

Public Safety Personnel Retirement System



40th COMPREHENSIVE ANNUAL FINANCIAL REPORT

A PENSION TRUST FUND OF THE STATE OF ARIZONA



For the Fiscal Year ended June 30, 2008

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

Fortieth Comprehensive Annual Financial Report

**For the Fiscal Year Ended
June 30, 2008**

Prepared by the Staff of PSPRS

Public Safety Personnel Retirement System
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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, 2007

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



President

Executive Director

Fund Manager Report

PUBLIC SAFETY PERSONNEL RETIREMENT SYSTEM
CORRECTIONS OFFICER RETIREMENT PLAN

ELECTED OFFICIALS' RETIREMENT PLAN

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Billy Shields
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Mike Galloway
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Fund Manager, Member

Timothy J. Dunne
Fund Manager, Member

Brian Delfs
Fund Manager, Advisor

James M Hacking
Administrator

Ryan Parham
Acting CIO

Tracey D. Peterson
Assistant Administrator-COO

December 17, 2008

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 Fortieth Comprehensive Annual Financial Report (CAFR) for the fiscal year ended June 30, 2008 (FY'08), in accordance with the provisions of A.R.S. Section 38-848.

The PSPRS Plan's Funding Ratio

As of fiscal year-end, we are pleased to report that the financial status of the PSPRS Plan, as reflected in its funding ratio, increased slightly relative to what it was one year earlier. At June 30, 2008 the funding ratio was 66.5%; at June 30, 2007, it was 66.4%. This slight improvement in the PSPRS Plan's funding status follows six consecutive years of funding ratio erosion. Moreover, this slight improvement occurred despite the fact that the Plan had a negative rate of return on its invested assets for the fiscal year. For further detailed information on the Plan's net assets and changes in net assets that occurred during the fiscal year, please refer to the Management's Discussion and Analysis section of this Comprehensive Annual Financial Report (CAFR).

Before delving further into the PSPRS Plan's fiscal year-end results and the factors that contributed to those results, some historical perspective is needed.

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 Plan was more than 100% funded, although the funding ratio had started to decline as of FY'02. It appeared that all was well. In reality, however, that was not the case. The financial health of the Plan was seriously compromised due to an investment strategy that entailed a high degree of risk.

During the last half of the 1990's, the Plan's portfolios were increasingly concentrated and invested in "high tech" securities. But in March, 2000, the "tech" bubble began to deflate. From June 30, 2000 to June 30, 2002, the market value of assets of the PSPRS Plan declined from \$4.5 billion to \$3.2 billion - an asset value loss of nearly 30%. Not until June 30, 2006 was the Plan's market value of assets roughly back to where it had been at the end of fiscal year 2000. But by that time, the Plan's liabilities for present and promised future benefits had increased 89%.

Since the System uses a seven year averaging process ("smoothing") to determine its fiscal year-end actuarial value of assets, the effects of the 2000-2002 asset value losses will not be completely reflected in the Plan's funding ratio until the end of FY'09. However, the major losses which the Plan sustained during FY'01 dropped out of the calculation of the actuarial value of assets as of the end of FY'08. That was a major reason why the funding ratio for the Plan improved slightly.

Another factor that contributed to the improvement was the departure of a significant number of participants who were in the Deferred Retirement Option Plan (DROP) and who were not making contributions to the PSPRS Plan. Many of these were replaced by new employees who began making employee contributions to the Plan.

Introductory Section

Although the 2000-2002 asset value losses have been by far the major cause of the Plan's funding ratio erosion from FY'02 through FY'07, other factors also contributed. These include, in descending order of importance:

- actuarial demographic assumption and methodology changes (made necessary by FY'07 actuarial audits) that increased the Plan's unfunded liability and reduced its funding ratio;
- a decrease in the actuarial rate of return assumption from 9% to 8.5%; and
- the increased liability associated with legislated benefit increases, including the PSPRS DROP program.

In addition, there are statutory provisions that require the diversion of 50% of investment returns in excess of 9% into the PSPRS Plan's Benefit Increase Reserve. These Reserve assets are used to finance the cost of the post-retirement adjustments payable to eligible beneficiaries of the Plan. However, these Reserve assets are not taken into account for funding ratio and employer contribution rate calculations.

Employer Contribution Rates

When times were good and the PSPRS Plan was over-funded, the PSPRS employers' contribution rates were abnormally low. (Each employer has its own rate that reflects the benefit liability for its own covered group.) For example, early in the decade the computed aggregate employer contribution was only 3.75%.

But with the rapid decline in the Plan's funding ratio, the employer contribution requirements have been increasing in large year-over-year increments. The current aggregate PSPRS employer contribution requirement is 21.72%. But as a result of the Plan's FY'08 higher funding ratio and the increase in the group payroll subject to contributions that results from the replacement of DROP participants by newly hired employees, that aggregate rate will decrease to 20.77%, effective July 1, 2009. After six consecutive years of steady contribution rate increases, this modest rate reduction will provide some welcomed relief.

Unfortunately, what is true for the Plan as a whole, is not necessarily true for every employer group within the Plan. It appears that there are some twenty-nine employers (out of a total of two hundred twenty-nine) that will experience a contribution rate increase next July 1st due to the particular characteristics of their own employee participant group.

As we move into the new fiscal year, the System's Administrator will undertake consultations with representatives of the Plans' constituency groups and the contributing employers to determine whether a consensus exists with respect to any of a variety of options that could be employed to reduce the employer contribution rates that will go into effect next July 1st.

FY'08 Investment Results

The FY'08 rate of investment return for the PSPRS Plan was -7.27% -- a rate of return that was 1.54% less than the -5.73% weighted composite rate of return benchmark for the Plan. It was also far less than the 8.5% actuarial assumed rate of return.

Clearly, the Plan's FY'08 investment result was disappointing. That result was attributable to the downturn in the financial markets, especially the equity and residential real estate markets. Nevertheless, the System uses a seven year "smoothing" process in the calculation of the fiscal year-end "actuarial value of assets" and that helps to mitigate the impact of the investment loss. In addition, as indicated above, the asset value losses that the Plan sustained in FY'01 dropped out of the FY'08 asset value calculation and the PSPRS Plan generally benefitted from an increase in payroll subject to contributions as DROP participants were replaced by newly hired, contributing employees.

Because the PSPRS Plan's actual rate of return was less than 9%, no new assets flowed into the Plan's Reserve for Future Benefit Increases. Even so, the Reserve's balance, after subtracting the nearly \$115 million cost of the post-retirement adjustment that took effect July 1, 2008, remained in excess of \$500 million, thus assuring that a full adjustment will be paid to all eligible beneficiaries next July 1st.

The fiscal year-end return placed the PSPRS Plan in the 4th (bottom) quartile relative to the over 100 public retirement systems included in the ICC Public Fund Universe, which is the "peer group" used for the PSPRS Plan's comparative performance. This far-less-than-median-return result underscores the continuing need to move ahead with the restructuring of the System's asset management function that began during FY'07 and continued throughout FY'08.

The disappointing FY'06 rate of return result (i.e., 8.3%) for the PSPRS Plan brought us to the realization that we could not reasonably expect to achieve our long-term rate of return objectives if we simply continued

to manage the Plan's assets as has been done in the past. The past practice of managing all the System's publicly traded portfolios internally severely limited the Plan's asset diversification and caused the Plan to underperform its public retirement system "peer" group for a very long period of time. In order to better position the Plan to achieve its rate of return expectations, enhance returns, control risk and diversify the Plan's assets through exposure to a wider mix of financial markets, we began in FY'07 an asset management restructuring. For a detailed description of what was accomplished during FY'08 with respect to this restructuring process and what has been done so far in FY'09, please see the letter from the PSPRS Acting Chief Investment Officer (CIO) that begins (on page 58) the Investment Section of this CAFR.

Expectations for the Financial Status of the PSPRS Plan in the Future

At the conclusion of PSPRS Plan's FY'09, the asset value loss that the Plan sustained in FY'02 will drop out of the calculation of the actuarial value of assets. Given that, and if FY'09 turns out to be a reasonably good year for the financial markets and the System is able to achieve or exceed its actuarial assumed rate of return of 8.5%, the PSPRS Plan should continue to experience gradual improvement in its funding ratio. As that happens, the aggregate PSPRS employer contribution rate should continue to decline. The further implementation, and ultimately the completion, of the System's asset management restructuring process should serve to accelerate and magnify the expected positive funding ratio and employer contribution rate trends.

However, there are risks that could delay or even reverse the expected improvement. These are:

- a sharp and sustained downturn in the U.S. and global economies and financial markets that would cause the System to fall short of achieving its rate of return expectations; and
- having to reduce the System's actuarial rate of return assumption from 8.5% to 8.0% as was recommended by the actuarial auditing firms that conducted the System's actuarial audits in FY'07.

As we have moved into System FY'09, and especially during September and October, the U.S. and global economies have weakened and the financial markets, especially the equity markets, have become sharply negative and volatile. Whether these trends will continue or whether economic and financial conditions will improve cannot be predicted with any certainty. But at the moment, the prospect of our meeting or exceeding our rate of return expectations appears remote. However, we shall simply have to wait and see how things turn out as of June 30, 2009.

Conclusion

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

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

Respectfully submitted,



Carter Olson
Fund Manager, Chairman



Mike Galloway
Fund Manager, Member



Lori Roediger
Fund Manager, Member



Billy Shields
Fund Manager, Vice Chairman



Timothy J. Dunne
Fund Manager, Member



Brian Delfs
Fund Manager, Advisor

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James M Hacking
Administrator

Ryan Parham
Acting CIO

Tracey D. Peterson
Assistant Administrator-COO

December 17, 2008

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

Fund Manager Members:

Here is the Fortieth Comprehensive Annual Financial Report (CAFR) of the operations and financial condition of the Arizona Public Safety Personnel Retirement System (PSPRS) Plan. This report is for the fiscal year ended June 30, 2008. The Plan was created on July 1, 1968 to provide a uniform statewide retirement system for public safety personnel. The System provides a normal retirement benefit following the completion of twenty years of service and also provides 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, 2008 report of Heinfeld, Meech & Co. P.C., Certified Public Accountants and auditors for the System. Also included are the actuarial certification statement and the actuarial balance sheet from the June 30, 2008 actuarial valuation prepared by the System's actuary, Rodwan Consulting Company.

Financial Information Reporting

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

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

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

Revenues

Revenues for the Plan are derived from four sources: member contributions, employer contributions, fire insurance premium tax revenues and realized and unrealized returns on the invested assets of the Plan. As shown by the Schedule of Revenues by Source included in the Statistical Section later in this report, the Plan had an investment loss of \$411.5 million this fiscal year. That more than offset the positive flow of revenue from member contributions of \$97.1 million, direct employer contributions of \$221.2 million, and insurance premium taxes of \$12.3 million. Please refer to the Statistical Section for a ten-year history of revenues and expenses.

Introductory Section

Administrative and Investment Expenses

The PSPRS Plan's FY'08 administrative and investment-related expenses totaled \$10.1 million, up from the \$5.4 million during the prior year. Administrative and investment expenses were approximately 20 basis points of the total assets managed. This is still low compared with other public retirement systems. A dedicated staff and constantly improving internal expertise has enabled management to keep costs relatively low even though assets managed have increased over the years and service needs have escalated due to increasing numbers of participants and beneficiaries.

Investments

The total rate of return on the PSPRS Plan assets for the fiscal year was -7.27%. This negative return was the result of the sharp decline and turmoil in the domestic and international equity and fixed income markets and the contraction of residential real estate values. The Investment Section of this Report contains graphs depicting the Plan's performance, a detailed summary of the investment portfolio, all investment transactions, and commissions paid to investment professionals who provide services to PSPRS. All Plan investments were held in trust by BNY Mellon, the System's custodian bank.

Enacted Legislation

In April, 2008, the Governor signed into law a bill that provides the System's Fund Manager with two new explicit authorities. The first gives the Fund Manager the authority to use external asset managers as needed. This will enable the PSPRS System to deploy assets for investment purposes among a far wider and much more diversified array of domestic and global financial markets than has been the case in the past.

The second authority will enable the System to commingle the assets of its three Plans in a single trust vehicle for investment purposes. This should serve to reduce substantially the System's transaction and other investment-related costs over time.

Actuarial and Funding Information

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

The PSPRS Plan is funded through a statutory member contribution of 7.65% of gross payroll, an employer contribution that is expressed as a level percent of gross payroll and reset annually, depending on the results of the Plan's actuarial valuation, fire insurance premium tax revenues and the realized and unrealized returns on the invested assets of the Plan. The firefighter groups receive a percentage of the fire insurance premium tax revenues, which underwrites a portion of their employer contributions.

While each employer has a different contribution rate, depending on the liability for its group of participating employees, the current aggregate rate for the contributing employers is 21.72%. The aggregate rate that will take effect on July 1, 2009 will be 20.77%. This new and lower aggregate rate is the result of a slight increase in the PSPRS Plan's FY'08 funding ratio.

While there is no single all-encompassing test to measure a retirement system's funding progress and current status, the most commonly used measure is the ratio of the actuarial value of assets to actuarial accrued liability, often referred to as the "percent funded." The percent funded for the PSPRS Plan had been declining for six consecutive years through FY'07. At that point in time, the Plan's funding ratio was 66.4%. However, as of June 30, 2008, the ratio improved slightly to 66.5%, despite the fact that the System had a negative rate of return (-7.2%) on its invested assets. The reasons for this slight funding ratio improvement are set forth in the Fund Manager's transmittal letter to the Governor.

Post Retirement Benefit Increases

State law provides for an annual benefit increase for PSPRS Plan retirees (or their survivors) two years after retirement, regardless of age, or when the retiree (or survivor) attains age 55 and has been retired for a year. These increases are limited to four percent of the average benefit being paid at the end of the prior fiscal year. A benefit increase schedule can be found in the Statistical Section of this CAFR.

These post retirement increases are funded from a portion of the investment returns in excess of 9% that are accumulated in the PSPRS Plan's Reserve for Future Benefit Increases. These reserves are invested along with all

other assets of the Plan. The reserve balance, after subtracting the \$114.8 million needed to fund the July 1, 2008 post retirement increase, was \$499.95 million. Thus, despite the fact that no new assets flowed into the Reserve in FY'08 due to the System's negative rate of investment return, the reserve balance remains substantial. This assures that annual adjustments will continue without interruption, at least for the next few years.

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 for the fiscal year ended June 30, 2007. This was the seventeenth consecutive year that the Plan has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government unit must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe our FY'08 Comprehensive Annual Financial Report continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for a certificate.

New Developments and Management Initiatives

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

- The Governor appointed, and the State Senate confirmed, three new members for the Fund Manager; as a result, the System has a full, five member governing Board. All the new members received the benefit of an orientation that was prepared and conducted by staff.
- An independent, Information Technology (IT) consulting firm, the Torus Business Group, was retained to do a complete assessment of the PSPRS IT systems environment and data base development. In addition, the firm was asked to set forth options to address unmet needs, especially with respect to disaster recovery and business continuity capability. The Torus Group's report was released in February and many of its recommendations were reflected in the strategic plan and administrative budget for system FY'09.
- An intra-Member Services Division reorganization was planned and was approved as part of the FY'09 administrative budget process to centralize the staff and other resources necessary to provide, on a systematic and on-going basis, education, training and support for the networks of PSPRS and CORP local boards. To date, the education and outreach efforts have been much appreciated by the members of the local boards and the board secretaries.
- The accounting firm of Ernst & Young was retained to resolve any GAAP, GASB, reporting or accounting issues that may be associated with the commingling of the assets of the PSPRS System's three Plans in a single trust vehicle for purposes of investment. Input was solicited from representatives of the System's custodian bank, BNY Mellon, its external auditor, Heinfeld, Meech & Co., its legal counsel, Kutak, Rock, and from appropriate internal staff.
- Three management positions, Chief Investment Officer (CIO), Member Services Division Director and Finance and Accounting Manager, were filled with well-qualified and experienced professionals.
- In December, 2007, a spokesman from Cost Effective Measurement (CEM) presented to the Board a thorough evaluation of the System's historical asset management cost effectiveness in relation to the returns generated and relative to the System's peer group. The CEM evaluation corroborated the findings contained in an earlier FY'07 report from the investment consulting firm of Ennis, Knupp & Associates (E,K&A).
- The System's staff carried out in a timely fashion the annual strategic planning process and then formulated and presented to the Board a budget for System FY'09. The Board approved the budget in June.
- In the IT Departments, two staff positions were filled - one in Operations, the other in Program Development. The Operations position addresses a "key" employee back-up need. The Program Development position added much needed capacity and made it possible to complete a data base conversion.

Introductory Section

- The System's multi-year document imaging (i.e., scanning) project moved forward with the expectation that it will be completed during System FY'09. The objective of the project is to have all participant and beneficiary paper records available and accessible electronically.
- The System's new web site that enables employers to transmit payroll deduction records electronically was fully implemented.
- At fiscal year-end, the System initiated an RFP process to secure a new independent investment advisor for the Fund Manager to replace the firm of E,K&A which resigned the engagement in mid-June.
- The remodeling and renovation of the 1st floor of the PSPRS building was completed; the portion not occupied by PSPRS staff is now under a long-term lease with the Dinan Company.

New Initiatives for System FY'09

As we have moved through the first four months of the new fiscal year (FY'09), some new initiatives have been completed; others are underway; and still others are planned.

First, the RFP process for the selection of a new independent investment advisor for the Fund Manager was concluded. New England Pension Consultants (NEPC) was selected for the engagement and is already working with the System's Investment Department staff to develop a new asset allocation and new investment and derivative policies. A large portion of the assets of the Plans will be outsourced to external asset managers following the adoption of the new allocation and policies by the Fund Manager.

Second, the assets of the System's three Plans were commingled for investment purposes in a single trust vehicle. The transfer of the assets occurred in September.

Third, the IT Operations Department set up and tested the offsite (i.e., Denver, CO) facility that will serve the System's disaster recovery and systems back-up needs.

Fourth, the accounting firm of Ernst & Young was retained in August to conduct an assessment of PSPRS' internal audit and compliance needs. This project will include, among other things, an assessment of the System's control environment and the development of an audit plan.

Fifth, the IT Program Development Department will integrate into the existing system a payroll program that meets present and projected needs and will begin to create the capability for participants to apply for benefits electronically. Also, the Department will continue its efforts to automate all forms of benefit payments via ACH transfers.

Sixth, the System's Administrator and lobbyists will consult with the System's constituent group and employer representatives to inform them as to the financial status of the System's Plans and the employer contribution requirements that will take effect July 1, 2009.

Seventh, draft legislation will be developed in advance of the start of the Arizona legislative session to bring state statutory provisions into harmony with IRS and other federal statutes and with long-standing administrative practices.

Eighth, the document imaging (i.e., scanning) project will be completed before fiscal year-end.

Finally, PSPRS and CORP local board training and support will continue to be a key focus of the new entity created within the System's Member Services Division for that purpose.

Summary

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

I would like to take this opportunity to express my gratitude to the members of the Fund Manager, the staff, the System's advisors, and all others who have worked so diligently to assure the continued successful operation of the System. I look forward to the challenge of moving the System forward with a program of constructive and

comprehensive change that will maintain high quality customer service and restore the PSPRS Plan to a path of improving financial status.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "James M. Hacking". The signature is written in a cursive style with a large, sweeping initial "J".

James M. Hacking
Administrator

Introductory Section

Fund Manager



Carter Olson
Chairman



Billy Shields
Vice Chairman



Mike Galloway
Member



Tim Dunne
Member



Lori Roediger
Member



Brian Delfs
Advisor

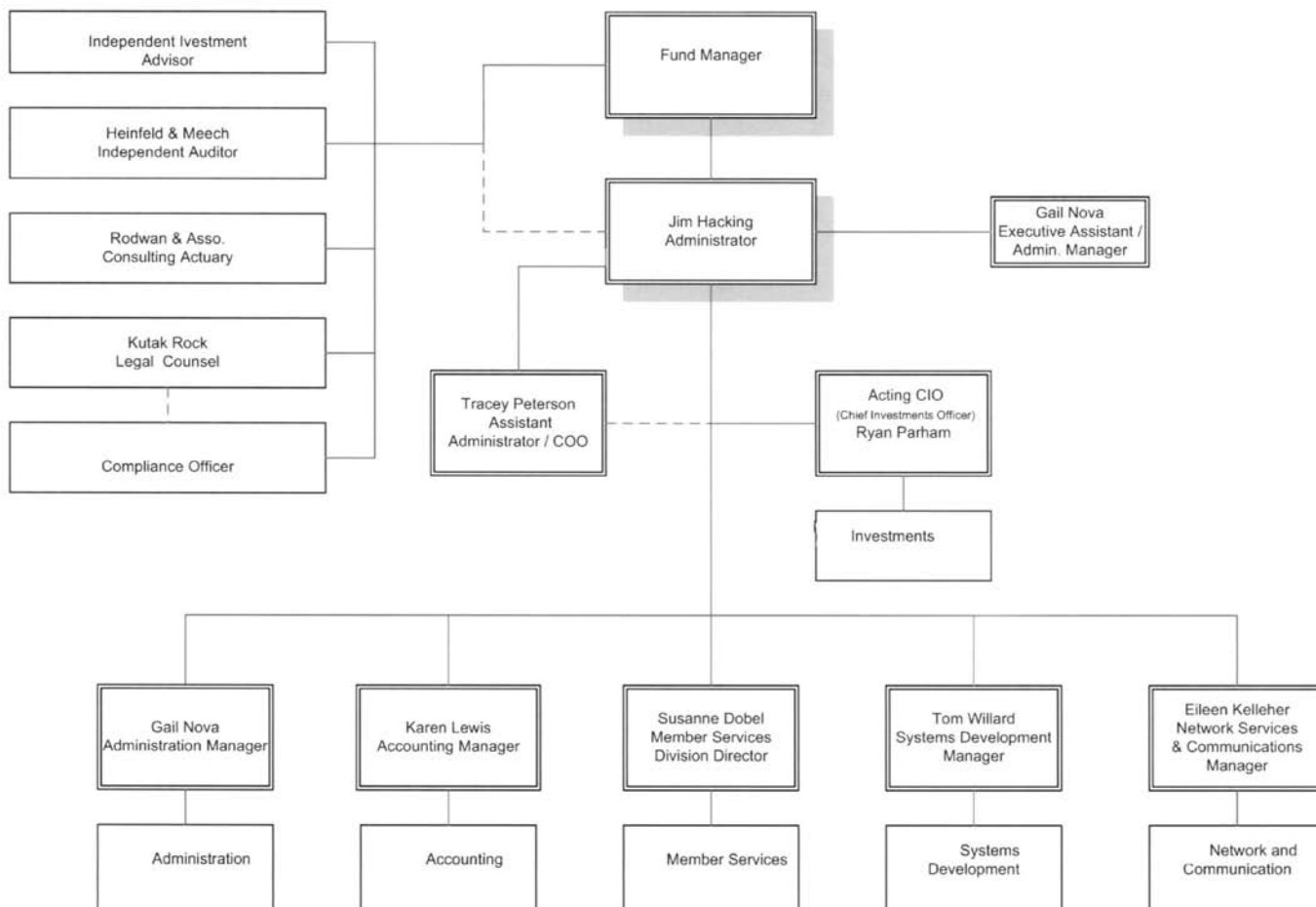
Executive Staff and Organizational Chart



James M. Hacking
Administrator



Tracey D. Peterson
*Assistant Administrator
Chief Operations Officer*



Introductory Section

Professional Advisors

Ennis Knupp & Associates*

Heinfeld Meech & Co, P.C.

Kutak Rock, LLP

McLagan Partners, Inc

Rodwan Consulting Group

ORG Portfolio Management, LLC

Step Stone Group, LLC

Albourne America, LLC

Bank of New York Mellon

Investment Advisor

Independent Auditors

General Counsel

Human Resource Consultant

Actuary

Real Estate Consultant

Alternative Investments Consultant

International Alternative Investments Consultant

Custodian

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

* Resigned engagement effective July 30, 2008. Currently conducting a search to hire a replacement Investment Advisor for the Fund Manager.

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CERTIFIED PUBLIC ACCOUNTANTS

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INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying Statement of Plan Net Assets of the Public Safety Personnel Retirement System (PSPRS) as of and for the year ended June 30, 2008, and the related Statement of Changes in Plan Net Assets for the year then ended. These basic financial statements are the responsibility of PSPRS's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the net assets of the Public Safety Personnel Retirement System, as of June 30, 2008, and the changes in net assets for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 10, 2008, on our consideration of the Public Safety Personnel Retirement System's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis on pages 24 through 30 and the Schedule of Funding Progress and Schedule of Employer Contributions on pages 49 and 50 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

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

Heinfeld, Meech & Co., P.C.

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

December 10, 2008

MANAGEMENT DISCUSSION & ANALYSIS

The Public Safety Personnel Retirement System's discussion and analysis is designed to assist the reader in focusing on significant financial issues, provide an overview of the System's financial activity, identify changes in the System's financial position and identify any issues or concerns. We have included the financial statements of the Fire Fighter and Peace Officer's Cancer Insurance Policy Program with the financial statements of PSPRS with this year's CAFR. Historically, these statements have been prepared, audited and reported separately to each participating employer.

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

Financial Highlights

Key financial highlights for 2008 are as follows:

PUBLIC SAFETY PERSONNEL RETIREMENT SYSTEM

- The Public Safety Personnel Retirement System (PSPRS) had a total rate of return of -7.27% this year. Our equity portfolio had a return of -11.89%, which underperformed the equity benchmark by 130 basis points. Our fixed income portfolio had a return of 3.68%, which underperformed the fixed income benchmark by 357 basis points.
- As of the close of the fiscal year 2008, the Future Benefit Increase Reserve was \$500.0 million. This will enable another post-retirement adjustment of \$138.66 for qualifying retirees or their survivors for the twenty-fifth consecutive year.
- Retirement benefits paid totaled \$430.2 million for the current year, compared to \$439.4 million for the previous year. This represents a 2.09% decrease from the prior year. The majority of this decrease is the result of the maturation of the DROP program in fiscal year 2007. It was five years since the inception of this deferred retirement option plan. Over 500 members that took advantage of this option program retired last fiscal year.

FIRE FIGHTER AND PEACE OFFICER CANCER INSURANCE POLICY PROGRAM

- The Fire Fighter and Peace Officer Cancer Insurance Policy Program (FFPOCI) had a total rate of return of -2.363% this year. The equity portfolio had a return of -9.672% which underperformed the benchmark by 14.6 basis points. The fixed income portfolio had a return of 6.319% which underperformed the fixed income benchmark by 92.2 basis points.
- Cancer insurance benefits paid totaled \$122.6 thousand for the current year, compared to \$98.6 thousand for the previous year. This represents a 24.37% increase from the prior year. Most of this increase is due to more members being eligible as the Program was expanded to include peace officers beginning July 1, 2007.

Overview of the Financial Statements

Using this Comprehensive Annual Financial Report (CAFR)

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

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

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

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

Notes to the Financial Statements

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

Required Supplemental Information

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

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

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

Supporting Schedules and Other Supplemental Information

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

Financial Analysis of the System

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

PUBLIC SAFETY PERSONNEL RETIREMENT SYSTEM

Summary Statement of Plan Net Assets

	As of 06/30/08	As of 06/30/07	Amount of Change	% Change
Cash and short term investments	\$95,337,425	\$5,042,054	\$90,295,371	1790.84%
Receivables	129,520,831	44,384,952	85,135,879	191.81%
Investments	4,846,482,420	5,542,614,718	(696,132,298)	(12.56)%
Securities on Loan	1,028,901,529	1,330,488,280	(301,586,751)	(22.67)%
Capital Assets	4,162,362	4,126,088	36,274	0.88%
Total Assets	6,104,404,568	6,926,656,092	(822,251,524)	(11.87)%
Accrued Accounts Payable	1,059,500	219,513	839,987	382.66%
Investment Purchases Payable	55,162,840	64,154,592	(8,991,752)	(14.02)%
Securities Lending Collateral	1,028,901,529	1,330,488,280	(301,586,751)	(22.67)%
Total Liabilities	1,085,123,869	1,394,862,384	(309,738,515)	(22.21)%
Net Assets	\$5,019,280,698	\$5,531,793,708	\$(512,513,010)	(9.26)%

The total plan net assets held in trust for benefits at June 30, 2008 were \$5.0 billion, a 9.26% decrease from \$5.5 billion at June 30, 2007. The decrease in net assets is primarily due to a downturn in the financial markets during the fiscal year as evidenced by PSPRS' negative investment return of -7.27%. The increase in cash and receivables is attributable to normal fluctuations in investment income receivables during the year. PSPRS is fully deploying cash in other investments vehicles like exchange traded funds, equities, fixed income and private equity. Detailed information regarding the System's investment portfolio is included in the investment section of this report. The decrease in security lending collateral is due to normal fluctuations in the lending program as well as an increase in exposure to other alternative investments. The investment of the collateral fluctuated in a similar manner.

Summary Statement of Changes in Plan Net Assets

	As of 06/30/08	As of 06/30/07	Amount of Change	%
				Change
Total Contributions	\$328,372,566	\$260,367,694	\$68,004,872	26.11%
Net Investment Income	(411,505,523)	815,524,366	(1,227,029,889)	(150.45)%
Service Purchases and Transfers	1,696,456	1,639,658	56,798	3.46%
Total Additions	(81,436,502)	1,077,531,718	(1,158,968,220)	(107.56)%
Benefits	418,385,315	439,336,160	(20,950,845)	(4.76)%
Service Transfers and Refunds	8,029,317	8,829,040	(799,723)	(9.05)%
Administrative Expenses	4,661,877	3,971,338	690,539	17.38%
Total Deductions	431,076,509	452,136,537	(21,060,028)	(4.65)%
Net (Decrease) Increase	(512,513,010)	625,395,180	(1,137,908,190)	(181.95)%
Beginning of Year - July 1	5,531,793,708	4,906,398,526	625,395,182	12.74%
End of Year - June 30	\$5,019,280,698	\$5,531,793,708	\$(512,513,010)	(9.26)%

Employer and employee contributions increased \$68.0 million due to an increase in the employer contribution rates from 13.83% to 16.52%. The governing board adopted a number of actuarial changes in 2006 that included extending the period over which unfunded liabilities could be amortized from 20 to 30 years, reducing the salary growth assumption from 6% to 5% and changing the method for calculating the accrued liability from entry age normal method to the projected unit credit method. The combination of these actuarial assumption changes resulted in a slight increase of the employer contribution rate for FY 2007. For FY 2008, PSPRS recognized a net investment loss of \$411.5 million which compares to a \$815.5 million gain in the previous year. This 150.45% decrease was due to the negative returns in the financial markets during the fiscal year. Deductions from the PSPRS net assets held in trust for benefits consist primarily of pension, disability, health insurance subsidies, survivor benefits, member refunds and administrative expenses. For FY 2008, these deductions totaled \$431.1 million, a decrease of 4.65% from the \$452.1 million paid during FY 2007. As mentioned earlier, this decrease is due to the maturation of the DROP program. Over 500 members in the DROP program retired during the previous fiscal year.

FIRE FIGHTER AND PEACE OFFICER CANCER INSURANCE POLICY PROGRAM

Summary Statement of Plan Net Assets

	As of 06/30/08	As of 06/30/07	Amount of Change	%
				Change
Cash and short term investments	\$3,186,891	\$15,856	\$3,171,035	19,998.95%
Receivables	974,682	49,536	925,146	1,867.62%
Investments	9,200,586	8,305,325	895,261	10.77%
Securities on Loan	0	3,145,645	(3,145,645)	(100.00)%
Capital Assets	0	0	0	0.00%
Total Assets	13,362,159	11,516,362	1,845,797	24.71%
Accrued Accounts Payable	13,979	32,906	(18,927)	(57.51)%
Investment Purchases Payable	3,407,806	55,801	3,352,005	5,976.96%
Securities Lending Collateral	0	3,145,645	(3,145,645)	(100.00)%
Total Liabilities	3,421,785	3,234,352	187,433	5.79%
Net Assets	\$9,940,374	\$8,282,010	\$1,658,364	20.02%

The total plan net assets held in trust for benefits at June 30, 2008 were \$9.9 million, a 20.02% increase from \$8.2 million at June 30, 2007. The increase in net assets is primarily due to the addition of peace officers to the program which more than doubled the eligible employees. This is in spite of a downturn in the financial markets during the fiscal year as evidenced by the Fire Fighter and Peace Officer Insurance Program's negative investment return of -2.367%. The increase in cash and receivables is attributable to normal fluctuations in investment income receivables during the year as well as a redirection of cash from the securities lending program in mid-June.

Summary Statement of Changes in Plan Net Assets

	As of 06/30/08	As of 06/30/07	Amount of Change	% Change
Total Contributions	\$2,022,580	\$610,010	\$1,412,570	231.56%
Net Investment Income	(232,724)	984,162	(1,216,886)	(123.64)%
Total Additions	1,789,856	1,594,172	195,684	12.27%
Benefits	122,626	98,594	24,032	24.37%
Administrative Expenses	8,866	11,197	(2,331)	(20.81)%
Total Deductions	131,492	109,791	21,701	19.76%
Net (Decrease) Increase	1,658,364	1,484,381	173,983	11.72%
Beginning of Year - July 1	8,282,010	6,797,629	1,484,381	21.83%
End of Year - June 30	\$9,940,374	\$8,282,010	\$1,658,364	20.02%

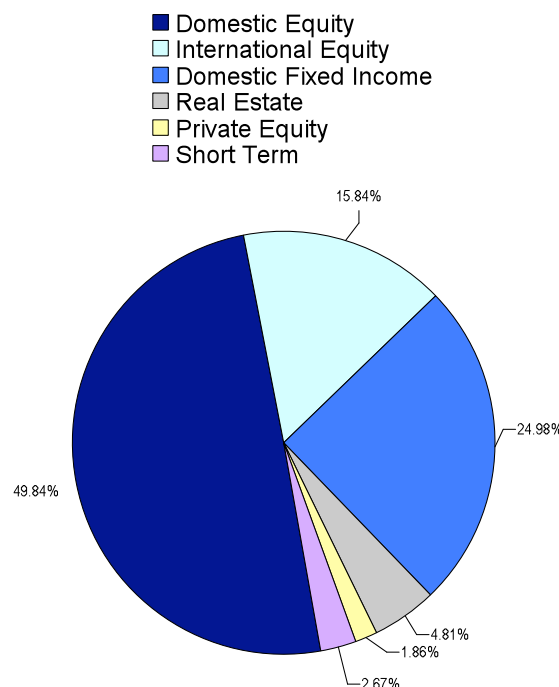
Employer contributions increased \$1.4 million due to an increase in the number of employer groups participating in the program. The Peace Officers became eligible beginning July 1, 2007, resulting in a 231.56% increase in contributions. For FY 2008, FFPOCI recognized a net investment loss of \$1.2 million which compares to a \$0.66 million gain in the previous year. This 123.64% decrease was due to the negative returns in the financial markets during the fiscal year. Deductions from the FFPOCI net assets held in trust for benefits consist primarily of benefit payments and administrative expenses. For FY 2008, these deductions totaled \$131.4 thousand, an increase of 19.76% from the \$109.7 thousand paid during FY 2007.

During the year ended June 30, 2008, the Program paid 15 members for their first occurrence benefit of \$6,000 each. Additionally, the Program paid 17 members surgical and hospital benefits per the schedule of benefits as found on www.psprs.com Two death benefits were paid to survivors at \$5,000 each.

The Public Safety Personnel Retirement System administers the Program and an allocation of expenses incurred by the System is charged to the Program. The Program is administered in the same building as the System utilizing staff employed by the System. The allocated expenses for the year ending June 30, 2008 totaled \$8,866. The Program is authorized to use up to 10% of total receipts to pay the costs of administering the Program.

Investment Activities

PUBLIC SAFETY PERSONNEL RETIREMENT SYSTEM

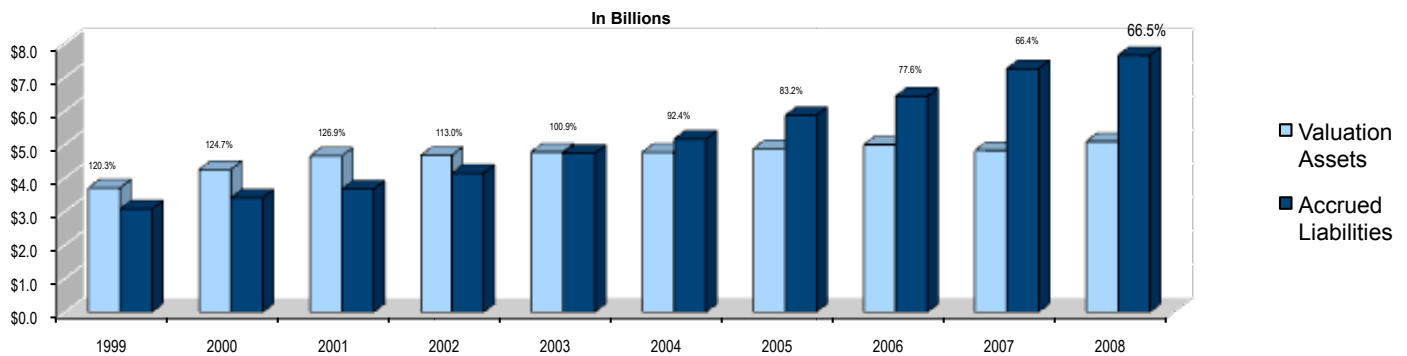


Financial Section

During FY 2007 and continuing into FY 2008, the governing board adopted a more diversified asset allocation policy and began an asset management restructuring. However, due to the market downturn, the investment total rate of return was -7.27% for the past fiscal year. At June 30, 2008, PSPRS held \$3.3 billion in equities. The FY 2008 rate of return for PSPRS equities was -11.89% versus a benchmark rate of return of -10.58%. At June 30, 2008, PSPRS held \$1.2 billion in fixed income securities. The FY 2008 rate of return for PSPRS fixed income securities was 3.68% versus a benchmark rate of return of 7.24%. The benchmarks for both equities and fixed income securities are representative of the returns that could be expected in a similar investing environment. More detailed information regarding the System's investment portfolio can be found in the investment section of this report. Additionally, a more thorough discussion of the diversification of the asset allocation policy can be found in the Introductory section of this report in the transmittal letter.

PSPRS earns additional income by lending investment securities to brokers. This was done on a pooled basis by our custodial banks, Wells Fargo (July through September 2007) and Mellon Bank (October 2007 through June 2008). The brokers provide collateral and generally use the borrowed securities to cover short trades and failed trades.

Historical Trends



Accounting standards require that the "Statement of Plan Assets" reflect investment asset values at fair market value and include only benefits and refunds due to plan members and beneficiaries and accrued investment and administrative expenses as of the reporting date. Information regarding the actuarial funding status of the plan is provided in the "Schedule of Funding Progress." The asset value stated in the "Schedule of Funding Progress" is the actuarial value of assets as determined by calculating the ratio of the market value to book value of assets and the actuarial gains/losses smoothed over a seven year period. Actuarial valuations of the PSPRS assets and benefit obligations for the retirement plan are performed annually. The most recent actuarial valuation available is as of June 30, 2008.

At June 30, 2008, the total funded status of the PSPRS increased to 66.5% from 66.4% at FYE 2007. This slight increase in funded status is related primarily to the removal of investment losses from fiscal year 2001 dropping out of the smoothing period. The additional losses from fiscal year 2002 should be fully reflected by FYE 2009. A more detailed discussion of the funding status can be found in the Administrator's Letter of Transmittal in the Introductory section of this report.

FIREFIGHTER AND PEACE OFFICER CANCER INSURANCE POLICY PROGRAM

Investment Activities

The assets of the FFPOCI program are managed by the Fund Manager and staff of Public Safety Personnel Retirement System. During FY 2007 and continuing into FY 2008, the governing board adopted a more diversified asset allocation policy and began an asset management restructuring. However, due to the market downturn, the investment total rate of return was -2.363% for the past fiscal year. At June 30, 2008, PSPRS held \$6.1 million in equities. The FY 2008 rate of return for FFPOCI equities was -9.67% versus a benchmark rate of return of -9.53%. At June 30, 2008, FFPOCI held 3.1 million in fixed income securities. The FY 2008 rate of return for FFPOCI fixed income securities was 6.32% versus a benchmark rate of return of 7.24%. The benchmarks for both equities and fixed income securities are representative of the returns that could be expected in a similar investing environment.

Implementation of GASB No. 43/45

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

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

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

- Contributions and benefits paid totaling \$11,823,457 for the health insurance premium subsidy will no longer be reported on the Statement of Changes in Plan Net Assets with the financial information for the retirement plan. This information will be reported separately as an "Agency Fund" (unaudited) and can be found in the Statement of Changes in Assets & Liabilities in the Other Supplemental Information section included in the Financial Section of the report.
- The Schedule of Funding Progress will no longer include the liability for the health insurance premium subsidy. This will increase the System's funded ratio. The funded ratio without the health insurance premium subsidy liability is calculated as 68.8%. If the liability associated with the health insurance premium subsidy were to be included, the funded ratio is calculated as 66.5%.
- The Schedule of Employer Contributions will include the annual required employer contributions for the retirement plan plus the difference between the annual required contributions calculated for the health insurance premium subsidy and the benefits paid. For FY '08, this amounted to a difference of \$9,064,857 added back to the employer contributions, which gives the "appearance" that the contributions for the retirement plan were over funded and the contributions for the health insurance premium subsidy were under funded. If a portion of the system assets were allocated to both the retirement and health insurance subsidy benefits, the percentage contributed for both benefits would be 100% funded.
- Beginning FY'08, the participating employer groups implemented GASB Statement No. 45. This statement required the participating employers to report the liabilities associated with the health insur-

Financial Section

ance premium subsidy as well as any other supplemental healthcare benefits provided to the retiree under the healthcare plans that they administer (sponsor).

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

Request for Information

This report is designed to provide a general overview of the Public Safety Personnel Retirement System's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to: Public Safety Personnel Retirement System, 3010 E. Camelback Road, Suite 200, Phoenix, AZ 85016.

STATEMENT OF PLAN NET ASSETS

Pension Trust Funds - As of June 30, 2008

	PSPRS	FFPOCIP	Total
ASSETS			
Cash and short term investments	\$95,337,425	\$3,186,891	\$98,524,316
Receivables			
Members' Contributions	3,700,520	-	3,700,520
Employers' Contributions	9,199,924	-	9,199,924
Interest and Dividends	18,455,657	7,847	18,463,504
Investment Sales	95,956,561	966,835	96,923,396
Due from other Plans	2,208,169	-	2,208,169
Total Receivables	<u>129,520,831</u>	<u>974,682</u>	<u>130,495,513</u>
Investments at Fair Value (Notes 2 and 3)			
U.S. Government Securities	654,258,841	-	654,258,841
Corporate Bonds	591,085,892	3,050,001	594,135,893
Corporate Notes	-	-	0
Corporate Stocks	3,285,911,012	6,150,585	3,292,061,597
Alternative Investments	315,226,675	-	315,226,675
Total Investments	<u>4,846,482,420</u>	<u>9,200,586</u>	<u>4,855,683,006</u>
	-		
Securities Lending Collateral	1,028,901,529	-	1,028,901,529
Capital Assets (Note 4)			
Land	495,434	-	495,434
Building and improvements	3,504,604	-	3,504,604
Furniture and equipment	775,574	-	775,574
Total Capital Assets	<u>4,775,612</u>	<u>0</u>	<u>4,775,612</u>
Accumulated Depreciation	(613,249)	-	(613,249)
Net Capital Assets	<u>4,162,363</u>	<u>0</u>	<u>4,162,363</u>
Total System Assets	<u>6,104,404,568</u>	<u>13,362,159</u>	<u>6,117,766,727</u>
LIABILITIES			
Accrued Accounts Payable	1,059,500	13,979	1,073,479
Investment Purchases Payable	55,162,840	3,407,806	58,570,646
Securities Lending Collateral	1,028,901,529	0	1,028,901,529
Total Plan Liabilities	<u>1,085,123,870</u>	<u>3,421,785</u>	<u>1,088,545,655</u>
Net Assets Held in Trust for Pension Benefits	<u>\$5,019,280,698</u>	<u>\$9,940,374</u>	<u>\$5,029,221,072</u>
Net Asset Reserves			
Refundable Members' Reserve	\$789,565,692	\$-	\$789,565,692
Employers' Reserve	3,729,763,733	9,940,374	3,739,704,107
Future Benefit Increase Reserve	499,951,273	-	499,951,273
Total Net Asset Reserves	<u>\$5,019,280,698</u>	<u>\$9,940,374</u>	<u>\$5,029,221,072</u>

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

STATEMENT OF CHANGES IN PLAN NET ASSETS

Pension Trust Funds - Year Ended June 30, 2008

	PSPRS	FFPOCIP	Total
Additions			
Contributions			
Members' Contributions (Notes 2 and 5)	\$97,156,897	\$-	\$97,156,897
Employers' Contributions (Notes 2 and 5)	221,732,592	2,022,580	223,755,172
Member Service Purchase	9,483,077	-	9,483,077
Total Contributions	328,372,566	2,022,580	330,395,146
Net (Depreciation) Appreciation			
in Fair Value of Investments (Notes 2 and 3)	(582,952,695)	(610,154)	(583,562,849)
Interest	90,973,868	283,962	91,257,830
Dividends	80,380,182	95,815	80,475,997
Securities Lending Activities			
Securities Lending Income	38,078,219	40,839	38,119,058
Borrower Rebates	(31,381,965)	(37,117)	(31,419,082)
Agents Share of Income	(1,118,383)	(918)	(1,119,301)
Net Securities Lending Income (Note 2)	5,577,871	2,804	5,580,675
	(406,020,774)	(227,573)	(406,248,347)
Investment Income			
Less Investment Expense	(5,484,750)	(5,151)	(5,489,901)
Net Investment Income	(411,505,523)	(232,724)	(411,738,247)
Amounts Transferred from Other State-Sponsored Pension Plans and	1,696,456	-	1,696,456
Total Additions	(81,436,502)	1,789,856	(79,646,646)
Deductions			
Pension Benefits (Note 2)	320,477,664	-	320,477,664
Insurance Benefits (Note 2)	-0-	122,626	122,626
Refunds to Terminated Members (Note 2)	7,884,695	-	7,884,695
Drop Benefits	97,907,651	-	97,907,651
Administrative Expenses	4,661,878	8,866	4,670,744
Amounts Transferred to Other State-Sponsored Pension Plans	144,622	-	144,622
Total Deductions	431,076,509	131,492	431,208,001
Net (Decrease) Increase	(512,513,010)	1,658,364	(510,854,646)
Net Assets Held In Trust for Pension Benefits			
Beginning of Year - July 1	5,531,793,708	8,282,010	5,540,075,718
End of Year - June 30	\$5,019,280,698	\$9,940,374	\$5,029,221,072

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

Notes to the Financial Statement

Note 1-Plan Descriptions and Contribution Information:

PUBLIC SAFETY PERSONNEL RETIREMENT SYSTEM

Organization The Public Safety Personnel Retirement System (PSPRS), a pension trust fund of the State of Arizona, is a cost sharing multiple-employer public employee retirement plan established by Title 38, Chapter 5, Article 4 of the Arizona Revised Statutes, to provide benefits for public safety employees of certain state and local governments. The Fund Manager and 229 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. The Fund Manager is responsible for the investment of the Plan's assets, setting employer contribution rates in accordance with an actuarial study, adopting a budget, hiring personnel to administer the Plan, setting up records, setting up accounts for each member, paying benefits and the general protection and administration of the System. Senate Bill 1378, which was enacted August 12, 2005, requires substantial investment experience for the member of the Fund Manager that represents the state as an employer and the public member of the Fund Manager.

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, the timing of benefit payments, and the amount of benefits for its eligible group of employees. The various governing bodies pay all costs associated with the administration of the local boards.

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

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 government.

At June 30, 2008 and 2007, the number of participating local government employer groups was 229 and 219, respectively.

Any state, county or city in the State of Arizona may elect to have its paid, full-time eligible employees (generally, firefighters and police officers in hazardous duty positions) covered by PSPRS. At June 30, 2008 and 2007, statewide PSPRS membership consisted of:

	Retirement Plan		Health Insurance Subsidy	
	2008	2007	2008	2007
Retirees	8,241	7,633	5,453	5,165
Terminated vested employees	213	212		
Current Employees:				
Drop	1,181	1,325		
Vested	12,283	11,956		
Non-vested	7,629	6,668		
Total Members	29,547	27,794	5,453	5,165

Financial Section

PSPRS provides retirement benefits as well as death and disability benefits. Generally, all benefits vest after five years of credited service.

A summary of benefit and plan provisions follows:

Summary of Benefits

Purpose (A.R.S. §38-841) 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 this 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. §38-842.20) Full-time paid firefighters, whose customary employment is at least 40 hours per week, of a participating employer who is or was regularly assigned to hazardous duty of the type normally expected of a firefighter and full-time paid certified peace officers, whose customary employment is at least 40 hours per week, of a participating employer 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. Each employer shall contribute a level percent of compensation as determined by actuarial valuation to ensure proper funding for the system. Beginning July 1, 2006, the minimum employer contribution rate shall not be less than 8% of compensation. For any employer whose actual contribution rate is less than 8% of compensation for fiscal year 2006-2007, that employer's contribution rate is not subject to the 8% minimum but, for fiscal year 2006-2007 and each year thereafter, shall be at least 5% and not more than the employer's actual contribution rate.

Credited Service (A.R.S. §38-842.11) 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 Benefit Compensation (A.R.S. §38-842.6) One thirty-sixth of total compensation paid a member during the highest three consecutive years out of the last 20 years of credited service.

Compensation (A.R.S. §38-842.10) 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, semi-monthly 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 payment for any fringe benefits. For the purposes of this paragraph, "base salary" means the amount of compensation each employee is regularly paid for personal services rendered to an employer before the addition of any extra monies, including overtime pay, shift differential pay, holiday pay, longevity pay, fringe benefit pay and similar extra payments.

Normal Retirement Date (A.R.S. §38-842.27) First day of month immediately following termination of employment and one of the following: (1) completion of 20 years of service, or (2) following 62nd birthday and completion of 15 years of service.

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

For retirement with 20 years of credited service but less than 25 years of credited service, 50% of average monthly compensation for the first 20 years of credited service, plus 2% of average monthly compensation for each year of credited service between 20 and 25. (A.R.S. §38-845.A.2)

For retirement with 20 years of service, but less than 20 years of credited service, the pension is reduced by a rate of 4% per year for each year of credited service under 20 years. (A.R.S. §38-845.A.1)

For retirement with 25 or more years of credited service, 50% of average monthly compensation for the first 20 years of credited service, plus 2-1/2% of average monthly compensation for each year of credited service above 20 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 the 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 is credited to a DROP participation account with interest at the rate of 8.5% annually, but credited monthly to the account. 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.

Reverse DROP (A.R.S. §38-844.10) A member with 20 or more years of credited service under the System, who has not elected to participate in the DROP, may elect to participate in the Reverse DROP. Under the Reverse DROP, the member must voluntarily and irrevocably elect to terminate employment and receive a normal retirement upon participation in the Reverse DROP. The member elects a "Reverse DROP Date" that is the first day of the month immediately following completion of 20 years of credited service or a date not more than 60 consecutive months before the date the member elects to participate in the Reverse DROP, whichever is later. The member's pension will be calculated using the factors of credited service and average monthly benefit compensation in effect on the Reverse DROP Date. In addition, a lump sum distribution reflecting an amount that is credited as though accrued monthly from the Reverse DROP Date to the date the member elected to participate in the Reverse DROP is paid out. This amount is credited with an interest rate of 3.5% annually, as opposed to the current DROP interest rate of 8.5%, and can either be paid to the member or paid to an eligible retirement plan or individual retirement account. Neither the member, nor the employer, is entitled to a refund of contributions made between the Reverse DROP Date and the date the member elects to participate in the Reverse DROP.

Deferred Retirement (A.R.S. §38-846.01) A member with at least 10 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 62. 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 their contributions.

Local Board Procedures (A.R.S. §38-847) Unless agreed otherwise by both parties, the local board has 90 days to conduct a hearing when a matter is presented to the board for determination. If the local board does not conduct a hearing within 90 days, the matter is deemed granted and approved subject to a request for rehearing by the Fund Manager.

The employer shall pay all fees of the local board. Legal counsel of the local board shall be independent of the employer and employees.

If the local board has not yet adopted rules of procedure for adjudication of a claim or dispute, the local board shall adopt and use model rules provided by the Fund Manager on the PSPRS web site.

Financial Section

Accidental Disability Retirement (Service Connected) (A.R.S. §38-842.1, A.R.S. §38-845.B; 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. §38-842.7, A.R.S. §38-845.E, A.R.S. §38-844.C and F) Physical, and not a psychological, 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, 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. §38-842.29, A.R.S. §38-845.C, A.R.S. §38-844.B)

Physical condition: Total and permanent disability preventing performance of a reasonable range of duties 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 20.

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; A.R.S. §38-842.41) 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 12 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 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, A.R.S. §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 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 20 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 five or more years of credited service upon termination they shall receive an additional amount according to the schedule below:

5 to 5.9—25% of member contributions deducted from the member's salary pursuant to ARS 38-843.C

6 to 6.9—40% of member contributions deducted from the member's salary pursuant to ARS 38-843.C

7 to 7.9—55% of member contributions deducted from the member's salary pursuant to ARS 38-843.C

8 to 8.9—70% of member contributions deducted from the member's salary pursuant to ARS 38-843.C

9 to 9.9—85% of member contributions deducted from the member's salary pursuant to ARS 38-843.C

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) (Use Form P1A) 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 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) (Use form P1B) 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 90 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:

1. 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.
2. 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.

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.

Financial Section

Redemption Of Prior Service (A.R.S. §38-853.01.A) (Use Form P2) 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.

Firefighters (A.R.S. §38-842; A.R.S. §38-853.01)

- A. Allows an employer who contracts with a corporation to provide firefighting services the option to treat part or all of the period the firefighter worked for the company as service in the joinder agreement.
- B. If the employer elects to include its firefighters who have prior service working as a firefighter for a corporation that contracted with an employer as part of its eligible group, the employer shall amend the joinder agreement with PSPRS. A new actuarial valuation may be necessary to determine the cost of the additional liability for the employer. The employer will pay the cost for the new actuarial valuation.
- C. Prior employment with a corporation that contracted with an employer now covered by the System to provide firefighting services on behalf of that employer as a full-time paid firefighter may be purchased subject to the following limitation prescribed by federal law:
 1. Service has not been included in Paragraph B above.
 2. If the member uses a personal check, the member must have participated in PSPRS for five years and is limited to purchasing five years of service.
 3. If the member uses a trustee-to-trustee transfer from a governmental plan (403(b) or 457), the member is not limited in their service purchase.
 4. The member cannot use a trustee-to-trustee transfer from a private plan.

Purchase Of Prior Active Military Service (A.R.S. §38-858) (Use Form 18) A member may purchase up to four years of prior active military time even if the member will receive a military pension. The member must pay the actuarial present value of the increase of credited service resulting from this purchase.

Transfer Between State Retirement Systems (A.R.S. §38-921, A.R.S. §38-922) (Use Form U2) Members of any of the four Arizona state retirement systems or plans who have credited service under another Arizona state retirement system or plan may transfer or redeem the credited service to their current Arizona state retirement system or plan by paying or transferring the actuarial present value of the credited service into their current Arizona retirement system or plan to the extent funded on a market value basis as of the most recent actuarial valuation with approval of the Fund Manager or retirement boards involved. A reduced credited service amount may be transferred based on the transfer of the actuarial present value of the credited service under the prior Arizona state system or plan to the extent funded on a market value basis as of the most recent actuarial valuation.

Transfer of Service Credits Between Municipal Retirement Systems and Special Retirement Plans; definitions (A.R.S. § 38-923, § 38-924). An active or inactive member of a retirement system or plan of a municipality of this state or the PSPRS or CORP may transfer the credited service to their current retirement system or plan.

A reduced credited service amount may be transferred based on the transfer of the actuarial present value of the credited service under the prior Arizona state system or plan.

Cola Benefit Increases (A.R.S. §38-856) Effective July 1 of each year, each retired member or survivor of a retired member may be entitled to a permanent benefit increase in their base benefit. The maximum amount of the increase is four percent (4%) of the 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 member or survivor must be age 55 or older on July 1 of the current year and was receiving benefits on or before July 31 of the previous year. A member or survivor is also eligible if they were receiving benefits on or before July 31 of the two previous years regardless of age.

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

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

Through June 30, 2009, a retiree or survivor who is eligible for Medicare and who lives in a nonservice area receives up to the following amounts in addition to the subsidy listed above after they have paid an out-of-pocket expense as set forth below. A nonservice area is defined as an area in this state where the state retiree group insurance program or employer’s retiree health insurance program does not provide or administer a health maintenance organization (HMO) for which the member or survivor is eligible. The subsidy consists of up to the following amounts:

Single	Family	
Medicare Eligible	Retired Member and one dependent Medicare Eligible	Only Retired Member Medicare Eligible
\$170.00 <u>after \$100.00 paid out-of-pocket</u>	\$350.00 <u>after \$200.00 paid out-of-pocket</u>	\$470.00 <u>after \$400.00 paid out-of-pocket</u>

Health Insurance Subsidy (A.R.S. §38-857) Repeals the \$25.00 subsidy for members that obtain their own insurance administered by their former employer. Effective July 1, 2008. Repealed prior to going into effect.

Fire Fighter and Peace Officer Cancer Insurance (A.R.S §§ 38-641 through 38-645) The Fund Manager shall establish and administer a mandatory Fire Fighter and Peace Officer Cancer Insurance Policy Program for participating employers. On or before July 31 of each year, the Fund Manager shall notify each employer of their cost in the program, not to exceed \$180 for each employee.

State Taxation Of PSPRS Benefits (A.R.S. §38-852, A.R.S. §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.

Domestic Relations Order; procedures; payments (A.R.S. § 38-860) When a member has a divorce decree that splits pension benefits or refunds, PSPRS requires a System-approved Domestic Relations Order (DRO). This new statute details the basic requirements and sets forth a procedure for providing a certified copy of a DRO to PSPRS.

FIRE FIGHTER AND PEACE OFFICER CANCER INSURANCE POLICY PROGRAM

Organization

The State of Arizona Fire Fighter and Peace Officer Cancer Insurance Policy Program is a multiple-employer cancer insurance program established by Title 38, Chapter 5, Article 4 of the Arizona Revised Statutes, to provide cancer insurance benefits for active and retired firefighters and peace officers of certain state and local governments. The Fund Manager of the State of Arizona Public Safety Personnel Retirement System administers the Program.

The Fund Manager is a five-member board. Beginning August 6, 1999, the Governor began appointing all members, who serve a fixed three-year term. The Fund Manager is responsible for the investment of the Plan's assets, hiring personnel to administer the Program, and the general protection and administration of the Plan.

The Program provides cancer insurance covering active fire fighters and peace officers of participating employers. Benefits begin upon the fire fighter's or peace officer's date of membership in the system (excluding pre-existing conditions). Retired members remain eligible for coverage for five months for every year of credited service accumulated toward retirement under the PSPRS. A retired member whose eligibility is expiring may continue to remain eligible for coverage if an election is made with the Fund Manager and a predetermined premium is paid.

Effective July 1, 2000, the policy became self-insured. The insurance policy is designed by the program administrators and underwritten by the assets of the firefighter and peace officer insurance policy program account established by ARS §38-643. All claims are submitted to PSPRS for adjudication.

The Fire Fighter and Peace Officer Cancer Insurance Policy Program relies on funding from the various employers who are members of the Public Safety Personnel Retirement Plan. Historically, the financial statements were prepared and reported separately from PSPRS. For FY 2007, the statements were combined with PSPRS.

Benefits

The insurance policy provides benefits to eligible active and retired fire fighters and peace officers. The program is a supplemental insurance plan for hospitalization, surgery, radiation and chemotherapy and other cancer related illness benefits. There is a first occurrence benefit of \$6,000 and a death benefit of \$5,000. The program is self-insured, benefits are limited to the assets in the fire fighter cancer and peace officer insurance policy program account, and those benefits may be reduced or eliminated at any time.

Contributions

Participating local boards contribute not more than \$180 each fiscal year for each fire fighter or peace officer employed at June 30 of the prior fiscal year. Effective July 1, 2007, the Fund Manager set the contribution rate at \$100 for each fire fighter or peace officer.

Note 2-Summary of Significant Accounting Policies and Plan Asset Matters:

Basis 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. Pension and health insurance subsidy 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. Furniture, fixtures and equipment purchases costing \$5,000 or more, when acquired, are capitalized at cost.

Improvements, which increase the useful life of the property, are also capitalized. Investment income net of administrative and investment expenses are allocated to each employer group based on the average relative fund size for each employer group for that year.

By state statute, the 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 used in this calculation totaled \$549,724,588 for FYE 2008 and \$362,424,876 for FYE 2007. This calculation is independent of the calculation of the change in the fair value of investments and may include unrealized amounts from prior periods.

Note 3-Cash and Investments

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

In addition to the FDIC insurance coverage on the operating and money market accounts of PSPRS, Wells Fargo pledged the following securities to PSPRS, the Corrections Officer Retirement Plan and the Elected Officials’ Retirement Plan on June 30, 2008, as collateral:

\$24,638,000 FNIONP878442 6.50% Maturity Date 05/01/36

All monies shall be secured by the depository in which they are deposited and held to the same extent and in the same manner as required by the general depository law of the state.

Cash balances represent both operating and cash accounts held by the bank and investment cash on deposit with the investment custodian. Formerly all accounts were held at Wells Fargo Bank. A new custodian bank for investments only (BNY Mellon) was retained in August 2007 (effective October 1, 2007.) All deposits are carried at cost plus accrued interest. The following table is a schedule of the aggregate book and bank balances of all cash accounts as of June 30, 2008:

	Reported Amount	Bank Balance
Pension Trust Fund	\$92,309,324	\$92,309,324
Operating Fund	3,028,101	3,028,101
Total Deposits	\$95,337,425	\$95,337,425

Investments

PSPRS investments are reported at Fair Value. Fair Values are determined as follows: Short-term investments are reported at Fair Value, which approximates Cost. Equity securities are valued at the last reported sales price. Fixed-income securities are valued using the last reported sales price or the estimated fair market value as determined by the fixed-income broker/dealers. Directed real estate and venture capital investments were historically reported at cost but were marked-to-market during the fiscal year using appraisals to estimate the fair market value. Investment income is recognized as earned.

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

In making every investment, the Fund Manager shall exercise the judgment and care under the circumstances then prevailing which persons 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:

Financial Section

- 1) That not more than eighty percent of the combined assets of the system or other plans that the fund manager manages shall be invested at any given time in corporate stocks, based on cost value of such stocks irrespective of capital appreciation.
- 2) That not more than five percent of the combined assets of the system or other plans that the fund manager manages shall be invested in corporate stock issued by any one corporation, other than corporate stock issued by corporations chartered by the United States government or corporate stock issued by a bank or insurance company.
- 3) That not more than five percent of the voting stock of any one corporation shall be owned by the system and other plans that the fund manager administers, except that this limitation does not apply to membership interests in limited liability companies.
- 4) That corporate stocks and exchange traded funds eligible for purchase shall be restricted to stocks and exchange traded funds that, except for bank stocks, insurance stocks and membership interests in limited liability companies, are either:
 - A) Listed or approved on issuance for listing on an exchange registered under the Securities Exchange Act of 1934, as amended (15 United States Code §78a through §78ll);
 - B) Designated or approved on notice of issuance for designation on the national market system of a national securities association registered under the Securities Exchange Act of 1934, as amended (15 United States Code §78a through §78ll)
 - C) Listed or approved on issuance for listing on an exchange registered under the laws of this [Arizona] state or any other state.
 - D) Listed or approved on issuance for listing on an exchange of a foreign country with which the United States is maintaining diplomatic relations at the time of purchase, except that no more than twenty percent of the combined assets of the system and other plans that the fund manager manages shall be invested in foreign securities, based on the cost value of the stocks irrespective of capital appreciation.
 - E) An exchange traded fund that is recommended by the chief investment officer of the system, that is registered under the investment company act of 1940 (15 United States Code § 80 a-1 through 80a-64) and that is both traded on a public exchange and based on a publicly recognized index.

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 the value of the investment or collateral securities that are in the possession of an outside party if the counterpart to the investment or deposit transaction fails. As of June 30, 2008, PSPRS has no fund or deposits that were not covered by depository insurance or collateralized with securities held by our banks' trust department or agent. Nor does PSPRS have any investments that are not registered in the name of PSPRS and are either held by the counterpart or the counterpart's trust department or agent.

Credit Risk

Credit Risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligation to the System. As of June 30, 2008, the System's fixed income assets that were not government guaranteed represented 69% of the fixed income portfolio.

Each portfolio is managed in accordance with investment guidelines that are specific as to permissible credit quality ranges, exposure levels within individual quality tiers, and the average credit quality of the overall

portfolios. According to those guidelines, the fixed income portfolio must have a minimum weighted average quality rating of A3/A-. Fixed income securities must have a minimum quality rating of Baa3/BBB- at the time purchase. The portion of the bond portfolio in securities rated Baa3/BBB- through Baa1/BBB+ must be 20% or less of the fair value of the fixed income portfolio.

Included in the fixed income portfolio are cash equivalents or commercial paper.

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

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

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

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

Average Credit Quality and Exposure Levels of Non-government Guaranteed Securities

Fixed Security Type	Fair Value June 30, 2008	% of all Fixed Income Assets	Weighted Avg. Credit	Dispersion Requiring Further Exposure
Corporate Bonds	\$318,735,783	25%	A	See below
Mortgages	18,966,215	2%	AA	See below
Agencies	474,900,592	38%	AAA	None
CBO	41,007,210	3%	BBB	See below
CDO	7,576,476	1%	A	See below
Total	\$861,186,276	69%		

Ratings Dispersion Detail

Credit Rating Level	Corporate Bonds	CBO	CDO	Mortgages
AAA	\$12,172,867			\$13,606,277
AA	39,520,945			3,120,019
A	142,361,663	21,438,297	4,868,067	2,239,920
BBB	104,204,938	9,661,548	2,708,409	
Below BBB	20,475,370	9,907,365	-0-	-0-
Total	\$318,735,783	\$41,007,210	\$7,576,476	\$18,966,215

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.

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

Segmented Time Distribution by Security Type (including Government Guaranteed Securities)

Fixed Income Security	<1	1-5	6-10	11-15	16-20	>20
Corporate	11,934,905	40,782,292	45,680,660	13,690,706	49,077,893	157,569,328
Agencies		398,767,484	77,814,524	60,133,261	36,388,531	83,940,696
CBO		9,661,548		12,238,867	5,469,962	13,636,833
CDO	-0-	-0-	4,868,067	-0-	-0-	2,708,409
Totals	\$11,934,905	\$449,211,324	\$128,363,250	\$86,062,833	\$90,936,386	\$257,855,266

Callable Bonds by Security Type (including Government Guaranteed Securities)

Fixed Income Security Type	Fair Value June 30, 2008	% of All Fixed Income Assets
Corporate	\$14,711,991	1.17%
Agencies	-0-	-0-%
Totals	\$14,711,991	1.17%

Foreign Currency Risk

Foreign currency risk is the risk that changes in exchange rates will adversely impact the fair value of an investment. Because it has no direct international holdings, PSPRS does not have any foreign currency risk exposure.

Security Lending Program

The System is party to a securities lending agreement with a bank. The bank, on behalf of the Plan, enters into agreements with brokers to loan securities and have the same securities returned at a later date. The loans are fully collateralized primarily by cash. Collateral is marked-to-market on a daily basis. Non-cash collateral can be sold only upon borrower default. The Plan requires collateral of at least 102% of the fair value of the loaned U.S. Government or corporate security. Securities on loan are carried at fair value.

As of June 30, 2008 the fair value of securities on loan was \$1,000,551,019 and the collateral was \$1,028,901,529 for Public Safety Personnel Retirement System. The Fire Fighter and Peace Officer Cancer Insurance Policy Program had no securities on loan at June 30, 2008. The System receives a negotiated fee for its loan activities and is indemnified for broker default by the securities lending agent.

The System participates in a collateral investment pool. All security loans may be terminated on demand by either the lender or the borrower.

All matched loans shall have matched collateral investments.

The total cash collateral investments received for unmatched loans (any loan for which the cash collateral has not been invested for a specific maturity) will have a maximum effective duration of 233 days. Additionally, at least 20% of total collateral investments shall be invested on an overnight basis. At June 30, 2008, the weighted average maturity was 75 days for all investments purchased with cash collateral from unmatched loans. The Plan has no credit risk because the amounts owed to the borrowers exceed the amounts the borrowers owe to the Plan. Prior to June 30, 2008, under this program, the System has not experienced any defaults or losses on these loans. However, for the period ending November 2008, PSPRS was informed that due to recent market events one or more securities lending collateral vehicles that held assets have been impaired. This potential liability will be realized upon settlement of the recovery process or if there becomes liquidity issue with the collateral pool.

Asset Class	Out on Loan	Total Available to Loan	% of Available to Loan
Equities	\$742,252,301	\$3,285,911,013	23%
Agencies	30,870,580	472,996,533	7%
Treasuries	226,332,892	226,332,892	100%
Corporate Bonds	1,095,246	591,085,892	19%
Totals	\$1,000,551,019	4,576,326,330	21%

Note 4-Capital Assets

These assets are stated at cost, and depreciable assets are depreciated using the straight-line method over the estimated life of the asset. Repairs and maintenance are charged to expense as incurred. Depreciation expense for June 30, 2008 was \$225,758. A new office facility located at 3010 E. Camelback Road was purchased in June of 2004. The property consists of a two-story building, the bottom floor of which is partially leased. The administrative staff of the System occupies one-third of the first floor and the entire second floor.

The table below is a schedule of the capital asset account balances as of June 30, 2007, and June 30, 2008, and changes to those account balances during the year ended June 30, 2008.

Schedule of Capital Asset Account Balances

Capital Assets	Land	Building and Improvements	Furniture, Fixtures and Equipment	Total Capital Assets
Balance June 30, 2007	\$495,434	\$3,240,319	777,276	\$4,513,029
Additions		264,283	-0	264,283
Deletions	-0-	-0-	(1,700)	(1,700)
Balance June 30, 2008	495,434	3,504,602	775,576	4,775,612
Accumulated Depreciation				
Balance June 30, 2007	-0-	(232,701)	(154,239)	(386,940)
Additions	-0-	(89,524)	(136,234)	(225,758)
Deletions	-0-	-0-	(551)	(551)
Balance June 30, 2008	-0-	(322,225)	(291,024)	(613,249)
Net capital assets	\$495,434	\$3,182,379	\$484,550	\$4,162,363

NOTE 5 – Contributions Required and Contributions Made

The Retirement System's funding policy provides for periodic employer contributions at actuarially determined rates that, expressed as percentages of annual covered payroll, are designed to accumulate sufficient assets to pay benefits when due. The normal cost and actuarial accrued liability are determined using the projected unit credit actuarial cost method. Unfunded actuarial accrued liabilities and assets in excess of actuarial accrued liabilities are being amortized as a level percent of payroll over a closed twenty-eight (28) year period. Beginning July 1, 2006, the minimum employer contribution rate increased from 5% to 8%.

During the year ended June 30, 2008, contributions totaling \$330,712,946 (\$233,556,049 employer [\$221,732,592 pension and \$11,823,457 health insurance subsidy contributions] and \$97,156,897 member) were made in accordance with contribution requirements determined by an actuarial valuation of the System as of June 30, 2006. The employer contributions consisted of approximately \$128,018,499 for normal cost [121,541,373 pension and 6,477,126 health insurance subsidy] plus \$105,537,550 for amortization of the unfunded of the actuarial accrued liability in aggregate [91,126,362 pension and \$14,411,188 health insurance subsidy]. Employer contributions represented 16.52% of covered payroll [10.08% for normal costs (9.57% pension and 0.51% health insurance) and 6.44% for amortization of assets in excess of the actuarial accrued liability in aggregate (5.44% pension and 1.00% health insurance subsidy)]. Member contributions represented 7.65% of covered payroll and are attributable to normal costs.

NOTE 6 – Other Benefits

The PSPRS adopted a supplemental defined contribution plan for all contributing members of an eligible group. An eligible group is defined as the employees of the Fund Manager, PSPRS, the EORP 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. The IRS maintains that the employers designate the amounts contributed by each employee. All amounts contributed are subject to the discretion and control of the employer. Employee contributions and earnings to the plan are immediately vested. Employer contributions, if any, are vested based on the following schedule:

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

PSPRS administers the supplemental defined contribution plan through a third party administrator. All contributions are sent directly to the third party administrator from the participating employer groups.

NOTE 7 – Health Insurance Premium Subsidy-Agency Fund

The plan description, summary of significant accounting policies, investment policies and contributions required for the health insurance subsidy are the same as the retirement plan and can be found under Notes 1, 2, 3 and 5. The health insurance premium subsidy provided by A.R.S. §38-857 consists of a fixed dollar amount set by statute and paid by the System on behalf of eligible retired members. The subsidized health benefits are provided and administered by the Arizona State Retirement System, Arizona Department of Administration or the participating employer of the retired member. According to Governmental Accounting Standards Board (GASB) Statement No. 43, the health insurance subsidy paid by the System represents other post employment benefits. The System does not administer a separate healthcare plan as defined under IRC §401(h) or an equivalent arrangement. In addition, the System is not statutorily authorized to maintain a separate account for the health insurance subsidy assets and benefit payments. Therefore, in accordance with GASB No. 43, the healthcare subsidy is reported as an agency fund. All assets of the System are available to pay both pension benefits and health insurance subsidy. The pension benefits and health insurance subsidy are funded through employer contributions based on an annual actuarial valuation. Contributions are separately accounted for by employer but are not segregated by contribution type. Contributions in excess of the health benefit subsidy payments are reported in the retirement plan. Therefore, no accumulated assets or liabilities to participating employers are reported in the agency fund. For FY '08, contributions collected for the health insurance subsidy amounted to \$20,888,314 and the health benefit subsidy payments were \$11,823,457. The excess contributions of \$9,064,857 were added to the retirement plan for reporting purposes. Effective FY '08, each participating employer is required by GASB Statement No. 45 to disclose additional information with regard to funding policy, the employer’s annual OPEB cost and contributions made, the funded status and funding progress of the employer’s individual plan and actuarial methods and assumptions used.

NOTE 8 – Plan Termination

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

NOTE 9 – Contingencies

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

As stated in Note 3 – Cash and Investments under the Security Lending Program heading, the System has been apprised of a situation involving one or more security lending collateral vehicles that held assets which have been impaired as a result of recent market events. An estimate of the maximum potential loss is approximately \$11.3 million dollars for all three plans. The actual realized loss is undeterminable and in management’s opinion, the realized loss as a result of the collateral impairment will not have a material effect on the financial statements.

NOTE 10 – Funding Status and Progress

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

(in thousands)						
Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) EANC/ PUC* (b)	Unfunded (Excess) AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
RETIREMENT PLAN						
6/30/2008	\$5,095,645	\$7,405,397	\$2,309,752	68.8%	\$1,383,332	167.0

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

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

Valuation Date:	June 30, 2008
Actuarial Cost Method:	Projected Unit Credit
Amortization Method:	Level Percent of Payroll, Closed
Remaining Amortization Period:	28 years closed for unfunded accrued actuarial liability, 20 years open for excess
Asset Valuation Method:	7-Year Smoothed Market Value
Investment Rate of Return:	8.50%
Projected Salary Increases:	5.50% - 9.00%, which includes inflation at 5.50%

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

Actuarial calculations reflect a long-term perspective. Consistent with this perspective, actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial ac-

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crued liabilities and the actuarial value of assets. The actuarial calculations are based on the benefits provided under the terms of the System in effect at the time of each valuation. These benefits are described in Note 1 under “Summary of Benefits”.

NOTE 11 – Required Schedules

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

Required Supplemental Information

SCHEDULE OF FUNDING PROGRESS

(in thousands)

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Liability (AAL) EANC/PUC* (b)	Unfunded (Excess) AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
RETIREMENT PLAN						
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	\$4,639,517	\$5,704,491	\$1,064,974	81.3%	\$974,863	109.2%
6-30-06	\$4,767,055	\$6,211,586	\$1,444,531	76.7%	\$1,073,685	134.5%
6-30-07	\$4,572,615	\$7,011,385	\$2,438,770	65.2%	\$1,228,037	198.6%
6-30-08	\$5,095,168	\$7,405,397	\$2,309,752	68.8%	\$1,383,332	167.0%

¹Entry Age Normal Cost method through 6-30-04. Projected Unit Credit method from 6-30-05 to the present.

²Beginning 6-30-07, funded ratio calculation does not include AAL for the health insurance premium subsidy. If the AAL for the health insurance premium subsidy were included, the funded ratio would be 66.4% for 6-30-07 and 66.5% for 6-30-08.

See Notes to the Schedules of Required Supplementary Information.

SCHEDULE OF EMPLOYER CONTRIBUTIONS

Fiscal Year Ended June 30	Retirement Plan	
	Annual Required Contributions	Percentage Contributed
1999	\$44,384,344	100.00%
2000	\$46,890,892	100.00%
2001	\$52,540,310	100.00%
2002	\$51,983,407	100.00%
2003	\$50,800,669	100.00%
2004	\$79,000,130	100.00%
2005	\$104,497,150	100.00%
2006	\$127,218,686	100.00%
2007	\$155,789,762	107.00%
2008	\$212,667,735	104.00%

See notes to the Schedules of Required Supplementary Information

¹Total Employer Contributions received during FY'07 were \$177,587,507. GASB reporting requires discretely reporting the health insurance subsidy separately from the retirement plan. As a result, the annual required contributions for the health insurance subsidy were calculated to be \$21,797,745. The benefits paid for the health insurance subsidy were \$11,009,305. The difference between the calculated annual required contributions and the benefits paid of \$10,788,440 were then added back to the annual required contributions for the retirement plan. This required calculation resulted in a percent contributed of 107.0% for the retirement plan.

²Total Employer Contributions received during FY'08 were \$233,556,049. GASB reporting requires discretely reporting the health insurance subsidy separately from the retirement plan. As a result, the annual required contributions for the health insurance subsidy were calculated to be \$20,888,314. The benefits paid for the health insurance subsidy were \$11,823,457. The difference between the calculated annual required contributions and the benefits paid of \$9,064,857 were then added back to the annual required contributions for the retirement plan. This required calculation resulted in a percent contributed of 104.0% for the retirement plan.

See Notes to the Schedules of Required Supplementary Information

Required Supplemental Information

NOTES TO THE REQUIRED SUPPLEMENTAL INFORMATION:

Actuarial Methods and Assumptions for Valuations Performed June 30, 2008

The projected unit credit actuarial cost method of valuation is used in determining liabilities and normal cost. Differences in the past between assumed experience and actual experience (actuarial gains and losses) become part of actuarial accrued liabilities. Unfunded actuarial accrued liabilities are amortized to produce payments (principal and interest), which are expressed as a percent of payroll. An open 20-year amortization for excess and a closed 28-year amortization period was used for the June 30, 2008 valuations. The actuarial value of assets is based on a method that fully recognizes expected investment returns and averages unanticipated market return over a 7-year period. The investment return rate assumption used is 8.5% per year, compounded annually (net of investment expenses). Projected salary increase assumptions are based on 5.5%-9.0%, which include a price inflation assumption of 5.5% per year.

Each of the 229 participating employer groups has its own actuarial study. Data presented here is an aggregation of the data from each individual plan study. The data should not be interpreted as being indicative of the status of any individual plan.

Actuarial valuations are prepared annually as of June 30 for each participating employer. To facilitate budgetary planning needs, employer contribution requirements are provided for each participating employer's fiscal year that commences after the following fiscal year end. For example, the contribution requirements for fiscal year 2008 were determined by actuarial valuations as of June 30, 2006.

SCHEDULE OF CHANGES IN RESERVE BALANCES
FOR THE YEARS ENDED JUNE 30, 2008 AND 2007

Retirement Plan	Refundable Members' Reserve	Employers' Reserve	Future Benefit Increase Reserve
Balance - June 30, 2006	\$698,024,851	\$3,717,658,934	\$490,714,741
Distribution of Revenues and Expenses			
Members' Contributions	84,629,708		
Employers' Contributions		177,587,507	
Earnings (Loss) on Investments Net of Investment Expenses		815,524,366	
Pension and Insurance Benefits		(450,345,464)	
Refunds to Terminated Members	(5,567,272)	(3,141,255)	
Administrative Expenses		(3,971,338)	
Distribution of Transfers			
Excess Investment Earnings to be used for Future Benefit Increases		(190,317,350)	190,317,350
Earnings (Loss) on Excess Investment Earnings Account Assets		(83,666,863)	83,666,863
Amount Utilized by Benefit Increases Granted		101,767,604	(101,767,604)
Net Transfers from Other State-Sponsored Pension Plans and Purchase of Service Credits	560,051 9,159,783	959,096	
Inter-System Transfers -- Member Account Balances Transferred to Employers' Reserve due to Retirement	(55,878,506)	55,878,506	
Balance - June 30, 2007	\$730,928,615	\$4,137,933,744	\$662,931,350
Distribution of Revenues and Expenses			
Members' Contributions	97,156,897		
Employers' Contributions		233,556,049	
Earnings (Loss) on Investments Net of Investment Expenses		(411,505,523)	
Pension and Insurance Benefits		(430,208,771)	
Refunds to Terminated Members	(5,082,410)	(2,802,285)	
Administrative Expenses		(4,661,878)	
Distribution of Transfers			
Excess Investment Earnings to be used for Future Benefit Increases		-	0
Earnings (Loss) on Excess Investment Earnings Account Assets		48,208,368	(48,208,368)
Amount Utilized by Benefit Increases Granted		114,771,709	(114,771,709)
Net Transfers from Other State-Sponsored Pension Plans and Purchase of Service Credits	644,191 9,483,077	907,642	
Inter-System Transfers -- Member Account Balances Transferred to Employers' Reserve due to Retirement	(43,564,678)	43,564,678	
Balance - June 30, 2008	\$789,565,692	\$3,729,763,733	\$499,951,273

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Supporting Schedules Information

SCHEDULE OF RECEIPTS AND DISBURSEMENTS

Pension Trust Funds - Year Ended June 30, 2008

(in thousands)

	<u>PSPRS</u>	<u>FFPOCIP</u>	<u>Total</u>
RECEIPTS			
Members' Contributions	95,167	-	95,167
Employers' Contributions	227,931	2,023	229,954
Interest	97,881	284	98,165
Dividends	74,252	96	74,348
Securities Lending Income	5,256	3	5,259
Amounts Transferred from Other			0
State-Sponsored Pension Plans	1,696	-	1,696
Purchase of Service Credits	9,483	-	9,483
Due from Other Pension Plans	-	-	0
Maturities and Sales of	-		0
U.S. Government Securities	458,775	24	458,799
Corporate Bonds	194,783	-	194,783
Corporate Notes	225,211	23,480	248,691
Alternative Investments	141,900	-	141,900
Equities	1,698,797	136	1,698,933
Total Receipts	<u>3,231,132</u>	<u>26,046</u>	<u>3,257,178</u>
DISBURSEMENTS			
Pension Benefits	332,301	123	332,424
Refunds to Terminated Members	7,885	-	7,885
Drop Benefits	97,908	-	97,908
Investment and Administrative Expenses	9,103	-	9,103
Amounts Transferred to Other			0
State-Sponsored Pension Plans	145	-	145
Due from Other Pension Plans	-	-	0
Acquisitions of			0
U.S. Government Securities	527,283	290	527,573
Corporate Bonds	279,788	306	280,094
Corporate Notes	110,408	22,007	132,415
Alternative Investments	270,899	-	270,899
Equities	1,505,117	149	1,505,266
Total Disbursements	<u>3,140,837</u>	<u>22,875</u>	<u>3,163,712</u>
NET CHANGE IN CASH	90,295	3,171	93,466
BEGINNING CASH BALANCE - July 1	5,042	16	5,058
ENDING CASH BALANCE - June 30	<u>95,337</u>	<u>3,187</u>	<u>98,524</u>

SCHEDULE OF ADMINISTRATIVE EXPENSES

Pension Trust Funds - Year Ended June 30, 2008

RETIREMENT PLAN	Administra- tive	Investment	Total
Accounting and Auditing Services	\$76,827	-	\$76,827
Actuarial Services	89,055	-	89,055
Building Expense	8,144	-	8,144
Communications	27,390	-	27,390
Computer Related Expense	104,377	25,296	129,673
Contractual Services	135,255	-	135,255
Depreciation Expense	225,758	-	225,758
Fund Manager Initiatives	41,801	-	41,801
Furniture and Equipment	3,404	615	4,019
Investment Services	-	4,160,059	4,160,059
Local Board Training	4,138	-	4,138
Payroll Taxes and Fringe Benefits	747,952	280,684	1,028,636
Postage Expenses	59,818	-	59,818
Printing & Publications	53,145	-	53,145
Professional Services	1,158,983	-	1,158,983
Salaries and Wages	1,816,006	941,640	2,757,646
Supplies & Services	37,493	-	37,493
Training Expenses	43,640	16,397	60,037
Travel Expense	28,691	60,059	88,750
	<u>\$4,661,877</u>	<u>\$5,484,750</u>	<u>\$10,146,627</u>

SCHEDULE OF CONSULTANT EXPENSES

Consultants	Fees Paid
Albourne America, LLC	20,000
Cortex Applied Research, Inc.	23,500
Cushman & Wakefield of Arizona, Inc.	102,000
Ennis Knupp	240,000
Ernst & Young LLP	153,072
Heinfeld Meech & Co., PC	99,578
Highground, Inc.	72,225
Kutak Rock, LLP	1,880,499
Light Stone Solutions, LLC	46,585
McLagan Partners, Inc.	4,750
Mellon Global Securities	54,152
Peak Performance Consulting	5,662
Rodwan Consulting Group	136,870
Standard & Poor's	75,000
Public Policy Partners	56,241
Wells Fargo Bank	101,676
	<u>\$3,071,810</u>

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SCHEDULE OF ADMINISTRATIVE EXPENSES

Fire Fighters' & Peace Officers' Cancer Insurance Policy Program - Year Ended June 30, 2008

	<u>Administrative</u>	<u>Investment</u>	<u>Total</u>
Accounting and Auditing Services	\$153	-	\$153
Actuarial Services	-	-	0
Building Expense	16		16
Communications	55	-	55
Computer Related Expense	208	50	258
Contractual Services	269	-	269
Depreciation Expense	-	-	0
Fund Manager Initiatives	83	-	83
Furniture and Equipment	7	1	8
Investment Services	-	2,514	2,514
Local Board Training	8	-	8
Payroll Taxes and Fringe Benefits	1,490	559	2,049
Postage Expenses	155	-	155
Printing & Publications	106	-	106
Professional Services	2,484	-	2,484
Salaries and Wages	3,614	1,874	5,488
Supplies & Services	75	-	75
Training Expenses	86	33	119
Travel Expense	57	120	177
	<u>\$8,866</u>	<u>\$5,151</u>	<u>\$14,017</u>

AGENCY FUND-HEALTH INSURANCE PREMIUM SUBSIDY

STATEMENT OF CHANGES IN ASSETS & LIABILITIES

For the year ended June 30, 2008

	Balance at Beginning of Year	Additions	Deletions	Balance at End of Year
Health Insurance Premium Subsidy				
Assets				
Cash	-	11,823,457	11,823,457	0
Total Assets	0	11,823,457	11,823,457	0
Liabilities				
Benefits Payable	-	11,823,457	11,823,457	0
Total Liabilities	0	11,823,457	11,823,457	0

HEALTH INSURANCE PREMIUM SUBSIDY

SCHEDULE OF FUNDING PROGRESS

(in thousands)

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) EANC/PUC* (b)	Unfunded (Excess) AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
6-30-07	\$-	\$256,906	\$256,906	0.0%	\$1,228,037	20.9%
6-30-08		\$257,381	\$257,381	0.0%	\$1,383,332	18.6%

GASB reporting requires discretely reporting the health insurance premium subsidy separately from the retirement plan. As a result, the funded ratio for the retirement plan on page 43 does not include this portion for the health insurance premium subsidy. If you include the actuarial accrued liabilities for the health insurance premium subsidy with the retirement plan, the funded ratio is 66.5%.

See Notes to the Schedules of Required Supplementary information.

Investment Section

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Investments Section

PUBLIC SAFETY PERSONNEL RETIREMENT SYSTEM
CORRECTIONS OFFICER RETIREMENT PLAN
ELECTED OFFICIALS' RETIREMENT PLAN
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Phoenix, Arizona 85016-4416
www.psprs.com
TELEPHONE: (602) 255-5575
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Billy Shields
Fund Manager, Vice Chairman

Mike Galloway
Fund Manager, Member

Timothy J. Dunne
Fund Manager, Member

Lori Roediger
Fund Manager, Member

Brian Delfs
Fund Manager, Advisor

James M Hacking
Administrator

Ryan Parham
Acting CIO

Tracey D. Peterson
Assistant Administrator-COO

December 17, 2008

The Fund Manager and Administrator
Public Safety Personnel Retirement System

Dear Sirs/ Madam:

As Acting Chief Investment Officer, effective October 23, 2008, I submit the following comments as the Chief Investment Officer's portion of the Public Safety Personnel Retirement System's (PSPRS) Comprehensive Annual Financial Report (CAFR) for the fiscal year ending June 30, 2008. Data used in formulating this response has been generated by internal staff after review of and reference to data generated by the PSPRS custodian bank, BNY-Mellon.

MORE DIVERSIFIED STRATEGIES

After the devastating losses the fund suffered at the end of the "dot com" valuation bubble, the PSPRS board, staff and consultants began the process of expanding the PSPRS investment core strategy. That process has been ongoing and has involved the fund manager members who have served at various times since then, a variety of external consultants and the professional investment staff.

The chief objectives of the changing PSPRS investment strategy have been to:

- Diversify the portfolio away from extreme dependence upon publicly traded U.S. large and mid cap equities,
- Diversify the deployment of system assets to obtain global markets exposures,
- Diversify the portfolio away from what had been an almost completely internally managed strategy,
- Diversify the portfolio into attractive alternative investments on an opportunistic basis
- Increase internal staff's capabilities and expertise

PSPRS continued its asset allocation move in these directions during fiscal year 2007-2008. Asset allocations as of June 30th for the previous five years are as follows:

Asset Class	03-04	04-05	05-06	06-07	07-08
US Equities	71.57	69.31	69.18	65.10	49.86
Int'l Equities	0.66	.55	1.28	8.01	15.87
Fixed Income	18.03	19.93	21.36	20.37	24.92
Real Estate	5.24	3.95	2.70	2.28	4.61
Private Equity	0.30	0.29	0.61	1.22	1.79
Cash Equivalent	4.20	5.98	4.87	3.02	2.94

ALTERNATIVE INVESTMENTS

PSPRS also continued its movement into a more diversified portfolio making a total of 10 different commitments in alternatives in fiscal year 2007-2008. These alternatives include investments in:

US Private Equity	US Venture Capital
US Real Estate	US Infrastructure
European Private Equity	European Infrastructure
Dislocated Debt	Opportunistic Investments

CUSTODY AND UNITIZATION

Two of the structural foundations of a more diversified portfolio are a custodian bank with truly global reach in all custody services and a unitized structure. In fiscal year 2007-2008 PSPRS completed its transfer of assets to BNY- Mellon as the system's new custodian bank. Following the enactment of authorizing legislation the system's plans were pre-positioned to be moved into a unitized trust structure.

EXPANDING CAPABILITIES

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

PERFORMANCE

PSPRS returned (-7.27%) for the fiscal year 2007-2008. This negative return trailed the Plan's benchmark by 1.54% and was largely the result of below benchmark performance in equities, positive but below benchmark performance in fixed income and mark-to-market write-downs of some residential real estate assets. The PSPRS fixed income portfolio was not materially impacted by the market's sub-prime events due to its minimal exposure to these types of assets.

GOALS AND OBJECTIVES

In the coming year the Investment Staff expects to:

- Complete a new Asset Allocation Study which will utilize current capital market assumptions reflecting recent changes in the global investment landscape;
- Formalize an asset allocation to Global "Real Assets";
- Partner with New England Pension Consultants (NEPC), the Fund Manager's new generalist consultant, to add value to the fund by accessing a diversified array of market opportunities;
- Explore low cost, nimble exposures to more efficient markets (portable alpha strategies etc.);
- Continue diversified deployments in Global Alternative Investments.

CONCLUSION

The PSPRS portfolio is much more diversified than in past years and continues to migrate toward a more optimal portfolio allocation that will provide less volatility and returns consistent with our assumed earnings expectations.

Transitioning the portfolio and the PSPRS organization from almost 100% internally managed domestic assets toward a more global portfolio has been a significant undertaking requiring the collective resources of all of the Fund Managers, Professional Staff, Enabling Legislation, sophisticated Custodian Bank support and a range of External Consultant contributions.

Investments Section

I am please to report that much of the “heavy lifting,” transitional work has been successfully accomplished. We have more tools, more flexibility and more opportunities at our disposal than we previously enjoyed; all of which will be deployed to meet our long term return expectations and the long term needs of the plan and our beneficiaries.

Respectfully Submitted,

Ryan P. Parham
Acting Chief Investment Officer

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.

Consistent with the Fund objectives, the primary investment objective of the Fund is to maximize long-term real investment returns (after inflation) 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.

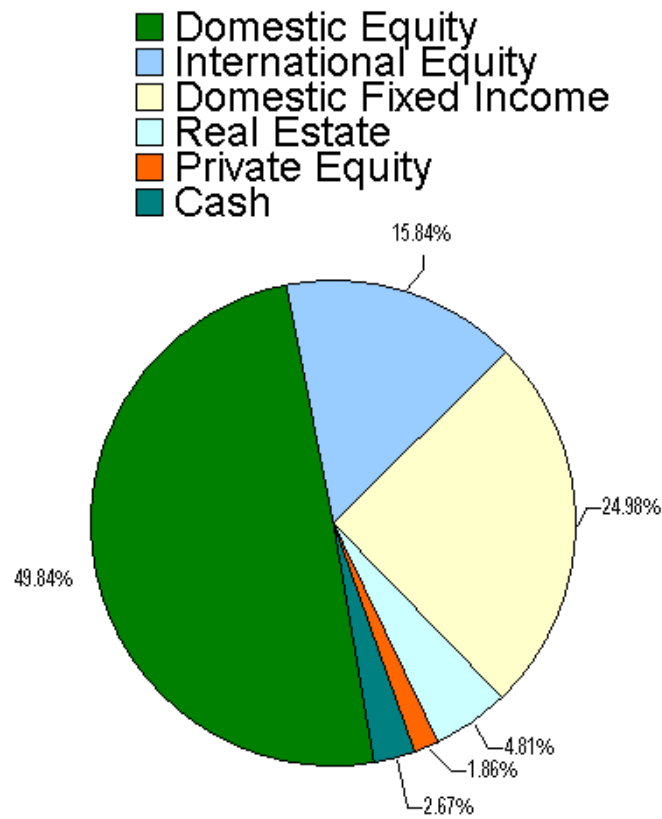
Investments Section

Annualized Rates of Return

	1 Year	3 Year	5 Year	10 Year	20 Year
PSPRS Total Fund*	-7.27%	5.56%	8.09%	3.91%	8.90%
Balanced Index	-5.73%	3.97%	5.31%	4.44%	8.19%
PSPRS Equity*	-11.89%	4.31%	8.37%	2.04%	9.56%
Equity Benchmark	-10.58%	5.23%	8.09%	3.12%	9.52%
PSPRS Fixed Income*	3.68%	3.53%	4.87%	6.19%	8.02%
Lehman Aggregate Index	7.24%	3.84%	3.58%	5.68%	7.37%

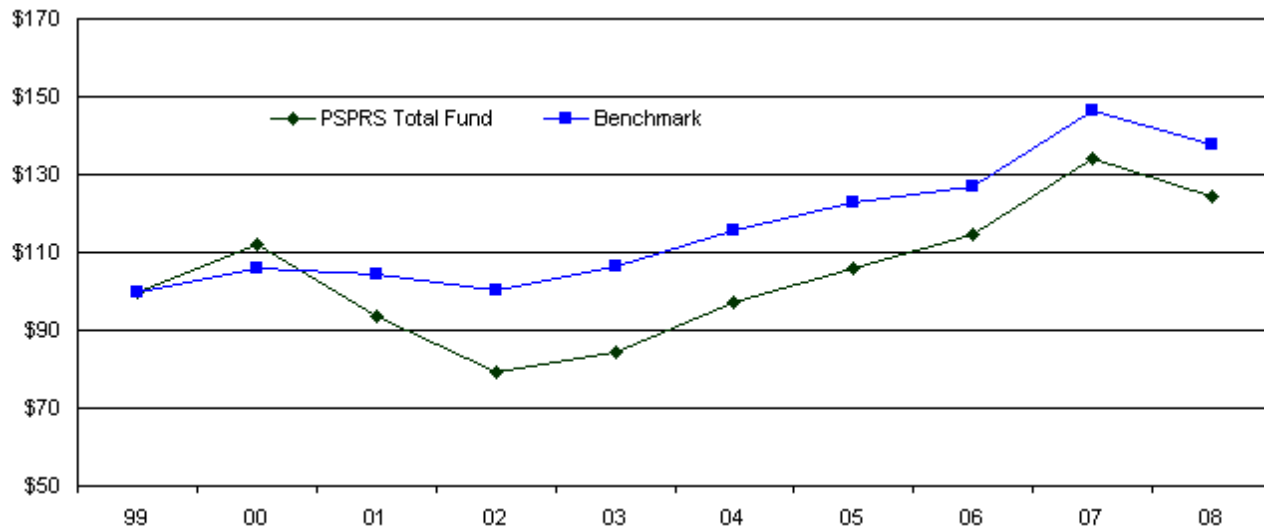
*Time weighted rate of return based on the market rate of return

Asset Allocation

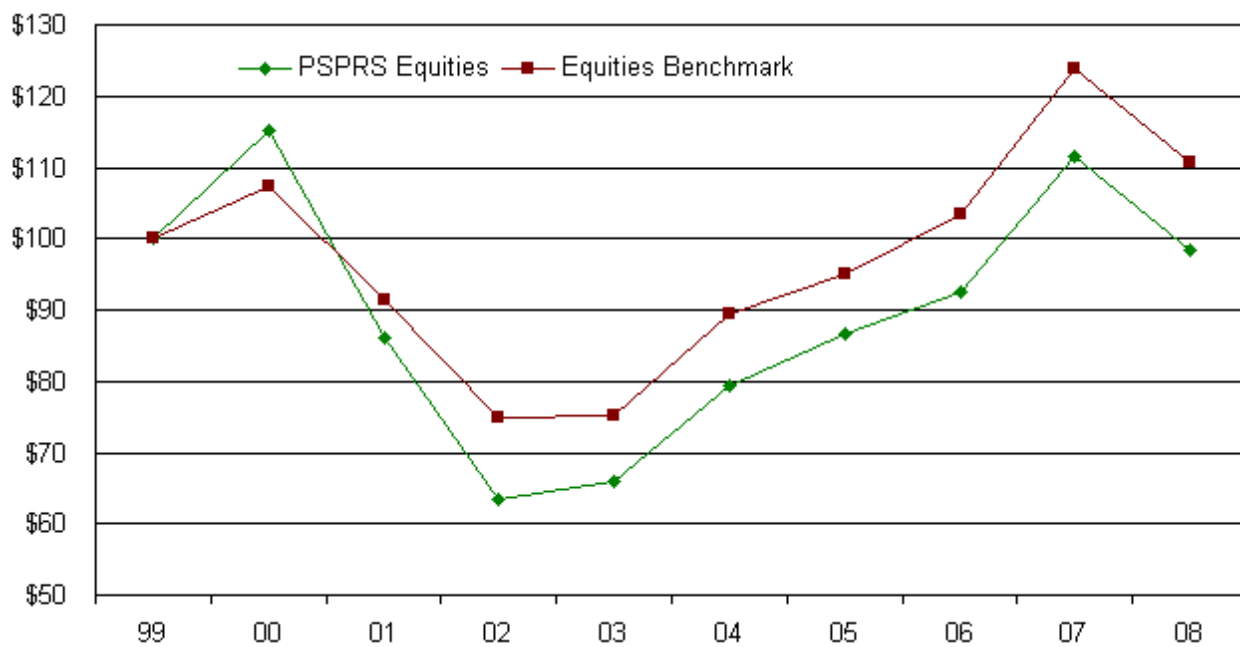


Ten Year Cumulative Return, Benchmark & Indices

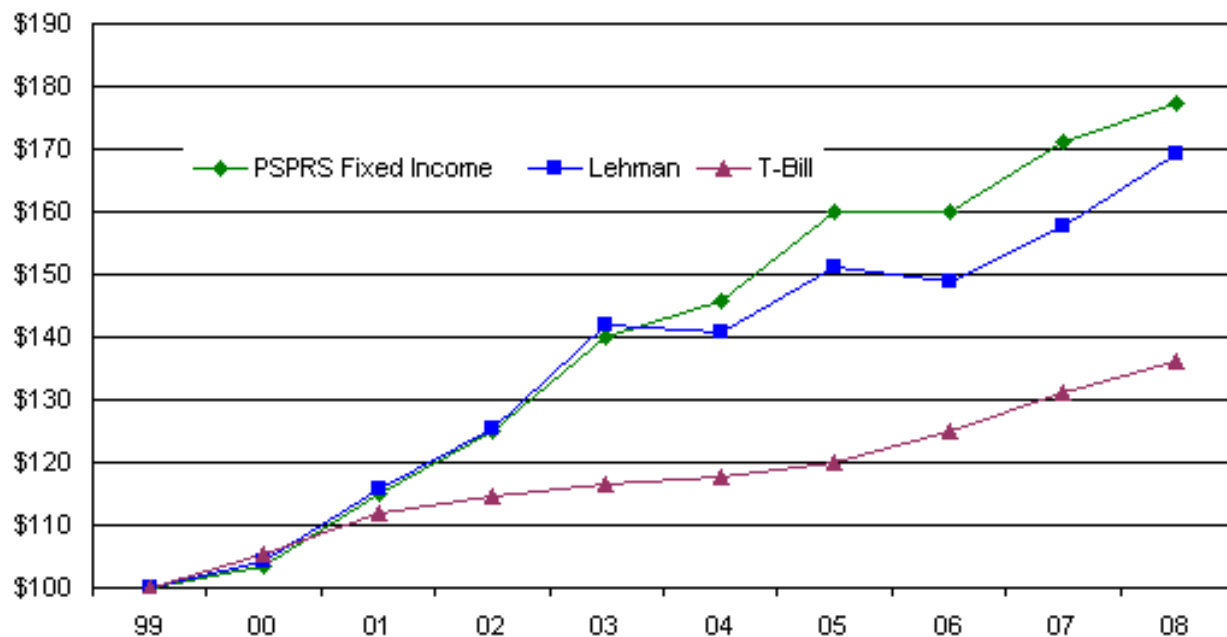
Total Fund



Stock



Fixed Income



TOP 10 EQUITY HOLDINGS

FISCAL YEAR ENDED JUNE 30, 2008

Shares	Description	Fair Value
5,723,932	Citigroup Inc	\$95,933,100
3,970,475	Bank of America Corp	\$94,775,238
19,449,090	National City Corp	\$92,772,159
14,818,950	Washington Mutual Inc	\$73,057,424
4,584,200	Wachovia Corp	\$71,192,626
1,058,600	Proctor & Gamble	\$64,373,466
2,250,665	Microsoft Corp	\$61,915,794
2,183,700	General Electric	\$58,282,953
647,900	Boeing	\$42,579,988
665,200	Pepsico Inc	\$42,300,068

TOP 10 FIXED INCOME HOLDINGS

FISCAL YEAR ENDED JUNE 30, 2008

Shares/Par	Description	Fair Value
234,479,000	Federal Home Loan Mtg	\$235,002,756
165,000,000	US Treasury Notes	\$162,921,000
95,335,388	GS Credit Opps Fund	\$95,335,388
65,591,859	Blackrock Mortgage Investors	\$65,591,859
36,400,000	Federal Home Loan BK Cons	\$36,370,516
23,827,000	Federal National Mtg Assn	\$23,841,296
18,449,867	Regional Diversified Fdg 144A	\$21,217,348
18,500,000	Union Central Life	\$20,598,455
20,250,000	Protective Life	\$20,313,180
19,800,444	Cimarron Debt Fund	\$19,800,444

SUMMARY OF CHANGES IN INVESTMENT PORTFOLIO
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

Description	Percent at Fair Value	Balance June 30, 2007				Balance June 30, 2008		Percent at Fair Value
		Fair Value	Book Value	Acquisitions	Maturities and Sales	Fair Value	Book Value	
U. S. Government Securities	10.12%	560,685	558,497	527,283	436,018	654,259	649,762	13.50%
Corporate Bonds	9.87%	547,312	542,660	279,788	193,007	591,085	629,440	12.20%
Total Fixed Income Portfolio	19.99%	1,107,997	1,101,156	807,071	629,025	1,245,345	1,279,202	25.70%
Corporate Notes	3.64%	202,011	202,011	110,408	312,419	0	0	0.00%
Common Stock	72.84%	4,037,779	3,030,494	1,505,117	1,178,077	3,285,911	3,357,534	67.79%
Alternative Investments	3.53%	194,828	194,828	270,899	137,428	315,227	328,298	6.51%
Total Portfolio	100.00%	5,542,615	4,528,488	2,693,495	2,256,949	4,846,483	4,965,034	100.00%

SCHEDULE OF COMMISSIONS PAID TO BROKERS
FISCAL YEAR ENDED JUNE 30, 2008

Broker	Number Of Shares Traded	Average Commission	Total Commissions
BLOOMBERG TRADEBOOK LLC	1,846,095,478	.000	\$501,708
CITIGROUP GLOBAL MARKETS INC	272,455,303	.000	\$117,847
PENSION FINANCIAL SERVICES INC	783,126,217	.000	\$58,783
UBS / PAINE WEBBER	31,555,621	.000	\$12,193
TOTAL COMMISSIONS	2,933,232,619	.000	\$690,531

Investments Section

EQUITY PORTFOLIO FOR THE FISCAL YEAR ENDED JUNE 30, 2008

Shares	Security	Cost	Fair Value	Unrealized Gain/ (Loss)
35,595	AMDOCS LTD COM	1,219,605	1,047,205	(172,400)
44,751	GARMIN LTD REG SHS	2,041,297	1,917,133	(124,164)
159,720	LOGITECH INTERNATIONAL SA	4,629,082	4,280,496	(348,586)
299,300	AFLAC INC COM	13,717,562	18,796,040	5,078,478
93,040	AES CORP COM	1,967,356	1,787,298	(180,057)
743,220	AT & T INC COM	30,576,657	25,039,082	(5,537,575)
397,200	ABBOTT LABS COM	5,238,292	21,039,684	15,801,392
14,304	ABERCROMBIE & FITCH CO CL A	453,287	896,575	443,288
188,350	ADOBE SYS INC DEL COM	3,751,865	7,419,107	3,667,242
175,200	AETNA INC COM NEW	3,532,652	7,100,856	3,568,204
27,620	AIR PRODS & CHEMS INC COM	2,662,933	2,730,513	67,581
104,022	ALCOA INC COM	3,713,784	3,705,264	(8,520)
85,400	ALLEGHENY TECHNOLOGIES INC COM	8,223,181	5,062,512	(3,160,669)
291,110	ALLIANZ SE ADR	4,658,872	5,079,870	420,998
585,200	ALLSTATE CORP COM	13,968,921	26,679,268	12,710,347
763,023	ALTRIA GROUP INC	13,828,920	15,687,753	1,858,833
188,042	AMERICAN CAP STRATEGIES LTD	6,484,056	4,469,758	(2,014,297)
55,671	AMERICAN ELEC PWR INC COM	2,666,653	2,239,644	(427,008)
84,300	AMERICAN EXPRESS CO COM	4,612,362	3,175,581	(1,436,781)
583,150	AMERICAN INTL GROUP INC COM	25,703,997	15,430,149	(10,273,848)
653,800	AMGEN INC	25,202,008	30,833,208	5,631,200
218,775	APPLE INC	18,931,236	36,631,686	17,700,450
495,712	APPLIED MATLS INC COM	8,401,872	9,463,142	1,061,270
293,698	ARCHER DANIELS MIDLAND CO COM	9,120,620	9,912,308	791,687
443,775	AUTOMATIC DATA PROCESSING INC	15,909,903	18,594,173	2,684,269
3,970,475	BANK OF AMERICA CORP	117,559,180	94,775,238	(22,783,941)
144,250	BANK NEW YORK MELLON CORP COM	6,951,613	5,456,978	(1,494,636)
398,500	BED BATH & BEYOND INC COM	15,568,064	11,197,850	(4,370,214)
670,300	BEST BUY INC COM	23,213,394	26,543,880	3,330,486
647,900	BOEING CO COM	43,116,254	42,579,988	(536,266)
258,200	BRISTOL MYERS SQUIBB CO COM	7,441,981	5,300,846	(2,141,135)
991,358	CVS CAREMARK CORP	27,018,107	39,228,036	12,209,930
238,600	CANADIAN NATL RY CO COM	3,769,759	11,471,888	7,702,129
159,640	CAPITAL ONE FINL CORP	13,528,778	6,067,916	(7,460,862)
71,265	CAREER ED CORP COM	1,835,521	1,041,182	(794,339)
8,413	CARPENTER TECHNOLOGY CORP COM	455,197	367,228	(87,969)
343,900	CELGENE CORP	19,506,020	21,964,893	2,458,873
3,008	CHATTEM INC COM	111,992	195,670	83,679
352,250	CHICOS FAS INC COM	10,686,332	1,891,583	(8,794,749)
307,900	CHUBB CORP COM	15,766,208	15,090,179	(676,029)
1,495,084	CISCO SYS INC COM	15,112,158	34,775,654	19,663,496
5,723,932	CITIGROUP INC COM	150,559,238	95,933,100	(54,626,138)
129,982	CITRIX SYS INC COM	3,834,230	3,822,771	(11,459)
7,556	CLARCOR INC	239,984	265,216	25,232

Investments Section

Shares	Security	Cost	Fair Value	Unrealized Gain/ (Loss)
325,650	COACH INC COM	9,816,094	9,404,772	(411,322)
521,145	COCA COLA CO COM	26,451,573	27,089,117	637,544
284,804	COLGATE PALMOLIVE CO	15,016,525	19,679,956	4,663,432
405,870	COMCAST CORP NEW CL A SPL	8,613,887	7,614,121	(999,766)
153,612	CONSTELLATION BRANDS INC CL A	2,375,253	3,050,734	675,481
29,924	CONSTELLATION ENGY GRP INC COM	1,270,415	2,456,760	1,186,345
49,129	CORNING INC COM	1,065,172	1,132,423	67,252
10,302	COVANCE INC COM	444,119	886,178	442,059
10,148	CULLEN FROST BANKERS INC COM	550,120	505,878	(44,242)
349,100	DELL INC COM	13,452,938	7,638,308	(5,814,630)
247,152	DISNEY WALT CO COM	8,020,175	7,711,142	(309,033)
81,080	DOMINION RES INC VA NEW COM	3,863,224	3,850,489	(12,735)
324,900	DOW CHEM CO COM	13,922,375	11,342,259	(2,580,116)
121,495	DU PONT E I DE NEMOURS & CO	5,286,400	5,210,921	(75,479)
57,680	DUKE ENERGY CORP NEW COM	917,830	1,002,478	84,648
555,695	EMC CORP MASS	6,963,143	8,163,160	1,200,017
42,440	EDISON INTL COM	2,295,639	2,180,567	(115,072)
83,100	ENERGEN CORP	2,685,069	6,484,293	3,799,224
26,350	ENTERGY CORP NEW COM	3,274,559	3,174,648	(99,911)
250,300	EXELON CORP COM	12,318,036	22,516,988	10,198,952
136,636	EXPRESS SCRIPTS INC COM STK	818,723	8,569,810	7,751,087
106,579	FMC CORP NEW COM	2,622,103	8,253,478	5,631,375
397,400	FEDEX CORP COM	28,667,999	31,311,146	2,643,147
112,315	FISERV INC COM	4,299,002	5,095,732	796,730
37,980	FIRSTENERGY CORP COM	2,921,870	3,126,893	205,024
244,000	FRANKLIN RES INC COM	12,568,554	22,362,600	9,794,046
44,170	FREEPORT MCMORAN COPPER & GOLD	4,502,513	5,176,282	673,769
90,349	GENENTECH INC	3,326,141	6,857,489	3,531,348
2,183,700	GENERAL ELEC CO COM	75,600,447	58,282,953	(17,317,494)
43,656	GENZYME CORP COM	2,513,109	3,137,993	624,884
155,230	GILEAD SCIENCES INC COM	1,352,255	8,219,429	6,867,173
131,648	GOLDMAN SACHS GROUP INC COM	15,720,395	23,025,235	7,304,841
30,330	GOOGLE INC CL A	20,454,699	15,966,319	(4,488,380)
137,385	GRAINGER W W INC COM	8,491,575	11,238,093	2,746,518
23,150	HARRIS CORP DEL COM	988,342	1,168,844	180,501
384,537	HARTFORD FINL SVCS GROUP INC	19,741,766	24,829,554	5,087,788
323,950	HEWLETT PACKARD CO COM	16,605,822	14,321,830	(2,283,993)
941,700	HOME DEPOT INC COM	12,636,935	22,054,614	9,417,679
29,237	HOME PROPERITIES INC	1,725,346	1,405,130	(320,215)
914,600	INTEL CORP	26,554,059	19,645,608	(6,908,451)
281,708	IBM CORP COM	13,651,896	33,390,849	19,738,953
58,300	INTERNATIONAL PAPER CO COM	1,850,588	1,358,390	(492,198)
8,873	INTUITIVE SURGICAL INC	832,818	2,390,386	1,557,569
1,249,950	ISHARES MSCI CDA INDEX FD	39,236,708	41,448,342	2,211,634
953,385	ISHARES TR MSCI EMERGING MKTS	111,719,838	129,393,412	17,673,574
4,021,488	ISHARES TR MSCI EAFE INDEX FD	313,451,830	276,155,581	(37,296,249)
111,865	ISHARES TR RUSSELL 3000 INDEX	9,848,720	8,378,689	(1,470,032)

Investments Section

Shares	Security	Cost	Fair Value	Unrealized Gain/ (Loss)
746,600	JPMORGAN CHASE & CO COM	27,426,775	25,615,846	(1,810,929)
18,220	JACOBS ENGR GROUP INC COM	298,261	1,470,354	1,172,093
509,300	JOHNSON & JOHNSON COM	28,701,004	32,768,362	4,067,358
174,400	KELLOGG CO COM	8,728,157	8,374,688	(353,469)
1,333,643	KEYCORP NEW COM	14,960,942	14,643,400	(317,542)
176,599	KING PHARMACEUTICALS INC COM	3,213,277	1,848,992	(1,364,286)
149,400	KOHL'S CORP COM	7,219,957	5,981,976	(1,237,981)
297,044	KRAFT FOODS INC CL A	8,320,537	8,450,902	130,365
10,389	LANDSTAR SYS INC COM	133,053	573,681	440,628
98,212	LEHMAN BROS HLDGS INC COM	4,116,013	1,945,580	(2,170,434)
585,200	LILLY ELI & CO COM	33,299,552	27,012,832	(6,286,720)
214,140	LINEAR TECHNOLOGY CORP COM	7,464,277	6,974,540	(489,737)
283,700	LOCKHEED MARTIN CORP COM	25,214,781	27,989,842	2,775,061
19,144	MANITOWOC INC COM	302,549	622,754	320,206
159,053	MCAFFEE INC	4,494,060	5,412,574	918,514
428,500	MCDONALD'S CORP COM	15,296,916	24,090,270	8,793,354
148,800	MEDTRONIC INC COM	7,428,241	7,700,400	272,159
271,490	MERCK & CO INC COM	16,277,173	10,232,458	(6,044,715)
305,835	MERRILL LYNCH & CO INC	24,175,276	9,698,028	(14,477,248)
372,800	METLIFE INC COM	18,660,321	19,672,656	1,012,335
2,250,665	MICROSOFT CORP COM	80,315,105	61,915,794	(18,399,311)
145,528	MICROCHIP TECHNOLOGY INC COM	4,176,673	4,444,425	267,752
68,800	MONSANTO CO NEW COM	7,110,178	8,699,072	1,588,894
84,105	MORGAN STANLEY	4,140,967	3,033,667	(1,107,300)
19,449,090	NATIONAL CITY CORP COM	98,465,355	92,772,159	(5,693,196)
49,210	NEWMONT MINING CORP HOLDING CO	2,628,601	2,566,794	(61,808)
615,500	NOKIA CORP SPON ADR SER A COM	9,785,395	15,079,750	5,294,355
224,300	NORDSTROM INC WASH COM	9,037,281	6,796,290	(2,240,991)
36,475	NUCOR CORP	2,097,101	2,723,588	626,487
56,593	OLIN CORP COM PAR \$1.00	1,178,519	1,481,605	303,085
148,800	OMNICOM GROUP INC USD0.15 COM	6,126,249	6,678,144	551,895
492,720	ORACLE CORPORATION COM	10,575,589	10,347,120	(228,469)
52,310	PG&E CORP COM	2,325,106	2,076,184	(248,922)
118,900	PPL CORP COM	4,237,232	6,214,903	1,977,671
665,200	PEPSICO INC COM	31,205,953	42,300,068	11,094,115
270,429	PETSMART INC	6,724,106	5,395,059	(1,329,048)
2,238,200	PFIZER INC COM STK USD0.05	63,954,845	39,101,354	(24,853,491)
763,023	PHILIP MORRIS INTL INC COM	33,421,973	37,685,706	4,263,733
73,548	POOL CORP COM	874,436	1,306,213	431,777
37,790	PRAXAIR INC COM	3,300,866	3,561,330	260,464
366,298	PRICE T ROWE GROUP INC COM	7,133,884	20,684,848	13,550,964
1,058,600	PROCTER & GAMBLE CO COM	49,847,312	64,373,466	14,526,154
41,284	PSYCHIATRIC SOLUTIONS INC	1,304,784	1,562,187	257,403
68,200	PUBLIC SVC ENTERPRISE GROUP	3,467,476	3,132,426	(335,050)
388,375	QUALCOMM INC	15,215,237	17,232,199	2,016,962
102,576	QUIKSILVER INC COM	986,789	1,007,296	20,507
126,858	RPM INTERNATIONAL INC	2,343,467	2,613,275	269,808

Investments Section

Shares	Security	Cost	Fair Value	Unrealized Gain/ (Loss)
54,208	RESMED INC	1,659,223	1,937,394	278,171
204,600	ROBERT HALF INTL INC COM	7,835,196	4,904,262	(2,930,934)
20,315	SEI INVESTMENT CO COM	399,874	477,809	77,935
143,655	SANDISK CORP	6,168,634	2,686,349	(3,482,285)
313,100	SAP AKIENGESELLSCHAFT SPONS	15,145,243	16,315,641	1,170,399
239,160	SCHERING PLOUGH CORP COM	6,653,414	4,709,060	(1,944,353)
6,946	SCOTTS MIRACLE-GRO COMPANY	279,006	122,041	(156,965)
167,635	SEALED AIR CORP NEW COM	4,287,830	3,186,741	(1,101,089)
132,500	SEMPRA ENERGY COM	4,290,121	7,479,625	3,189,504
99,830	SOUTHERN CO COM	4,021,053	3,486,064	(534,989)
15,565	SOVRAN SELF STORAGE INC COM	709,178	646,881	(62,296)
884,450	STAPLES INC COM	17,848,771	21,005,688	3,156,917
14,067	STERICYCLE INC COM	414,046	727,264	313,218
59,261	STRATEGIC HOTELS & RESORTS INC	1,231,556	555,276	(676,280)
213,850	TARGET CORP COM	12,451,843	9,941,887	(2,509,957)
768,800	TEXAS INSTRS INC COM	20,225,761	21,649,408	1,423,647
203,600	3M CO	15,537,452	14,168,524	(1,368,928)
495,490	TIME WARNER INC	8,340,810	7,333,252	(1,007,558)
46,575	TRINITY INDS INC	1,575,311	1,615,687	40,376
716,415	US BANCORP DEL COM NEW	22,150,033	19,980,814	(2,169,218)
112,895	URS CORP NEW	4,539,451	4,738,203	198,752
332,600	UNITED TECHNOLOGIES CORP COM	20,827,994	20,521,420	(306,574)
161,918	UNITEDHEALTH GROUP INC COM	9,320,619	4,250,348	(5,070,271)
1,103,428	VANGUARD INTL EQUITY INDEX FD	63,916,323	58,536,855	(5,379,468)
1,247,640	VANGUARD EMERGING MARKETS ETF	45,915,162	58,389,552	12,474,390
2,761,015	ETF VANGUARD PACIFIC ETF	173,021,118	172,480,607	(540,511)
142,780	VARIAN MED SYS INC COM	6,568,675	7,403,143	834,468
345,500	ETF VANGUARD SMALL-CAPVALUE	24,554,422	20,104,645	(4,449,777)
845,110	ETF VANGUARD EXTENDED MKT ETF	42,656,051	41,199,113	(1,456,939)
2,446,402	ETF VANGUARD TOTAL STOCK	183,473,167	156,789,904	(26,683,263)
1,451,951	VANGUARD INDEX FDS SMALL	24,687,802	20,269,236	(4,418,566)
892,800	VERIZON COMMUNICATIONS COM	29,005,817	31,605,120	2,599,303
4,584,200	WACHOVIA CORP NEW COM	106,573,394	71,192,626	(35,380,768)
93,640	WAL MART STORES INC COM	4,987,866	5,262,568	274,702
235,803	WALGREEN CO	4,016,754	7,665,956	3,649,201
14,818,950	WASHINGTON MUTUAL INC COM	94,973,223	73,057,424	(21,915,800)
242,759	WELLPOINT INC	13,303,812	11,569,894	(1,733,918)
364,460	WELLS FARGO & CO NEW COM	11,216,861	8,655,925	(2,560,936)
34,734	WESTERN DIGITAL CORP DEL COM	708,082	1,199,365	491,283
27,540	WEYERHAEUSER CO COM	1,932,350	1,408,396	(523,954)
174,083	WYETH COM	8,419,370	8,349,021	(70,350)
507,800	YUM BRANDS INC	15,181,737	17,818,702	2,636,965
114,054,364	TOTAL EQUITIES	3,357,533,578	3,285,911,013	(71,622,566)

Investments Section

EQUITY ACQUIRED DURING THE FISCAL YEAR ENDED JUNE 30, 2008

Description	Shares	Average Cost/Share	Cost
AES CORP COM Total	93,040	21.15	1,967,356
AIR PRODS & CHEMS INC COM Total	27,620	96.41	2,662,933
ALCOA INC COM Total	104,022	35.70	3,713,784
AMERICAN ELEC PWR INC COM Total	55,671	47.90	2,666,653
AMERICAN EXPRESS CO COM Total	203,470	54.71	11,132,589
AT & T INC COM Total	743,220	41.14	30,576,657
BANK NEW YORK MELLON CORP COM Total	144,250	48.19	6,951,613
BANK OF AMERICA CORP Total	2,620,500	29.27	76,699,231
BRISTOL MYERS SQUIBB CO COM Total	258,200	28.82	7,441,981
CHINA MOBILE LIMITED ADR Total	42,303	90.61	3,833,248
CITIGROUP INC COM Total	3,882,800	19.77	76,752,977
CITIZENS COMMUNICATIONS CO Total	11,290	10.72	121,069
CONOCOPHILLIPS Total	195,360	84.26	16,461,547
DISNEY WALT CO COM Total	247,152	32.45	8,020,175
DOMINION RES INC VA NEW COM Total	81,080	47.65	3,863,224
DU PONT E I DE NEMOURS & CO Total	121,495	43.51	5,286,400
EDISON INTL COM Total	42,440	54.09	2,295,639
ENTERGY CORP NEW COM Total	26,350	124.27	3,274,559
ETF VANGUARD EXTENDED MKT ETF Total	422,555	100.95	42,656,051
ETF VANGUARD PACIFIC ETF Total	2,761,015	62.67	173,021,119
FIRSTENERGY CORP COM Total	37,980	76.93	2,921,870
FREEPORT MCMORAN COPPER & GOLD Total	44,170	101.94	4,502,513
GOOGLE INC CL A Total	30,330	674.40	20,454,699
HEWLETT PACKARD CO COM Total	323,950	51.26	16,605,822
INTERNATIONAL PAPER CO COM Total	58,300	31.74	1,850,588
iSHARES EAFE INDEX ETF Total	1,122,685	77.56	87,085,783
ISHARES MSCI CDA INDEX FD Total	1,284,950	31.39	40,336,671
ISHARES TR MSCI EAFE INDEX FD Total	2,037,008	77.20	157,263,486
ISHARES TR MSCI EMERGING MKTS Total	85,200	135.86	11,575,008
KEYCORP NEW COM Total	1,333,643	11.22	14,960,942
MEDTRONIC INC COM Total	148,800	49.92	7,428,241
MERCK & CO INC COM Total	271,490	59.95	16,277,173
MONSANTO CO NEW COM Total	68,800	103.35	7,110,178
MORGAN STANLEY Total	139,710	49.24	6,878,718
NATIONAL CITY CORP COM Total	19,449,090	5.06	98,465,355
NEWMONT MINING CORP HOLDING CO Total	49,210	53.42	2,628,601
NUCOR CORP Total	36,475	57.49	2,097,101
OCCIDENTAL PETE CORP COM Total	109,650	71.26	7,813,287
ORACLE CORPORATION COM Total	492,720	21.46	10,575,589
PG&E CORP COM Total	52,310	44.45	2,325,106
PRAXAIR INC COM Total	37,790	87.35	3,300,866
PUBLIC SVC ENTERPRISE GROUP Total	34,100	101.69	3,467,476
SCHERING PLOUGH CORP COM Total	239,160	27.82	6,653,414

Investments Section

Description	Shares	Average Cost /Share	Cost
SCHLUMBERGER LTD COM Total	46,780	96.58	4,517,984
SOUTHERN CO COM Total	99,830	40.28	4,021,053
TARGET CORP COM Total	89,350	60.28	5,385,587
TIME WARNER INC Total	495,490	16.83	8,340,810
UNITEDHEALTH GROUP INC COM Total	161,918	57.56	9,320,619
US BANCORP DEL COM NEW Total	716,415	30.92	22,150,033
VANGUARD EUROPEAN ETF Total	1,793,822	75.98	136,286,477
VANGUARD INDEX FDS SMALL Total	34,841	15.39	536,039
VANGUARD INTL EQUITY INDEX FD Total	1,103,428	57.93	63,916,323
VANGUARD TOTAL STOCK MARKET ETF Total	284,310	146.80	41,739,543
WACHOVIA CORP NEW COM Total	4,000,500	19.23	76,922,534
WAL MART STORES INC COM Total	21,240	47.83	1,015,865
WASHINGTON MUTUAL INC COM Total	14,818,950	6.41	94,973,223
WELLS FARGO & CO NEW COM Total	443,905	30.78	13,661,912
WEYERHAEUSER CO COM Total	27,540	70.17	1,932,350
WYETH COM Total	174,083	48.36	8,419,370
TOTAL EQUITY ACQUIRED	63,883,756	23.56	1,505,117,010

Investments Section

EQUITY SOLD DURING THE FISCAL YEAR ENDED JUNE 30, 2008

Description	Shares Sold	Sale Price	Cost	Gain (Loss) on Sale	% Gain on Sale
ABERCROMBIE & FITCH CO CL A	210,346	79.611	6,665,759	10,080,106	151.22%
ADOBE SYS INC DEL COM	92,050	44.777	1,833,603	2,288,119	124.79%
AFLAC INC COM	73,100	61.628	3,350,330	1,154,707	34.47%
ALCAN INC	100,760	101.000	3,709,971	6,466,789	174.31%
ALTRIA GROUP INC	27,477	79.347	1,701,538	478,681	28.13%
AMDOCS LTD COM	395,400	34.204	13,547,737	(23,666)	-0.17%
AMERICAN CAP STRATEGIES LTD	150,958	34.680	5,205,327	29,845	0.57%
AMERICAN EXPRESS CO COM	119,170	43.844	6,520,227	(1,295,348)	-19.87%
AMERICAN INTL GROUP INC COM	265,450	49.830	11,700,465	1,526,879	13.05%
APACHE CORP COM	332,800	126.517	7,666,998	34,437,819	449.17%
APPLE INC	98,225	183.231	8,499,695	9,498,155	111.75%
APPLIED MATLS INC COM	202,688	18.480	3,435,379	310,307	9.03%
ARCH COAL INC COM	398,000	47.968	12,617,009	6,474,085	51.31%
ARCHER DANIELS MIDLAND CO COM	204,002	40.543	6,335,163	1,935,607	30.55%
AUTOMATIC DATA PROCESSING INC	52,425	42.541	1,879,504	350,705	18.66%
BANK OF AMERICA CORP	174,775	38.918	5,289,948	1,511,989	28.58%
BASF SE SPONSORED ADR	68,320	139.628	5,325,152	4,214,264	79.14%
BROADRIDGE FINL SOLUTIONS INC	124,050	19.820	1,904,390	554,241	29.10%
BROADWING CLASS ACTION PROCEEDS				601,678	
BURLINGTON NORTHERN SANTE FE	33,189	87.212	1,503,805	1,390,664	92.48%
CAPITAL ONE FINL CORP	237,660	50.652	20,140,625	(8,102,614)	-40.23%
CAREER ED CORP COM	156,715	24.687	4,036,394	(167,543)	-4.15%
CARLISLE COMPANIES INC	81,406	47.853	3,352,163	543,385	16.21%
CARPENTER TECHNOLOGY CORP COM	42,587	76.381	2,304,228	948,601	41.17%
CENTEX CORP	274,000	37.748	13,302,721	(2,959,731)	-22.25%
CENTURY TELEPHONE INC	80,577	48.656	2,700,870	1,219,694	45.16%
CHATTEM INC COM	120,792	72.508	4,497,232	4,261,111	94.75%
CHESAPEAKE ENERGY CORP COM	221,700	48.133	7,003,943	3,667,141	52.36%
CHEVRON CORPORATION COM	764,900	98.251	40,036,654	35,115,569	87.71%
CHINA MOBILE LIMITED ADR	381,203	89.220	19,331,577	14,679,249	75.93%
CIMAREX ENERGY CO	264,250	43.282	10,630,561	806,822	7.59%
CISCO SYS INC COM	691,216	28.473	6,986,742	12,694,511	181.69%
CITIZENS COMMUNICATIONS CO	1,152,590	11.653	14,423,793	(992,517)	-6.88%
CITRIX SYS INC COM	590,218	39.664	17,410,345	6,000,213	34.46%
CLARCOR INC	180,244	37.722	5,724,675	1,074,460	18.77%
COLGATE PALMOLIVE CO	37,996	74.702	2,003,370	834,996	41.68%
COMCAST CORP NEW CL A SPL	155,130	18.264	3,292,365	(459,002)	-13.94%
COMMERCE BANCORP, INC.	395,500	35.594	8,466,336	5,611,278	66.28%
CONOCOPHILLIPS	195,360	92.851	16,461,547	1,677,840	10.19%
CONSTELLATION BRANDS INC CL A	400,238	22.836	6,188,752	2,951,102	47.68%
CONSTELLATION ENGY GRP INC COM	270,526	101.991	11,485,109	16,106,027	140.23%
CORNING INC COM	885,671	23.973	19,202,339	2,029,864	10.57%
COVANCE INC COM	151,426	87.422	6,527,970	6,710,069	102.79%

Investments Section

Description	Shares Sold	Sale Price	Cost	Gain (Loss) on Sale	% Gain on Sale
CULLEN FROST BANKERS INC COM	153,602	50.754	8,326,710	(530,870)	-6.38%
CVS CAREMARK CORP	45,990	37.323	1,253,395	463,082	36.95%
DUKE ENERGY CORP NEW COM	523,900	17.780	8,336,533	978,446	11.74%
E ON AG SPONSORED ADR	184,400	68.092	6,832,336	5,723,917	83.78%
EMC CORP MASS	348,600	16.496	4,368,137	1,382,264	31.64%
EMULEX CORP NEW	397,300	16.934	7,047,238	(319,412)	-4.53%
ENDO PHARMACEUTICALS HLDGS INC	263,500	27.061	8,203,104	(1,072,661)	-13.08%
EXPRESS SCRIPTS INC COM STK	83,964	74.470	503,112	5,749,680	1142.82%
EXXON MOBIL CORP	1,964,600	87.432	73,755,979	98,012,006	132.89%
FAIRPOINT COMMUNICATIONS INC	16,838	6.805	128,449	(13,875)	-10.80%
FISERV INC COM	269,735	52.763	10,324,455	3,907,677	37.85%
FMC CORP NEW COM	55,650	74.881	1,956,508	2,210,629	112.99%
GARMIN LTD REG SHS	258,149	96.745	11,775,352	13,199,209	112.09%
GENENTECH INC	209,551	68.668	7,714,487	6,675,043	86.53%
GENERAL ELEC CO COM	418,600	26.526	14,492,076	(3,388,146)	-23.38%
GENZYME CORP COM	352,644	75.469	20,300,369	6,313,258	31.01%
GILEAD SCIENCES INC COM	898,570	46.577	7,827,713	34,024,721	434.67%
GOLDMAN SACHS GROUP INC COM	61,752	167.609	7,373,950	2,976,261	40.36%
GRAINGER W W INC COM	62,015	87.242	3,833,061	1,577,241	41.15%
GUITAR CENTER INC	51,285	60.234	2,611,664	477,457	18.28%
HARRIS CORP DEL COM	221,695	62.595	9,464,818	4,412,258	46.62%
HARTFORD FINANCIAL SERVICES GROUP	55,935	98.365	2,871,650	2,630,413	91.60%
HOME PROPERTIES INC	95,263	43.363	5,621,698	(1,490,817)	-26.52%
IBM CORP COM	284,242	104.441	13,774,697	15,911,768	115.51%
INTUITIVE SURGICAL INC	55,327	293.878	5,192,978	11,066,389	213.10%
ISHARES MSCI CDA INDEX FD	35,000	31.729	1,099,964	10,566	0.96%
JACOBS ENGR GROUP INC COM	351,095	82.770	5,747,419	23,312,758	405.62%
JOHNSON & JOHNSON COM	90,300	64.492	5,088,751	734,872	14.44%
KING PHARMACEUTICALS INC COM	683,401	10.661	12,434,707	(5,148,860)	-41.41%
LANDSTAR SYS INC COM	336,366	44.254	4,307,869	10,577,624	245.54%
LEHMAN BROS HLDGS INC COM	215,588	55.113	9,035,180	2,846,556	31.51%
LINEAR TECHNOLOGY CORP COM	131,860	30.272	4,596,243	(604,608)	-13.15%
LOGITECH INTERNATIONAL SA	219,501	27.007	6,361,684	(433,569)	-6.82%
MANITOWOC INC COM	428,830	48.029	6,777,160	13,818,954	203.90%
MCAFFEE INC	212,277	35.582	5,997,910	1,555,253	25.93%
MERRILL LYNCH & CO INC	91,365	43.228	7,222,110	(3,272,597)	-45.31%
MICROCHIP TECHNOLOGY INC COM	566,372	30.579	16,254,951	1,064,374	6.55%
MICROSOFT CORP COM	262,735	34.136	9,375,713	(407,076)	-4.34%
MORGAN STANLEY	55,605	45.354	2,737,750	(215,856)	-7.88%
NABORS INDUSTRIES LTD SHS	348,700	37.796	9,519,596	3,659,843	38.45%
OCCIDENTAL PETE CORP COM	109,650	88.899	7,813,287	1,934,495	24.76%
ODYSSEY HEALTHCARE INC COM	324,775	11.528	4,282,131	(537,971)	-12.56%
OLIN CORP COM PAR \$1.00	227,807	18.535	4,743,960	(521,476)	-10.99%
ONEOK INC NEW COM	250,500	46.431	6,771,028	4,859,939	71.78%
PEPSICO INC COM	56,000	75.868	2,627,080	1,621,502	61.72%
PETSMART INC	355,871	23.124	8,848,587	(619,381)	-7.00%
PMI GROUP INC	236,300	16.558	11,060,933	(7,148,241)	-64.63%

Investments Section

Description	Shares Sold	Sale Price	Cost	Gain (Loss) on Sale	% Gain on Sale
POOL CORP COM	301,435	25.584	3,583,858	4,128,153	115.19%
PROCTER & GAMBLE CO COM	31,900	72.605	1,502,106	813,997	54.19%
PSYCHIATRIC SOLUTIONS INC	201,059	32.945	6,354,483	269,361	4.24%
QUALCOMM INC	333,775	38.442	13,076,191	(245,281)	-1.88%
QUIKSILVER INC COM	591,624	8.647	5,691,470	(575,977)	-10.12%
RESMED INC	164,592	47.346	5,037,908	2,754,805	54.68%
RPM INTERNATIONAL INC	147,805	22.596	2,730,424	609,384	22.32%
SANDISK CORP	204,345	29.570	8,774,700	(2,732,232)	-31.14%
SATYAM COMPUTER SVCS LTD ADR	369,700	26.675	6,419,593	3,442,073	53.62%
SCHLUMBERGER LTD COM	624,180	99.146	40,520,768	21,363,960	52.72%
SCOTTS MIRACLE-GRO COMPANY	148,954	38.804	5,983,162	(203,188)	-3.40%
SEALED AIR CORP NEW COM	114,690	28.656	2,933,584	352,979	12.03%
SEARS CLASS ACTION PROCEEDS				571,946	
SEI INVESTMENT CO COM	334,257	31.527	6,579,404	3,958,687	60.17%
SOVRAN SELF STORAGE INC COM	55,535	40.971	2,530,304	(255,001)	-10.08%
SPECTRA ENERGY CORP COM	290,790	26.955	6,671,232	1,167,154	17.50%
SPRINT NEXTEL CORP COM SER 1	186,614	21.544	3,592,983	427,410	11.90%
STERICYCLE INC COM	140,793	59.986	4,144,085	4,301,478	103.80%
STRATEGIC HOTELS & RESORTS INC	322,984	17.471	6,712,217	(1,069,322)	-15.93%
SUPERIOR ENERGY SERVICES INC	263,900	37.806	6,468,712	3,508,233	54.23%
T. ROWE PRICE GROUP INC	112,065	51.952	2,182,536	3,639,415	166.75%
TELE NORTE ADR	794,500	20.109	10,746,813	5,229,403	48.66%
TELEFONOS DE MEXICO SAB ADR	470,900	36.677	10,812,525	6,458,753	59.73%
TEVA PHARMACEUTICAL INDS ADR	632,500	44.527	22,050,180	6,113,274	27.72%
TEXAS INSTRS INC COM	361,200	31.122	9,502,530	1,738,584	18.30%
SA ADR	313,100	80.748	20,420,057	4,862,128	23.81%
TRANSOCEAN INC NEW SHS	82,249	144.908	5,985,869	5,932,626	99.11%
TRINITY INDS INC	176,825	26.634	5,980,769	(1,271,144)	-21.25%
URS CORP	15,985	49.527	642,749	148,938	23.17%
VALERO ENERGY CORPORATION	71,023	76.553	3,004,663	2,432,329	80.95%
VANGUARD EUROPEAN ETF	1,817,922	66.997	139,924,704	(18,128,540)	-12.96%
VARIAN MED SYS INC COM	194,820	47.972	8,962,804	383,169	4.28%
VERTEX PHARMACEUTICALS INC COM	270,000	24.283	8,048,052	(1,491,598)	-18.53%
WAL MART STORES INC COM	201,800	57.063	10,749,161	766,229	7.13%
WALGREEN CO	261,797	39.383	4,459,546	5,850,837	131.20%
WILLIAMS COS CLASS ACTION PROCEEDS				155,510	
WELLPOINT INC	148,641	85.663	8,145,906	4,587,074	56.31%
WORLD COM CLASS ACTION PROCEEDS				161,958	
WELLS FARGO & CO NEW COM	79,445	29.933	2,445,052	(67,057)	-2.74%
WESTERN DIGITAL CORP DEL COM	682,066	29.821	13,909,373	6,430,698	46.23%
TOTAL EQUITIES SOLD	35,293,864		1,178,077,262	520,720,391	44.20%

FIXED INCOME PORTFOLIO
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

Par Value	Security	Coupon Rate	Cost	Fair Value
U.S. GOVERNMENT SECURITIES				
3,185,706	FHLMC POOL #G0-8168	6.00%	3,192,109	3,214,346
3,223,634	FHLMC POOL #H1-0069	6.00%	3,248,202	3,234,724
2,691,433	FHLMC POOL #H1-5010	6.00%	2,711,945	2,700,691
1,523,000	FEDERAL HOME LN MTG CORP MTN	5.00%	1,416,006	1,490,865
3,462,000	FEDERAL HOME LN MTG CORP MTN	5.00%	3,234,546	3,414,917
3,240,000	FEDERAL HOME LN MTG CORP MTN	6.00%	3,206,221	3,241,523
8,050,000	FEDERAL HOME LN MTG CORP MTN	6.00%	8,042,410	8,047,585
234,479,000	FEDERAL HOME LN MTG CORP MTN	3.65%	234,479,000	235,002,756
36,400,000	FEDERAL HOME LN BK CONS BD	5.38%	36,243,738	36,370,516
8,600,000	FEDERAL HOME LN BKS CONS BD	5.65%	8,591,238	8,600,258
11,200,000	FEDERAL FARM CR BK CONS SYSTEM	5.15%	11,180,395	11,159,680
8,700,000	FEDERAL FARM CR BKS CONS BDS	5.40%	8,603,962	8,699,826
3,800,000	FEDERAL HOME LN BKS CONS BD	5.33%	3,619,536	3,789,626
8,289,000	FEDERAL HOME LN MTG CORP DEB	5.00%	8,255,393	7,760,991
23,827,000	FEDERAL NATL MTG ASSN DEBS	5.25%	23,619,890	23,841,296
95,072	FEDERAL NATL MTG ASSN	4.45%	94,864	93,763
10,430,740	FNMA GTD REMIC P/T	4.00%	10,296,338	10,354,074
2,370,000	FNMA GTD REMIC P/T 03-42 CL PE	5.50%	2,302,546	2,362,108
3,583,389	FNMA GTD REMIC P/T 05-27 AB	5.50%	3,592,748	3,512,079
9,018,000	FNMA GTD REMIC P/T 05-27 AC	5.50%	9,037,683	8,662,781
11,572,175	FNMA GTD REMIC P/T 05-45 BG	4.50%	11,274,375	10,815,471
4,100,000	FHLMC MULTICLASS MTG	5.00%	3,827,562	3,923,536
4,150,000	FNMA GTD REMIC P/T 06-60 PC	6.00%	4,154,824	4,202,996
6,751,000	FHLMC MULTICLASS MTG 3159 PB	6.00%	6,800,039	6,953,868
9,086,000	FHLMC MULTICLASS MTG	6.00%	9,092,369	9,251,184
4,000,000	FHLMC MULTICLASS MTG	6.00%	3,973,041	4,072,560
3,900,000	FHLMC MULTICLASS MTG	6.00%	3,885,336	4,014,699
4,050,000	FHLMC MULTICLASS MTG	6.00%	4,057,575	4,108,280
163,131	GNMA POOL #0345731	8.00%	162,109	175,418
43,769	GNMA POOL #0352219	8.00%	43,496	47,026
330,920	GNMA POOL #0352964	7.00%	310,596	350,610
509,076	GNMA POOL #0366756	7.00%	477,808	539,448
370,814	GNMA POOL #0371734	7.00%	348,025	392,877
664,019	GNMA POOL #0377589	7.50%	662,227	707,512
298,360	GNMA POOL #0386030	7.00%	280,082	316,113
186,650	GNMA POOL #0398831	8.00%	186,370	200,765
51,092	GNMA POOL #0402544	7.50%	50,947	54,447
333,132	GNMA POOL #0403979	8.50%	327,705	358,853
210,026	GNMA POOL #0405618	7.50%	209,775	223,817
49,145	GNMA POOL #0417666	7.50%	49,006	52,364
243,808	GNMA POOL #0421711	7.50%	243,516	259,817
173,360	GNMA POOL #0429356	7.50%	172,867	184,736
96,825	GNMA POOL #0430384	8.00%	96,679	103,726

Investments Section

Par Value	Security	Coupon Rate	Cost	Fair Value
162,219	GNMA POOL #0432701	8.00%	162,215	174,497
215,152	GNMA POOL #0433892	7.00%	211,398	227,080
54,726	GNMA POOL #0434101	7.00%	53,688	57,752
38,565	GNMA POOL #0438772	8.00%	38,507	41,484
40,479	GNMA POOL #0438778	8.00%	40,420	43,541
98,317	GNMA POOL #0439645	8.00%	98,257	105,755
12,254	GNMA POOL #0441619	7.50%	12,208	13,054
150,769	GNMA POOL #0450368	7.00%	148,137	159,122
39,279	GNMA POOL #0458918	7.00%	38,600	41,455
312,455	GNMA POOL #0464692	7.00%	305,529	329,790
217,308	GNMA POOL #0466888	7.00%	213,514	229,355
390,736	GNMA POOL #0469797	7.00%	383,346	412,328
317,074	GNMA POOL #0470493	7.00%	314,881	334,538
178,369	GNMA POOL #0472997	7.00%	177,454	188,186
41,338	GNMA POOL #0478875	7.50%	41,183	44,039
236,970	GNMA POOL #0478881	7.50%	236,076	252,442
279,677	GNMA POOL #0482784	7.00%	277,740	295,162
143,216	GNMA POOL #0485451	6.50%	142,698	148,323
261,446	GNMA POOL #0486539	7.00%	259,634	275,922
43,800	GNMA POOL #0486761	7.00%	42,923	46,222
62,580	GNMA POOL #0487221	7.00%	60,016	66,027
205,701	GNMA POOL #0487222	7.00%	197,615	217,032
295,390	GNMA POOL #0493996	7.00%	283,295	311,639
225,652	GNMA POOL #0499876	7.00%	224,495	238,072
249,785	GNMA POOL #0500931	7.00%	248,505	266,110
1,748,313	GNMA POOL #0503019	6.00%	1,623,638	1,781,933
977,070	GNMA POOL #0505728	7.00%	972,061	1,030,848
178,359	GNMA POOL #0506075	7.00%	171,332	188,151
161,992	GNMA POOL #0509328	7.00%	157,204	170,908
59,792	GNMA POOL #0510100	7.00%	58,746	63,081
57,424	GNMA POOL #0510302	7.00%	55,164	60,581
156,161	GNMA POOL #0510958	7.00%	155,076	164,762
70,436	GNMA POOL #0510983	7.00%	67,664	74,316
200,239	GNMA POOL #0512888	7.00%	194,322	211,260
287,887	GNMA POOL #0512915	7.00%	279,380	303,723
85,193	GNMA POOL #0513367	7.00%	81,698	89,876
40,186	GNMA POOL #0520045	6.50%	40,013	41,619
387,120	GNMA POOL #0530203	6.50%	386,183	404,733
689,104	GNMA POOL #0530611	6.50%	688,531	720,456
337,613	GNMA POOL #0530631	6.50%	336,155	352,974
404,877	GNMA POOL #0541464	6.50%	403,131	419,295
568,412	GNMA POOL #0549889	6.50%	566,348	588,704
254,593	GNMA POOL #0549890	6.50%	253,669	263,682
46,954	GNMA POOL #0549915	6.50%	46,783	48,628
1,783,099	GNMA POOL #0552518	6.50%	1,779,432	1,845,900
335,327	GNMA POOL #0557424	6.50%	333,882	347,298

Investments Section

Par Value	Security	Coupon Rate	Cost	Fair Value
132,650	GNMA POOL #0557467	6.50%	132,079	137,380
552,534	GNMA POOL #0560189	6.50%	551,194	572,260
69,474	GNMA POOL #0153415	9.00%	66,584	74,157
18,375	GNMA POOL #0156462	9.00%	17,850	19,625
59,124	GNMA POOL #0159801	9.00%	57,603	63,668
42,452	GNMA POOL #0160350	9.00%	41,580	44,602
13,832	GNMA POOL #0161638	9.00%	12,917	14,894
72,199	GNMA POOL #0161684	9.00%	70,672	77,194
17,928	GNMA POOL #0162599	9.00%	16,986	19,163
86,577	GNMA POOL #0164501	9.00%	84,823	92,466
166,017	GNMA POOL #0164681	9.00%	162,449	177,356
52,132	GNMA POOL #0164924	9.00%	48,559	55,545
136,763	GNMA POOL #0165172	9.00%	127,361	146,104
67,199	GNMA POOL #0168283	9.00%	64,009	71,828
29,436	GNMA POOL #0172800	9.00%	28,401	31,421
71,501	GNMA POOL #0173847	9.00%	70,621	76,112
29,785	GNMA POOL #0174829	9.00%	29,419	31,695
26,876	GNMA POOL #0178234	9.00%	25,018	28,756
17,804	GNMA POOL #0182491	9.00%	17,436	19,045
15,657	GNMA POOL #0182914	9.00%	15,514	16,672
46,621	GNMA POOL #0183553	9.00%	45,652	49,896
28,565	GNMA POOL #0183715	9.00%	27,803	30,563
176,044	GNMA POOL #0183733	9.00%	163,944	188,408
12,660	GNMA POOL #0185639	9.00%	12,356	13,468
127,812	GNMA POOL #0187705	9.00%	124,271	136,469
68,760	GNMA POOL #0190921	9.00%	67,013	73,437
39,529	GNMA POOL #0191648	9.00%	37,714	42,334
25,777	GNMA POOL #0191943	9.00%	24,525	27,681
64,185	GNMA POOL #0194468	9.00%	62,342	68,490
12,653	GNMA POOL #0198466	9.00%	12,369	13,545
43,973	GNMA POOL #0206683	9.00%	42,113	47,344
46,865	GNMA POOL #0210798	9.00%	43,445	50,299
35,275	GNMA POOL #0216520	9.00%	33,692	37,769
67,814	GNMA POOL #0221509	9.00%	65,992	72,278
57,230	GNMA POOL #0223282	9.00%	54,899	61,458
19,802	GNMA POOL #0223307	9.00%	19,003	21,260
16,373	GNMA POOL #0228184	9.00%	15,498	17,585
27,665	GNMA POOL #0228233	9.00%	25,231	29,496
44,023	GNMA POOL #0229731	9.00%	41,102	47,147
51,531	GNMA POOL #0234450	9.00%	49,691	55,250
45,956	GNMA POOL #0236041	10.00%	45,477	49,809
23,652	GNMA POOL #0236835	10.00%	23,565	25,642
3,768	GNMA POOL #0236939	9.00%	3,566	4,046
106,868	GNMA POOL #0237138	10.00%	106,295	117,879
16,416	GNMA POOL #0237195	9.00%	13,758	17,517
4,335	GNMA POOL #0238133	9.00%	4,173	4,622

Investments Section

Par Value	Security	Coupon Rate	Cost	Fair Value
16,804	GNMA POOL #0247506	9.00%	16,395	18,092
113,839	GNMA POOL #0249621	9.00%	106,202	122,180
55,072	GNMA POOL #0252052	9.00%	52,271	58,276
108,250	GNMA POOL #0252055	9.00%	100,354	116,288
11,148	GNMA POOL #0257869	9.00%	10,817	12,003
72,332	GNMA POOL #0266545	9.00%	67,457	77,689
87,189	GNMA POOL #0271090	9.00%	85,451	93,742
20,825	GNMA POOL #0271897	9.00%	22,939	22,189
24,919	GNMA POOL #0273548	9.00%	24,167	26,834
75,605	GNMA POOL #0274140	9.00%	73,347	81,128
19,779	GNMA POOL #0277907	9.00%	19,639	21,305
19,568	GNMA POOL #0284420	9.00%	18,832	21,064
15,937	GNMA POOL #0285593	9.00%	15,454	17,172
79,832	GNMA POOL #0286371	9.00%	76,571	85,776
21,099	GNMA POOL #0286427	9.00%	20,207	21,786
26,889	GNMA POOL #0287851	9.00%	26,063	28,982
49,601	GNMA POOL #0290000	9.00%	49,601	53,396
22,437	GNMA POOL #0290057	9.00%	22,437	24,191
19,739	GNMA POOL #0291136	9.00%	18,614	21,213
15,442	GNMA POOL #0298952	9.00%	15,442	16,636
62,635	GNMA POOL #0319521	8.00%	62,245	67,229
335,212	GNMA POOL #0337419	7.00%	315,616	355,459
1,124,832	GNMA POOL #0780076	8.00%	1,106,265	1,204,121
1,200,140	GNMA POOL #0780220	7.50%	1,199,768	1,297,471
209,684	GNMA POOL #0781129	7.00%	206,275	220,806
7,020,000	GNMA GTD REMIC P/T 03-34 MX-PC	5.50%	6,909,806	7,055,381
8,200,000	GNMA GTD REMIC P/T 03-12 PE	5.50%	8,049,871	8,226,322
4,382,667	US TREAS-CPI INFLAT	2.00%	4,296,150	4,347,058
13,360,941	US TREAS-CPI INFLATION INDEX	1.88%	13,435,183	13,994,250
165,000,000	U S TREASURY NOTES	1.75%	162,014,410	162,921,000
655,269,560	TOTAL U.S. GOVERNMENT SECURITIES		649,762,248	654,258,841

CORPORATE BONDS

4,796,481	ABFS MTG LN 03-2 CL M 144A	3.76%	4,189,106	3,053,296
1,670,211	ACAABS 06 1 LTD/ACA A-3L 144A	4.54%	1,345,445	107,244
2,430,000	ALCOA INC NT	5.95%	2,325,596	2,157,014
3,314,951	ALTERNATIVE LN 07 3T1 CL 2-A-1	6.00%	3,293,955	2,843,996
6,198,246	ALTERNATIVE LN 07 20 CL A-12	6.25%	6,061,990	5,172,808
7,800,000	AMERICAN AIRLS PASS THRU TR 01	7.86%	7,797,193	7,254,000
7,800,000	AMERICAN GEN FIN CORP MEDIUM	6.90%	7,746,359	6,798,168
4,050,000	ANADARKO FIN CO SR NT	7.50%	4,482,100	4,341,114
3,900,000	ANSLEY PK ABS CL C 144A	4.27%	536,611	536,611
76,038	AUTO BD RECEIVABLES TR 94-A	6.40%	37,072	-
5,000,000	AXA SA US\$ SUB NT	8.60%	5,325,940	5,294,113
8,550,972	CBO HLDGS III 1A 04-1 C-2 144A	7.00%	8,964,990	8,964,990
12,242,972	CBO HLDGS III 04-3 CL A 144A	1.00%	12,164,856	12,164,856
3,750,000	CNF INC SR DEB	6.70%	3,662,466	3,339,225

Investments Section

Par Value	Security	Coupon Rate	Cost	Fair Value
9,856,000	CHARTWELL CBO I NT CL B 144A	6.57%	9,514,044	9,514,044
3,750,000	CHASEPEAKE & POTOMAC TEL CO MD	7.15%	3,750,000	3,789,825
5,730,051	CHL MTG P/T 07 13 CL A-1	6.00%	5,704,035	5,511,965
4,700,000	CLEAR CHANNEL COMMUNICATIONS	6.88%	4,716,950	2,773,000
599,000	CONAGRA INC NTS	9.75%	740,562	772,429
8,040,000	CONTINENTAL AIRLS 98-3 CL A2	6.32%	8,046,524	7,996,906
2,348,355	CONTINENTAL AIRLS 99-2 CL A-1	7.26%	2,428,747	2,219,195
3,171,186	CONTINENTAL AIRLS 01-1 CL A 1	6.70%	3,028,362	2,762,896
4,100,000	CONTINENTAL AIRLS 01-1 CL A 2	6.50%	4,098,607	3,792,500
5,670,000	CORNING INC NT	7.25%	5,938,734	5,751,535
3,707,293	CREDIT SUISSE FB 03-8 CL D-B-2	6.24%	3,600,511	3,100,743
914,812	DELTA FDG HM EQ LN TR 99-3 M-2	8.10%	911,614	134,569
4,500,000	DEUTSCHE BK CAYMAN 2001-3 144A	3.80%	4,034,332	767,385
2,800,000	NORTH STREET REFERENCED LINKED	6.55%	2,464,287	2,464,287
5,000,000	FARMERS INS EXCH SURPLUS 144A	8.63%	4,753,158	5,229,650
8,120,000	GTE SOUTHWEST INC 1ST MTG	8.50%	9,436,726	9,584,280
13,200,000	HVB FDG TR SILENT PARTN 144A	8.74%	11,866,341	12,383,184
1,000,000	HARRAHS OPER INC GTD SR NT	5.63%	670,235	542,540
6,450,000	HOME DEPOT INC SR NT	5.88%	6,171,423	5,268,876
3,500,000	HUNTINGTON NATL BK MTN # 00001	6.60%	3,318,525	3,042,795
1,093,353	J P MORGAN RESI 02-R2 CL 3A1	6.00%	1,061,520	1,109,403
5,550,000	JACKSON NTAL LIFE INS CO 144A	8.15%	6,082,785	6,096,287
4,360,200	JEFFERIES GROUP INC NEW SR DEB	6.25%	4,248,172	3,187,001
3,850,000	JOHNSON CTLS INC NT	6.00%	3,687,821	3,522,134
4,150,000	KNIGHT RIDER INC NT	5.75%	3,959,571	2,860,429
3,300,000	LEHMAN BROTHERS HLDGS #TR00491	5.94%	3,300,000	2,969,076
4,500,000	LIBERTY MUTUAL INS CO 144A	7.88%	4,302,474	4,819,905
3,700,000	MASCO CORP NT	6.50%	3,624,304	3,019,533
5,000,000	MID OCEAN CBO 00 1 A2 144A 3C7	7.73%	4,355,858	4,355,858
5,402,729	MID OCEAN CBO CL A 144A	6.56%	5,413,879	5,413,879
8,545,421	MMCAPS FDG I LTD SR NT 144A	8.03%	9,253,532	8,289,058
1,174,806	MORGAN STANLEY ABS 04-NC1 M2	4.01%	1,015,975	1,000,218
486,722	MORGAN STANLEY ABS 04-NC2 M2	3.66%	453,778	398,066
1,242,764	MORGAN STANLEY ABS 03 NC10 M2	4.26%	1,114,241	839,661
5,800,000	MURPHY OIL CORP NT	7.05%	5,893,285	5,749,250
2,000,000	NATIONAL RURAL UTILS COOP FIN	8.00%	2,018,153	2,297,500
1,654,000	NEWS AMER HLDGS INC	7.43%	1,757,102	1,767,713
3,850,000	ONEOK PARTNERS LP GTD SR NT	6.65%	3,877,251	3,669,551
7,537,000	PACIFIC BELL	7.38%	7,940,273	7,833,807
2,900,284	PACIFIC SHORES CDO C 144A 3C7	5.09%	2,691,269	2,691,269
6,160,000	PERITUS I CDO LTD CL B 144A	5.81%	6,233,904	4,818,352
3,551,850	PLAINS ALL AMERN PIPELINE LP	6.65%	3,652,368	3,312,633
10,343,380	PREFERRED CPO A / B 144A	8.95%	10,803,851	11,558,727
10,160,000	PREMIUM ASSET TR ACA 144A	3.94%	10,160,000	3,556,000
5,639,080	PRINCIPAL LIFE MTN # 00108	5.34%	5,568,171	5,589,738
20,250,000	PROTECTIVE LIFE SECD #TR00063	5.68%	20,250,000	20,313,180
18,449,868	REGIONAL DIVERSIFIED FDG 144A	9.25%	19,996,641	21,217,348

Investments Section

Par Value	Security	Coupon Rate	Cost	Fair Value
2,310,000	RELIANCE STL & ALUM CO	6.85%	2,361,436	2,141,786
2,430,000	ROYAL CARIBBEAN CRUISES SR NTS	7.50%	2,407,037	2,086,811
8,500,000	SECURITY BENEFIT LIFE INS 144A	8.75%	8,971,752	8,877,145
12,000,000	SECURITY MUT LIFE INS CO 144A	9.38%	12,694,098	12,694,098
2,309,310	SERVICEMASTER CO NTS	7.10%	2,096,005	1,274,254
3,700,000	SPRINT CAP CORP NT	8.75%	4,468,906	3,524,250
3,700,000	TECK COMINCO LTD SR NT	6.13%	3,526,317	3,275,351
3,800,000	TELECOM ITALIA CAP GTD SR NT	7.20%	3,909,005	3,674,144
4,000,000	TIMES MIRROR CO NEW DEBS	6.61%	3,933,501	1,600,000
3,850,000	TOYOTA MTR CR CORP MTN TR00423	4.94%	3,850,000	3,851,194
7,200,000	TRAINER WORTHAM FIRST A3L 144A	7.11%	4,817,970	4,817,970
18,500,000	UNION CENTR LIFE NOTES 144A	8.20%	19,168,752	20,598,455
7,770,000	UNITED STATES CELLULAR CORP SR	6.70%	7,608,989	6,961,376
4,050,000	UNITED UTILS PLC NT	4.55%	3,585,685	3,501,225
5,800,000	UPM-KYMMENE CORP NTS 144A	7.45%	6,058,140	5,036,894
1,620,000	WESTERN UN CO NT	6.20%	1,573,388	1,511,671
3,750,000	WESTINGHOUSE ELEC CORP NT	7.88%	4,268,988	3,924,150
95,335,388	GS CREDIT OPPS FUND 2008	0.00%	97,450,000	95,335,388
65,591,859	BLACKROCK MORTGAGE INVESTORS	0.00%	64,304,696	65,591,859
5,373,200	COLORADO II	0.00%	5,373,200	5,373,200
38,380	PIVOTAL WORKING CAPITAL (DEBT)	0.00%	38,376	38,380
642,361	SBA LOAN NESTING FEATHERS	0.00%	642,361	642,361
19,800,444	CIMARRON DEBT FUND	0.00%	21,299,753	19,800,444
10,746,400	COLORADO DEBT FUND	0.00%	14,584,400	10,746,400
7,599,240	SANDIA DEBT FUND	0.00%	9,134,322	7,599,240
4,922,235	PIVOTAL PROMONTORY DEBT FD	0.00%	5,469,150	4,922,235
624,726,840	TOTAL CORPORATE BONDS		629,439,796	591,085,892
1,279,996,400	TOTAL BOND PORTFOLIO		1,279,202,044	1,245,344,733

FIXED INCOME ACQUIRED
DURING THE FISCAL YEAR ENDED JUNE 30, 2008

Description	Coupon	Maturity	Purchase Price	Par Value	Amount
U. S. GOVERNMENT SECURITIES					
FEDERAL HOME LN MTG CORP MTN	6.00	12/17/2027	98.33	8,050,000	8,042,200
FEDERAL HOME LN MTG CORP MTN	5.75	5/11/2022	97.15	10,660,000	10,356,088
FEDERAL HOME LN MTG CORP MTN	6.50	12/30/2009	100.00	234,479,000	234,479,000
FEDERAL FARM CR BKS CONS SYS	5.60	12/11/2018	100.00	4,250,000	4,250,000
U S TREASURY BONDS	4.75	2/15/2037	102.906	3,000,000	3,087,188
U S TREASURY CPI INFLATION	1.88	7/15/2015	100.000	1,531,671	1,531,671
U S TREASURY NOTES	3.88	10/31/2009	99.734	5,530,000	5,515,311
U S TREASURY NOTES	4.13	10/31/2012	99.344	11,850,000	11,772,234
U S TREASURY NOTES	1.75	3/31/2010	98.161	234,000,000	229,729,063
U S TREASURY NOTES	4.75	8/15/2017	104.456	17,730,000	18,519,972
TOTAL U.S. GOVERNMENT SECURITIES ACQUIRED				531,080,671	527,282,727
CORPORATE BONDS					
ACA ABS 144A	Variable	6/10/2041	100.00	75,950	75,950
ABFS MTG LN 03-2 CL M 144A	Variable	4/25/2034	87.00	4,803,925	4,179,415
ALTERNATIVE LN 07 3T1 CL 2-A-1	6.00	3/25/2027	99.34	3,640,598	3,616,707
AMERICAN GEN FIN CORP MEDIUM	6.90	12/15/2017	99.27	7,800,000	7,743,333
ANSLEY PK ABS CDO	7.27	10/1/2046	12.00	3,900,000	468,000
AT & T INC GLOBAL NT	6.30	1/15/2038	98.45	1,800,000	1,772,118
BLACKROCK MORTGAGE			100.00	64,304,696	64,304,696
COUNTRYWIDE ALT LN TR	6.25	8/25/2047	97.75	6,360,029	6,216,928
CSFB MTG PTC 2003-8	6.25	4/25/2033	96.84	3,938,853	3,814,533
CWHL 2007-13 A1	6.00	8/25/2037	99.53	6,312,243	6,282,654
GS CREDIT OPPS FUND 2008			100.00	97,450,000	97,450,000
HARRAHS OPER INC GTD SR NT	5.63	6/1/2015	65.00	1,000,000	650,000
J P MORGAN RESI 02-R2 CL 3A1	6.00	4/28/2026	97.00	2,520,409	2,444,784
MCDONALDS CORP	6.38	1/8/2028	102.83	2,262,000	2,325,902
MORGAN STANLEY ABS	6.87	12/27/2033	85.50	1,200,000	1,026,000
MORGAN STANLEY ABS	7.12	10/25/2033	89.00	2,769,222	2,464,608
MSAC 2004-NC2	6.71	12/25/2033	93.00	734,893	683,450
MURPHY OIL CORP NT	7.05	5/1/2029	101.66	5,800,000	5,896,250
PIVOTAL PROMONTORY			100.00	5,469,150	5,469,150
PIVOTAL CIMARRON			100.00	21,299,753	21,299,753
PIVOTAL COLORADO			100.00	19,957,600	19,957,600
PIVOTAL SANDIA			100.00	9,134,322	9,134,322
PIVOTAL WORKING CAPITAL			100.00	38,376	38,376
RALI SER 2006 QS16 CL A-8	6.00	11/25/2036	77.50	4,264,400	3,304,910
SBA NESTING FEATHERS			100.00	642,361	642,361
WASHOVIA BK NATL ASSN MTN	6.60	1/15/2038	98.40	4,560,000	4,487,040
WYETH BONDS	6.50	2/1/2034	103.58	3,900,000	4,039,581
TOTAL CORPORATE BONDS ACQUIRED				285,938,780	279,788,421
TOTAL FIXED INCOME ACQUIRED				817,019,451	807,071,148

Investments Section

FIXED INCOME SOLD DURING THE FISCAL YEAR ENDED JUNE 30, 2008

Description	Coupon	Par Value	Sale Price	Sales Amount	Amortized Cost	Gain or (Loss)
U. S. GOVERNMENT SECURITIES						
FEDERAL FARM CR BK CONS SYSTEM	5.30%	15,996,687	108.9	15,839,500	15,644,746	194,754
FEDERAL FARM CR BKS CONS SYS	5.50%	22,413,495	108.9	22,078,429	21,545,147	533,282
FEDERAL FARM CR BKS CONS SYS	5.00%	6,200,000	100.0	6,200,000	6,200,000	-
FEDERAL FARM CR BKS CONS SYS	5.30%	8,993,475	100.0	8,993,475	8,993,475	6,525
FEDERAL FARM CR BKS CONS SYS	5.85%	2,887,067	100.0	2,887,067	2,887,067	41,504
FEDERAL FARM CR BKS CONS SYS	5.60%	4,250,000	100.0	4,250,000	4,250,000	-
FEDERAL HOME LN BKS CONS BD	5.13%	10,079,497	100.0	10,079,497	10,079,497	-
FEDERAL HOME LN BKS CONS BD	5.13%	1,124,317	108.9	1,018,350	991,796	26,554
FEDERAL HOME LN BKS CONS BD	5.25%	28,767,237	100.0	28,767,237	28,767,237	153,266
FEDERAL HOME LN BKS CONS BD	5.35%	6,629,860	100.0	6,629,860	6,629,860	85,140
FEDERAL HOME LN BKS CONS BD	5.38%	9,585,622	100.0	9,585,622	9,585,622	14,378
FEDERAL HOME LN BKS CONS BD	5.00%	10,900,000	100.0	10,900,000	10,900,000	-
FEDERAL HOME LN BKS CONS BD	5.40%	9,375,334	100.0	9,375,334	9,375,334	24,666
FEDERAL HOME LN BKS CONS BD	6.25%	4,058,761	100.0	4,058,761	4,058,761	41,239
FEDERAL NATL MTG ASSN	4.45%	7,516,316	108.9	7,499,003	7,458,423	40,580
FEDERAL NATL MTG ASSN	5.00%	3,600,000	100.0	3,600,000	3,600,000	-
FEDERAL NATL MTG ASSN	6.00%	23,699,900	100.0	23,699,900	23,699,900	-
FEDERAL NATL MTG ASSN DEBS	5.75%	11,232,251	108.9	10,926,500	10,369,726	556,774
FEDERAL NATL MTG ASSN MTN	4.40%	4,205,795	108.9	4,197,838	4,264,525	(66,687)
FHLMC POOL #A5-9248	6.50%	2,768,685	108.9	2,802,834	2,782,578	20,256
FHLMC POOL #H0-0335	6.50%	4,934,904	108.9	5,006,712	4,966,950	39,762
FHLMC POOL #H0-0341	6.50%	5,689,787	108.9	5,764,493	5,709,762	54,731
FHLMC POOL #H0-1557	6.50%	3,114,954	108.9	3,155,740	3,134,820	20,920
FHLMC POOL #H0-5010	6.00%	687,975	100.0	687,975	687,975	-
FHLMC POOL #G0-8168	6.00%	510,033	100.0	510,033	511,071	(1,038)
FNMA POOL #0256446	6.50%	2,587,121	108.9	2,617,704	2,609,505	8,199
FNMA POOL #0903956	6.00%	11,450,581	108.9	11,529,685	11,426,512	103,173
FNMA POOL #0904913	6.50%	9,118,903	108.9	9,249,394	9,197,796	51,598
FNMA GTD REMIC P/T 05-30 VB	5.00%	5,408,251	108.9	5,382,234	5,463,378	(81,144)
FNMA GTD REMIC P/T	4.00%	2,231,636	100.0	2,231,636	2,231,636	-
GNMA GTD REMIC P/T 06-41 VB	6.00%	4,583,757	108.9	4,653,092	4,674,847	(21,755)
FNMA/GNMA Pool Subtotal		10,963,400	100.0	10,963,400	10,770,229	99,171
US TREASURY BONDS	7.50%	10,000,000	129.8	12,981,250	9,792,508	3,188,742
US TREASURY BONDS	9.13%	10,000,000	146.4	14,643,750	10,050,000	4,593,750
US TREASURY BONDS	8.13%	10,000,000	139.7	13,968,750	10,055,207	3,913,543
US TREASURY BONDS	8.00%	10,000,000	141.5	14,146,875	10,000,000	4,146,875
US TREASURY BONDS	4.50%	4,050,000	101.2	4,097,461	3,738,930	358,531
US TREASURY BONDS	4.75%	3,000,000	105.3	3,158,438	3,086,525	71,913
US TREAS-CPI INFLAT	3.00%	4,050,000	132.9	5,384,305	4,416,754	967,551
US TREAS-CPI INFLAT	0.88%	4,050,000	125.6	5,085,910	4,489,345	596,565
US TREAS-CPI INFLAT	2.00%	5,345,839	100.0	5,345,839	4,825,020	520,819
US TREASURY NOTES	4.50%	4,050,000	108.2	4,381,594	3,947,409	434,185
US TREASURY NOTES	4.75%	17,730,000	108.9	19,307,475	18,503,355	804,120

Investments Section

Description	Coupon	Par Value	Sale Price	Sales Amount	Amortized Cost	Gain or (Loss)
US TREASURY NOTES	4.88%	4,100,000	101.6	4,174,440	4,110,764	63,676
US TREASURY NOTES	4.50%	4,050,000	100.4	4,065,188	4,027,569	37,619
US TREASURY NOTES	4.88%	6,480,000	101.1	6,547,837	6,471,602	76,235
US TREASURY NOTES	3.63%	5,593,000	100.1	5,595,781	5,516,252	79,529
US TREASURY NOTES	3.88%	11,850,000	104.4	12,368,375	11,775,806	592,569
US TREASURY NOTES	1.75%	69,000,000	98.7	68,107,422	67,742,638	364,784
TOTAL U.S. GOVERNMENT SECURITIES SOLD		438,914,604		458,501,995	436,019,860	22,756,853
CORPORATE BONDS						
AGRIUM INC	7.125	3,740,500	102.9	3,848,039	3,828,099	19,940
ABFS MTG 144A	Variable			7,445	6,483	962
ALBERTSONS INC SR DEB	8.700	3,850,000	107.0	4,119,500	3,849,289	270,211
ALLTEL CORP SR NT	7.875	5,470,000	107.7	5,892,950	5,893,000	(50)
ALTERNATIVE LN	6.000	454,774	100.0	454,774	449,813	4,961
AT & T INC GLOBAL NT	6.300	1,800,000	100.5	1,809,000	1,772,491	36,509
AT&T BROADBAND CORP NT	9.455	3,480,000	120.9	4,207,320	3,530,313	677,007
BAYERISCHE LANDESBK INSTL C/D VAR RT	Variable	8,100,000	100.0	8,100,000	8,100,000	0
BEAR STEARNS COS INC MEDIUM VAR RT	Variable	8,100,000	100.0	8,100,000	8,100,000	0
CBO HOLDINGS III LTD.	7.000	1,114,192	99.9	1,112,747	1,108,929	3,818
CONAGRA FOODS INC SR NT	5.819	2,901,000	98.0	2,842,980	2,812,466	30,514
CONAGRA INC SR NTS	7.000	4,350,000	103.5	4,502,250	4,601,122	(98,872)
CONTINENTAL AIRLS 01-1 CL A 2	6.250	2,062,444	100.2	2,066,916	2,048,617	18,299
COUNTRYWIDE ALT LN TR	6.250	32,656	97.8	31,921	31,921	0
CREDIT SUISSE	Variable	208,165	100.0	208,166	202,105	6,061
CSFB MTG PTC 2003-8	6.245	23,395	96.9	22,658	22,658	0
CWHL 2007-13 A1	6.000	582,192	100.0	581,909	579,513	2,396
FIRST DATA CORPORATION	4.700	5,220,000	97.6	5,095,555	4,955,923	139,632
GLOBAL MARINE INC NTS	7.000	4,000,000	102.2	4,090,000	4,195,287	(105,287)
GOLDMAN SACHS GROUP INC SR NT	5.125	4,250,000	97.8	4,156,500	4,272,516	(116,016)
GOLDMAN SACHS GROUP LP NT 144A	8.000	10,000,000	108.7	10,872,500	9,987,749	884,751
HARTFORD LIFE GBL MTN #TR00004	Variable	10,800,000	98.5	10,638,000	10,768,727	(130,727)
HEINZ H J FIN CO GTD NT	Variable	4,350,000	100.5	4,371,750	4,699,112	(327,362)
HUTCHISON WHAMPOA FIN CI 144A	7.450	13,050,000	108.5	14,152,725	13,809,982	342,743
HUTCHISON WHAMPOA INTL 144A	7.450	4,500,000	102.5	4,612,500	4,380,499	232,001
J P MORGAN RESI 02-R2 CL 3A1	6.000	1,260,850	110.2	1,389,217	1,384,004	5,213
KROGER CO NT	7.500	2,400,000	109.2	2,622,000	2,572,145	49,855
MCDONALDS CORP	6.375	2,262,000	102.1	2,309,728	2,324,066	(14,338)
MID OCEAN 2001-1A A1	6.556	716,366	99.9	715,945	717,085	(1,140)
MM CAPS FDG I LTD SR NT 144A	8.030	258,266	100.0	258,266	280,248	(21,982)
MORGAN STANLEY GLOBAL SUB NT	7.120	422,991	89.0	376,511	376,511	0
MORGAN STANLEY GLOBAL SUB NT	4.750	7,281,472	97.3	7,084,872	7,425,981	(341,109)
MORGAN STANLEY ABS	Variable	1,351,638	101.6	1,373,425	1,240,614	132,811
PETROLIAM NASIONAL BHD BD 144A	7.625	4,920,000	123.6	6,081,120	5,443,434	637,686
PHELPS DODGE CORP NT	9.500	3,120,000	133.2	4,157,400	3,836,450	320,950
PREFERRED CPO	8.946	1,115,376	100.0	1,115,376	1,115,376	0
PRINCIPAL LIFE MTN # 00108	Variable	1,700,000	98.1	1,668,125	1,677,554	(9,429)

Investments Section

Description	Coupon	Par Value	Sale Price	Sales Amount	Amortized Cost	Gain or (Loss)
RALI SER 2006 QS16 CL A-8	6.000	4,264,400	57.5	2,452,030	3,324,277	(872,247)
ROYAL KPN NV NT	8.375	3,700,000	118.2	4,373,400	4,220,637	152,763
SAFEWAY INC SR DEBS	7.450	3,750,000	106.6	3,997,500	3,922,471	75,029
SARA LEE CORP NT	6.125	4,350,000	91.8	3,991,125	4,082,221	(91,096)
SOUTHERN COPPER CORP DEL NT	7.500	3,850,000	104.2	4,013,625	3,980,697	32,929
TEVA PHARMACEUTICAL FIN CO LLC	6.150	4,150,000	96.0	3,984,000	3,772,377	211,624
TIME WARNER ENTMT CO LP SR DEB	8.375	3,900,000	113.5	4,424,550	4,375,182	49,368
TRANSOCEAN SEDCO FOREX INC NT	7.375	6,280,000	109.7	6,892,300	6,802,181	90,119
WASHOVIA BK NATL ASSN MTN	6.600	4,560,000	96.7	4,409,657	4,488,003	(78,346)
WESTINGHOUSE ELEC CORP NT	7.875	4,980,000	105.6	5,260,125	5,700,566	(440,441)
WESTVACO CORP NT	8.200	3,900,000	105.0	4,095,000	4,362,543	(267,543)
WYETH SR NT	6.500	7,400,000	160.0	11,839,041	11,575,375	263,666
TOTAL CORPORATE BONDS		184,332,677		194,782,444	193,006,611	1,775,832
TOTAL FIXED INCOME SOLD		609,483,755		653,284,439	629,024,471	24,532,686

ALTERNATIVE INVESTMENTS PORTFOLIO
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

Description	Cost	Fair Value	Unrealized Gain/ (Loss)
REAL ESTATE			
APEX CAPITAL	9,810,820	(12,872,188)	(22,683,009)
DESERT TROON	127,961,485	132,828,448	4,866,963
OWH BERKANA	10,232,828	11,428,102	1,195,274
PIVOTAL HOLDINGS	48,295,242	13,190,627	(35,104,614)
COLGATE WILLOW SPRINGS	4,835,648	4,835,648	
OWC WHISPERING CANYON	40,033	20,677,902	20,637,869
PEBBLE CREEK	80,526	30,946,400	30,865,874
BLACKSTONE REAL ESTATE PART VI	20,835,192	20,835,192	
TOTAL REAL ESTATE	222,091,774	221,870,131	(221,643)
PRIVATE EQUITY			
BLACKSTONE CAPITAL PARTNERS V	6,069,148	6,110,944	41,795
NXTV	13,052,685	2,006,264	(11,046,421)
VALLEY VENTURES III	14,142,443	6,494,776	(7,647,666)
VALLEY VENTURES III ANNEX	1,272,600	1,272,600	
PROSPECTOR EQUITY CAPITAL	1,208,890	1,364,992	156,103
PENINSULA EQUITY PARTNERS	1,400,417	1,287,819	(112,598)
DAG VENTURES II DIRECT	3,624,571	4,013,634	389,064
DAG VENTURES II CO-INVEST	8,079,999	15,289,619	7,209,620
DAG VENTURES III DIRECT	7,501,876	7,396,628	(105,249)
DAG VENTURES III CO-INVEST	10,901,906	10,901,906	
CONSERVATION FORESTRY FUND I	10,487,294	11,360,547	873,253
MESIROW CAPITAL PARTNERS IX	12,427,325	10,992,354	(1,434,971)
MIDOCEAN PARTNER III DIRECT	10,906,892	9,734,573	(1,172,319)
MIDOCEAN PARTNER III CO-INVEST	1,010,000	1,010,000	
APOLLO INVESTMENT FUND VII	4,119,888	4,119,888	
TOTAL PRIVATE EQUITY	106,205,933	93,356,543	(12,849,390)
TOTAL ALTERNATIVE INVESTMENTS	328,297,708	315,226,674	(13,071,033)

ALTERNATIVE INVESTMENTS ACQUIRED

DURING THE FISCAL YEAR ENDED JUNE 30, 2008

Description	<u>Cost</u>
APEX FUND II	4,557,352
DAG VENTURES III	12,958,263
DESERT TROON	76,031,180
VALLEY VENTURES	1,683,597
APOLLO INVESTMENT FUND	4,119,888
BLACKSTONE CAPITAL PARTNERS	6,355,746
BLACKSTONE REAL ESTATE PARTNERS	20,835,191
CONSERVATION FORESTRY FUND	2,544,067
DAG VENTURES II	8,527,993
DESERT TROON	84,956,576
MESIROW FINANCIAL	4,411,680
MIDOCEAN	3,529,459
OWH BERKANA	1,458,279
PENINSULA EQUITY PARTNERS	1,145,552
PIVOTAL	37,331,635
PROSPECTOR EQUITY	452,506
TOTAL ALTERNATIVE INVESTMENTS ACQUIRED	<u><u>270,898,964</u></u>

ALTERNATIVE INVESTMENTS SOLD

DURING THE FISCAL YEAR ENDED JUNE 30, 2008

Description	<u>Cost</u>	<u>Capital Gains (Loss)</u>
PIVOTAL DEBT FUND	42,370,251	-
SBA NESTING FEATHERS	693,173	-
DAG VENTURES II	174,464	-
APEX FUND II	363,338	2,458,783
DESERT TROON	61,805,740	2,012,728
VALLEY VENTURES	2,726,997	-
BLACKSTONE CAPITAL PARTNERS	286,601	-
CONSERVATION FORESTRY	643,400	-
MESIROW CAPITAL PARTNERS IX	357,084	-
MidOcean Partners III Direct	1,235,415	-
WHISPERING CANYON	11,280	-
PENINSULA	346,883	-
PIVOTAL	24,675,136	-
PROSPECTOR EQUITY	1,738,536	-
TOTAL ALTERNATIVE INVESTMENTS SOLD	<u><u>137,428,298</u></u>	<u><u>4,471,511</u></u>



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December 12, 2008

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, 2008 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, 2006. The assumptions and methods conform to the parameters established in Governmental Accounting Standards Board Statement 25. Actuarial gains (losses) were amortized as level percents of payroll over 28 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, 2008 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

AGGREGATE ACTUARIAL BALANCE SHEET
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

Actuarial Assets

Accrued Assets		
Member Accumulated contributions	\$789,565,692	
Employer and benefit payment reserves	4,729,666,278	
Funding value adjustment	76,364,345	
Total accrued assets*	<u>5,595,596,315</u>	\$5,595,596,315
Prospective assets (computed value)		
Member contributions	1,159,587,984	
Employer normal costs	1,726,541,278	
Employer unfunded actuarial accrued liability	2,567,133,599	
Total prospective assets	<u>5,453,262,861</u>	5,453,262,861
Total Actuarial Assets	<u>\$11,048,859,176</u>	<u>\$11,048,859,176</u>

*Includes \$499,951,273 reserve for payment of ad-hoc pension increases. The net funding value of assets is \$5,095,645,042.

Actuarial Present Values (Liability)

Pensions in payment status		
Service pensions	\$2,609,681,679	
Disability pensions	407,107,572	
Survivor pensions	282,472,407	
Health insurance	119,573,627	
Total Benefit values	<u>\$3,418,835,285</u>	\$3,418,835,285
Prospective pension payments (future retirements)		6,926,236,831
Prospective health insurance payments (future retirements)		201,729,008
Prospective refunds of member contributions		499,951,273
Reserve for future pension increases		<u>2,106,779</u>
Total Actuarial Present Values (Liability)		<u>\$11,048,859,176</u>

Summary of Valuation Assumptions

Economic Assumptions

Interest Rate: 8.50% (net of expenses)

Salary Increases: 5.5% for inflation, plus age-related merit and longevity.

Sample Annual Rates of Salary Increase			
Age	Across-the-Board	Merit and Longevity	Total
20	5.5%	3.0%	8.50%
25	5.5	3.0	8.50
30	5.5	2.6	8.10
35	5.5	1.1	6.60
40	5.5	0.2	5.70
45	5.5	0.2	5.70
50	5.5	0.2	5.70
55	5.5	0.1	5.60
60	5.5	-	5.50
65	5.5	-	5.50

Demographic Assumptions

Retiree Non-Disability Mortality Rates: RP 2000 Healthy Annuitant Mortality Table, male table with no adjustment, female table with 1 year set forward (first used for June 30, 2007 valuation).

Active Member Non-Disability Mortality Rates: RP 2000 Employees Mortality Table, male table with 1 year set-back, female table with 2 year set-forward (first used for June 30, 2007 valuation).

Single Life Retirement Values

Sample Ages	Retirees		Active Members		Retirees		Active Members	
	Present Value of \$100 Monthly For Life		Present Value of \$100 Monthly For Life		Future Life Expectancy (Years)		Future Life Expectancy (Years)	
	Men	Women	Men	Women	Men	Women	Men	Women
20	14,505	14,563	14,557	14,576	59.04	61.54	63.00	64.20
25	14,405	14,477	14,483	14,497	54.15	56.60	58.11	59.26
30	14,257	14,352	14,373	14,384	49.25	51.66	53.22	54.34
35	14,049	14,176	14,218	14,229	44.38	46.76	48.34	49.45
40	13,763	13,930	14,014	14,013	39.57	41.89	43.54	44.60
45	13,358	13,587	13,731	13,720	34.79	37.08	38.77	39.82
50	12,787	13,119	13,343	13,321	30.07	32.35	34.07	35.11
55	12,221	12,518	12,807	12,777	25.86	27.79	29.43	30.49
60	11,413	11,751	12,074	12,048	21.64	23.42	24.88	26.00
65	10,389	10,818	11,098	11,061	17.62	19.33	20.49	21.64
70	9,172	9,699	9,766	9,767	13.92	15.54	16.23	17.54
75	7,786	8,425	8,311	8,692	10.61	12.13	12.65	14.60
80	6,325	7,035	7,066	7,748	7.79	9.16	10.08	12.46
85	4,910	5,616	6,162	7,438	5.54	6.69	8.52	11.69
90	3,711	4,411	6,084	7,403	3.90	4.90	8.30	11.30

Disability Retiree Mortality Rates: Non-disability rates set-forward 5 years.

Actuarial Section

Termination of Employment: Service-related rates.

Disability Rates: Age-related rates.

The sample rates are as follows:

Sample Ages	Years of Service	Percent Terminating Within Next Year				Disability			
		Police Officers		Firefighters		Police Officers		Firefighters	
		Large	Small	Large	Small	Large	Small	Large	Small
ALL	0	12.00%	15.00%	7.00%	7.50%				
	1	4.50	10.00	1.50	6.00				
	2	3.50	9.00	1.00	5.00				
	3	3.00	7.00	1.00	5.00				
	4	2.50	6.00	1.00	5.00				
	5-10	2.40	5.30	1.00	3.00				
	10 Plus	0.50	1.80	0.10	1.00				
25						0.10%	0.15%	0.03%	0.04%
30						0.21	0.29	0.05	0.04
35						0.27	0.35	0.11	0.09
40						0.45	0.57	0.20	0.20
45						0.64	0.79	0.20	0.55
50						0.98	1.30	0.50	0.75
55						1.27	2.00	1.16	1.30
60						1.44	2.00	1.60	1.80

Rates first used for June 30, 2007 valuation.

Married assumption: 90%

Health subsidy utilization assumption: 80%

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

**Percent of Active Members Retiring/DROPing Within Year
Following Attainment of Indicated Service**

Service	Percent of Active Members Retiring During Next year			
	Police Large	Police Small	Fire Large	Fire Small
20	30%	45%	15%	20%
21	20	35	10	20
22	20	25	10	10
23	10	15	10	10
24	10	10	10	10
25	45	40	30	20
26	45	40	45	30
27	45	30	30	30
28	45	30	45	30
29	45	30	45	30
30	50	30	45	45
31	50	30	50	45
32	80	65	50	45
33	80	65	50	45
34	100	100	100	100

Active members with at least 34 years of service are assumed to retire within the year. Members who do not acquire 20 years of service prior to age 62 are assumed to retire upon first eligibility following attainment of age 62.

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

Actuarial Method Used for the Valuation

Normal Cost

Normal cost and the actuarial present values between service rendered before and after the valuation date were determined using the projected unit credit actuarial cost method having the following characteristics:

- The annual normal costs for each individual active member, payable from date of hire to date of retirement, are sufficient to accumulate the value of the member's benefit at the time of retirement;
- Each annual normal cost is 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

The actuarial accrued liability is the portion of actuarial present value allocated to service rendered prior to the valuation date, including experience gains and losses. The actuarial accrued liability was computed using the assumptions summarized in this report. Accrued valuation assets were subtracted from the computed actuarial accrued liability. Any unfunded amount would be amortized as level percent of payroll over a closed period of 28 years. If accrued valuation assets exceeded the actuarial accrued liability, the excess was amortized over an open period of 20 years and applied as a credit to reduce the normal cost which otherwise would be payable.

Active member payroll was assumed to increase 5.5% annually for the purpose of computing the amortization payment (credit) as a level percent of payroll.

SOLVENCY TEST

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.

Valuation Date	Aggregate Accrued Liabilities for				Portion of Accrued Liabilities Covered by Net Assets Available for Benefits		
	(1)	(2)	(3) Active Members (Employer Financed Portion)	Valuation Assets Available for Benefits (2)	(1)	(2)	(3)
	Active Member Contributions	Retirants And Beneficiaries					
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%
6-30-07	\$730,929	\$3,183,931	\$3,353,431	\$4,829,521	100.0%	100.0%	27.3%
6-30-08	\$789,566	\$3,418,835	\$3,454,378	\$5,095,645	100.0%	100.0%	25.7%

See Schedule of Funding Progress in the Required Supplementary Information Section

**AGE AND SERVICE DISTRIBUTION
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

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	4							4	\$141,979
20 - 24	1,280	3						1,283	\$61,789,835
25 - 29	2,663	532	1					3,196	\$175,459,625
30 - 34	1,783	1,714	391					3,888	\$248,340,190
35 - 39	1,064	1,446	1,541	298				4,349	\$312,786,248
40 - 44	468	602	977	986	278	6		3,317	\$261,070,115
45 - 49	235	289	424	612	600	203		2,363	\$197,729,950
50 - 54	84	112	146	259	239	199	33	1,072	\$91,623,340
55 - 59	34	29	48	99	70	43	19	342	\$27,404,886
60 - 69	13	13	19	40	6	4	2	97	\$6,943,841
70+	1							1	\$42,011
Totals	7,629	4,740	3,547	2,294	1,193	455	54	19,912	\$1,383,332,020

COMPARATIVE SCHEDULE

Fiscal Year Ended	Employer Units	Active Members	Total Payroll (+000)	Averages			Increase in Average Pay
				Age (years)	Service (years)	Pay	
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	187	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	\$57,514	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%
6-30-07	219	18,624	\$1,228,038	37.3	8.9	\$65,903	6.3%
6-30-08	229	19,912	\$1,383,332	37.3	8.9	\$69,472	5.4%

Actuarial Section
Summary of Retirants and Inactive 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
6/30/99	73	423	5,090			\$132,364,761	14.6%	\$26,211
6/30/00	84	436	5,442			\$152,227,372	15.0%	\$27,973
6/30/01	89	429	5,782			\$170,281,580	11.9%	\$29,450
6/30/02	91	298	5,989			\$184,212,972	8.2%	\$30,759
6/30/03	104	299	6,184			\$207,616,176	12.7%	\$33,573
6/30/04**	119	331	6,396	\$5,951,348	\$22,497,533	\$224,162,361	8.0%	\$35,047
6/30/05**	103	395	6,688	\$3,095,916	\$23,228,295	\$244,294,740	9.0%	\$36,527
6/30/06**	164	350	6,874	\$4,721,490	\$13,926,144	\$265,826,712	8.8%	\$38,671
6/30/07**	159	918	7,633	\$3,578,561	\$45,409,478	\$307,657,629	15.7%	\$40,306
6/30/08**	164	772	8,241	\$3,642,137	\$38,830,259	\$342,845,751	11.4%	\$41,602

*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

SUMMARY OF INACTIVE MEMBER DATA
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

Attained Age	Years of Service to Valuation Date					Totals
	0 - 4	5 - 9	10 - 14	15 - 19	20+	
20 - 24	101					101
25 - 29	256	6				262
30 - 34	211	35	3			249
35 - 39	153	26	26	1		206
40 - 44	93	22	18	4	2	139
45 - 49	47	8	11	13		79
50 - 54	18	6	10	3		37
55 - 59	8		7	2		17
60 - 64	6	1	7	1	1	16
65 - 69	2					2
Totals	895	104	82	24	3	1,108

SCHEDULE OF EXPERIENCE GAIN/(LOSS)
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(in thousands)

(1) UAAL at start of year*	2,438,770
(2) Normal cost	245,345
(3) Funding method contributions	(330,713)
(4) Interest accrual	203,667
(5) Expected UAAL before changes	2,557,069
(6) Change from amendments***	none
(7) Change from assumption revision	none
(8) Expected UAAL after changes	2,557,069
(9) Actual UAAL	2,567,134
(10) Gain(+)/Loss(-) (8)-(9)	(10,065)
(11) Percent of actuarial accrued liability**	-0.1%

*Unfunded Actuarial Accrued Liability

**Actuarial Accrued Liability

***Estimated



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SUMMARY

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

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

Revenue capacity information is intended to assist users in understanding and assessing the factors affecting the ability of PSPRS to generate own-source revenue, specifically investment income. The schedule presenting revenue capacity information is the Rate of Return by Type of Investment.

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

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

**Schedules and data are provided by actuarial consultant Rodwan Consulting Company*

**Changes in Net Assets Last 10 Fiscal Years
(in thousands)**

Retirement Plan	2008	2007	2006	2005	2004
Additions:					
Member Contributions	\$97,157	\$84,630	\$75,616	\$67,948	\$71,874
Employer Contributions	221,733	166,578	127,219	104,498	79,000
Net Investment Gain (Loss)	(411,506)	815,524	379,512	383,530	562,613
Member Service Purchase	9,483	9,160	9,409	8,163	-
Amounts transferred from Other State Plans	1,696	1,640	1,125	994	1,282
Total Additions	(81,437)	1,077,532	592,881	565,133	714,769
Deductions:					
Pension and Health Insurance Subsidy Benefits ¹	418,386	439,336	284,028	257,449	229,885
Refunds to Terminated Members	7,884	8,709	7,226	7,648	6,391
Administrative Expenses	4,662	3,971	2,980	1,600	1,100
Amounts Transferred to Other State Plans	144	121	290	129	196
Total Deductions	431,077	452,137	294,524	266,826	237,572
Net (Decrease) Increase	(512,513)	625,395	298,357	298,307	477,197
Net Assets Held In Trust					
Beginning of Year - July 1	5,531,794	4,906,399	4,608,042	4,309,735	3,832,538
Ending of Year - June 30	\$5,019,281	\$5,531,794	\$4,906,399	\$4,608,042	\$4,309,735

¹See Note 7 on page 42

(in thousands)

Retirement Plan	2003	2002	2001	2000	1999
Additions:					
Member Contributions	\$67,937	\$62,487	\$58,053	\$52,451	\$51,684
Employer Contributions	50,801	51,983	52,540	46,891	44,384
Net Investment Gain (Loss)	233,425	(654,570)	(895,996)	588,133	723,370
Member Service Purchase					
Amounts transferred from Other State Plans	1,394	6,184	373	658	668
Total Additions	353,557	(533,916)	(785,030)	688,133	820,106
Deductions:					
Pension and Health Insurance Subsidy Benefits ¹	209,715	185,035	164,728	145,302	125,879
Refunds to Terminated Members	6,423	6,058	6,052	5,314	3,318
Administrative Expenses	813	735	679	615	624
Amounts Transferred to Other State Plans	386	-	-	-	-
Total Deductions	217,337	191,828	171,459	151,231	129,821
Net (Decrease) Increase	136,220	(725,744)	(956,489)	536,902	690,285
Net Assets Held In Trust					
Beginning of Year - July 1	3,696,318	4,422,062	5,378,551	4,841,649	4,151,364
Ending of Year - June 30	\$3,832,538	\$3,696,318	\$4,422,062	\$5,378,551	\$4,841,649

¹See Note 7 on page 42

Statistical Section
Financial Trends

Changes in Net Assets Last 10 Fiscal Years

Fire Fighter & Peace Officer Cancer Insurance Program	2008	2007	2006	2005	2004
Additions:					
Employer Contributions	\$2,022,580	\$610,010	\$769,207	\$955,359	\$908,640
Net Investment Gain (Loss)	(227,575)	984,162	319,244	358,055	502,758
Total Additions	1,795,005	1,594,172	1,088,451	1,313,414	1,411,398
Deductions:					
Cancer Insurance Benefits ¹	122,626	98,594	196,170	111,204	118,632
Administrative Expenses	14,016	11,197	7,695	25,760	23,499
Total Deductions	136,642	109,791	203,865	136,964	142,131
Net (Decrease) Increase	1,658,363	1,484,381	884,586	1,176,450	1,269,267
Net Assets Held In Trust					
Beginning of Year - July 1	8,282,010	6,797,629	5,913,043	4,736,593	3,467,326
Ending of Year - June 30	\$9,940,373	\$8,282,010	\$6,797,629	\$5,913,043	\$4,736,593

¹See Note 7 on page 42

Fire Fighter & Peace Officer Cancer Insurance Program	2003	2002	2001	2000	1999
Additions:					
Employer Contributions	\$879,480	\$828,360	\$771,840	\$721,980	\$678,060
Net Investment Gain (Loss)	62,240	(146,317)	(69,465)	59,111	29,104
Total Additions	941,720	682,043	702,375	781,091	707,164
Deductions:					
Cancer Insurance Benefits ¹	23,825	15,291	74,332	260,773	227,477
Administrative Expenses	19,401	28,874	36,834	36,155	22,262
Total Deductions	43,226	44,165	111,166	296,928	249,739
Net (Decrease) Increase	898,494	637,878	591,209	484,163	457,425
Net Assets Held In Trust					
Beginning of Year - July 1	2,568,832	1,930,954	1,339,745	855,582	398,157
Ending of Year - June 30	\$3,467,326	\$2,568,832	\$1,930,954	\$1,339,745	\$855,582

¹See Note 7 on page 42

Schedule of Revenue by Source - All Plans Combined

Last Ten Fiscal Years

Employer Contributions

Fiscal Year	Member Contributions	Direct Payments	Insurance Premium Tax	% of Covered Payroll	Investment Income (Loss)	Member Service Purchases/ Amounts Transferred from Other Plans	Total
1999	51,684,448	36,512,536	7,871,808	5.82%	723,369,908	760,190	820,198,890
2000	52,451,478	38,645,798	8,245,094	5.29%	588,132,626	952,294	688,427,290
2001	58,052,765	45,435,300	7,105,010	5.21%	(895,995,528)	874,673	(784,527,780)
2002	62,486,725	44,518,693	7,464,714	4.21%	(654,569,820)	6,412,646	(533,687,042)
2003	67,937,288	40,047,132	10,753,537	3.75%	233,424,569	1,393,775	353,556,301
2004	71,874,188	68,058,390	10,941,740	7.66%	562,613,259	1,281,703	714,769,280
2005	67,947,506	92,778,813	11,718,337	10.05%	383,530,412	9,156,465	565,131,533
2006	75,616,322	121,561,838	5,656,848	12.80%	379,512,079	10,533,585	592,880,672
2007	84,629,709	155,272,630	11,305,571	13.83%	815,524,366	10,799,442	1,077,531,718
2008	97,156,897	221,249,345	12,306,704	16.52%	(411,505,523)	11,179,532	(69,613,045)

Schedule of Expenses by Type - All Plans Combined

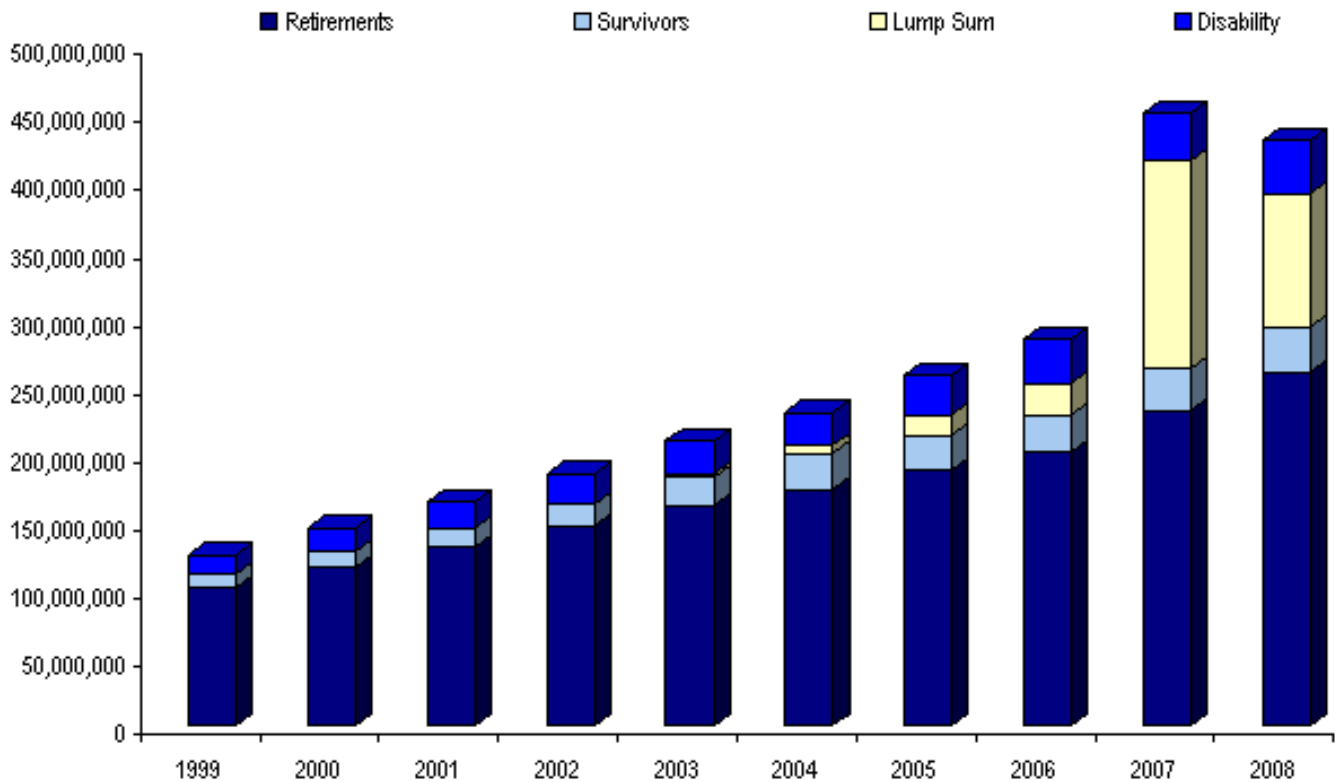
Last Ten Fiscal Years

Fiscal Year	Benefits	Administrative Expenses	Refunds	Amounts Transferred from Other Plans	Total
1999	125,879,371	624,710	3,317,624	92,023	129,913,728
2000	145,302,173	616,109	5,313,595	293,862	151,525,739
2001	164,727,744	679,372	6,051,785	501,851	171,960,752
2002	185,035,202	735,241	6,057,924	228,610	192,056,977
2003	209,715,238	812,332	6,422,965	385,905	217,336,440
2004	229,885,444	1,099,932	6,390,643	196,287	237,572,306
2005	257,449,083	1,599,784	7,647,443	128,407	266,824,717
2006	284,027,642	2,979,511	7,225,720	291,161	294,524,034
2007	439,336,159	3,971,338	8,708,528	120,511	452,136,536
2008	430,208,772	4,661,877	7,884,695	144,622	442,899,966

**Deductions From Net Assets for Benefits and Refunds by Type —
Last Ten Fiscal Years**

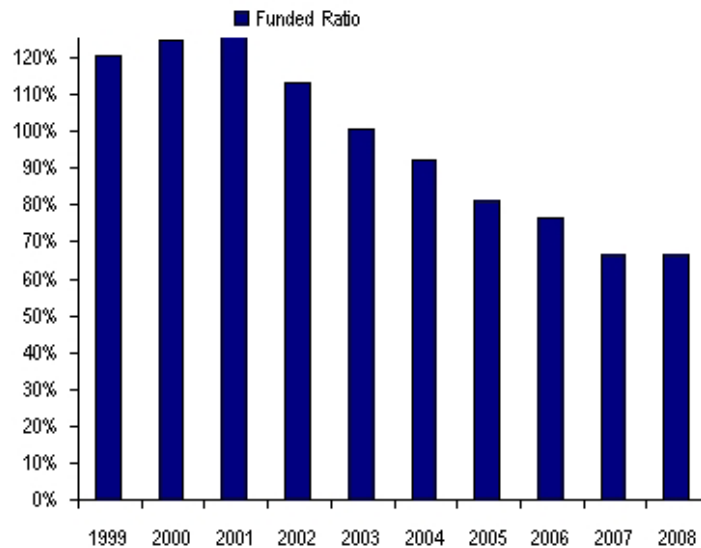
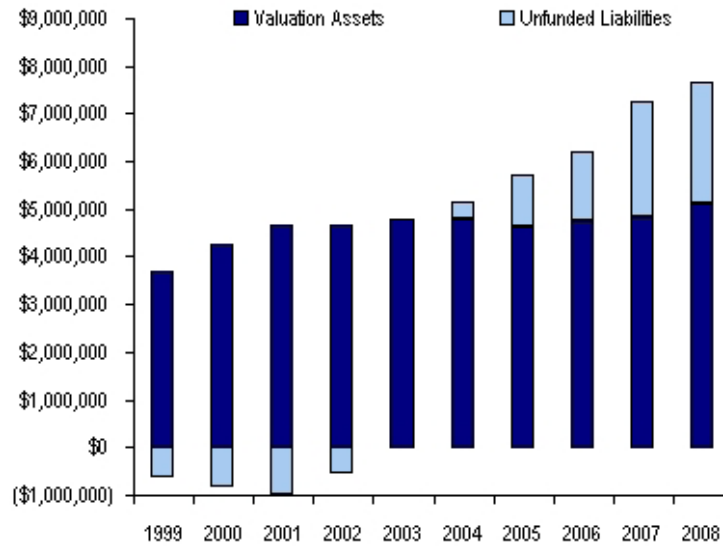
Fiscal Year	Normal Benefits	Survivor Benefits	Disability Benefits	Deferred Benefits	Health Insurance Subsidy ¹	DROP Benefits	Total Benefits	Refunds
1999	97,398,707	9,883,152	14,628,479	34,071	3,934,962	-	125,879,371	3,317,624
2000	111,641,295	12,187,246	17,061,548	46,197	4,365,887	-	145,302,173	5,313,595
2001	126,279,381	14,049,906	19,543,264	53,946	4,801,247	-	164,727,744	6,051,785
2002	137,556,909	15,342,508	21,914,529	70,335	9,715,347	435,573	185,035,202	6,057,924
2003	151,170,457	20,135,779	24,102,353	81,550	11,196,923	3,028,175	209,715,238	6,422,965
2004	163,080,132	26,321,345	23,431,361	102,458	10,774,433	6,175,715	229,885,444	6,390,643
2005	176,394,304	25,357,132	28,883,283	131,285	11,417,919	15,265,160	257,449,083	7,647,443
2006	190,350,994	27,991,410	32,501,612	140,587	10,203,920	22,839,120	284,027,642	7,225,720
2007	220,950,477	30,742,748	35,536,324	146,890	11,009,305	151,959,720	450,345,464	8,708,528
2008	247,831,306	33,357,309	39,137,350	151,698	11,823,457	97,907,651	430,208,772	7,884,695

¹See Note 7 on page 46



**All Plans Combined —
Includes Health Insurance Subsidy Valuation
Assets vs. Pension Liabilities
Last Ten Fiscal Years**

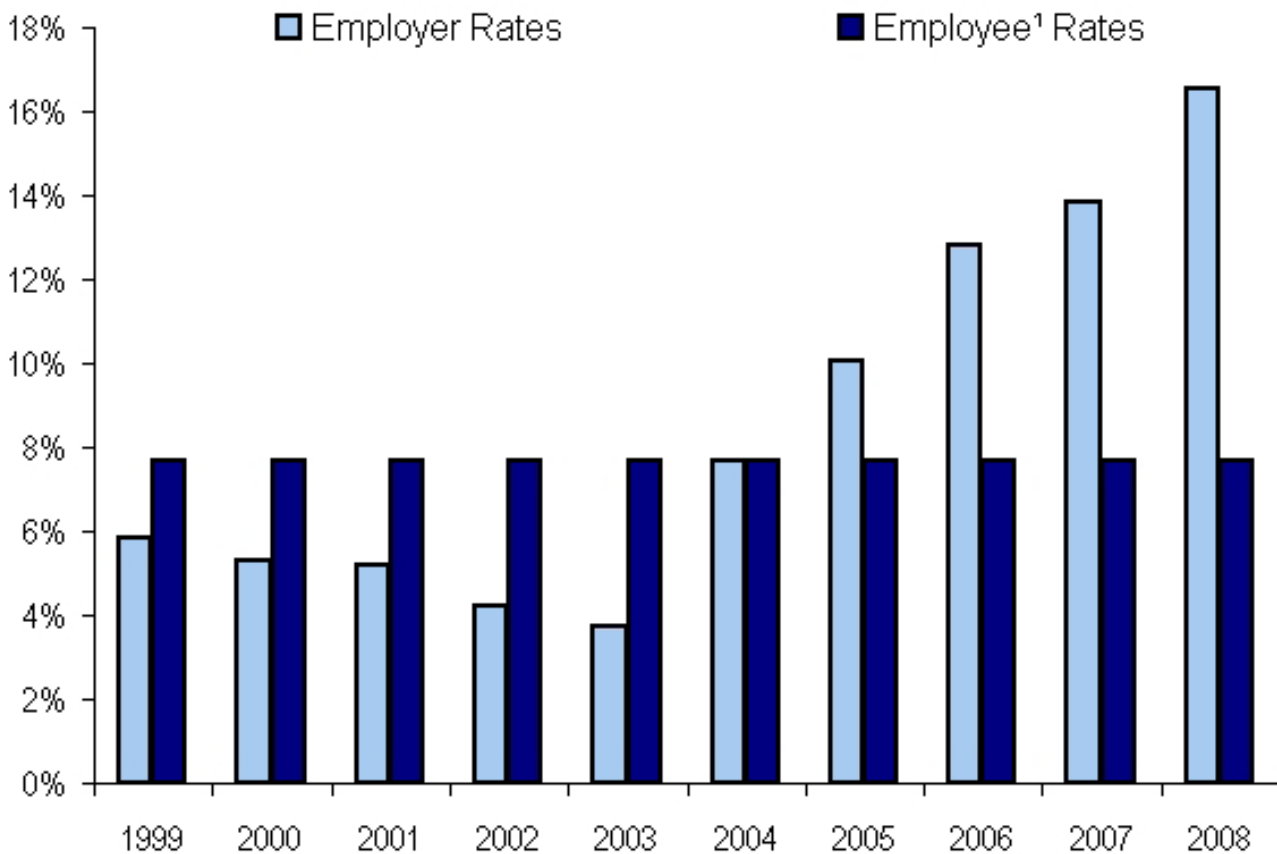
Fiscal Year	Valuation Assets	Unfunded Liabilities	Accrued Liabilities	Funded Ratio
1999	3,709,251	(627,049)	3,082,202	120.3%
2000	4,260,168	(845,011)	3,415,157	124.7%
2001	4,661,941	(987,183)	3,674,758	126.9%
2002	4,684,386	(540,175)	4,144,211	113.0%
2003	4,781,377	(41,764)	4,739,613	100.9%
2004	4,774,313	393,020	5,167,333	92.4%
2005	4,639,517	1,064,974	5,704,491	81.3%
2006	4,767,055	1,444,531	6,211,586	76.7%
2007	4,829,521	2,438,770	7,268,291	66.4%
2008	5,095,168	2,567,611	7,662,779	66.5%



Contribution Rates
Last Ten Fiscal Years

Fiscal Year	Average Employer Rates	Employee ¹ Rates
1999	5.82%	7.65%
2000	5.29%	7.65%
2001	5.21%	7.65%
2002	4.21%	7.65%
2003	3.75%	7.65%
2004	7.66%	7.65%
2005	10.05%	7.65%
2006	12.80%	7.65%
2007	13.83%	7.65%
2008	16.52%	7.65%

¹Employee Contribution rates are fixed by Arizona Revised Statutes



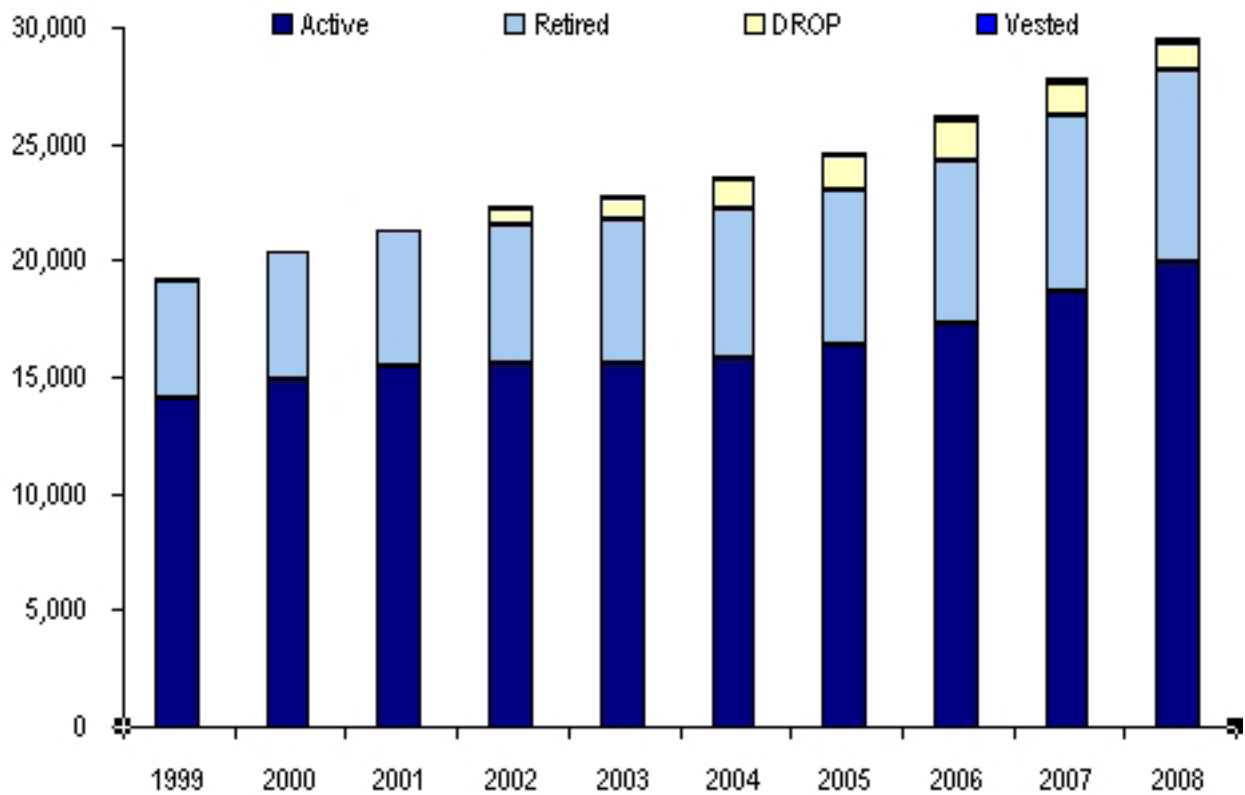
Rate of Return by Type of Investment Last Ten Fiscal Years

Fiscal Year	Equity	Fixed Income	Alternative Investments	Total
1999	24.40%	2.71%		17.67%
2000	15.29%	3.48%		12.29%
2001	-25.37%	11.12%		-16.88%
2002	-26.14%	8.57%		-15.09%
2003	3.60%	12.04%		6.65%
2004	20.68%	4.17%		14.95%
2005	9.11%	9.74%		9.09%
2006	6.69%	0.13%	148.24%	8.30%
2007	20.60%	6.91%	20.24%	17.05%
2008	-11.89%	3.68%	7.03%	-7.27%

Note: Detailed information not available prior to fiscal year 2006.

Membership in Retirement System Last Ten Fiscal Years

Fiscal Year	Beneficiaries		DROP	Terminated/ Vested	Totals
	Active	Retired			
1999	14,128	5,050	-	53	19,231
2000	14,886	5,442	-	61	20,389
2001	15,473	5,782	-	59	21,314
2002	15,557	5,989	645	82	22,273
2003	15,530	6,184	1,011	84	22,809
2004	15,852	6,396	1,267	69	23,584
2005	16,317	6,688	1,472	104	24,581
2006	17,324	6,974	1,746	226	26,270
2007	18,624	7,633	1,325	212	27,794
2008	19,912	8,241	1,181	213	29,547



Principal Participating Employers - Current Year and Nine Years Ago

Participating Employer	2008			1999		
	Covered Employees	Rank	% of Membership	Covered Employees	Rank	% of Membership
Phoenix Police	3,175	1	15.93%	2,545	1	18.01%
Phoenix Fire	1,518	2	7.62%	1,226	2	8.68%
Department of Public Safety	1,149	3	5.76%	1,022	3	7.23%
Tucson Police	942	4	4.73%	828	4	5.86%
Mesa Police	761	5	3.82%	663	5	4.69%
Maricopa County Sheriff	737	6	3.70%	529	6	3.74%
Tucson Fire	601	7	3.01%	476	7	3.37%
Pima County Sheriff	525	8	2.63%	402	8	2.85%
Glendale Police	399	9	2.00%	277	10	1.96%
Scottsdale Police	398	10	2.00%	288	9	2.04%
All Others	9,707		48.75%	5,872		41.56%
	19,912		100.00%	14,128		100.00%

SUMMARY OF GROWTH OF THE SYSTEM

Last Ten Fiscal Years

Fiscal Year	Total Assets at Book	Realized Earnings from Investments	Assumed Actuarial Yield	Net Effective Yield	Average Employer Rates
1999	\$3,512,950,451	\$652,015,871	9.00%	22.66%	5.82%
2000	\$3,845,046,198	\$383,638,465	9.00%	10.99%	5.29%
2001	\$4,014,033,477	\$229,978,521	9.00%	6.02%	5.21%
2002	\$4,038,098,811	\$95,669,176	9.00%	2.40%	4.21%
2003	\$3,580,672,469	\$(359,783,581)	9.00%	-9.01%	3.75%
2004	\$3,639,362,740	\$144,657,402	9.00%	4.08%	7.66%
2005	\$3,820,166,058	\$266,719,194	8.75%	7.41%	10.05%
2006	\$4,183,883,048	\$445,686,514	8.50%	11.78%	12.80%
2007	\$4,517,667,333	\$529,659,234	8.50%	12.93%	13.83%
2008	\$5,137,831,607	\$726,656,511	8.50%	16.26%	16.52%

Statistical Section

Demographics

Benefits Payable June 30, 2008

Tabulated by Type of Benefit

Pensions Being Paid*		Number	Annual Pensions	Average Pensions
Retired Members	- Service Pensions	5,986	\$266,400,617	\$44,504
	- Disability Pensions	1,195	\$41,128,660	\$34,417
	Totals	7,181	\$307,529,277	\$42,825
Survivors of Members	- Spouses	1010	\$34,338,886	\$33,999
	- Children with Guardians**	50	\$977,588	\$19,552
	Totals	1,060	\$35,316,474	\$33,317
Total Pensions Being Paid		8,241	\$342,845,751	\$41,602

* Does not include DROP participants totaling 1,181 with annual pensions of \$61,540,523

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

	Average Age	Average Service (yrs)	Average Age at Retirement (yrs)
Normal retired members	61.9	23.5	50.6
Disability retired members	55.0	14.4	43.6
Spouse beneficiaries	66.6	18.6	44.2
DROP Participants	53.1	24.5	50.5

Average Monthly Benefit Amounts — Ten Fiscal Years Ended June 30, 2008

		Years Credited Service by Category							All Members
		<5	5-10	10-15	15-20	20-25	25-30	30+	
1999	Average monthly benefit	N/A	N/A	N/A	N/A	N/A	N/A	N/A	\$2,184
	Average final average salary	N/A	N/A	N/A	N/A	N/A	N/A	N/A	\$3,843
	Number of retirees	N/A	N/A	N/A	N/A	N/A	N/A	N/A	5,050
2000	Average monthly benefit	N/A	N/A	N/A	N/A	N/A	N/A	N/A	\$2,331
	Average final average salary	N/A	N/A	N/A	N/A	N/A	N/A	N/A	\$4,017
	Number of retirees	N/A	N/A	N/A	N/A	N/A	N/A	N/A	5,442
2001	Average monthly benefit	N/A	N/A	N/A	N/A	N/A	N/A	N/A	\$2,454
	Average final average salary	N/A	N/A	N/A	N/A	N/A	N/A	N/A	\$4,227
	Number of retirees	N/A	N/A	N/A	N/A	N/A	N/A	N/A	5,782
2002	Average monthly benefit	N/A	N/A	N/A	N/A	N/A	N/A	N/A	\$2,563
	Average final average salary	N/A	N/A	N/A	N/A	N/A	N/A	N/A	\$4,411
	Number of retirees	N/A	N/A	N/A	N/A	N/A	N/A	N/A	5,989
2003	Average monthly benefit	N/A	N/A	N/A	N/A	N/A	N/A	N/A	\$2,798
	Average final average salary	N/A	N/A	N/A	N/A	N/A	N/A	N/A	\$4,586
	Number of retirees	N/A	N/A	N/A	N/A	N/A	N/A	N/A	6,184
2004	Average monthly benefit	N/A	N/A	N/A	N/A	N/A	N/A	N/A	\$2,921
	Average final average salary	N/A	N/A	N/A	N/A	N/A	N/A	N/A	\$4,699
	Number of retirees	N/A	N/A	N/A	N/A	N/A	N/A	N/A	6,396
2005	Average monthly benefit	N/A	N/A	N/A	N/A	N/A	N/A	N/A	\$3,044
	Average final average salary	N/A	N/A	N/A	N/A	N/A	N/A	N/A	\$4,834
	Number of retirees	N/A	N/A	N/A	N/A	N/A	N/A	N/A	6,688
2006	Average monthly benefit	\$2,323	\$2,410	\$2,523	\$2,629	\$2,931	\$4,210	\$5,114	\$3,176
	Average final average salary	N/A	N/A	N/A	N/A	N/A	N/A	N/A	\$4,979
	Number of retirees	221	288	368	465	3,727	1,461	652	6,974
2007	Average monthly benefit	\$2,449	\$2,522	\$2,620	\$2,751	\$3,045	\$4,321	\$4,950	\$3,359
	Average final average salary	N/A	N/A	N/A	N/A	N/A	N/A	N/A	\$5,213
	Number of retirees	208	302	382	481	3,948	1,787	525	7,633
2008	Average monthly benefit	\$2,373	\$2,654	\$2,703	\$2,858	\$3,115	\$4,281	\$5,183	\$3,467
	Average final average salary	N/A	N/A	N/A	N/A	N/A	N/A	N/A	\$5,483
	Number of retirees	233	317	403	501	4,209	2,013	565	8,241

Summary of Benefit Increases

Ten Fiscal Years Ended June 30, 2008

Fiscal Year	Excess Yield per Statute	Excess Earnings	Utilized to pay COLA	Excess Earnings Available	Benefit Increase 4% Cap
1999	8.70%	172,804,837	(42,154,215)	746,019,685	87.37
2000	3.31%	72,225,529	(47,639,499)	862,440,738	93.24
2001	0.00%	-	(54,178,336)	662,898,016	98.17
2002	0.00%	-	(61,603,276)	502,456,646	102.53
2003	0.00%	-	(67,995,889)	468,125,352	111.90
2004	5.97%	107,495,840	(77,066,484)	568,619,029	116.82
2005	0.11%	2,198,002	(85,121,958)	537,513,325	121.76
2006	0.00%	-	(91,412,190)	490,714,741	127.06
2007	8.05%	190,317,350	(101,767,604)	662,931,350	134.34
2008	0.00%	-	(114,771,709)	499,951,273	138.66

Schedule of Changes in Employers' Reserve Balances and Unfunded Actuarial Accrued Liabilities

Fiscal Year Ended June 30, 2008

(unless otherwise indicated)

SYS NO.	SYSTEM	BALANCES 6/30/2007	RESERVE TRANSFERS	CONTRIB RECEIVED	FIRE INSURANCE PREMIUM		PENSION PAYMENT	SUBSIDY PAYMENT	DROP PAYMENT	ENHANCED REFUNDS	DISTRIBUTION OF EARNINGS	BALANCES 6/30/2008	UNFUNDED AAL 6/30/2007
					TAX RECEIVED	TAX RECEIVED							
224	AK CHIN INDIAN COMM. FIRE DEPT.	1,684,244	(27,061)	58,699	-	-	(58,627)	0	(83,135)	0	233,994	1,808,114	(1,205,075)
225	AK CHIN INDIAN COMM. POLICE DEPT.	875,915	(110,536)	24,263	-	-	(47,926)	0	0	0	118,878	860,594	216,386
101	APACHE COUNTY SHERIFF'S DEPT.	2,354,537	86,528	307,819	-	-	(477,641)	(17,065)	(2,536)	(49,567)	405,173	2,607,248	4,386,806
148	APACHE JUNCTION FIRE DISTRICT	7,117,547	31,841	488,072	105,963	-	(213,155)	(4,357)	0	(20,769)	1,369,969	8,875,111	4,753,904
070	APACHE JUNCTION POLICE DEPARTMENT	7,157,362	120,776	585,477	-	-	(797,413)	(16,061)	0	(8,334)	1,176,208	8,218,015	6,129,283
160	ARIZONA STATE CAPITOL POLICE	1,984,212	27,205	112,746	-	-	(112,954)	(4,420)	(107,331)	0	338,306	2,237,766	918,436
204	ARIZONA STATE PARK RANGERS	4,884,075	134,864	229,731	-	-	(100,911)	0	0	0	941,453	6,089,211	2,303,184
041	ASU CAMPUS POLICE	10,152,359	77,337	477,493	-	-	(898,241)	(23,541)	(91,515)	0	1,583,208	11,277,101	4,505,859
151	ATTORNEY GENERAL INVESTIGATORS	5,745,906	234,681	206,605	-	-	(731,524)	(24,253)	(169,273)	(8,373)	881,379	6,135,147	5,515,462
059	AVONDALE FIRE DEPARTMENT	4,217,451	(40,087)	351,983	116,219	-	(94,014)	(1,800)	0	0	851,833	5,401,585	2,744,797
139	AVONDALE POLICE DEPARTMENT	5,906,973	264,731	624,094	-	-	(407,546)	(9,369)	0	(108,976)	1,129,215	7,399,123	3,965,187
162	AVRA VALLEY FIRE DISTRICT	1,191,236	(84,591)	43,084	9,220	-	0	0	0	(48,482)	210,902	1,321,370	(179,248)
164	AZ DPT. LIQ. & CONTROL INVST	3,111,739	(133,285)	101,635	-	-	(320,215)	(16,440)	0	(11,428)	489,956	3,221,963	1,631,710
245	BENSON FIRE DEPARTMENT	-	149,380	7,184	-	-	0	0	0	0	13,946	170,510	-
037	BENSON POLICE DEPARTMENT	1,109,095	57,321	106,378	-	-	(111,368)	(2,731)	(187,514)	0	176,827	1,148,008	913,654
001	BISBEE FIRE DEPARTMENT	2,485,133	37,696	228,813	8,778	-	(550,437)	(2,909)	(223,329)	(26,112)	371,390	2,329,022	4,410,634
038	BISBEE POLICE DEPARTMENT	1,664,461	0	245,371	-	-	(359,121)	(11,597)	0	0	277,224	1,816,337	3,548,831
219	BLACK CANYON FIRE DISTRICT	79,951	(3,395)	34,265	5,153	-	0	0	0	0	21,377	137,351	5,219,000
190	BUCKEYE FIRE DEPARTMENT	2,023,955	1,788	336,084	50,252	-	0	0	0	0	463,628	2,875,707	212,715
106	BUCKEYE POLICE DEPARTMENT	4,321,448	149,044	348,388	-	-	(221,848)	(1,800)	0	(46,746)	799,175	5,347,660	1,502,615
212	BUCKEYE VALLEY FIRE DISTRICT	972,161	2,298	150,274	26,567	-	0	0	0	0	195,143	1,346,442	204,752
064	BUCKSKIN FIRE DISTRICT	1,221,732	9,739	85,563	16,887	-	(222,727)	(9,055)	0	0	186,145	1,288,284	1,675,512
044	BULLHEAD CITY FIRE DEPARTMENT	11,245,427	0	522,636	82,446	-	(340,469)	(5,117)	0	(8,384)	1,889,828	13,386,346	4,455,785
114	BULLHEAD CITY POLICE DEPARTMENT	10,843,290	123,460	690,828	-	-	(637,700)	(17,196)	(91,621)	(19,348)	1,884,344	12,776,057	7,241,340
196	CAMP VERDE FIRE DISTRICT	1,097,932	(43,992)	112,820	17,016	-	0	0	0	0	208,133	1,391,909	580,331
121	CAMP VERDE MARSHALS	1,241,156	(4,907)	86,484	-	-	(58,712)	0	0	0	224,086	1,488,107	730,910
002	CASA GRANDE FIRE DEPARTMENT	5,771,324	133,622	471,937	52,311	-	(765,912)	(17,170)	0	(43,805)	949,312	6,551,620	8,769,859
003	CASA GRANDE POLICE DEPARTMENT	10,159,828	294,713	804,354	-	-	(1,212,424)	(20,030)	(443,734)	0	1,634,257	11,210,964	48,962
229	CAVE CREEK MARSHALS	22,166	0	10,183	-	-	0	0	0	0	6,495	38,843	(44,706)
242	CENTRAL ARIZONA COLLEGE POLICE	-	175,388	32,095	-	-	0	0	0	0	20,296	227,780	-

Statistical Section

Statistical Section

FIRE INSURANCE PREMIUM

SYS NO.	SYSTEM	BALANCES 6/30/2007	RESERVE TRANSFERS	CONTRIB RECEIVED	INSURANCE PREMIUM RECEIVED	PENSION PAYMENT	SUBSIDY PAYMENT	DROP PAYMENT	ENHANCED REFUNDS	DISTRIBUTION OF EARNINGS	BALANCES 6/30/2008	UNFUNDED AAL 6/30/2007
062	CENTRAL YAVAPAI FIRE DISTRICT	10,422,856	247,206	667,746	149,895	(591,197)	(21,810)	(319,689)	0	1,882,022	12,437,028	7,799,246
004	CHANDLER FIRE DEPARTMENT	29,850,358	224,317	1,097,214	540,499	(1,167,466)	(41,489)	(741,789)	(19,839)	5,233,648	34,975,452	15,342,809
005	CHANDLER POLICE DEPARTMENT	41,895,604	590,010	2,998,806	-	(2,385,954)	(82,357)	(563,178)	(60,340)	7,604,841	49,997,431	31,625,406
138	CHINO VALLEY FIRE DISTRICT	2,242,452	7,418	200,930	30,133	(36,331)	0	0	0	440,697	2,885,299	1,525,774
109	CHINO VALLEY POLICE DEPARTMENT	1,926,668	27,093	109,770	-	(68,541)	(1,800)	0	0	365,226	2,358,416	791,650
243	CITY OF MARIKOPA POLICE	-	783,579	308,238	-	0	0	0	0	121,821	1,213,638	-
240	CLARKDALE FIRE DISTRICT	-	35,172	19,193	-	0	0	0	0	6,664	61,029	-
105	CLARKDALE POLICE DEPARTMENT	883,075	43,100	48,415	-	(23,714)	(900)	0	0	166,426	1,116,402	247,935
006	CLIFTON FIRE DEPARTMENT	400,894	44,767	0	1,312	(40,463)	(1,050)	(127,700)	0	48,392	326,152	(728)
083	CLIFTON POLICE DEPARTMENT	367,775	(1,806)	4,187	-	(18,345)	0	0	0	51,152	402,963	(172,249)
046	COCHISE COUNTY SHERIFF'S DEPT	10,021,276	29,457	782,876	-	(1,491,025)	(42,789)	0	0	1,582,052	10,881,847	11,558,082
061	COCONINO COUNTY SHERIFF'S DEPT	9,616,203	(36,207)	789,925	-	(1,428,302)	(42,011)	0	(19,839)	1,508,168	10,387,936	11,767,371
239	COOLIDGE FIRE DEPARTMENT	4,606	0	13,903	-	0	0	0	0	2,778	21,287	(7,409)
085	COOLIDGE POLICE DEPARTMENT	2,676,306	7,757	236,833	-	(230,794)	(5,561)	0	(27,283)	453,018	3,110,276	2,156,090
226	CORONA DE TUCSON FIRE DISTRICT	204,663	0	87,075	8,784	0	0	0	0	46,916	347,438	(137,115)
102	COTTONWOOD FIRE DEPARTMENT	1,107,219	0	66,527	24,422	(59,948)	(3,120)	0	0	201,974	1,337,074	564,991
066	COTTONWOOD POLICE DEPARTMENT	2,321,949	77,896	259,573	-	(364,604)	(2,884)	0	0	401,383	2,693,314	3,362,912
143	DAISY MOUNTAIN FIRE DISTRICT	3,344,625	1,726	382,325	119,902	0	0	0	0	759,356	4,607,934	1,338,452
119	DEPARTMENT OF EMER & MILITARY AFF	4,173,962	81,627	243,110	-	(316,885)	(3,744)	0	0	698,440	4,876,510	2,497,088
007	DEPARTMENT OF PUBLIC SAFETY	393,420,352	3,337,685	21,671,410	-	(39,587,206)	(1,463,170)	(9,434,234)	(90,483)	54,330,980	422,185,333	234,039,060
246	DESERT HILLS FIRE DEPARTMENT	-	0	85,957	-	0	0	0	0	8,438	94,396	-
193	DIAMOND STAR FIRE DISTRICT (HELLSGATE)	293,133	0	46,864	-	0	0	0	0	61,132	401,129	255,326
008	DOUGLAS FIRE DEPARTMENT	4,141,999	81,224	283,589	12,881	(651,777)	(17,370)	(144,614)	0	611,377	4,317,311	4,308,765
009	DOUGLAS POLICE DEPARTMENT	5,418,653	179,048	279,441	-	(671,822)	(16,364)	(171,976)	0	835,897	5,852,878	4,534,194
049	DREXEL HEIGHTS FIRE DISTRICT	5,762,201	19,783	416,833	55,903	(128,407)	(9,520)	(21,409)	0	1,082,745	7,178,129	2,787,288
089	EAGAR POLICE DEPARTMENT	978,508	(35,119)	46,538	-	(58,299)	0	0	0	164,484	1,096,112	491,163
127	EL MIRAGE FIRE DEPARTMENT	1,128,619	(84,773)	40,229	38,437	(37,725)	0	0	0	204,805	1,289,592	305,659
093	EL MIRAGE POLICE DEPARTMENT	1,613,082	446,058	219,179	-	(188,075)	(5,441)	0	0	354,731	2,439,535	1,634,768
213	ELOY FIRE DISTRICT	292,357	1,880	139,688	8,510	0	0	0	0	73,105	515,540	884,882
079	ELOY POLICE DEPARTMENT	2,737,942	(68,617)	163,858	-	(93,166)	(1,200)	0	0	498,613	3,237,430	902,081
010	FLAGSTAFF FIRE DEPARTMENT	24,712,451	322,617	932,868	163,891	(2,183,491)	(78,387)	(732,154)	0	3,764,394	26,902,188	14,029,064
011	FLAGSTAFF POLICE DEPARTMENT	16,395,798	11,079	1,112,691	-	(2,122,169)	(57,046)	0	0	2,574,686	17,915,041	16,806,966
176	FLORENCE FIRE DEPARTMENT	432,655	(45,126)	71,905	8,779	0	0	0	0	94,682	562,896	(157,671)
091	FLORENCE POLICE DEPARTMENT	1,593,631	37,113	95,452	-	(55,186)	(1,800)	0	0	285,811	1,955,021	58,881

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SYS NO.	SYSTEM	BALANCES 6/30/2007	RESERVE TRANSFERS	CONTRIB RECEIVED	TAX RECEIVED	PENSION PAYMENT	SUBSIDY PAYMENT	DROP PAYMENT	ENHANCED REFUNDS	DISTRIBUTION OF EARNINGS	BALANCES 6/30/2008	UNFUNDED AAL 6/30/2007
197	FORT MCDOWELL TRIBAL FIRE DEPT.	559,864	0	34,508	-	0	0	0	0	106,933	701,304	(246,401)
198	FORT MCDOWELL TRIBAL POLICE DEPT.	1,156,057	(26,206)	104,726	-	0	0	0	0	233,886	1,468,463	261,838
134	FORT MOJAVE MESA FIRE DISTRICT	3,186,900	10,041	297,329	28,878	(218,955)	(14,280)	0	(51,835)	578,850	3,816,927	2,697,628
211	FORT MOJAVE TRIBAL POLICE DEPT.	373,299	8,733	71,594	-	0	0	0	(40,708)	80,187	493,104	140,885
055	FREDONIA MARSHALS	235,681	(2,677)	8,328	-	0	0	0	0	39,345	280,677	150,808
054	FRY FIRE DISTRICT	5,221,672	(88,372)	381,503	29,939	(665,323)	(28,120)	0	0	781,188	5,632,488	4,144,053
035	GAME AND FISH DEPARTMENT	30,926,842	463,162	2,189,333	-	(4,232,530)	(165,903)	(1,913,946)	0	4,635,834	31,902,792	33,871,329
112	GILA COUNTY SHERIFF'S DEPARTMENT	4,272,728	56	316,638	-	(430,815)	(13,843)	0	0	711,401	4,856,165	3,225,938
179	GILA RIVER FIRE DEPARTMENT	2,115,618	863	316,745	-	(66,452)	0	0	0	470,608	2,837,382	1,413,078
180	GIL RIVER POLICE DEPARTMENT	2,955,693	366,914	390,182	-	(47,699)	0	0	(147,830)	652,942	4,170,202	1,220,792
149	GILBERT FIRE DEPARTMENT	8,050,671	53,649	679,524	438,950	(73,760)	0	0	(60,048)	1,780,965	10,869,951	3,458,612
081	GILBERT POLICE DEPARTMENT	15,162,480	81,265	1,689,868	-	(931,489)	(12,525)	0	0	2,993,493	18,983,092	12,876,614
012	GLENDALE FIRE DEPARTMENT	45,157,096	966,645	2,487,372	410,093	(2,688,478)	(106,818)	(1,899,955)	0	7,382,294	51,708,249	24,141,423
013	GLENDALE POLICE DEPARTMENT	56,064,956	273,363	4,131,993	-	(5,194,702)	(231,625)	(1,618,108)	(120,625)	9,361,550	62,666,802	52,810,042
014	GLOBE FIRE DEPARTMENT	2,272,559	0	143,830	8,777	(255,071)	(17,394)	0	0	373,278	2,525,979	1,850,796
131	GLOBE POLICE DEPARTMENT	2,305,894	(13,630)	166,371	-	(273,826)	(9,585)	0	0	373,228	2,548,452	2,466,414
227	GOLDEN SHORES FIRE DISTRICT	240,081	0	24,511	3,638	0	0	0	0	46,542	314,771	595,844
142	GOLDEN VALLEY FIRE DISTRICT	1,362,466	0	70,960	12,313	(77,756)	(7,710)	0	0	225,921	1,586,194	430,442
133	GOLDER RANCH FIRE DISTRICT	5,816,770	(88,321)	474,132	72,255	(48,169)	0	0	(91,560)	1,143,715	7,277,822	2,703,092
136	GOODYEAR FIRE DEPARTMENT	3,940,446	80,063	381,073	141,080	0	0	0	0	879,909	5,422,570	1,414,272
137	GOODYEAR POLICE DEPARTMENT	5,396,676	204,463	552,097	-	(268,935)	(4,819)	0	(30,633)	1,067,474	6,916,323	4,226,185
220	GRAHAM COUNTY ATTORNEY INVEST.	150,405	(120,581)	1,242	-	0	0	0	0	14,926	45,992	142,858
140	GRAHAM COUNTY SHERIFF'S DEPT.	934,744	6,469	129,532	-	(116,822)	(2,760)	0	0	179,792	1,130,955	1,232,614
194	GREEN VALLEY FIRE DISTRICT	3,974,968	0	332,202	78,254	0	0	0	(16,362)	744,839	5,113,900	2,509,557
157	GREENLEE CNTY ATTY INVESTIGATORS	32,136	0	0	-	0	0	0	0	4,299	36,435	(34,354)
123	GREENLEE COUNTY SHERIFF'S DEPT.	1,680,593	71,773	65,368	-	(81,453)	(2,040)	0	0	272,165	2,006,407	412,760
232	GROOM CREEK FIRE DISTRICT	39,272	0	32,025	4,468	0	0	0	0	12,228	87,992	75,510
167	GUADALUPE FIRE DEPARTMENT	469,093	(111,734)	25,695	4,317	(153,323)	(3,200)	0	0	76,441	307,289	76,735
238	HARQUAHALA FIRE DISTRICT	-	28,820	77,906	-	0	0	0	0	11,219	117,945	277,348
178	HAYDEN POLICE DEPARTMENT	470,492	(130,528)	15,138	-	0	0	0	0	65,869	420,970	(323,915)
192	HEBER-OVERGAARD FIRE DISTRICT	235,020	(171)	73,409	21,574	0	0	0	0	59,735	389,567	92,694
199	HIGHLANDS FIRE DISTRICT	1,328,744	(98,360)	148,863	27,644	(31,246)	(300)	(39,130)	0	237,807	1,574,022	1,316,809
086	HOLBROOK POLICE DEPARTMENT	1,639,682	(74,262)	158,127	-	(280,977)	900	0	0	250,256	1,693,725	2,065,777
206	HUALAPAI INDIAN TRIBE POLICE DEPT	159,317	1,876	26,115	-	0	0	0	0	34,417	221,725	(26,692)

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053	HUALAPAI VALLEY FIRE DISTRICT	1,252,960	(272,058)	203,504	16,426	(102,230)	(4,680)	0	0	216,829	1,310,750	1,302,999
210	JEROME POLICE DEPARTMENT	67,149	0	14,692	-	0	0	0	0	13,602	95,442	20,909
156	KEARNY POLICE DEPARTMENT	812,653	40,014	16,541	-	(54,541)	(209)	0	0	124,816	939,274	182,871
015	KINGMAN FIRE DEPARTMENT	6,596,183	311,754	380,537	50,686	(334,557)	(4,920)	0	0	1,189,422	8,189,104	4,201,282
040	KINGMAN POLICE DEPARTMENT	7,054,206	(81,929)	425,757	-	(571,250)	(10,099)	0	(32,627)	1,159,577	7,943,636	5,078,131
173	LA PAZ COUNTY ATTY. INVESTIGATORS	118,546	0	6,003	-	0	0	0	0	23,098	147,647	30,375
103	LA PAZ COUNTY SHERIFF'S DEPT.	3,910,872	(18,915)	303,080	-	(345,721)	(2,707)	0	(3,801)	670,843	4,513,650	3,596,777
042	LAKE HAVASU CITY FIRE DEPARTMENT	15,666,259	250,005	640,970	228,786	(1,076,656)	(46,600)	(735,473)	0	2,435,816	17,363,107	8,155,891
067	LAKE HAVASU CITY POLICE DEPT.	11,224,318	281,459	838,855	-	(931,187)	(39,520)	(90,193)	(4,700)	1,913,983	13,193,015	9,159,349
183	LAKESIDE FIRE DISTRICT	533,026	57,714	46,989	21,382	0	0	0	0	117,469	776,580	97,056
205	LINDEN FIRE DISTRICT	137,284	95,968	9,308	8,599	0	0	0	0	35,591	286,750	(15,957)
130	MAMMOTH POLICE DEPARTMENT	97,334	(644)	20,850	-	0	0	0	0	29,608	147,149	67,742
107	MARANA POLICE DEPARTMENT	5,689,934	(56,214)	483,725	-	(180,302)	(6,559)	0	(33,339)	1,074,605	6,971,849	3,758,919
165	MARICOPA CNTY ATTY INVESTIGATORS	3,612,757	188,900	228,488	-	(532,261)	(13,420)	(247,371)	0	528,623	3,765,715	2,764,778
202	MARICOPA COUNTY PARK RANGERS	773,233	0	(17,730)	-	(142,750)	(1,800)	0	0	96,125	707,079	895,077
016	MARICOPA COUNTY SHERIFF'S OFFICE	131,593,798	1,774,524	8,866,789	-	(13,432,787)	(307,144)	(4,005,358)	(98,660)	20,766,667	145,157,829	92,759,939
228	MARICOPA FIRE DISTRICT	1,156,764	182,512	277,026	-	0	0	0	0	280,977	1,897,279	(35,290)
168	MAYER FIRE DISTRICT	839,781	(2,965)	57,653	6,722	(21,282)	0	0	0	155,313	1,035,221	(197,023)
017	MESA FIRE DEPARTMENT	105,736,514	1,517,046	4,182,860	916,096	(6,683,863)	(313,907)	(2,878,021)	(9,543)	17,096,676	119,563,859	51,295,446
018	MESA POLICE DEPARTMENT	164,974,284	3,070,908	9,525,313	-	(12,164,395)	(700,244)	(2,858,761)	(189,493)	27,221,074	188,878,687	89,301,070
019	MIAMI FIRE DEPARTMENT	268,354	0	0	-	0	0	0	0	35,902	304,256	(286,878)
116	MIAMI POLICE DEPARTMENT	450,144	(8,593)	28,450	-	(46,949)	0	0	0	72,672	495,724	293,810
043	MOHAVE COUNTY SHERIFF'S DEPT.	11,298,633	43,492	694,112	-	(855,742)	(8,920)	0	(8,204)	1,867,716	13,031,086	7,333,857
072	MOHAVE VALLEY FIRE DISTRICT	1,903,217	(10,041)	96,251	14,593	0	0	0	0	358,577	2,362,597	(9,067)
191	MONTEZUMA RIMROCK FIRE DISTRICT	345,167	58,147	50,754	-	(13,405)	0	0	0	75,370	516,033	194,246
233	MOUNT LEMMON FIRE DISTRICT	126,312	0	33,923	2,773	0	0	0	0	24,363	187,371	79,341
056	NAU CAMPUS POLICE	2,861,615	153,926	148,760	-	(434,426)	(16,575)	0	0	422,946	3,136,246	2,143,398
158	NAVAJO COUNTY ATTY'S INVESTIGATOR	205,173	0	0	-	(24,434)	0	0	0	25,815	206,554	68,750
071	NAVAJO COUNTY SHERIFF'S DEPT.	4,671,736	(30,532)	346,876	-	(783,652)	(23,624)	0	0	708,846	4,889,649	4,574,532
020	NOGALES FIRE DEPARTMENT	4,452,249	56,920	355,618	28,521	(439,844)	(31,340)	0	0	776,267	5,198,392	4,873,630
080	NOGALES POLICE DEPARTMENT	6,158,675	(112,900)	362,424	-	(440,421)	(40,689)	0	(39,249)	1,024,809	6,912,650	3,985,735
147	NORTHWEST FIRE DISTRICT	12,550,813	210,705	933,878	237,118	(307,684)	(9,090)	0	0	2,447,856	16,063,596	5,813,252
244	ORACLE FIRE DISTRICT	-	0	11,706	-	0	0	0	0	1,043	12,749	-
122	ORO VALLEY POLICE DEPARTMENT	8,347,309	128,987	577,551	-	(497,242)	(10,350)	(3,185)	0	1,546,306	10,089,375	4,703,538

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097	PAGE FIRE DEPARTMENT	362,260	(2,475)	85,503	15,072	(54,982)	(1,800)	0	0	68,928	472,506	389,878
096	PAGE POLICE DEPARTMENT	2,316,533	(58,266)	108,131	-	(199,340)	0	0	0	358,936	2,525,994	1,012,790
076	PARADISE VALLEY POLICE DEPARTMENT	7,120,686	106,192	521,840	-	(870,023)	(25,227)	(340,057)	0	1,120,547	7,633,958	8,241,230
060	PARKER POLICE DEPARTMENT	1,162,139	(806)	36,865	-	(85,201)	0	0	0	179,148	1,292,146	234,702
214	PASCUA YAQUI TRIBE FIRE DEPT.	415,076	0	153,358	-	0	0	0	0	102,192	670,626	1,277,076
215	PASCUA YAQUI TRIBE POLICE DEPT.	534,543	7,486	149,310	-	(12,018)	(2,154)	0	0	146,232	823,398	1,226,123
128	PATAGONIA MARSHALS	290,667	55,450	0	-	(39,227)	0	0	0	43,682	350,572	(226,876)
051	PAYSON FIRE DEPARTMENT	2,414,133	0	157,135	50,836	(97,696)	(6,608)	0	0	453,160	2,970,960	1,561,409
052	PAYSON POLICE DEPARTMENT	3,961,335	36,139	411,663	-	(455,437)	(21,715)	(348,563)	0	661,811	4,245,232	5,088,520
073	PEORIA FIRE DEPARTMENT	15,890,349	422,432	644,613	337,038	(441,722)	(9,351)	(203,225)	0	2,916,138	19,556,272	6,705,182
074	PEORIA POLICE DEPARTMENT	21,308,693	707,068	1,405,911	-	(1,296,897)	(15,214)	0	0	3,610,915	25,720,476	13,121,346
021	PHOENIX FIRE DEPARTMENT	481,823,723	5,617,789	20,860,308	3,338,416	(36,071,885)	(1,334,123)	(20,282,103)	(28,310)	75,291,565	529,215,381	280,882,891
022	PHOENIX POLICE DEPARTMENT	825,147,334	9,104,596	45,786,753	-	(71,872,209)	(2,393,040)	(26,222,757)	(418,489)	128,661,630	907,793,817	522,337,048
145	PICTURE ROCKS FIRE DISTRICT	1,702,483	(1,644)	52,902	10,632	(42,817)	0	0	0	294,763	2,016,320	(141,194)
154	PIMA COUNTY ATTORNEY INVESTIGATOR	1,238,487	44,894	67,310	-	(65,645)	(3,120)	0	0	212,657	1,494,583	878,418
146	PIMA COUNTY COMM. COLLEGE POLICE	3,123,588	(5,313)	104,631	-	(186,136)	(2,117)	0	0	515,887	3,550,540	1,423,632
039	PIMA COUNTY SHERIFF'S DEPARTMENT	109,735,602	370,563	6,923,454	-	(10,737,591)	(443,986)	(1,527,637)	(22,304)	15,769,711	120,067,811	68,841,048
100	PIMA POLICE DEPARTMENT	157,253	0	6,213	-	0	0	0	0	26,563	190,030	(103,670)
104	PINAL COUNTY SHERIFF'S DEPARTMENT	19,391,163	5,332	1,971,923	-	(1,938,081)	(48,209)	0	(67,257)	3,288,202	22,603,074	12,970,198
150	PINE-STRAWBERRY FIRE DISTRICT	1,382,792	1,183	116,030	17,729	(62,580)	0	0	0	256,592	1,711,747	1,221,096
185	PINETOP FIRE DISTRICT	1,230,447	54,112	158,017	35,980	(131,621)	(5,160)	0	0	239,890	1,581,666	921,579
113	PINETOP-LAKESIDE POLICE DEPT.	1,538,116	(34,545)	113,927	-	(186,678)	(2,580)	0	0	252,003	1,680,243	1,503,086
207	PINEWOOD FIRE DISTRICT	699,762	(675)	92,470	16,284	(70,195)	(1,800)	0	0	119,650	855,496	842,626
023	PRESCOTT FIRE DEPARTMENT	14,124,478	384,240	775,560	152,058	(1,390,271)	(33,407)	(1,440,643)	0	2,179,808	14,751,822	12,704,736
024	PRESCOTT POLICE DEPARTMENT	9,706,141	73,785	1,006,425	-	(1,668,594)	(56,370)	(119,836)	0	1,535,013	10,476,564	14,728,856
088	PRESCOTT VALLEY POLICE DEPARTMENT	4,214,020	43,331	384,228	-	(136,677)	(877)	0	(51,977)	820,688	5,272,737	2,556,147
221	QUARTZSITE FIRE DISTRICT	108,070	0	30,735	5,561	0	0	0	0	25,818	170,184	(371)
144	QUARTZSITE POLICE DEPARTMENT	971,570	(101,857)	65,312	-	0	0	0	(60,024)	172,612	1,047,612	62
247	QUEEN CREEK FIRE DEPARTMENT	-	0	79,976	-	0	0	0	0	9,098	89,073	-
208	RINCON VALLEY FIRE DISTRICT	440,971	44,285	110,902	18,972	0	0	0	0	108,774	723,903	439,177
200	RIO RICO FIRE DISTRICT	422,075	(33,305)	102,983	13,985	0	0	0	0	104,141	609,879	281,178
222	RIO VERDE FIRE DISTRICT	596,719	0	100,291	-	0	0	0	0	129,340	826,350	205,196
047	SAFFORD POLICE DEPARTMENT	2,652,516	104,306	291,877	-	(347,613)	(12,667)	0	0	455,051	3,143,470	3,607,981
174	SAHUARITA POLICE DEPARTMENT	1,180,859	264,481	110,621	-	0	0	0	(18,566)	266,661	1,804,056	13,912

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181	SALT RIVER PIMA-MARICOPA FIRE	4,774,714	0	587,138	-	(23,254)	0	0	(15,375)	952,202	6,275,425	4,385,421
182	SALT RIVER PIMA-MARICOPA POLICE	4,038,098	50,810	883,189	-	(248,016)	(5,610)	0	0	901,726	5,620,196	5,534,740
231	SAN CARLOS TRIBAL POLICE		7,635	200,166	-	0	0	0	0	15,761	223,561	782,851
163	SAN LUIS FIRE DEPARTMENT	773,493	0	64,737	11,639	0	0	0	(4,628)	160,770	1,006,011	130,994
095	SAN LUIS POLICE DEPARTMENT	1,842,814	5,700	143,779	-	(108,475)	0	0	0	347,350	2,231,167	920,888
087	SANTA CRUZ COUNTY SHERIFF'S DEPT.	2,798,238	163,246	313,215	-	(407,229)	(5,828)	0	0	501,847	3,363,489	3,655,721
223	SCOTTSDALE FIRE DEPARTMENT	7,309,331	(45,849)	46,860	1,450,387	0	0	0	0	1,639,127	10,399,857	(61,754)
025	SCOTTSDALE POLICE DEPARTMENT	80,215,142	858,372	4,855,077	-	(5,985,391)	(249,638)	(2,188,486)	(35,713)	13,044,646	90,514,009	44,804,538
166	SEDONA FIRE DISTRICT	5,525,214	312,124	438,181	154,556	(269,222)	(11,981)	0	0	1,069,960	7,218,831	4,735,718
129	SEDONA POLICE DEPARTMENT	2,401,934	9,277	179,851	-	(93,836)	0	0	(4,702)	441,010	2,933,534	1,269,207
186	SHOW LOW FIRE DISTRICT	939,330	16,184	109,791	31,122	(34,693)	0	0	0	193,557	1,255,291	151,664
078	SHOW LOW POLICE DEPARTMENT	2,676,852	(19,551)	170,819	-	(269,361)	(4,595)	0	0	450,437	3,004,600	1,480,306
026	SIERRA VISTA FIRE DEPARTMENT	7,966,702	430,155	191,852	67,736	(397,628)	(19,370)	(251,933)	0	1,312,376	9,299,890	2,172,752
036	SIERRA VISTA POLICE DEPARTMENT	9,318,861	240,329	597,010	-	(922,982)	(40,118)	(457,968)	0	1,480,019	10,215,152	7,264,160
065	SNOWFLAKE POLICE DEPARTMENT	924,989	37,143	107,841	-	(122,177)	(3,781)	0	0	164,246	1,108,261	1,002,356
171	SOMERTON FIRE DEPARTMENT	715,104	(31,407)	86,409	6,345	(20,999)	0	0	0	144,651	900,104	512,662
169	SOMERTON POLICE DEPARTMENT	969,326	(25,613)	111,399	-	(27,699)	0	0	0	186,303	1,213,716	846,846
058	SOUTH TUCSON FIRE DEPARTMENT	1,171,214	(11,191)	69,843	-	(109,262)	(4,320)	0	0	191,964	1,308,248	756,971
069	SOUTH TUCSON POLICE DEPARTMENT	612,823	18,391	263,204	-	(359,362)	(6,209)	0	0	130,142	658,989	3,892,999
092	SPRINGERVILLE POLICE DEPARTMENT	633,231	67,107	25,031	-	0	0	0	(6,643)	123,863	842,589	76,926
153	ST. JOHNS POLICE DEPARTMENT	349,630	131,502	27,156	-	(15,114)	0	0	0	74,842	568,015	7,574
195	SUMMIT FIRE DISTRICT	1,937,969	675	150,388	24,294	(28,181)	(1,800)	0	0	377,777	2,461,121	492,437
177	SUN CITY FIRE DISTRICT	8,101,290	32,154	863,010	101,184	(393,271)	(17,400)	(240,698)	0	1,709,225	10,155,493	11,452,401
170	SUN CITY WEST FIRE DISTRICT	5,625,595	36,387	447,439	96,407	(272,248)	(16,570)	(628,221)	0	1,022,740	6,311,529	5,330,954
155	SUN LAKES FIRE DISTRICT	4,075,611	40,005	261,699	55,557	(107,092)	(1,800)	0	(52,298)	741,725	5,013,406	1,245,644
094	SUPERIOR POLICE DEPARTMENT	546,679	46,290	18,270	-	(39,831)	0	0	0	92,873	664,281	58,650
120	SURPRISE FIRE DEPARTMENT	5,586,794	76,834	405,357	230,828	(14,043)	0	0	0	1,176,716	7,462,485	2,875,979
110	SURPRISE POLICE DEPARTMENT	6,687,318	192,863	679,922	-	(288,972)	(9,427)	0	(33,265)	1,313,458	8,541,896	4,372,638
027	TEMPE FIRE DEPARTMENT	51,501,450	27,952	1,774,473	471,430	(4,033,940)	(228,612)	0	(78,091)	7,803,988	57,238,651	27,854,741
028	TEMPE POLICE DEPARTMENT	64,585,523	1,363,704	4,531,992	-	(6,596,880)	(339,246)	(2,844,577)	(18,650)	10,361,410	71,043,277	57,535,588
117	THATCHER POLICE DEPARTMENT	1,646,637	59,173	76,077	-	(169,576)	(4,380)	(27,201)	0	254,105	1,834,835	1,205,231
188	THREE POINTS FIRE DISTRICT	372,353	0	61,889	10,449	0	0	0	0	86,504	531,195	119,646
235	TOHONO O'ODHAM NATION FIRE	1,038,369	(1,053)	153,358	-	0	0	0	(1,277)	165,679	1,355,075	457,874
236	TOHONO O'ODHAM NATION POLICE	6,057,038	(28,449)	383,547	-	0	0	0	0	882,596	7,294,731	1,483,592

FIRE INSURANCE PREMIUM

SYS NO.	SYSTEM	BALANCES 6/30/2007	RESERVE TRANSFERS	CONTRIB RECEIVED	TAX RECEIVED	PENSION PAYMENT	SUBSIDY PAYMENT	DROP PAYMENT	ENHANCED REFUNDS	DISTRIBUTION OF EARNINGS	BALANCES 6/30/2008	UNFUNDED AAL 6/30/2007
108	TOLLESON FIRE DEPARTMENT	1,741,455	(60,753)	201,909	23,969	(35,578)	0	0	0	366,063	2,237,065	914,538
090	TOLLESON POLICE DEPARTMENT	2,244,212	77,884	178,942	-	(271,078)	(4,200)	0	0	394,652	2,620,411	1,990,078
132	TOMBSTONE MARSHAL'S DEPARTMENT	233,922	36,056	29,814	-	0	0	0	0	49,265	349,056	(91,643)
209	TONOPAH FIRE DISTRICT	77,787	0	24,866	3,185	0	0	0	0	19,959	125,797	(1,933)
216	TOWN OF SUPERIOR (FIRE DEPT)	69,869	0	20,102	-	0	0	0	0	15,450	105,421	32,050
201	TRI-CITY FIRE DISTRICT	368,201	(10,012)	61,908	3,626	0	0	0	0	81,300	505,023	(10,487)
172	TUBAC FIRE DISTRICT	961,736	29,726	94,005	17,924	(33,483)	0	0	0	192,478	1,262,385	500,296
124	TUCSON AIRPORT AUTHORITY FIRE DPT	4,513,922	66,689	221,252	-	(399,239)	(4,440)	(104,268)	0	720,959	5,014,875	3,745,656
125	TUCSON AIRPORT AUTHORITY POLICE	3,267,475	23,262	294,057	-	(533,157)	(7,188)	(125,063)	0	538,653	3,458,040	4,560,573
029	TUCSON FIRE DEPARTMENT	170,905,896	1,166,239	9,097,277	884,254	(17,235,631)	(812,557)	(2,926,547)	0	25,275,053	186,353,984	114,500,265
030	TUCSON POLICE DEPARTMENT	266,614,415	2,934,661	15,011,174	-	(23,737,139)	(1,068,632)	(6,936,895)	(154,960)	39,795,127	292,457,750	176,831,596
045	U OF A CAMPUS POLICE DEPARTMENT	6,073,505	(47)	498,044	-	(660,056)	(32,013)	0	0	1,029,664	6,909,098	5,869,232
203	VERDE VALLEY FIRE DISTRICT	2,181,031	(34,605)	76,070	37,395	(71,427)	(2,340)	0	0	381,557	2,567,680	246,756
111	WELLTON POLICE	59,305	0	32,096	-	0	0	0	0	19,948	111,349	137,726
217	WICKENBURG FIRE DEPARTMENT	49,179	0	34,553	16,585	0	0	0	0	16,758	117,075	142,894
126	WICKENBURG POLICE DEPARTMENT	1,031,933	(22,566)	141,221	-	(122,666)	(5,435)	0	0	186,391	1,208,878	1,359,945
077	WILCOX POLICE DEPARTMENT	1,076,724	52,386	100,101	-	(137,494)	0	0	0	177,424	1,269,140	1,060,137
115	WILLIAMS POLICE DEPARTMENT	779,681	(16,969)	88,579	-	(53,040)	0	0	0	129,847	928,098	147,263
237	WILLIAMSON VALLEY FIRE DISTRICT	97,915	455	16,406	2,925	0	0	0	0	22,396	140,096	88,135
031	WINSLOW FIRE DEPARTMENT	3,901,614	0	16,647	7,159	(31,695)	(1,200)	0	0	559,895	4,452,420	(2,754,640)
050	WINSLOW POLICE DEPARTMENT	2,826,449	919	135,553	-	(238,580)	(9,710)	0	(9,145)	457,590	3,163,076	1,193,109
241	WITTMAN FIRE DISTRICT	-	(1,529)	32,974	-	0	0	0	0	3,202	34,647	-
187	YAVAPAI CNTY ATTRNY INVESTIGATORS	279,505	72,861	0	-	(56,344)	0	(53,302)	0	39,807	282,527	346,793
098	YAVAPAI COUNTY SHERIFF'S DEPT.	10,603,662	333,475	1,186,323	-	(1,310,383)	(39,782)	(354,328)	(38,548)	1,903,013	12,283,431	13,900,219
234	YAVAPAI PRESCOTT TRIBAL POLICE	45,549	0	60,497	-	0	0	0	0	14,678	120,723	8,322
118	YOUNGTOWN POLICE DEPARTMENT	758,318	0	55,632	-	(57,601)	0	0	(53,141)	129,617	832,825	457,870
034	YUMA COUNTY SHERIFF'S DEPARTMENT	9,177,460	1,307	687,969	-	(1,137,104)	(19,596)	0	(10,255)	1,438,909	10,138,690	6,461,292
032	YUMA FIRE DEPARTMENT	21,055,395	211,461	1,204,292	117,149	(2,614,123)	(71,512)	(31,158)	(21,345)	3,303,699	23,153,857	16,176,409
033	YUMA POLICE DEPARTMENT	30,257,709	620,721	1,421,698	-	(2,624,825)	(37,503)	(305,952)	0	4,786,559	34,118,408	13,256,430
229	TOTALS	3,786,738,719	44,472,322	221,249,345	12,306,704	(320,477,663)	(11,823,457)	(97,907,651)	(2,802,285)	597,958,974	4,229,715,006	2,438,770,294

Schedule of Changes in Refundable Member Reserve Balances

Fiscal Year Ended June 30, 2008 (unless otherwise indicated)

SYS	SYSTEM	BALANCES 6/30/2007	RESERVE TRANSFERS	CONTRIBUTIONS RECEIVED	WITHDRAWN MEMBERS	BALANCES 6/30/2008
224	AK CHIN INDIAN COMM. FIRE DEPT.	98,776	(7,829)	100,309	(2,287)	188,969
225	AK CHIN INDIAN COMM. POLICE DEPT.	92,024	(26,459)	37,123	(35,214)	67,474
101	APACHE COUNTY SHERIFF'S DEPT.	816,181	(181,491)	114,106	(64,590)	684,207
148	APACHE JUNCTION FIRE DISTRICT	2,815,709	(146,348)	401,802	(29,670)	3,041,492
070	APACHE JUNCTION POLICE DEPARTMENT	1,594,892	(39,720)	259,196	(25,101)	1,789,266
160	ARIZONA STATE CAPITOL POLICE	589,191	(81,777)	82,210	(5,088)	584,536
204	ARIZONA STATE PARK RANGERS	2,009,638	(122,903)	145,726	0	2,032,461
041	ASU CAMPUS POLICE	1,825,775	(97,182)	267,256	(230)	1,995,620
151	ATTORNEY GENERAL INVESTIGATORS	1,075,997	(15,043)	60,977	(21,716)	1,100,216
059	AVONDALE FIRE DEPARTMENT	1,822,799	(13,723)	338,955	(3,844)	2,144,186
139	AVONDALE POLICE DEPARTMENT	2,193,053	(69,605)	493,215	(105,768)	2,510,895
162	AVRA VALLEY FIRE DISTRICT	458,636	(61,403)	57,822	(62,589)	392,466
164	AZ DPT. LIQ. LIC. & CONTROL INVST	918,445	(403,143)	67,727	(20,778)	562,251
245	BENSON FIRE DEPARTMENT	-	47,191	4,729	0	51,921
037	BENSON POLICE DEPARTMENT	281,046	(57,321)	59,422	(1,054)	282,094
001	BISBEE FIRE DEPARTMENT	573,712	(76,353)	64,247	(26,111)	535,496
038	BISBEE POLICE DEPARTMENT	435,086	0	70,514	0	505,600
219	BLACK CANYON FIRE DISTRICT	51,454	(6,965)	27,701	0	72,190
190	BUCKEYE FIRE DEPARTMENT	1,037,373	8,973	411,100	0	1,457,446
106	BUCKEYE POLICE DEPARTMENT	1,472,388	(241,316)	419,653	(46,051)	1,604,675
212	BUCKEYE VALLEY FIRE DISTRICT	309,097	408	189,365	(14,197)	484,673
064	BUCKSKIN FIRE DISTRICT	210,662	10,575	38,780	(11,837)	248,179
044	BULLHEAD CITY FIRE DEPARTMENT	2,558,913	0	412,537	(20,960)	2,950,489
114	BULLHEAD CITY POLICE DEPARTMENT	3,051,842	(48,824)	407,155	(27,640)	3,382,533
196	CAMP VERDE FIRE DISTRICT	381,969	(27,415)	99,777	(6,590)	447,741
121	CAMP VERDE MARSHAL'S	393,569	(6,328)	70,911	(6,995)	451,157
218	CAREFREE TOWN MARSHALS	0	0	0	0	0
002	CASA GRANDE FIRE DEPARTMENT	1,320,793	(46,929)	264,225	(41,084)	1,497,005
003	CASA GRANDE POLICE DEPARTMENT	2,269,534	(223,845)	373,025	0	2,418,714
229	CAVE CREEK MARSHALS	16,137	0	10,304	0	26,441
242	CENTRAL ARIZONA COLLEGE POLICE	-	78,774	17,157	0	95,931
062	CENTRAL YAVAPAI FIRE DISTRICT	3,425,993	(247,206)	552,016	0	3,730,803
004	CHANDLER FIRE DEPARTMENT	8,869,443	(194,037)	1,130,004	(28,342)	9,777,069
005	CHANDLER POLICE DEPARTMENT	14,145,147	(719,466)	1,893,400	(66,382)	15,252,699
138	CHINO VALLEY FIRE DISTRICT	811,256	8,534	165,397	0	985,187
109	CHINO VALLEY POLICE DEPARTMENT	763,106	(75,410)	102,783	(13,622)	776,857
243	CITY OF MARICOPA POLICE	-	544,831	184,474	0	729,305
240	CLARKDALE FIRE DISTRICT	-	29,949	15,310	0	45,259
105	CLARKDALE POLICE DEPARTMENT	293,317	33,691	34,550	0	361,558
006	CLIFTON FIRE DEPARTMENT	44,767	(44,767)	0	0	0
083	CLIFTON POLICE DEPARTMENT	17,507	3,675	6,406	0	27,588
046	COCHISE COUNTY SHERIFF'S DEPT	2,131,680	(230,105)	302,474	(6,447)	2,197,603
061	COCONINO COUNTY SHERIFF'S DEPT	1,885,751	(30,497)	349,517	(40,640)	2,164,132
239	COOLIDGE FIRE DEPARTMENT	3,138	0	12,134	0	15,272

Operating Information

SYS	SYSTEM	BALANCES 6/30/2007	RESERVE TRANSFERS	CONTRIBUTIONS RECEIVED	WITHDRAWN MEMBERS	BALANCES 6/30/2008
085	COOLIDGE POLICE DEPARTMENT	722,937	(88,121)	129,597	(48,671)	715,742
226	CORONA DE TUCSON FIRE DISTRICT	70,838	0	54,499	0	125,337
102	COTTONWOOD FIRE DEPARTMENT	354,724	0	67,579	0	422,304
066	COTTONWOOD POLICE DEPARTMENT	648,622	(10,433)	115,247	(15,592)	737,843
143	DAISY MOUNTAIN FIRE DISTRICT	1,844,251	(3,084)	473,125	0	2,314,292
119	DEPARTMENT OF EMER & MILITARY AFF	946,273	55,198	141,321	0	1,142,793
007	DEPARTMENT OF PUBLIC SAFETY	25,045,187	(1,635,720)	2,581,537	(107,963)	25,883,041
246	DESERT HILLS FIRE DEPARTMENT	-	0	40,187	0	40,187
193	DIAMOND STAR FIRE DISTRICT	124,605	0	31,530	0	156,135
008	DOUGLAS FIRE DEPARTMENT	642,037	(81,224)	88,802	0	649,614
009	DOUGLAS POLICE DEPARTMENT	1,087,051	(237,122)	123,354	0	973,282
049	DREXEL HEIGHTS FIRE DISTRICT	2,032,618	(68,114)	344,694	(13,257)	2,295,940
089	EAGAR POLICE DEPARTMENT	269,152	(23,450)	33,906	0	279,608
127	EL MIRAGE FIRE DEPARTMENT	413,154	(65,604)	87,549	0	435,099
093	EL MIRAGE POLICE DEPARTMENT	624,246	191,565	166,762	(1,767)	980,807
213	ELOY FIRE DISTRICT	146,605	(1,880)	78,001	(11,267)	211,459
079	ELOY POLICE DEPARTMENT	1,025,189	(211,824)	138,536	0	951,900
010	FLAGSTAFF FIRE DEPARTMENT	4,164,995	(314,986)	411,449	(2,142)	4,259,315
011	FLAGSTAFF POLICE DEPARTMENT	3,221,756	(220,437)	539,935	(9,743)	3,531,511
176	FLORENCE FIRE DEPARTMENT	226,988	(25,029)	85,593	0	287,553
091	FLORENCE POLICE DEPARTMENT	467,195	(4,886)	107,085	(26,801)	542,593
197	FORT MCDOWELL TRIBAL FIRE DEPT.	196,777	0	50,767	0	247,544
198	FORT MCDOWELL TRIBAL POLICE DEPT.	512,476	(24,055)	106,656	(1,788)	593,290
134	FORT MOJAVE MESA FIRE DISTRICT	1,038,475	9,900	202,502	(61,006)	1,189,871
211	FORT MOJAVE TRIBAL POLICE DEPT.	204,669	12,987	98,712	(108,525)	207,843
055	FREDONIA MARSHALS	50,780	(3,134)	12,741	0	60,388
054	FRY FIRE DISTRICT	741,909	(51,216)	172,543	0	863,236
035	GAME AND FISH DEPARTMENT	5,597,923	(646,393)	561,294	(2,692)	5,510,132
112	GILA COUNTY SHERIFF'S DEPARTMENT	1,031,827	(56)	157,977	(4,213)	1,185,535
179	GILA RIVER FIRE DEPARTMENT	1,117,141	(3,556)	322,083	0	1,435,668
180	GILA RIVER POLICE DEPARTMENT	1,447,952	175,248	410,470	(193,630)	1,840,040
149	GILBERT FIRE DEPARTMENT	4,223,779	57,112	1,039,666	(60,048)	5,260,510
081	GILBERT POLICE DEPARTMENT	6,222,165	(171,700)	1,365,665	(40,149)	7,375,981
012	GLENDALE FIRE DEPARTMENT	9,922,603	(380,610)	1,418,708	(7,198)	10,953,503
013	GLENDALE POLICE DEPARTMENT	14,896,341	(1,255,135)	2,255,947	(216,325)	15,680,829
014	GLOBE FIRE DEPARTMENT	543,515	0	67,899	0	611,414
131	GLOBE POLICE DEPARTMENT	516,933	(13,625)	78,081	0	581,389
227	GOLDEN SHORES FIRE DISTRICT	80,186	0	27,079	0	107,265
142	GOLDEN VALLEY FIRE DISTRICT	287,224	0	80,143	0	367,366
133	GOLDER RANCH FIRE DISTRICT	2,424,592	(51,335)	452,856	(103,995)	2,722,118
136	GOODYEAR FIRE DEPARTMENT	2,082,159	54,665	505,674	(9,684)	2,632,812
137	GOODYEAR POLICE DEPARTMENT	2,125,288	104,563	486,818	(69,245)	2,647,423
220	GRAHAM COUNTY ATTORNEY INVEST.	41,666	(43,429)	1,763	0	-
140	GRAHAM COUNTY SHERIFF'S DEPT.	362,482	3,208	77,221	(3,554)	439,356
194	GREEN VALLEY FIRE DISTRICT	1,262,199	0	289,666	(23,374)	1,528,492
157	GREENLEE CNTY ATTY INVESTIGATORS	0	0	0	0	0

Statistical Section

Operating Information

SYS	SYSTEM	BALANCES 6/30/2007	RESERVE TRANSFERS	CONTRIBUTIONS RECEIVED	WITHDRAWN MEMBERS	BALANCES 6/30/2008
123	GREENLEE COUNTY SHERIFF'S DEPT.	333,524	(62,317)	50,361	(1,282)	320,286
232	GROOM CREEK FIRE DISTRICT	23,619	0	20,519	0	44,138
167	GUADALUPE FIRE DEPARTMENT	248,023	(86,728)	33,473	0	194,769
238	HARQUAHALA FIRE DISTRICT	-	24,229	38,865	(2,101)	60,992
178	HAYDEN POLICE DEPARTMENT	101,814	(60,919)	16,379	0	57,274
192	HEBER-OVERGAARD FIRE DISTRICT	147,317	(590)	52,259	(18,158)	180,827
199	HIGHLANDS FIRE DISTRICT	435,675	(75,414)	94,116	0	454,377
086	HOLBROOK POLICE DEPARTMENT	319,894	(37,827)	56,003	0	338,070
206	HUALAPAI INDIAN TRIBE POLICE DEPT	75,269	1,806	27,556	(12,013)	92,617
053	HUALAPAI VALLEY FIRE DISTRICT	429,548	(95,578)	138,134	(7,118)	464,986
210	JEROME POLICE DEPARTMENT	27,276	0	7,502	(7,712)	27,066
156	KEARNY POLICE DEPARTMENT	97,988	30,517	12,297	0	140,803
015	KINGMAN FIRE DEPARTMENT	2,022,205	(98,626)	239,220	0	2,162,800
040	KINGMAN POLICE DEPARTMENT	1,675,674	(42,154)	238,437	(51,182)	1,820,774
173	LA PAZ COUNTY ATTY. INVESTIGATORS	49,183	0	3,843	0	53,025
103	LA PAZ COUNTY SHERIFF'S DEPT.	1,086,846	(25,596)	141,982	(15,206)	1,188,026
042	LAKE HAVASU CITY FIRE DEPARTMENT	2,823,081	(239,161)	414,596	(1,728)	2,996,789
067	LAKE HAVASU CITY POLICE DEPT.	2,866,162	(60,404)	463,531	(26,353)	3,242,936
183	LAKESIDE FIRE DISTRICT	227,968	36,901	77,946	(6,859)	335,956
205	LINDEN FIRE DISTRICT	64,562	9,076	27,477	(22,071)	79,044
130	MAMMOTH POLICE DEPARTMENT	107,911	(663)	12,576	0	119,824
107	MARANA POLICE DEPARTMENT	2,160,491	(56,393)	352,363	(139,685)	2,316,776
165	MARICOPA CNTY ATTY INVESTIGATORS	427,542	(102,607)	300,149	0	625,084
202	MARICOPA COUNTY PARK RANGERS	28,674	0	(4,541)	0	24,132
016	MARICOPA COUNTY SHERIFF'S OFFICE	25,975,463	(1,441,222)	4,087,374	(137,643)	28,483,972
228	MARICOPA FIRE DISTRICT	524,646	97,641	295,984	(15,608)	902,663
168	MAYER FIRE DISTRICT	269,863	(5,532)	67,909	0	332,240
017	MESA FIRE DEPARTMENT	23,196,397	(1,382,132)	2,397,882	(31,160)	24,180,987
018	MESA POLICE DEPARTMENT	39,184,731	(3,326,172)	5,523,728	(266,515)	41,115,773
116	MIAMI POLICE DEPARTMENT	99,909	(7,111)	20,485	0	113,283
043	MOHAVE COUNTY SHERIFF'S DEPT.	2,599,591	(85,215)	383,108	(38,275)	2,859,210
072	MOHAVE VALLEY FIRE DISTRICT	670,221	(9,900)	127,670	(5,025)	782,965
191	MONTEZUMA RIMROCK FIRE DISTRICT	142,006	16,779	42,761	(2,668)	198,878
233	MOUNT LEMMON FIRE DISTRICT	23,904	0	27,074	0	50,978
056	NAU CAMPUS POLICE	311,005	61,648	65,806	(1,691)	436,768
158	NAVAJO COUNTY ATTY'S INVESTIGATOR	0	0	0	0	0
071	NAVAJO COUNTY SHERIFF'S DEPT.	810,752	(11,834)	150,359	(15,919)	933,359
020	NOGALES FIRE DEPARTMENT	1,305,007	(68,295)	188,456	0	1,425,168
080	NOGALES POLICE DEPARTMENT	1,582,159	(50,576)	231,505	(71,714)	1,691,374
147	NORTHWEST FIRE DISTRICT	4,846,834	(213,535)	957,522	(10,802)	5,580,020
244	ORACLE FIRE DISTRICT	-	0	3,889	0	3,889
122	ORO VALLEY POLICE DEPARTMENT	2,874,707	(84,273)	571,850	(11,384)	3,350,900
097	PAGE FIRE DEPARTMENT	110,597	(5,656)	62,993	(13,953)	153,982
096	PAGE POLICE DEPARTMENT	433,263	(41,011)	96,523	(39,834)	448,941
076	PARADISE VALLEY POLICE DEPARTMENT	1,497,696	(75,192)	209,889	(12,946)	1,619,446

Operating Information

SYS	SYSTEM	BALANCES 6/30/2007	RESERVE TRANSFERS	CONTRIBUTIONS RECEIVED	WITHDRAWN MEMBERS	BALANCES 6/30/2008
060	PARKER POLICE DEPARTMENT	190,174	(1,753)	41,781	(17,403)	212,798
214	PASCUA YAQUI TRIBE FIRE DEPT.	222,375	0	95,747	0	318,121
215	PASCUA YAQUI TRIBE POLICE DEPT.	361,244	9,003	253,693	(7,179)	616,761
128	PATAGONIA MARSHALS	55,450	(55,450)	0	0	0
051	PAYSON FIRE DEPARTMENT	859,021	0	124,397	0	983,417
052	PAYSON POLICE DEPARTMENT	1,218,198	(225,576)	137,944	0	1,130,567
073	PEORIA FIRE DEPARTMENT	5,418,225	(496,765)	725,317	(1,647)	5,645,129
074	PEORIA POLICE DEPARTMENT	5,000,348	(523,621)	1,084,846	0	5,561,572
021	PHOENIX FIRE DEPARTMENT	92,427,505	(5,803,054)	10,782,902	(36,151)	97,371,203
022	PHOENIX POLICE DEPARTMENT	154,201,320	(9,021,017)	20,511,112	(787,959)	164,903,457
145	PICTURE ROCKS FIRE DISTRICT	457,082	(2,025)	70,288	0	525,344
154	PIMA COUNTY ATTORNEY INVESTIGATOR	309,823	26,238	12,750	0	348,811
146	PIMA COUNTY COMM. COLLEGE POLICE	741,780	(8,150)	81,843	(3,416)	812,057
039	PIMA COUNTY SHERIFF'S DEPARTMENT	10,489,555	(757,752)	1,541,905	(52,910)	11,220,798
100	PIMA POLICE DEPARTMENT	33,434	0	9,507	0	42,940
104	PINAL COUNTY SHERIFF'S DEPARTMENT	4,811,062	(67,756)	989,111	(93,628)	5,638,790
150	PINE-STRAWBERRY FIRE DISTRICT	462,655	(431)	73,013	0	535,237
185	PINETOP FIRE DISTRICT	476,247	(54,112)	128,729	(13,182)	537,682
113	PINETOP-LAKESIDE POLICE DEPT.	396,747	(41,760)	50,583	(1,439)	404,132
207	PINEWOOD FIRE DISTRICT	145,659	(1,312)	63,056	0	207,403
023	PRESCOTT FIRE DEPARTMENT	2,972,628	(379,170)	323,735	0	2,917,193
024	PRESCOTT POLICE DEPARTMENT	2,155,569	(386,321)	375,736	(1,072)	2,143,912
088	PRESCOTT VALLEY POLICE DEPARTMENT	1,668,433	42,233	306,805	(83,372)	1,934,098
221	QUARTZSITE FIRE DISTRICT	52,877	0	27,768	0	80,645
144	QUARTZSITE POLICE DEPARTMENT	396,015	(60,301)	61,080	(58,977)	337,818
247	QUEEN CREEK FIRE DEPARTMENT	-	0	56,027	0	56,027
208	RINCON VALLEY FIRE DISTRICT	214,519	31,883	109,054	0	355,457
200	RIO RICO FIRE DISTRICT	258,408	(2,988)	117,497	(2,313)	370,603
222	RIO VERDE FIRE DISTRICT	282,605	0	74,582	0	357,187
047	SAFFORD POLICE DEPARTMENT	663,910	34,260	107,764	(8,150)	797,783
174	SAHUARITA POLICE DEPARTMENT	543,289	59,769	148,277	(26,523)	724,811
181	SALT RIVER PIMA-MARICOPA FIRE	1,886,031	0	398,893	(34,262)	2,250,661
182	SALT RIVER PIMA-MARICOPA POLICE	2,069,111	(54,153)	642,847	(3,435)	2,654,370
231	SAN CARLOS TRIBAL POLICE	-	6,211	21,594	0	27,805
163	SAN LUIS FIRE DEPARTMENT	363,830	0	75,487	(18,510)	420,808
095	SAN LUIS POLICE DEPARTMENT	665,533	(893)	135,791	0	800,432
087	SANTA CRUZ COUNTY SHERIFF'S DEPT.	857,818	(34,468)	172,381	(11,229)	984,502
223	SCOTTSDALE FIRE DEPARTMENT	3,508,954	(10,155)	1,390,040	(12,363)	4,876,477
025	SCOTTSDALE POLICE DEPARTMENT	17,817,691	(897,351)	2,674,501	(90,429)	19,504,413
166	SEDONA FIRE DISTRICT	2,029,364	(137,275)	415,241	(15,766)	2,291,564
129	SEDONA POLICE DEPARTMENT	785,714	10,503	135,155	(18,807)	912,564
186	SHOW LOW FIRE DISTRICT	330,137	1,621	247,349	(16,790)	562,317
078	SHOW LOW POLICE DEPARTMENT	696,763	(13,586)	122,701	0	805,878
026	SIERRA VISTA FIRE DEPARTMENT	1,920,421	(348,850)	172,728	0	1,744,298
036	SIERRA VISTA POLICE DEPARTMENT	2,082,761	(383,833)	302,667	(13,302)	1,988,294

Statistical Section

Operating Information

SYS	SYSTEM	BALANCES 6/30/2007	RESERVE TRANSFERS	CONTRIBUTIONS RECEIVED	WITHDRAWN MEMBERS	BALANCES 6/30/2008
065	SNOWFLAKE POLICE DEPARTMENT	255,280	22,896	53,920	(1,046)	331,050
171	SOMERTON FIRE DEPARTMENT	325,854	(24,475)	64,624	0	366,003
169	SOMERTON POLICE DEPARTMENT	369,544	(24,731)	73,976	0	418,790
058	SOUTH TUCSON FIRE DEPARTMENT	284,337	(15,822)	46,788	(17,440)	297,863
069	SOUTH TUCSON POLICE DEPARTMENT	391,319	(50,959)	72,169	0	412,528
092	SPRINGVILLE POLICE DEPARTMENT	224,845	39,648	26,954	(16,607)	274,841
153	ST. JOHNS POLICE DEPARTMENT	154,239	(148,721)	116,258	0	121,776
195	SUMMIT FIRE DISTRICT	734,979	1,312	154,867	0	891,158
177	SUN CITY FIRE DISTRICT	4,381,628	(129,798)	370,707	(235)	4,622,303
170	SUN CITY WEST FIRE DISTRICT	2,088,192	(101,380)	305,464	(5,741)	2,286,534
155	SUN LAKES FIRE DISTRICT	1,331,612	(101,817)	230,278	(50,812)	1,409,261
094	SUPERIOR POLICE DEPARTMENT	147,295	(47,317)	23,019	0	122,997
120	SURPRISE FIRE DEPARTMENT	2,533,028	62,998	589,305	0	3,185,331
110	SURPRISE POLICE DEPARTMENT	2,585,586	(10,331)	611,550	(53,047)	3,133,759
027	TEMPE FIRE DEPARTMENT	7,412,767	24,021	955,176	(77,712)	8,314,252
028	TEMPE POLICE DEPARTMENT	14,538,781	(1,718,609)	2,337,046	(68,933)	15,088,285
117	THATCHER POLICE DEPARTMENT	301,521	(68,850)	37,093	0	269,764
188	THREE POINTS FIRE DISTRICT	206,650	0	62,813	0	269,463
235	TOHONO O'ODHAM NATION FIRE	66,071	(1,239)	122,847	(4,753)	182,927
236	TOHONO O'ODHAM NATION POLICE	224,588	(1,026)	281,212	(4,465)	500,309
108	TOLLESON FIRE DEPARTMENT	877,901	(59,788)	163,863	0	981,976
090	TOLLESON POLICE DEPARTMENT	629,364	40,528	130,492	0	800,383
132	TOMBSTONE MARSHAL'S DEPARTMENT	81,963	20,366	22,082	(3,616)	120,794
209	TONOPAH FIRE DISTRICT	50,773	0	18,415	(5,208)	63,979
216	TOWN OF SUPERIOR (FIRE DEPT)	27,394	0	16,342	0	43,736
201	TRI-CITY FIRE DISTRICT	182,334	(10,102)	68,877	0	241,108
172	TUBAC FIRE DISTRICT	383,228	(451)	91,516	(11,784)	462,509
124	TUCSON AIRPORT AUTHORITY FIRE DPT	988,077	(66,689)	60,429	0	981,816
125	TUCSON AIRPORT AUTHORITY POLICE	951,706	(132,879)	106,460	(11,445)	913,842
029	TUCSON FIRE DEPARTMENT	22,428,124	(1,112,560)	2,117,377	(4,893)	23,428,049
030	TUCSON POLICE DEPARTMENT	37,251,228	(3,111,780)	4,432,949	(196,634)	38,375,763
045	U OF A CAMPUS POLICE DEPARTMENT	1,604,917	47	241,905	(12,102)	1,834,767
203	VERDE VALLEY FIRE DISTRICT	621,229	(19,458)	113,800	0	715,571
111	WELLTON POLICE	61,828	0	23,838	0	85,666
217	WICKENBURG FIRE DEPARTMENT	35,286	0	30,453	0	65,739
126	WICKENBURG POLICE DEPARTMENT	346,869	(17,954)	60,455	(4,273)	385,098
077	WILLCOX POLICE DEPARTMENT	207,825	27,540	40,711	0	276,076
115	WILLIAMS POLICE DEPARTMENT	166,785	(17,625)	47,221	0	196,381
237	WILLIAMSON VALLEY FIRE DISTRICT	52,900	887	12,492	0	66,279
031	WINSLOW FIRE DEPARTMENT	275,202	0	25,418	0	300,620
050	WINSLOW POLICE DEPARTMENT	609,614	1,649	110,646	(22,861)	699,048
241	WITTMAN FIRE DISTRICT	-	(1,243)	17,663	0	16,419
187	YAVAPAI CNTY ATTRNY INVESTIGATORS	72,861	(72,861)	0	0	0
098	YAVAPAI COUNTY SHERIFF'S DEPT.	3,675,662	(354,108)	546,991	(79,828)	3,788,716
234	YAVAPAI PRESCOTT TRIBAL POLICE	19,645	0	28,533	0	48,178

SYS	SYSTEM	BALANCES 6/30/2007	RESERVE TRANSFERS	CONTRIBUTIONS RECEIVED	WITHDRAWN MEMBERS	BALANCES 6/30/2008
118	YOUNGTOWN POLICE DEPARTMENT	242,877	0	39,516	(49,135)	233,258
034	YUMA COUNTY SHERIFF'S DEPARTMENT	1,732,825	(101,714)	311,784	(42,466)	1,900,429
032	YUMA FIRE DEPARTMENT	4,063,985	(114,833)	493,973	(25,111)	4,418,014
033	YUMA POLICE DEPARTMENT	5,913,549	(652,548)	808,967	(17,994)	6,051,973
229	TOTALS	730,928,615	(42,920,487)	106,639,974	(5,082,410)	789,565,692

Schedule of Employers' Earnings Distribution
 Fiscal Year Ended June 30, 2008 (unless otherwise indicated)

SYS	SYSTEM	EMPLOYER RESERVE 6/30/2007	EMPLOYER RESERVE 6/30/2008	MEMBER RESERVE 6/30/2007	MEMBER RESERVE 6/30/2008	COMBINED RESERVES	MEAN BALANCE	FACTOR	INVESTMENT EARNINGS
041	A.S.U. Campus Police	10,152,359	9,693,892	1,825,775	1,995,620	23,667,646	11,833,823	0.265%	1,583,208
224	Ak Chin Indian Comm. Fire	1,684,244	1,574,120	98,776	188,969	3,546,110	1,773,055	0.040%	233,994
225	Ak Chin Indian Comm. Police	875,915	741,716	92,024	67,474	1,777,128	888,564	0.020%	118,878
101	Apache Cnty Sheriff	2,354,537	2,202,075	816,181	684,207	6,057,000	3,028,500	0.068%	405,173
148	Apache Junction Fire	7,117,547	7,505,143	2,815,709	3,041,492	20,479,890	10,239,945	0.229%	1,369,969
070	Apache Junction Police	7,157,362	7,041,808	1,594,892	1,789,266	17,583,328	8,791,664	0.197%	1,176,208
204	Arizona State Park Rangers	4,884,075	5,147,758	2,009,638	2,032,461	14,073,933	7,036,966	0.157%	941,453
151	Attrny Genrl Investgtr	5,745,906	5,253,768	1,075,997	1,100,216	13,175,886	6,587,943	0.147%	881,379
059	Avondale Fire	4,217,451	4,549,752	1,822,799	2,144,186	12,734,188	6,367,094	0.142%	851,833
139	Avondale Police	5,906,973	6,269,908	2,193,053	2,510,895	16,880,829	8,440,415	0.189%	1,129,215
162	Avra Valley Fire	1,191,236	1,110,468	458,636	392,466	3,152,806	1,576,403	0.035%	210,902
164	AZ Dept. of Liquor/Licns	3,111,739	2,732,006	918,445	562,251	7,324,441	3,662,220	0.082%	489,956
160	AZ State Capitol Police	1,984,212	1,899,459	589,191	584,536	5,057,398	2,528,699	0.057%	338,306
245	Benson Fire Department	0	156,564	0	51,921	208,484	104,242	0.002%	13,946
037	Benson Police	1,109,095	971,181	281,046	282,094	2,643,415	1,321,708	0.030%	176,827
001	Bisbee Fire	2,485,133	1,957,632	573,712	535,496	5,551,972	2,775,986	0.062%	371,390
038	Bisbee Police	1,664,461	1,539,114	435,086	505,600	4,144,260	2,072,130	0.046%	277,224
219	Black Canyon Fire District	79,951	115,974	51,454	72,190	319,569	159,784	0.004%	21,377
212	Buckey Valley Fire	972,161	1,151,299	309,097	484,673	2,917,229	1,458,615	0.033%	195,143
190	Buckeye Fire	2,023,955	2,412,079	1,037,373	1,457,446	6,930,852	3,465,426	0.078%	463,628
106	Buckeye Police	4,321,448	4,548,485	1,472,388	1,604,675	11,946,996	5,973,498	0.134%	799,175
064	Buckskin Fire	1,221,732	1,102,139	210,662	248,179	2,782,712	1,391,356	0.031%	186,145
044	Bullhead City Fire	11,245,427	11,496,519	2,558,913	2,950,489	28,251,348	14,125,674	0.316%	1,889,828
114	Bullhead City Police	10,843,290	10,891,713	3,051,842	3,382,533	28,169,378	14,084,689	0.315%	1,884,344
196	Camp Verde Fire	1,097,932	1,183,775	381,969	447,741	3,111,417	1,555,709	0.035%	208,133
121	Camp Verde Marshalls	1,241,156	1,264,021	393,569	451,157	3,349,903	1,674,951	0.037%	224,086
002	Casa Grande Fire	5,771,324	5,602,307	1,320,793	1,497,005	14,191,430	7,095,715	0.159%	949,312
003	Casa Grande Police	10,159,828	9,582,707	2,269,534	2,418,714	24,430,783	12,215,391	0.273%	1,634,257

Statistical Section Operating Information

SYS	SYSTEM	EMPLOYER RESERVE 6/30/2007	EMPLOYER RESERVE 6/30/2008	MEMBER RESERVE 6/30/2007	MEMBER RESERVE 6/30/2008	COMBINED RESERVES	MEAN BALANCE	FACTOR	INVESTMENT EARNINGS
229	Cave Creek Marshals	22,166	32,349	16,137	26,441	97,093	48,547	0.001%	6,495
242	Central Arizona College Police	0	207,483	0	95,931	303,414	151,707	0.003%	20,296
062	Central Yavapai Fire	10,422,856	10,555,007	3,425,993	3,730,803	28,134,658	14,067,329	0.315%	1,882,022
004	Chandler Fire	29,850,358	29,741,805	8,869,443	9,777,069	78,238,676	39,119,338	0.875%	5,233,648
005	Chandler Police	41,895,604	42,392,591	14,145,147	15,252,699	113,686,040	56,843,020	1.272%	7,604,841
138	Chino Valley Fire Dist.	2,242,452	2,444,602	811,256	985,187	6,483,496	3,241,748	0.073%	440,697
109	Chino Valley Police	1,926,668	1,993,190	763,106	776,857	5,459,822	2,729,911	0.061%	365,226
243	City of Maricopa Police	0	1,091,817	0	729,305	1,821,121	910,561	0.020%	121,821
240	Clarkdale Fire District	0	54,365	0	45,259	99,623	49,812	0.001%	6,664
105	Clarksdale Police	883,075	949,976	293,317	361,558	2,487,925	1,243,963	0.028%	166,426
006	Clifton Fire	400,894	277,760	44,767	0	723,421	361,710	0.008%	48,392
083	Clifton Police	367,775	351,811	17,507	27,588	764,681	382,340	0.009%	51,152
046	Cochise Cnty Sheriff	10,021,276	9,299,796	2,131,680	2,197,603	23,650,354	11,825,177	0.265%	1,582,052
061	Coconino Cnty Sheriff	9,616,203	8,879,769	1,885,751	2,164,132	22,545,855	11,272,928	0.252%	1,508,168
239	Coolidge Fire Department	4,606	18,510	3,138	15,272	41,525	20,763	0.001%	2,778
085	Coolidge Police	2,676,306	2,657,258	722,937	715,742	6,772,242	3,386,121	0.076%	453,018
226	Corona De Tucson Fire District	204,663	300,522	70,838	125,337	701,359	350,680	0.008%	46,916
102	Cottonwood Fire	1,107,219	1,135,100	354,724	422,304	3,019,347	1,509,673	0.034%	201,974
066	Cottonwood Police	2,321,949	2,291,931	648,622	737,843	6,000,344	3,000,172	0.067%	401,383
119	D.E.M.A.	4,173,962	4,178,070	946,273	1,142,793	10,441,099	5,220,549	0.117%	698,440
143	Daisy Mountain Fire	3,344,625	3,848,578	1,844,251	2,314,292	11,351,746	5,675,873	0.127%	759,356
007	Dept. of Public Safety	393,420,352	367,854,353	25,045,187	25,883,041	812,202,933	406,101,466	9.086%	54,330,980
246	Desert Hills Fire Department	0	85,957	0	40,187	126,145	63,072	0.001%	8,438
193	Diamond Star Fire	293,133	339,997	124,605	156,135	913,870	456,935	0.010%	61,132
008	Douglas Fire	4,141,999	3,705,934	642,037	649,614	9,139,584	4,569,792	0.102%	611,377
009	Douglas Police	5,418,653	5,016,981	1,087,051	973,282	12,495,968	6,247,984	0.140%	835,897
049	Drexel Heights Fire	5,762,201	6,095,383	2,032,618	2,295,940	16,186,143	8,093,071	0.181%	1,082,745
089	Eagar Police	978,508	931,628	269,152	279,608	2,458,896	1,229,448	0.028%	164,484
127	El Mirage fire	1,128,619	1,084,787	413,154	435,099	3,061,660	1,530,830	0.034%	204,805
093	El Mirage Police	1,613,082	2,084,804	624,246	980,807	5,302,939	2,651,470	0.059%	354,731
213	Eloy Fire	292,357	442,435	146,605	211,459	1,092,856	546,428	0.012%	73,105

Statistical Section

SYS	SYSTEM	EMPLOYER RESERVE 6/30/2007	EMPLOYER RESERVE 6/30/2008	MEMBER RESERVE 6/30/2007	MEMBER RESERVE 6/30/2008	COMBINED RESERVES	MEAN BALANCE	FACTOR	INVESTMENT EARNINGS
079	Eloy Police	2,737,942	2,738,817	1,025,189	951,900	7,453,847	3,726,924	0.083%	498,613
010	Flagstaff Fire	24,712,451	23,137,794	4,164,995	4,259,315	56,274,555	28,137,277	0.630%	3,764,394
011	Flagstaff Police	16,395,798	15,340,354	3,221,756	3,531,511	38,489,419	19,244,710	0.431%	2,574,686
176	Florence Fire Dept	432,655	468,214	226,988	287,553	1,415,411	707,705	0.016%	94,682
091	Florence Police	1,593,631	1,669,210	467,195	542,593	4,272,629	2,136,314	0.048%	285,811
197	Fort McDowell Fire	559,864	594,371	196,777	247,544	1,598,556	799,278	0.018%	106,933
198	Fort McDowell Police	1,156,057	1,234,577	512,476	593,290	3,496,400	1,748,200	0.039%	233,886
134	Fort Mohave Mesa Fire	3,186,900	3,238,077	1,038,475	1,189,871	8,653,324	4,326,662	0.097%	578,850
211	Fort Mojave Tribal Police	373,299	412,917	204,669	207,843	1,198,728	599,364	0.013%	80,187
055	Fredonia Marshalls	235,681	241,332	50,780	60,388	588,181	294,090	0.007%	39,345
054	Fry Fire	5,221,672	4,851,299	741,909	863,236	11,678,116	5,839,058	0.131%	781,188
035	Game & Fish	30,926,842	27,266,959	5,597,923	5,510,132	69,301,856	34,650,928	0.775%	4,635,834
112	Gila Cnty Sheriff	4,272,728	4,144,764	1,031,827	1,185,535	10,634,854	5,317,427	0.119%	711,401
179	Gila River Fire Dept	2,115,618	2,366,774	1,117,141	1,435,668	7,035,201	3,517,600	0.079%	470,608
180	Gila River Police Dept	2,955,693	3,517,259	1,447,952	1,840,040	9,760,945	4,880,473	0.109%	652,942
149	Gilbert Fire	8,050,671	9,088,986	4,223,779	5,260,510	26,623,946	13,311,973	0.298%	1,780,965
081	Gilbert Police	15,162,480	15,989,599	6,222,165	7,375,981	44,750,225	22,375,113	0.501%	2,993,493
012	Glendale Fire	45,157,096	44,325,954	9,922,603	10,953,503	110,359,156	55,179,578	1.235%	7,382,294
013	Glendale Police	56,064,956	53,305,253	14,896,341	15,680,829	139,947,378	69,973,689	1.566%	9,361,550
014	Globe Fire	2,272,559	2,152,701	543,515	611,414	5,580,189	2,790,095	0.062%	373,278
131	Globe Police	2,305,894	2,175,225	516,933	581,389	5,579,441	2,789,720	0.062%	373,228
227	Golden Shores Fire District	240,081	268,229	80,186	107,265	695,762	347,881	0.008%	46,542
142	Golden Valley Fire	1,362,466	1,360,273	287,224	367,366	3,377,329	1,688,665	0.038%	225,921
133	Golder Ranch Fire Dist.	5,816,770	6,134,107	2,424,592	2,722,118	17,097,586	8,548,793	0.191%	1,143,715
136	Goodyear Fire	3,940,446	4,542,661	2,082,159	2,632,812	13,198,078	6,599,039	0.148%	879,909
137	Goodyear Police	5,396,676	5,848,850	2,125,288	2,647,423	16,018,236	8,009,118	0.179%	1,067,474
140	Graham Cnty Sheriff	934,744	951,163	362,482	439,356	2,687,744	1,343,872	0.030%	179,792
220	Graham County Attorney Investigators	150,405	31,066	41,666	0	223,137	111,568	0.002%	14,926
194	Green Valley Fire	3,974,968	4,369,061	1,262,199	1,528,492	11,134,720	5,567,360	0.125%	744,839
157	Greenlee Cnty Atny Invst	32,136	32,136	0	0	64,272	32,136	0.001%	4,299

SYS	SYSTEM	EMPLOYER RESERVE 6/30/2007	EMPLOYER RESERVE 6/30/2008	MEMBER RESERVE 6/30/2007	MEMBER RESERVE 6/30/2008	COMBINED RESERVES	MEAN BALANCE	FACTOR	INVESTMENT EARNINGS
123	Greenlee Cnty Sheriff	1,680,593	1,734,242	333,524	320,286	4,068,644	2,034,322	0.046%	272,165
232	Groom Creek Fire District	39,272	75,765	23,619	44,138	182,793	91,396	0.002%	12,228
167	Guadalupe Fire	469,093	230,848	248,023	194,769	1,142,733	571,366	0.013%	76,441
238	Harquahala Fire District	0	106,726	0	60,992	167,718	83,859	0.002%	11,219
178	Hayden Police	470,492	355,101	101,814	57,274	984,681	492,340	0.011%	65,869
192	Heber-Overgaard Fire	235,020	329,832	147,317	180,827	892,995	446,498	0.001%	59,735
199	Highlands Fire	1,328,744	1,336,215	435,675	454,377	3,555,012	1,777,506	0.040%	237,807
086	Holbrook Police	1,639,682	1,443,470	319,894	338,070	3,741,116	1,870,558	0.042%	250,256
206	Hualapai Tribal Police	159,317	187,308	75,269	92,617	514,511	257,255	0.006%	34,417
053	Hualapai Valley Fire	1,252,960	1,093,921	429,548	464,986	3,241,416	1,620,708	0.036%	216,829
210	Jerome Police	67,149	81,840	27,276	27,066	203,331	101,666	0.002%	13,602
156	Kearny Police	812,653	814,458	97,988	140,803	1,865,901	932,951	0.021%	124,816
015	Kingman Fire	6,596,183	6,999,682	2,022,205	2,162,800	17,780,869	8,890,434	0.199%	1,189,422
040	Kingman Police	7,054,206	6,784,058	1,675,674	1,820,774	17,334,713	8,667,356	0.194%	1,159,577
103	La Paz Cnty Sheriff	3,910,872	3,842,806	1,086,846	1,188,026	10,028,551	5,014,275	0.112%	670,843
042	Lake Havasu Fire	15,666,259	14,927,291	2,823,081	2,996,789	36,413,420	18,206,710	0.407%	2,435,816
067	Lake Havasu Police	11,224,318	11,279,032	2,866,162	3,242,936	28,612,448	14,306,224	0.320%	1,913,983
183	Lakeside Fire District	533,026	659,111	227,968	335,956	1,756,061	878,030	0.020%	117,469
173	LaPaz Cnty Attny Invst	118,546	124,549	49,183	53,025	345,302	172,651	0.004%	23,098
205	Linden Fire	137,284	251,159	64,562	79,044	532,050	266,025	0.006%	35,591
130	Mammoth Police	97,334	117,541	107,911	119,824	442,611	221,305	0.005%	29,608
107	Marana Marshalls	5,689,934	5,897,244	2,160,491	2,316,776	16,064,445	8,032,223	0.180%	1,074,605
165	Maricopa Cnty Atmy Invst	3,612,757	3,237,092	427,542	625,084	7,902,474	3,951,237	0.088%	528,623
016	Maricopa County Sheriff	131,593,798	124,391,162	25,975,463	28,483,972	310,444,395	155,222,198	3.473%	20,766,667
228	Maricopa Fire District	1,156,764	1,616,301	524,646	902,663	4,200,375	2,100,187	0.047%	280,977
202	Maricopa Park Rangers	773,233	610,954	28,674	24,132	1,436,993	718,497	0.016%	96,125
168	Mayer Fire District	839,781	879,909	269,863	332,240	2,321,792	1,160,896	0.026%	155,313
017	Mesa Fire	105,736,514	102,467,182	23,196,397	24,180,987	255,581,081	127,790,541	2.859%	17,096,676
018	Mesa Police	164,974,284	161,657,613	39,184,731	41,115,773	406,932,400	203,466,200	4.552%	27,221,074
019	Miami Fire	268,354	268,354	-	-	536,707	268,354	0.006%	35,902
116	Miami Police	450,144	423,052	99,909	113,283	1,086,387	543,194	0.012%	72,672

SYS	SYSTEM	EMPLOYER RESERVE 6/30/2007	EMPLOYER RESERVE 6/30/2008	MEMBER RESERVE 6/30/2007	MEMBER RESERVE 6/30/2008	COMBINED RESERVES	MEAN BALANCE	FACTOR	INVESTMENT EARNINGS
043	Mohave Cnty Sheriff	11,298,633	11,163,370	2,599,591	2,859,210	27,920,804	13,960,402	0.312%	1,867,716
072	Mohave Valley Fire	1,903,217	2,004,020	670,221	782,965	5,360,423	2,680,212	0.060%	358,577
191	Montezuma/Rimrock	345,167	440,664	142,006	198,878	1,126,715	563,358	0.013%	75,370
233	Mount Lemmon Fire District	126,312	163,008	23,904	50,978	364,201	182,101	0.004%	24,363
056	N.A.U. Police	2,861,615	2,713,300	311,005	436,768	6,322,688	3,161,344	0.071%	422,946
158	Navajo Cnty Attrny Invest	205,173	180,739	-	-	385,912	192,956	0.004%	25,815
071	Navajo County Sheriff	4,671,736	4,180,804	810,752	933,359	10,596,650	5,298,325	0.119%	708,846
020	Nogales Fire	4,452,249	4,422,125	1,305,007	1,425,168	11,604,548	5,802,274	0.130%	776,267
080	Nogales Police	6,158,675	5,887,841	1,582,159	1,691,374	15,320,048	7,660,024	0.171%	1,024,809
147	Northwest Fire	12,550,813	13,615,740	4,846,834	5,580,020	36,593,406	18,296,703	0.409%	2,447,856
244	Oracle Fire District	0	11,706	0	3,889	15,595	7,797	0.000%	1,043
122	Oro Valley Police	8,347,309	8,543,069	2,874,707	3,350,900	23,115,985	11,557,993	0.259%	1,546,306
097	Page Fire	362,260	403,578	110,597	153,982	1,030,416	515,208	0.012%	68,928
096	Page Police	2,316,533	2,167,058	433,263	448,941	5,365,795	2,682,898	0.060%	358,936
076	Paradise Valley Police	7,120,686	6,513,412	1,497,696	1,619,446	16,751,240	8,375,620	0.187%	1,120,547
060	Parker Police	1,162,139	1,112,998	190,174	212,798	2,678,110	1,339,055	0.030%	179,148
215	Pascua Yaqui Tribal Fire	534,543	677,167	361,244	609,045	2,181,999	1,091,000	0.024%	146,232
214	Pascua Yaqui Tribal Police	415,076	568,434	222,375	318,121	1,524,006	762,003	0.017%	102,192
128	Patagonia Marshall	290,667	306,890	55,450	0	653,007	326,504	0.007%	43,682
051	Payson Fire	2,414,133	2,517,800	859,021	983,417	6,774,370	3,387,185	0.076%	453,160
052	Payson Police	3,961,335	3,583,421	1,218,198	1,130,567	9,893,522	4,946,761	0.111%	661,811
073	Peoria Fire	15,890,349	16,640,134	5,418,225	5,645,129	43,593,837	21,796,919	0.488%	2,916,138
074	Peoria Police	21,308,693	22,109,561	5,000,348	5,561,572	53,980,175	26,990,087	0.604%	3,610,915
021	Phoenix Fire	481,823,723	53,923,816	92,427,505	97,371,203	1,125,546,246	562,773,123	12.591%	75,291,565
022	Phoenix Police	825,147,334	779,132,187	154,201,320	164,903,457	1,923,384,297	961,692,149	21.517%	128,661,630
145	Picturerock Fire	1,702,483	1,721,557	457,082	525,344	4,406,466	2,203,233	0.049%	294,763
146	Pima Cmnty Coll. PD	3,123,588	3,034,653	741,780	812,057	7,712,077	3,856,039	0.086%	515,887
154	Pima Cnty Attrny Invest	1,238,487	1,281,926	309,823	348,811	3,179,047	1,589,523	0.036%	212,657
039	Pima County Sheriff	109,735,602	104,298,100	10,489,555	11,220,798	235,744,054	117,872,027	2.637%	15,769,711
100	Pima Police	157,253	163,467	33,434	42,940	397,094	198,547	0.004%	26,563
104	Pinal Cnty Sheriff	19,391,163	19,314,872	4,811,062	5,638,790	49,155,886	24,577,943	0.550%	3,288,202

SYS	SYSTEM	EMPLOYER RESERVE 6/30/2007	EMPLOYER RESERVE 6/30/2008	MEMBER RESERVE 6/30/2007	MEMBER RESERVE 6/30/2008	COMBINED RESERVES	MEAN BALANCE	FACTOR	INVESTMENT EARNINGS
150	Pine-Strawberry Fire	1,382,792	1,455,155	462,655	535,237	3,835,839	1,917,919	0.043%	256,592
185	Pinetop Fire District	1,230,447	1,341,777	476,247	537,682	3,586,153	1,793,076	0.040%	239,890
113	Pinetop-Lakeside Police	1,538,116	1,428,240	396,747	404,132	3,767,236	1,883,618	0.042%	252,003
207	Pinewood Fire	699,762	735,846	145,659	207,403	1,788,670	894,335	0.020%	119,650
023	Prescott Fire	14,124,478	12,572,014	2,972,628	2,917,193	32,586,314	16,293,157	0.365%	2,179,808
024	Prescott Police	9,706,141	8,941,551	2,155,569	2,143,912	22,947,172	11,473,586	0.257%	1,535,013
088	Prescott Valley Police	4,214,020	4,452,049	1,668,433	1,934,098	12,268,600	6,134,300	0.137%	820,688
221	Quartzsite Fire	108,070	144,366	52,877	80,645	385,958	192,979	0.004%	25,818
144	Quartzsite Marshall	971,570	875,000	396,015	337,818	2,580,404	1,290,202	0.029%	172,612
247	Queen Creek Fire Department	0	79,976	0	56,027	136,003	68,001	0.002%	9,098
208	Rincon Valley Fire	440,971	615,130	214,519	355,457	1,626,077	813,038	0.018%	108,774
200	Rio Rico Fire	422,075	505,738	258,408	370,603	1,556,824	778,412	0.017%	104,141
222	Rio Verde Fire	596,719	697,010	282,605	357,187	1,933,522	966,761	0.022%	129,340
047	Safford Police	2,652,516	2,688,419	663,910	797,783	6,802,628	3,401,314	0.076%	455,051
174	Sahuarita Police	1,180,859	1,537,395	543,289	724,811	3,986,354	1,993,177	0.045%	266,661
181	SaltRiverPima-MaricopFire	4,774,714	5,323,223	1,886,031	2,250,661	14,234,628	7,117,314	0.159%	952,202
182	SaltRiverPima-MaricopPD	4,038,098	4,718,471	2,069,111	2,654,370	13,480,049	6,740,024	0.151%	901,726
231	San Carlos Tribal Police	0	207,801	0	27,805	235,606	117,803	0.003%	15,761
163	San Luis Fire	773,493	845,241	363,830	420,808	2,403,373	1,201,686	0.027%	160,770
095	San Luis Police	1,842,814	1,883,817	665,533	800,432	5,192,596	2,596,298	0.058%	347,350
087	Santa Cruz Cnty Deputy	2,798,238	2,861,641	857,818	984,502	7,502,200	3,751,100	0.084%	501,847
223	Scottsdale Fire	7,309,331	8,760,730	3,508,954	4,876,477	24,455,491	12,227,746	0.274%	1,639,127
025	Scottsdale Police	80,215,142	77,469,362	17,817,691	19,504,413	195,006,608	97,503,304	2.182%	13,044,646
166	Sedona Fire District	5,525,214	6,148,871	2,029,364	2,291,564	15,995,013	7,997,506	0.179%	1,069,960
129	Sedona Police	2,401,934	2,492,524	785,714	912,564	6,592,735	3,296,368	0.074%	441,010
186	Show Low Fire District	939,330	1,061,734	330,137	562,317	2,893,518	1,446,759	0.032%	193,557
078	Show Low Police	2,676,852	2,554,164	696,763	805,878	6,733,657	3,366,828	0.075%	450,437
026	Sierra Vista Fire	7,966,702	7,987,514	1,920,421	1,744,298	19,618,934	9,809,467	0.219%	1,312,376
036	Sierra Vista Police	9,318,861	8,735,133	2,082,761	1,988,294	22,125,050	11,062,525	0.248%	1,480,019
065	Snowflake Police	924,989	944,015	255,280	331,050	2,455,335	1,227,668	0.027%	164,246
171	Somerton Fire	715,104	755,453	325,854	366,003	2,162,414	1,081,207	0.024%	144,651

Statistical Section

SYS	SYSTEM	EMPLOYER RESERVE 6/30/2007	EMPLOYER RESERVE 6/30/2008	MEMBER RESERVE 6/30/2007	MEMBER RESERVE 6/30/2008	COMBINED RESERVES	MEAN BALANCE	FACTOR	INVESTMENT EARNINGS
169	Somerton Police	969,326	1,027,413	369,544	418,790	2,785,073	1,392,536	0.031%	186,303
058	South Tucson Fire	1,171,214	1,116,284	284,337	297,863	2,869,699	1,434,850	0.032%	191,964
069	South Tucson Police	612,823	528,847	391,319	412,528	1,945,517	972,759	0.022%	130,142
092	Springerville Police	633,231	718,726	224,845	274,841	1,851,643	925,821	0.021%	123,863
153	St. Johns Police	349,630	493,174	154,239	121,776	1,118,819	559,409	0.013%	74,842
195	Summit Fire	1,937,969	2,083,344	734,979	891,158	5,647,451	2,823,725	0.063%	377,777
177	Sun City Fire Dept	8,101,290	8,446,268	4,381,628	4,622,303	25,551,489	12,775,745	0.286%	1,709,225
155	Sun Lakes Fire Dist.	4,075,611	4,271,681	1,331,612	1,409,261	11,088,166	5,544,083	0.124%	741,725
170	SunCity West Fire Dstrct	5,625,595	5,288,789	2,088,192	2,286,534	15,289,111	7,644,555	0.171%	1,022,740
094	Superior Police	546,679	571,407	147,295	122,997	1,388,378	694,189	0.016%	92,873
120	Surprise Fire	5,586,794	6,285,769	2,533,028	3,185,331	17,590,923	8,795,462	0.197%	1,176,716
110	Surprise Police	6,687,318	7,228,438	2,585,586	3,133,759	19,635,100	9,817,550	0.220%	1,313,458
027	Tempe Fire	51,501,450	49,434,663	7,412,767	8,314,252	116,663,131	58,331,566	1.305%	7,803,988
028	Tempe Police	64,585,523	60,681,867	14,538,781	15,088,285	154,894,456	77,447,228	1.733%	10,361,410
117	Thatcher Police	1,646,637	1,580,730	301,521	269,764	3,798,652	1,899,326	0.042%	254,105
188	Three Points Fire District	372,353	444,691	206,650	269,463	1,293,157	646,579	0.014%	86,504
235	Tohono O'Odham Nation Fire	1,038,369	1,189,396	66,071	182,927	2,476,763	1,238,381	0.028%	165,679
236	Tohono O'Odham Nation Police	6,057,038	6,412,136	224,588	500,309	13,194,070	6,597,035	0.148%	882,596
108	Tolleson Fire	1,741,455	1,871,002	877,901	981,976	5,472,334	2,736,167	0.061%	366,063
090	Tolleson Police	2,244,212	2,225,759	629,364	800,383	5,899,717	2,949,858	0.066%	394,652
132	Tombstone Police	233,922	299,791	81,963	120,794	736,470	368,235	0.008%	49,265
209	Tonopah Fire	77,787	105,838	50,773	63,979	298,376	149,188	0.003%	19,959
216	Town of Superior Fire	69,869	89,970	27,394	43,736	230,969	115,485	0.003%	15,450
201	Tri-City Fire	368,201	423,723	182,334	241,108	1,215,365	607,683	0.014%	81,300
172	Tubac Fire District	961,736	1,069,907	383,228	462,509	2,877,380	1,438,690	0.032%	192,478
124	Tucson Airprt Auth. Fire	4,513,922	4,293,916	988,077	981,816	10,777,731	5,388,866	0.121%	720,959
125	Tucson Airprt Auth. PD	3,267,475	2,919,387	951,706	913,842	8,052,410	4,026,205	0.090%	538,653
029	Tucson Fire	170,905,896	161,078,932	22,428,124	23,428,049	377,841,001	188,920,501	4.227%	25,275,053
030	Tucson Police	266,614,415	252,662,624	37,251,228	38,375,763	594,904,029	297,452,015	6.655%	39,795,127
045	U of A Campus Police	6,073,505	5,879,433	1,604,917	1,834,767	15,392,623	7,696,311	0.172%	1,029,664

SYS	SYSTEM	EMPLOYER RESERVE 6/30/2007	EMPLOYER RESERVE 6/30/2008	MEMBER RESERVE 6/30/2007	MEMBER RESERVE 6/30/2008	COMBINED RESERVES	MEAN BALANCE	FACTOR	INVESTMENT EARNINGS
203	Verde Valley Fire	2,181,031	2,186,124	621,229	715,571	5,703,954	2,851,977	0.064%	381,557
111	Welton Police	59,305	91,402	61,828	85,666	298,201	149,100	0.003%	19,948
217	Wickenburg Fire	49,179	100,317	35,286	65,739	250,521	125,261	0.003%	16,758
126	Wickenburg Police	1,031,933	1,022,487	346,869	385,098	2,786,388	1,393,194	0.031%	186,391
077	Willcox Police	1,076,724	1,091,716	207,825	276,076	2,652,341	1,326,170	0.030%	177,424
115	Williams Police	779,681	798,251	166,785	196,381	1,941,098	970,549	0.022%	129,847
237	Williamson Valley Fire District	97,915	117,701	52,900	66,279	334,795	167,397	0.004%	22,396
031	Winslow Fire	3,901,614	3,892,525	275,202	300,620	8,369,960	4,184,980	0.094%	559,895
050	Winslow Police	2,826,449	2,705,486	609,614	699,048	6,840,596	3,420,298	0.077%	457,590
241	Wittman Fire District	0	31,445	0	16,419	47,865	23,932	0.001%	3,202
187	Yavapai Cnty Attmy Inv.	279,505	242,719	72,861	0	595,085	297,543	0.007%	39,807
098	Yavapai Cnty Sheriff	10,603,662	10,380,418	3,675,662	3,788,716	28,448,458	14,224,229	0.318%	1,903,013
234	Yavapai Prescott Tribal Police	45,549	106,046	19,645	48,178	219,418	109,709	0.002%	14,678
118	Youngtown Police	758,318	703,208	242,877	233,258	1,937,661	968,830	0.022%	129,617
034	Yuma County Sheriff	9,177,460	8,699,781	1,732,825	1,900,429	21,510,494	10,755,247	0.241%	1,438,909
032	Yuma Fire	21,055,395	19,850,158	4,063,985	4,418,014	49,387,551	24,693,776	0.552%	3,303,699
033	Yuma Police	30,257,709	29,331,848	5,913,549	6,051,973	71,555,079	35,777,539	0.800%	4,786,559
229	TOTALS	3,786,738,719	3,631,756,032	730,928,615	789,557,976	8,938,981,341	4,469,490,671	100.000%	597,958,974

PARTICIPATING EMPLOYERS

AK CHIN INDIAN COMM. FIRE DEPT.
AK CHIN INDIAN COMM. POLICE DEPT.
APACHE COUNTY SHERIFF'S DEPT.
APACHE JUNCTION FIRE DISTRICT
APACHE JUNCTION POLICE DEPARTMENT
ARIZONA STATE CAPITOL POLICE
ARIZONA STATE PARK RANGERS
ASU CAMPUS POLICE
ATTORNEY GENERAL INVESTIGATORS
AVONDALE FIRE DEPARTMENT
AVONDALE POLICE DEPARTMENT
AVRA VALLEY FIRE DISTRICT
AZ DPT. LIQ. LIC. & CONTROL INVST
BENSON FIRE DEPARTMENT
BENSON POLICE DEPARTMENT
BISBEE FIRE DEPARTMENT
BISBEE POLICE DEPARTMENT
BLACK CANYON FIRE DISTRICT
BUCKEYE FIRE DEPARTMENT
BUCKEYE POLICE DEPARTMENT
BUCKEYE VALLEY FIRE DISTRICT
BUCKSKIN FIRE DISTRICT
BULLHEAD CITY FIRE DEPARTMENT
BULLHEAD CITY POLICE DEPARTMENT
CAMP VERDE FIRE DISTRICT
CAMP VERDE MARSHAL'S
CASA GRANDE FIRE DEPARTMENT
CASA GRANDE POLICE DEPARTMENT
CAVE CREEK MARSHALS
CENTRAL ARIZONA COLLEGE POLICE
CENTRAL YAVAPAI FIRE DISTRICT
CHANDLER FIRE DEPARTMENT
CHANDLER POLICE DEPARTMENT
CHINO VALLEY FIRE DISTRICT
CHINO VALLEY POLICE DEPARTMENT
CITY OF MARICOPA POLICE
CLARKDALE FIRE DISTRICT
CLARKDALE POLICE DEPARTMENT
CLIFTON FIRE DEPARTMENT
CLIFTON POLICE DEPARTMENT
COCHISE COUNTY SHERIFF'S DEPT
COCONINO COUNTY SHERIFF'S DEPT
COOLIDGE FIRE DEPARTMENT
COOLIDGE POLICE DEPARTMENT
CORONA DE TUCSON FIRE DISTRICT
COTTONWOOD FIRE DEPARTMENT
COTTONWOOD POLICE DEPARTMENT
DAISY MOUNTAIN FIRE DISTRICT
DEPARTMENT OF EMER & MILITARY AFF
DEPARTMENT OF PUBLIC SAFETY
DESERT HILLS FIRE DEPARTMENT
DIAMOND STAR FIRE DISTRICT
DOUGLAS FIRE DEPARTMENT
DOUGLAS POLICE DEPARTMENT
DREXEL HEIGHTS FIRE DISTRICT
EAGAR POLICE DEPARTMENT
EL MIRAGE FIRE DEPARTMENT
EL MIRAGE POLICE DEPARTMENT
ELOY FIRE DISTRICT
ELOY POLICE DEPARTMENT
FLAGSTAFF FIRE DEPARTMENT
FLAGSTAFF POLICE DEPARTMENT
FLORENCE FIRE DEPARTMENT
FLORENCE POLICE DEPARTMENT
FORT MCDOWELL TRIBAL FIRE DEPT.
FORT MCDOWELL TRIBAL POLICE DEPT.
FORT MOJAVE MESA FIRE DISTRICT
FORT MOJAVE TRIBAL POLICE DEPT.
FREDONIA MARSHALS
FRY FIRE DISTRICT

GAME AND FISH DEPARTMENT
GILA COUNTY SHERIFF'S DEPARTMENT
GILA RIVER FIRE DEPARTMENT
GILA RIVER POLICE DEPARTMENT
GILBERT FIRE DEPARTMENT
GILBERT POLICE DEPARTMENT
GLENDALE FIRE DEPARTMENT
GLENDALE POLICE DEPARTMENT
GLOBE FIRE DEPARTMENT
GLOBE POLICE DEPARTMENT
GOLDEN SHORES FIRE DISTRICT
GOLDEN VALLEY FIRE DISTRICT
GOLDER RANCH FIRE DISTRICT
GOODYEAR FIRE DEPARTMENT
GOODYEAR POLICE DEPARTMENT
GRAHAM COUNTY ATTORNEY INVEST.
GRAHAM COUNTY SHERIFF'S DEPT.
GREEN VALLEY FIRE DISTRICT
GREENLEE CNTY ATTY INVESTIGATORS
GREENLEE COUNTY SHERIFF'S DEPT.
GROOM CREEK FIRE DISTRICT
GUADALUPE FIRE DEPARTMENT
HARQUAHALA FIRE DISTRICT
HAYDEN POLICE DEPARTMENT
HEBER-OVERGAARD FIRE DISTRICT
HIGHLANDS FIRE DISTRICT
HOLBROOK POLICE DEPARTMENT
HUALAPAI INDIAN TRIBE POLICE DEPT
HUALAPAI VALLEY FIRE DISTRICT
JEROME POLICE DEPARTMENT
KEARNY POLICE DEPARTMENT
KINGMAN FIRE DEPARTMENT
KINGMAN POLICE DEPARTMENT
LA PAZ COUNTY ATTY. INVESTIGATORS
LA PAZ COUNTY SHERIFF'S DEPT.
LAKE HAVASU CITY FIRE DEPARTMENT
LAKE HAVASU CITY POLICE DEPT.
LAKESIDE FIRE DISTRICT
LINDEN FIRE DISTRICT
MAMMOTH POLICE DEPARTMENT
MARANA POLICE DEPARTMENT
MARICOPA CNTY ATTY INVESTIGATORS
MARICOPA COUNTY PARK RANGERS
MARICOPA COUNTY SHERIFF'S OFFICE
MARICOPA FIRE DISTRICT
MAYER FIRE DISTRICT
MESA FIRE DEPARTMENT
MESA POLICE DEPARTMENT
MIAMI FIRE DEPARTMENT
MIAMI POLICE DEPARTMENT
MOHAVE COUNTY SHERIFF'S DEPT.
MOHAVE VALLEY FIRE DISTRICT
MONTEZUMA RIMROCK FIRE DISTRICT
MOUNT LEMMON FIRE DISTRICT
NAU CAMPUS POLICE
NAVAJO COUNTY ATTY'S INVESTIGATOR
NAVAJO COUNTY SHERIFF'S DEPT.
NOGALES FIRE DEPARTMENT
NOGALES POLICE DEPARTMENT
NORTHWEST FIRE DISTRICT
ORACLE FIRE DISTRICT
ORO VALLEY POLICE DEPARTMENT
PAGE FIRE DEPARTMENT
PAGE POLICE DEPARTMENT
PARADISE VALLEY POLICE DEPARTMENT
PARKER POLICE DEPARTMENT
PASCUA YAQUI TRIBE FIRE DEPT.
PASCUA YAQUI TRIBE POLICE DEPT.
PATAGONIA MARSHALS
PAYSON FIRE DEPARTMENT
PAYSON POLICE DEPARTMENT
PEORIA FIRE DEPARTMENT
PEORIA POLICE DEPARTMENT
PHOENIX FIRE DEPARTMENT

PHOENIX POLICE DEPARTMENT
PICTURE ROCKS FIRE DISTRICT
PIMA COUNTY ATTORNEY INVESTIGATOR
PIMA COUNTY COMM. COLLEGE POLICE
PIMA COUNTY SHERIFF'S DEPARTMENT
PIMA POLICE DEPARTMENT
PINAL COUNTY SHERIFF'S DEPARTMENT
PINE-STRAWBERRY FIRE DISTRICT
PINETOP FIRE DISTRICT
PINETOP-LAKESIDE POLICE DEPT.
PINWOOD FIRE DISTRICT
PRESCOTT FIRE DEPARTMENT
PRESCOTT POLICE DEPARTMENT
PRESCOTT VALLEY POLICE DEPARTMENT
QUARTZSITE FIRE DISTRICT
QUARTZSITE POLICE DEPARTMENT
QUEEN CREEK FIRE DISTRICT
RINCON VALLEY FIRE DISTRICT
RIO RICO FIRE DISTRICT
RIO VERDE FIRE DISTRICT
SAFFORD POLICE DEPARTMENT
SAHUARITA POLICE DEPARTMENT
SALT RIVER PIMA-MARICOPA FIRE
SALT RIVER PIMA-MARICOPA POLICE
SAN CARLOS TRIBAL POLICE
SAN LUIS FIRE DEPARTMENT
SAN LUIS POLICE DEPARTMENT
SANTA CRUZ COUNTY SHERIFF'S DEPT.
SCOTTSDALE FIRE DEPARTMENT
SCOTTSDALE POLICE DEPARTMENT
SEDONA FIRE DISTRICT
SEDONA POLICE DEPARTMENT
SHOW LOW FIRE DISTRICT
SHOW LOW POLICE DEPARTMENT
SIERRA VISTA FIRE DEPARTMENT
SIERRA VISTA POLICE DEPARTMENT
SNOWFLAKE POLICE DEPARTMENT

SOMERTON FIRE DEPARTMENT
SOMERTON POLICE DEPARTMENT
SOUTH TUCSON FIRE DEPARTMENT
SOUTH TUCSON POLICE DEPARTMENT
SPRINGVILLE POLICE DEPARTMENT
ST. JOHNS POLICE DEPARTMENT
SUMMIT FIRE DISTRICT
SUN CITY FIRE DISTRICT
SUN CITY WEST FIRE DISTRICT
SUN LAKES FIRE DISTRICT
SUPERIOR POLICE DEPARTMENT
SURPRISE FIRE DEPARTMENT
SURPRISE POLICE DEPARTMENT
TEMPE FIRE DEPARTMENT
TEMPE POLICE DEPARTMENT
THATCHER POLICE DEPARTMENT
THREE POINTS FIRE DISTRICT
TOHONO O'ODHAM NATION FIRE
TOHONO O'ODHAM NATION POLICE
TOLLESON FIRE DEPARTMENT
TOLLESON POLICE DEPARTMENT
TOMBSTONE MARSHAL'S DEPARTMENT
TONOPAH FIRE DISTRICT
TOWN OF SUPERIOR (FIRE DEPT)
TRI-CITY FIRE DISTRICT
TUBAC FIRE DISTRICT
TUCSON AIRPORT AUTHORITY FIRE DPT
TUCSON AIRPORT AUTHORITY POLICE
TUCSON FIRE DEPARTMENT
TUCSON POLICE DEPARTMENT
U OF A CAMPUS POLICE DEPARTMENT
VERDE VALLEY FIRE DISTRICT
WELLTON POLICE
WICKENBURG FIRE DEPARTMENT
WICKENBURG POLICE DEPARTMENT
WILLCOX POLICE DEPARTMENT
WILLIAMS POLICE DEPARTMENT

WILLIAMSON VALLEY FIRE DISTRICT
WINSLOW FIRE DEPARTMENT
WINSLOW POLICE DEPARTMENT
WITTMAN FIRE DISTRICT
YAVAPAI CNTY ATTRNY INVESTIGATORS
YAVAPAI COUNTY SHERIFF'S DEPT.

YAVAPAI PRESCOTT TRIBAL POLICE
YOUNGTOWN POLICE DEPARTMENT
YUMA COUNTY SHERIFF'S DEPARTMENT
YUMA FIRE DEPARTMENT
YUMA POLICE DEPARTMENT

