	2,228,195.89	1,729.37	293,448.50	0.00
137	GOODYEAR POLICE DEPARTMENT	3,451,439.37	45,683.37	419,310.52	0.00
138	CHINO VALLEY FIRE DISTRICT	1,376,511.64	0.00	83,123.11	16,636.44
139	AVONDALE POLICE DEPARTMENT	3,996,377.19	204,802.89	475,294.32	0.00
140	GRAHAM COUNTY SHERIFF'S DEPT.	863,896.29	(130,701.05)	84,267.14	0.00
142	GOLDEN VALLEY FIRE DISTRICT	984,114.45	39,867.92	27,907.61	6,254.84
143	DAISY MOUNTAIN FIRE DISTRICT	1,788,988.28	0.00	193,671.07	55,852.16
144	QUARTZSITE POLICE DEPARTMENT	504,535.14	(926.30)	35,097.97	0.00
145	PICTURE ROCKS FIRE DISTRICT	1,022,241.78	224,954.11	12,517.11	6,990.50
146	PIMA COUNTY COMM. COLLEGE POL.	2,509,330.40	68,795.41	95,602.27	0.00
147	NORTHWEST FIRE DISTRICT	8,440,752.14	105,746.08	339,065.53	133,336.45
148	APACHE JUNCTION FIRE DISTRICT	5,009,244.69	(221,539.34)	269,844.22	63,426.21
149	GILBERT FIRE DEPARTMENT	4,461,369.59	209,789.76	615,841.95	0.00
150	PINE-STRAWBERRY FIRE DISTRICT	1,100,912.32	(74,333.33)	74,567.80	11,829.92
151	ATTORNEY GENERAL INVESTIGATORS	5,258,425.48	5,930.71	175,504.95	0.00
153	ST. JOHNS POLICE DEPARTMENT	219,829.46	100.67	25,217.31	0.00
154	PIMA COUNTY ATTY. INVSTGTRS	978,391.60	0.00	26,065.17	0.00
155	SUN LAKES FIRE DISTRICT	2,657,869.92	(23,825.23)	138,384.51	34,067.38
156	KEARNY POLICE DEPARTMENT	623,884.25	50,760.14	21,193.90	0.00
157	GREENLEE CNTY ATTY. INVSTGTRS	25,528.64	0.00	0.00	0.00
158	NAVAJO COUNTY ATTY. INVSTGTRS	189,920.22	14,733.15	173.26	0.00
160	ARIZONA STATE CAPITOL POLICE	1,335,145.95	23,027.82	110,079.93	0.00
162	AVRA VALLEY FIRE DISTRICT	624,716.41	(4,421.87)	28,480.05	5,747.52
163	SAN LUIS FIRE DEPARTMENT	597,854.86	(26,974.56)	73,921.57	0.00
164	AZ DPT. LIQ. LIC. & CONTROL INVST	2,112,493.25	97,161.97	94,864.03	0.00
165	MARICOPA CNTY ATTY. INVSTGTRS.	3,192,266.31	116,474.93	105,581.46	0.00
166	SEDONA FIRE DISTRICT	3,715,982.55	114,340.61	181,231.81	82,689.07
167	GUADALUPE FIRE DEPARTMENT	312,067.85	(33,714.64)	28,014.70	0.00
168	MAYER FIRE DISTRICT	492,072.42	(56,755.31)	24,771.44	2,570.10
169	SOMERTON POLICE DEPARTMENT	587,058.87	7,641.49	84,943.48	0.00
170	SUN CITY WEST FIRE DISTRICT	3,922,504.07	16,982.14	237,777.36	61,508.60
171	SOMERTON FIRE DEPARTMENT	263,160.63	(19,602.37)	84,100.87	0.00

Employer Reserves

PENSION PAYMENT	DROP PAYMENT	ENHANCED REFUNDS	DISTRIBUTION OF EARNINGS	BALANCES 6/30/2006	UNFUNDED ACCRUED NORMAL COSTS 6/30/2005
(34,576.08)	0.00	0.00	136,696.26	1,017,570.56	(199,057.00)
0.00	0.00	0.00	26,918.70	105,057.24	(204,259.00)
(62,545.10)	0.00	0.00	271,094.04	2,005,132.23	288,451.00
(2,803.41)	0.00	0.00	17,252.21	67,626.16	142,179.00
(200,687.54)	0.00	(6,163.27)	273,842.07	1,997,476.42	1,125,662.18
0.00	0.00	0.00	25,182.32	22,829.38	(307,867.00)
(42,825.55)	0.00	0.00	661,386.81	4,611,683.33	2,901.00
(173,768.30)	0.00	0.00	369,756.45	2,690,840.61	526,814.00
					(261,023.00)
(197,401.62)	0.00	0.00	612,373.00	4,331,404.64	1,067,584.00
0.00	0.00	0.00	243,576.73	1,719,847.92	70,891.00
					1,806,040.44
(412,731.00
(40,682.98)	0.00	(41,223.56)	150,156.98	1,126,395.26	(162,433.00)
0.00	0.00	0.00	362,088.73	2,400,600.24	(196,735.00)
0.00	0.00	0.00	92,259.41	630,966.22	(103,339.00)
					(454,374.00)
(142,803.08)	0.00	0.00	399,370.33	2,930,295.33	337,718.88
(200,893.92)	(122,246.92)	(16,021.84)	1,434,387.42	10,114,124.94	(10,074.66)
(147,388.24)	0.00	0.00	855,078.67	5,828,666.21	1,035,966.00
(69,249.60)	0.00	0.00	923,037.42	6,140,789.12	(773,927.00)
(36,638.88)	0.00	0.00	174,042.07	1,250,379.90	343,367.94
(580,888.58)	0.00	0.00	738,668.58	5,597,641.14	2,593,797.80
					(56,020.00)
					203,142.00
(38,546.88)	0.00	0.00	454,015.33	3,221,965.03	(520,794.00)
(36,274.48)	0.00	0.00	87,334.11	746,897.92	(93,489.00)
					(32,658.00)
(22,908.96)	0.00	0.00	21,735.54	203,653.21	33,859.00
(65,707.41)	0.00	(12,316.65)	225,211.36	1,615,441.00	188,332.00
0.00	0.00	0.00	102,338.99	756,861.10	(359,887.00)
0.00	0.00	0.00	109,011.37	753,813.24	(88,798.00)
(126,282.12)	0.00	0.00	346,174.76	2,524,411.89	326,234.00
					1,538,191.58
(145,686.12)	0.00	(30,794.01)	613,727.67	4,531,491.58	784,849.00
					(96,092.00)
(18,295.68)	0.00	0.00	79,749.44	524,112.41	(271,060.00)
(24,712.92)	0.00	0.00	105,343.16	760,274.08	287,687.00
(120,814.82)	(171,686.05)	0.00	655,911.24	4,602,182.54	2,426,353.54
(17,319.40)	0.00	0.00	57,497.94	367,837.67	174,512.00

Employer Reserves

SYS NO.	SYSTEM	BALANCES 6/30/2005	RESERVE TRANSFERS	CONTRIBUTION RECEIVED	FIRE TAX RECEIVED
172	TUBAC FIRE DISTRICT	668,741.39	23,694.56	47,281.68	6,286.06
173	LA PAZ COUNTY ATTY. INVSTGTRS.	82,620.86	0.00	2,579.53	0.00
174	SAHUARITA POLICE DEPARTMENT	592,608.16	6,551.24	83,446.20	0.00
176	FLORENCE FIRE DEPARTMENT	226,351.49	29,660.83	20,591.09	4,928.64
177	SUN CITY FIRE DISTRICT	5,332,970.23	(1,733.66)	575,047.38	65,538.39
178	HAYDEN POLICE DEPARTMENT	103,330.26	(11,775.09)	16,093.13	0.00
179	GILA RIVER FIRE DEPARTMENT	1,715,765.45	(427,088.25)	238,155.93	0.00
180	GILA RIVER POLICE DEPARTMENT	1,895,635.12	(90,603.43)	260,760.71	0.00
181	SALT RIVER PIMA-MARICOPA FIRE	2,838,986.02	36,360.16	408,770.15	0.00
182	SALT RIVER PIMA-MARICOPA POLICE	2,042,919.15	12,250.04	551,791.94	0.00
183	LAKESIDE FIRE DISTRICT	308,987.49	(4,192.06)	23,193.95	11,322.37
185	PINETOP FIRE DISTRICT	676,033.77	35,311.24	55,569.95	21,807.88
186	SHOW LOW FIRE DISTRICT	580,202.27	54,395.19	33,084.71	0.00
187	YAVAPAI CNTY ATRNY INVESTGTRS	257,240.12	0.00	41.95	0.00
188	THREE POINTS FIRE DISTRICT	368,732.44	(127,068.11)	54,910.75	6,494.58
190	BUCKEYE FIRE DEPARTMENT	1,177,036.28	42,325.30	145,706.57	13,795.14
191	MONTEZUMA RIMROCK FIRE DISTRICT	211,937.17	(3,734.05)	18,356.16	4,438.07
192	HEBER-OVERGAARD FIRE DISTRICT	159,718.44	0.00	21,127.77	10,860.27
193	DIAMOND STAR FIRE DISTRICT	165,443.08	0.00	24,555.92	2,825.21
194	GREEN VALLEY FIRE DISTRICT	2,484,332.36	0.00	147,694.81	43,917.01
195	SUMMIT FIRE DISTRICT	1,053,099.32	233,360.90	67,767.77	13,150.44
196	CAMP VERDE FIRE DISTRICT	626,766.18	(8,369.71)	108,748.56	9,480.07
197	FORT MCDOWELL TRIBAL FIRE DEPT.	534,136.26	(138,629.62)	12,922.40	0.00
198	FORT MCDOWELL TRIAL POLICE DEPT	664,213.70	0.00	101,586.96	0.00
199	HIGHLANDS FIRE DISTRICT	795,685.56	(32,214.09)	124,051.83	19,136.89
200	RIO RICO FIRE DISTRICT	246,952.12	(44,598.50)	72,257.13	8,574.31
201	TRI-CITY FIRE DISTRICT	176,565.26	0.00	49,833.16	2,459.96
					0.00
203	VERDE VALLEY FIRE DISTRICT	1,594,692.56	59,326.72	(10,507.81)	19,832.58
					0.00
205	LINDEN FIRE DISTRICT	93,767.72	0.00	(4,763.12)	4,763.12
					0.00
					0.00
					0.00
					0.00
					0.00
210	JEROME POLICE DEPARTMENT	23,344.12	0.00	13,774.46	0.00
					0.00
					0.00
213	ELOY FIRE DISTRICT	110,548.00	0.00	100,979.31	0.00

110

Employer Reserves

PENSION PAYMENT	DROP PAYMENT	ENHANCED REFUNDS	DISTRIBUTION OF EARNINGS	BALANCES 6/30/2006	UNFUNDED ACCRUED NORMAL COSTS 6/30/2005
(18,642.19)	0.00	0.00	120,657.49	848,018.99	(53,721.00)
0.00	0.00	0.00	14,894.18	100,094.57	(3,519.00)
0.00	0.00	0.00	117,614.93	800,220.53	(279,751.00)
0.00	0.00	(3,470.79)	40,102.28	318,163.54	(161,343.00)
(61,008.90)	(93,992.99)	0.00	1,179,960.13	6,996,780.58	6,714,989.92
					(26,417.00)
	0.00	(41,488.72)	306,430.03	1,772,026.40	(603,808.00)
(44,713.44)	0.00	(32,051.81)	358,564.09	2,347,591.24	(390,141.00)
(20,268.12)	0.00	(19,124.18)	521,595.52	3,766,319.55	1,227,508.00
(187,983.26)	0.00	(36,149.18)	417,430.42	2,800,259.11	2,419,252.00
0.00	0.00	(3,187.19)	58,632.53	394,757.09	(111,078.00)
(27,831.84)	(45,146.87)	0.00	117,968.49	833,712.62	407,518.88
(31,801.66)	0.00	0.00	95,279.60	731,160.11	(312,318.00)
(27,324.72)	0.00	0.00	36,975.23	266,932.58	143,637.00
0.00	0.00	0.00	59,601.31	362,670.97	(129,445.00)
0.00	0.00	0.00	220,002.00	1,598,865.29	(588,637.00)
0.00	0.00	0.00	39,153.67	270,151.02	19,279.00
0.00	0.00	0.00	34,461.39	226,167.87	(38,124.00)
0.00	0.00	0.00	31,131.87	223,956.08	87,258.00
0.00	0.00	0.00	399,000.09	3,074,944.27	340,804.00
0.00	0.00	(7,404.58)	199,415.96	1,559,389.81	41,778.50
0.00	0.00	0.00	108,710.77	845,335.87	204,621.00
0.00	0.00	0.00	78,621.79	487,050.83	(388,408.00)
0.00	0.00	0.00	125,859.81	891,660.47	(22,256.00)
(21,907.80)	0.00	0.00	135,563.80	1,020,316.19	720,859.22
0.00	0.00	0.00	50,188.75	333,373.81	(25,807.00)
0.00	0.00	0.00	36,737.06	265,595.44	52,370.00
(100,468.29)	0.00	0.00	103,511.51	840,385.34	471,358.62
(46,868.39)	0.00	0.00	248,282.66	1,864,758.32	(462,846.00)
(58,143.22)	0.00	0.00	599,971.94	4,007,687.31	554,186.28
0.00	0.00	0.00	15,415.20	109,182.92	(87,380.00)
0.00	0.00	0.00	16,563.80	115,549.42	(38,161.00)
(50,471.76)	0.00	0.00	67,079.76	584,341.03	480,984.00
0.00	0.00	0.00	38,504.17	285,622.25	151,833.00
0.00	0.00	0.00	12,477.16	77,608.29	(50,559.00)
0.00	0.00	0.00	5,405.52	42,524.10	43,470.00
0.00	0.00	(1,480.32)	39,638.07	332,374.90	32,604.00
0.00	0.00	0.00	100,531.04	823,811.65	(163,008.00)
0.00	0.00	0.00	26,767.53	238,294.84	663,642.00

Employer Reserves

SYS NO.	SYSTEM	BALANCES 6/30/2005	RESERVE TRANSFERS	CONTRIBUTION RECEIVED	FIRE TAX RECEIVED
214	PASCUA YAQUI TRIBE FIRE DEPT.	185,865.60	2,849.58	170,715.73	0.00
					0.00
					0.00
					0.00
218	CAREFREE TOWN MARSHALS	14,056.25	(15,378.01)	1,321.76	0.00
219	BLACK CANYON FIRE DISTRICT	34,721.90	(40,378.89)	37,948.09	0.00
220	GRAHAM COUNTY ATTORNEY INVEST.	105,679.88	0.00	3,977.12	0.00
221	QUARTZSITE FIRE DISTRICT	17,803.74	0.00	38,056.44	0.00
222	RIO VERDE FIRE DISTRICT	80,985.72	211,164.27	89,503.29	0.00
					0.00
224	AK CHIN INDIAN COMM. FIRE DEPT.	1,313,557.81	(69,628.99)	54,429.52	0.00
					0.00
					0.00
					0.00
228	MARICOPA FIRE DISTRICT	0.00	277,958.45	97,457.30	0.00
229	CAVE CREEK MARSHALS	0.00	0.00	7,374.62	0.00
		3,176,453,593	26,646,218	127,218,685	5,656,848

112

Employer Reserves

PENSION PAYMENT	DROP PAYMENT	ENHANCED REFUNDS	DISTRIBUTION OF EARNINGS	BALANCES 6/30/2006	UNFUNDED ACCRUED NORMAL COSTS 6/30/2005
					932,402.00
(12,242.16)	0.00	0.00	48,679.29	344,052.34	875,811.00
0.00	0.00	0.00	6,699.58	52,146.05	12,990.00
0.00	0.00	0.00	1,713.68	12,016.84	13,805.00
0.00	0.00	0.00	0.00	(0.00)	(10,078.00)
0.00	0.00	0.00	7,253.33	39,544.43	116,347.00
0.00	0.00	0.00	16,741.84	126,398.84	(58,378.00)
0.00	0.00	0.00	6,645.88	62,506.06	162,265.00
0.00	0.00	0.00	43,521.61	425,174.89	(49,319.00)
0.00	0.00	0.00	458,295.83	4,409,242.97	(896,710.00)
0.00	0.00	0.00	156,886.41	1,455,244.75	(216,390.00)
0.00	0.00	0.00	80,300.72	763,311.27	(151,137.00)
					0.00
					0.00
					0.00
0.00	0.00	0.00	813.39	8,188.01	0.00
(261,188,522)	(22,839,120)	(2,325,579)	441,892,921	3,491,515,045	986,000,811

