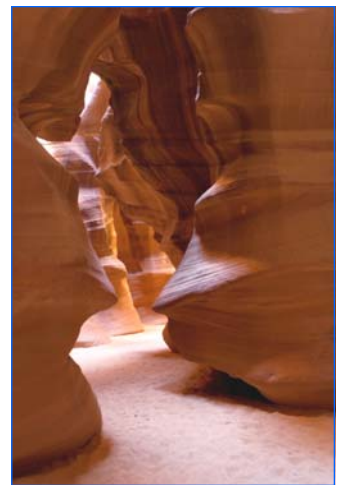


PUBLIC SAFETY

PERSONNEL RETIREMENT SYSTEM



43rd COMPREHENSIVE ANNUAL FINANCIAL REPORT A PENSION TRUST FUND OF THE STATE OF ARIZONA



FOR THE FISCAL YEAR ENDED JUNE 30, 2011

Our Vision, Mission & Values

VISION

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

MISSION

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

VALUES

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

Public Safety Personnel Retirement System

A Pension Trust Fund of the State of Arizona

Forty-Third Comprehensive Annual Financial Report

For the Fiscal Year Ended
June 30, 2011

Prepared by the Staff of PSPRS

Public Safety Personnel Retirement System
3010 E. Camelback Road, Suite 200
Phoenix, AZ 85016
Phone (602)255-5575 Fax (602)255-5572
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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, 2010

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



President

Executive Director

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

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Gregory Ferguson, Trustee
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James M. Hacking
Administrator
Ryan Parham **Jared A. Smout**
Chief Investment Officer Deputy Administrator

December 5, 2011

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

Dear Governor Brewer:

The Board of Trustees of the Public Safety Personnel Retirement System (PSPRS) respectfully submits the Forty-third Comprehensive Annual Financial Report (CAFR) for the fiscal year ended June 30, 2011 (FY'11), in accordance with the provisions of A.R.S. Section 38-848.

The PSPRS Plan's Funding Ratio

As of fiscal year-end, the financial status of the PSPRS Plan, as reflected in its funding ratio, decreased from 65.8% at June 30, 2010 to 61.9% at June 30, 2011. This funding ratio decrease continues the Plan's FY'02 through FY'07 funding ratio erosion trend that resumed in FY'10 following two fiscal years in which the funding status remained relatively stable.

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

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

It is important to note that the funding ratio decrease during the last two fiscal years occurred despite the fact that the Plan had an FY'10 rate of return of 13.47% and an FY'11 rate of return of 17.37% -- returns that were well in excess of the Plan's actuarial assumed rate of return of 8.25%. (For further information on the Plan's net assets and changes in net assets, please refer to the subsequent "Management's Discussion and Analysis" section of this Comprehensive Annual Financial Report (CAFR) which begins on page 20.)

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

If the PSPRS Plan's funding ratio were calculated using fiscal year-end market value (rather than actuarial value) of assets, the Plan's funded status would be only 56.0%, rather than 61.9%. How to move the Plan, within a ten to twenty year time period, back to a pattern of steadily improving funding ratios remains the principal challenge facing the PSPRS System and its Board of Trustees.

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

Before the changes made by SB 1609, the PSPRS statutes required that in any year in which the Plan generated an investment return in excess of 9%, one-half of the excess return over 9% must be diverted into the PSPRS Plan's Reserve for Future Benefit Increases ("The Reserve"). These Reserve assets were then used to finance the post-retirement adjustments payable to eligible beneficiaries of the Plan. However, these Reserve assets were not taken into account for funding ratio and employer contribution rate calculations. If these statutory provisions had not been changed (i.e., SB 1609 specifically prohibited any new in-flows of excess return assets into the Plan's Reserve, effective May 31, 2011), \$193.6 million of FY'11 investment return would have been diverted from the underfunded PSPRS Plan and into the Plan's Reserve. That would have amplified the underfunded status of the Plan as of June 30, 2011.

Employer Contribution Rates

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

As the Plan's funding ratio has eroded, the employer contribution requirements have been rising in large year-over-year increments. The employer aggregate rate crested at 21.72% of payroll in employer FY'09. For the next two years, the aggregate rate remained relatively stable. But based on the Plan's FY'10 results, the aggregate employer rate began to increase again, rising to 22.68% in employer FY'12. Given the further erosion in the Plan's funding status as of the end of FY'11, the aggregate employer rate is scheduled to increase to 27.18% of payroll during employer FY'13. That represents a 4.50% of payroll increase over the current FY'12 aggregate rate. This increase in the employer rate reflects the same combination of factors that have contributed to the funding ratio erosion, including the actuarial assumption revisions approved by the Board. With further erosion in the Plan's funding status expected to occur over the next several years, the forecast is that the employer contribution rates will continue to increase unless the Plan experiences far better than expected investment returns.

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

FY'10 Investment Results

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

Although any new FY'11 in-flow of excess investment return assets to the Plan's Reserve was precluded by SB 1609, the asset balance remaining in the Reserve as of June 30, 2011 was more than sufficient to fund, at the maximum amount allowed by statute, a permanent life-time increase in benefits for all the Plan's eligible beneficiaries. To offset the liability associated with the benefit increase, \$154.8 million was withdrawn from the Reserve, leaving a remaining balance of \$168.3 million. That remaining Reserve balance, and any investment return generated on it during the Plan's FY'12, will be used to fund another increase in benefits for all eligible beneficiaries as of July 1, 2012. After that, the Reserve balance will likely be small or may be zero. Thereafter, a new post-retirement adjustment formula, that was included in SB 1609, will become effective on July 1, 2013; that new formula is expected to provide periodic (but not annual) adjustments to post-retirement benefits in the future.

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

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

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

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Conclusion

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

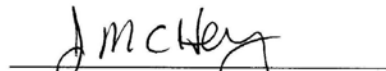
Respectfully submitted,



Brian Tobin, Chairman
of the Board of Trustees




Gregory Ferguson, Vice Chairman
of the Board of Trustees



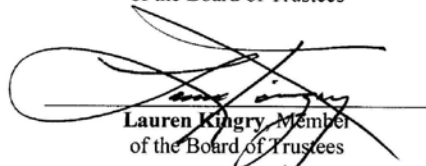
Jeff Allen McHenry, Member
of the Board of Trustees



Richard J. Petrenka, Member
of the Board of Trustees



Randie A. Stein, Member
of the Board of Trustees



Lauren Kingry, Member
of the Board of Trustees

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ELECTED OFFICIALS' RETIREMENT PLAN**

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James M. Hacking
Administrator
Ryan Parham **Jared A. Smout**
Chief Investment Officer Deputy Administrator

December 5, 2011

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

Members:

Here is the Forty-third 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, 2011. 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 that the Board of Trustees transmit to the Governor and the Legislature this annual report within six months of the close of each fiscal year. Incorporated in this Report are the audited Financial Statements, Management's Discussion and Analysis, and other financial data from the June 30, 2011 report of Heinfeld, Meech & Co. P.C., Certified Public Accountants and auditors for the System. Also included are the actuarial Certification Statement and the actuarial Balance Sheet from the June 30, 2011 Actuarial Valuation Report prepared by the System's actuary, Gabriel, Roeder, Smith & Co (GRS).

Financial Information Reporting

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

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

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

Revenues

Revenues for the Plan are derived from 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 gain of \$789.3 million this fiscal year. That was supplemented by revenue from member contributions of \$99.3 million, direct employer contributions of \$273.8 million, and insurance premium taxes of \$12.0 million. Please refer to the Statistical Section for a ten-year history of revenues and expenses.

Administrative and Investment Expenses

The PSPRS Plan's FY'11 administrative and investment-related expenses totaled \$21.8 million, up from the \$21.5 million during the prior year. Administrative and investment expenses were approximately 42 basis points of the total assets managed. This is reasonable when compared with other public retirement systems. A dedicated staff and constantly improving internal technology and expertise has enabled management to keep costs reasonable even though assets are being outsourced to external managers of more expensive portfolios that are alternatives to equity portfolios; but this has to be done to reduce the System's exposure to equities and to reduce volatility.

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

Investments

The total rate of return on the PSPRS Plan assets for the fiscal year was 17.37% on a net of fees basis. This return was well in excess of the System's 8.25% actuarial assumed rate of return. The Investment Section of this Report contains, among other things, graphs depicting the Plan's performance, a detailed summary of the investment portfolio, and commissions paid to investment professionals who provide services to PSPRS. All Plan investments were held in trust by BNY Mellon, the System's custodian bank.

Enacted Legislation

During FY'11, the State Legislature approved, and the Governor signed, two bills that were of significance; one was of great significance. The first was SB 1317 which made many administrative, technical and clarifying changes to the PSPRS, CORP and EORP statutes. These include a clarification that compensatory time used by a PSPRS employee in lieu of overtime pay is pensionable; a clarification that fire recruits, at a local board's discretion, may participate in PSPRS while in training; a provision that limits the retroactive payment of a pension to 90 days prior to the date the member applies for benefits; and provisions that reconcile all the different local board reporting requirements, including Title 12, with Title 38 to ensure consistency with notification requirements to the System.

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

Actuarial and Funding Information

Funding a retirement system on a sound actuarial reserve basis involves the 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 has been 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 Plan's actuarial valuation results, 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 serve to reduce the employer contributions that would otherwise be required.

The most commonly used measure of a retirement system's funding progress is the ratio of the actuarial value of assets to actuarial accrued liability, often referred to as the "percent funded." The percent funded for the PSPRS Plan had declined steadily for six consecutive years through FY'07. Following two years of modest improvement, the funding ratio started to deteriorate again last fiscal year. That trend has unfortunately continued this year. From FY'10 to FY'11, the funding ratio has declined from 65.8% to 61.9%. Given the System's seven year averaging of investment results (actuarial "smoothing"), much of the effect of the FY'08 and FY'09 negative rates of return are yet to be reflected in the funding ratio of the Plan; therefore, the expectation is that the funding ratio will deteriorate further in the future.

While each employer has a different contribution rate, depending on the liability for its group of participating employees, the current aggregate rate for the contributing employers is 22.68%. The aggregate rate that will take effect on July 1, 2012 will be 27.18%. Further decline in the Plan's funding ratio will cause employer rates to rise even further.

Post Retirement Benefit Increases

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

These benefit adjustments were fully funded on a present value basis from the assets contained in the PSPRS Plan's Reserve for Future Benefit Increases. In any year in which the Plan generated a return in excess of 9%, one-half of the return in excess of 9% was diverted to the Reserve and withheld from the underlying Fund. For example, the Plan's FY'10 13.47% return resulted in a \$90.9 million flow of new assets into the Reserve. However, SB 1609 has changed all this.

As of May 31, 2011, the new law prohibited any further transfers of assets to the PSPRS Reserve. Nevertheless, because the Reserve balance remaining at June 30, 2011 was \$363.1 million, the assets were more than sufficient to finance the \$154.8 million cost of a life-time benefit adjustment for all the Plan's eligible beneficiaries as of July 1, 2011. The Reserve balance remaining of \$168.3 million will be used to finance another adjustment as of July 1, 2012. At that point the Reserve may be exhausted; but in any event, an entirely new post-retirement adjustment formula that was included in SB 1609 is scheduled to take effect on July 1, 2013. This new formula is expected to provide periodic, but less than annual adjustments for retirees and the Plan's other beneficiaries.

Certificate of Achievement

The Government Finance Officers Association (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the System for the PSPRS Plan's Comprehensive Annual Financial Report (CAFR) for the fiscal year ended June 30, 2010. This was the twentieth consecutive year that the Plan has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a governmental entity must publish an easily readable and efficiently organized CAFR. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe our FY'11 Comprehensive Annual Financial Report continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for a certificate.

New Developments and Management Initiatives

During this past fiscal year, the PSPRS Board of Trustees continued its strategic initiative that has changed the way in which the Plan's assets are managed and invested. (See the Board of Trustees' transmittal letter to the Governor that begins on page 7) In addition, there were other developments and initiatives that are worthy of note. These included the following:

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

New Initiatives for System FY'12

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

- Filling a number of new or vacant staffing positions, including one for a Deputy Administrator and an in-house Investment Counsel and obtaining the services on a half-time basis of an Assistant Attorney General;
- Keeping administrative expenses significantly under the FY'12 budgeted levels and providing the Board with a monthly tracking report of budget-to-actual expenditures;
- Beginning the office renovation project for the purpose of adding more enclosed offices to accommodate our in-house Investment Department, legal counsel, and management needs;
- Communicating with the Steptoe & Johnson attorneys to assure that they are successful in defending the interests of the Board and the System in the legal actions that have (or will be) filed challenging certain provisions contained in last year's SB 1609;
- Preparing the GRS actuaries and staff so that the System will have detailed records available just in case any of SB 1609's provisions are successfully challenged in court and the System has to refund contributions to members or "undo" actions taken in conformance with the new law's requirements;

- Continuing to meet with, and be responsive to, the needs of the System’s constituency groups and conducting meetings in the fall so that the actuarial results for FY’11 can be disclosed and discussed with the constituent group leaders and the representatives of the System’s principal employers and the employer groups;
- Completing, through the Wells Fargo Payment Manager Plus capability, the out-sourcing of the monthly PSPRS beneficiary payroll and planning for the assumption by Wells Fargo of other processes such as the refund and year-end 1099 processes;
- Implementing a new “pay card” program to eliminate the need to generate and mail paper checks;
- Completing the PSPRS Disaster Recovery Plan and conducting a full disaster recovery/business continuity test;
- Up-grading the Denver data center and back-up site by configuring new SANs (i.e. Storage Area Networks) and replacing the current production servers; these up-grades will bring PSPRS closer to the goal of have a complete “data center” environment;
- Adding to the local board outreach, organization, education and training effort by enhancing the a local board web site or “module” within the PSPRS database to make it possible for local board personnel to input or update data directly without having the PSPRS staff do it for them.

Summary

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

I would like to take this opportunity to express my gratitude to the members of the Board of Trustees, the staff, the System’s advisors, and all others who have worked so diligently to assure the continued successful operation of the System. I look forward to the challenge of moving the System forward with a program of constructive and comprehensive change that will maintain high quality customer service and restore the PSPRS Plan to a state of financial soundness.

Respectfully submitted,

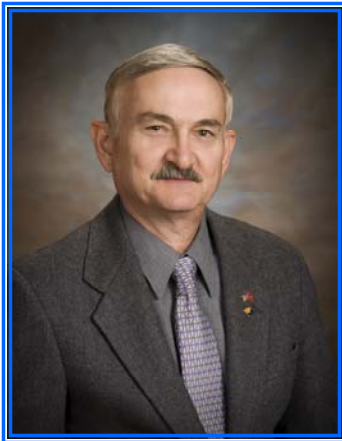


James M. Hacking
Administrator

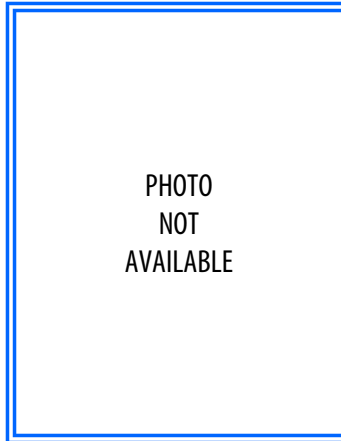
BOARD OF TRUSTEES
(AS OF JUNE 30, 2011)



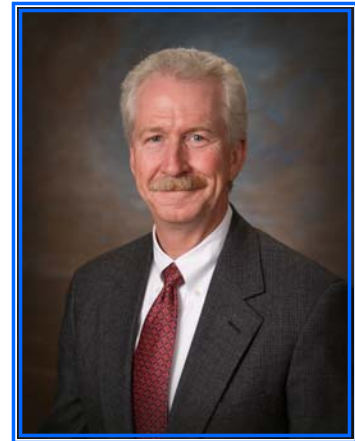
Brian Tobin
Chairman



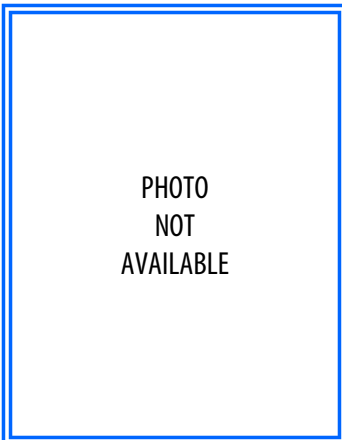
Gregory Ferguson
Trustee



Lauren Kingry
Trustee



Alan Maguire
Trustee



Jeff McHenry
Trustee



Richard Petrenka
Trustee

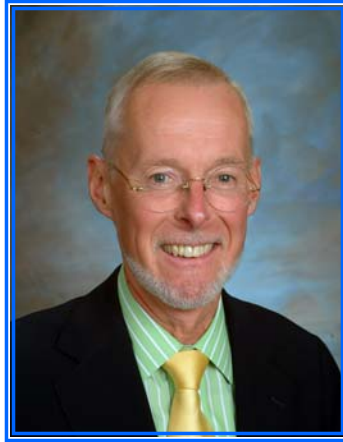


Randie Stein
Trustee

EXECUTIVE STAFF AND ORGANIZATIONAL CHART



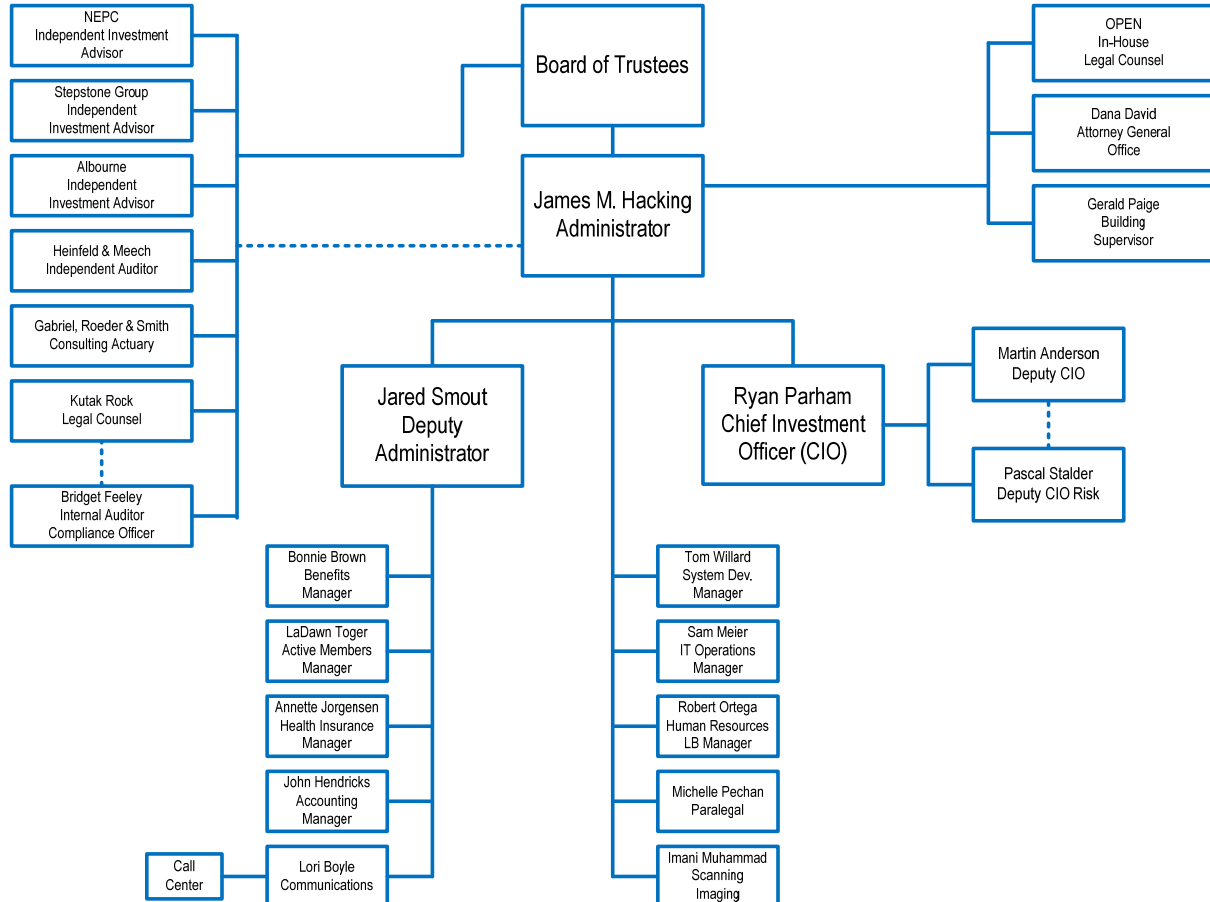
Ryan Parham
Chief Investment Officer



James M. Hacking
Administrator



Jared A. Smout
Deputy Administrator



PROFESSIONAL ADVISORS

Albourne America, LLC

Alliance Resource Consulting, LLC

Ballard Spahr, LLC

Bank of New York Mellon

CB Richard Ellis

Gabriel, Roeder, Smith & Company

Heinfeld Meech & Co., P.C.

HighGround, Inc.

Kutak Rock, LLP

McLagan Partners, Inc.

NEPC, LLC

Public Policy Partners

ORG Portfolio Management, LLC

Step Stone Group, LLC

International Alternative Investment Consultant

Executive Recruitment

Legal Counsel

Custodian

Real Estate Consultant

Actuary

Independent Auditors

Legislative Liaison

Legal Counsel

Human Resource Consultant

Independent Investment Advisor

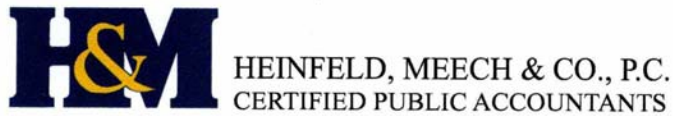
Legislative Liaison

Real Estate Consultant

Alternative Investment Consultant

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

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INDEPENDENT AUDITORS' REPORT

Board of Trustees
Public Safety Personnel Retirement System

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, 2011, 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. The comparative totals as of and for the year ended June 30, 2010, presented in the basic financial statements are included for additional analysis only. Our audit report dated December 3, 2010, expressed an unqualified opinion on those statements; however, we have not performed any auditing procedures on this information since the date of our report.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the net assets of the Public Safety Personnel Retirement System, as of June 30, 2011, and the changes in net assets for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 5, 2011, 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.

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

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

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise PSPRS's basic financial statements as a whole. The Introductory Section, Supporting Schedules Information, Other Supplementary Information, Investment Section, Actuarial Section and Statistical Section are presented for purposes of additional analysis and are not a required part of the basic financial statements. The Supporting Schedules Information and Other Supplementary Information, as listed in the table of contents under the Financial Section, have been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole. The Introductory Section, Investment Section, Actuarial Section and Statistical Section have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

Heinfeld, Meech & Co., P.C.

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

December 5, 2011

PSPRS 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.

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

FINANCIAL HIGHLIGHTS

Key financial highlights for 2011 are as follows:

- The Public Safety Personnel Retirement System (PSPRS) had a total rate of return (net of fees) of 17.37% this year. Our total portfolio outperformed the target fund benchmark by 1 basis point. This is an improvement over the prior year's return of 13.47%.
- As of the close of the fiscal year 2011, the Future Benefit Increase Reserve was \$168.3 million. This will enable another post-retirement adjustment of \$153.58 for qualifying retirees or their survivors for the twenty-eighth consecutive year.
- Retirement benefits paid totaled \$534.4 million for the current year, compared to \$469.5 for the previous year. This represents a 13.82% increase from the prior year. Normal, survivor, and disability retirement benefits paid increased by \$64.9 million.

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 two statements report the System's net assets and changes in them using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. 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 Supplementary Information

The basic financial statements are followed by a section of required supplementary 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 System. 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 Supplementary Information

The 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, 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.

SUMMARY COMPARATIVE STATEMENTS OF PLAN NET ASSETS

	As of 06/30/2011	As of 06/30/2010	Change	% Change
Cash and Short-Term Investments	\$ 133,229,727	\$ 54,071,805	\$ 79,157,922	146.39%
Total Receivables	25,062,275	81,120,430	(56,058,155)	(69.10)%
Total Investments	5,088,726,923	4,488,031,721	600,695,202	13.38%
Securities Lending Collateral	358,848,471	494,161,031	(135,312,560)	(27.38)%
Net Capital Assets	3,804,943	3,836,429	(31,486)	(0.82)%
Total Plan Assets	5,609,672,339	5,121,221,416	488,450,923	9.54%
Accrued Accounts Payable	256,039	296,411	(40,372)	(13.62)%
Investment Purchases Payable	33,924,977	40,900,571	(6,975,594)	(17.06)%
Securities Lending Collateral	358,848,471	494,161,031	(135,312,560)	(27.38)%
Total Plan Liabilities	393,029,487	535,358,013	(142,328,526)	(26.59)%
Net Assets	\$ 5,216,642,852	\$ 4,585,863,403	\$ 630,779,449	13.75%

Summary Comparative Statements of Plan Net Assets Analysis

The total plan net assets held in trust for benefits at June 30, 2011 were \$5.2 billion, a 13.75% increase from \$4.6 billion at June 30, 2010. The increase in net assets is primarily due to favorable financial markets during the fiscal year. The increase in cash or decrease in 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 COMPARATIVE STATEMENTS OF CHANGES IN PLAN NET ASSETS

	2011	2010	Change	% Change
ADDITIONS				
Total Contributions and Service Purchase	\$ 392,644,072	\$ 400,959,722	\$ (8,315,650)	(2.07)%
Net Investment Income (Loss)	789,263,727	553,076,513	236,187,214	42.70%
Service Transfers	304,181	758,603	(454,422)	(59.90)%
Total Additions (Reductions)	1,182,211,980	954,794,838	227,417,142	23.82%
DEDUCTIONS				
Benefits	534,386,731	469,481,695	64,905,036	13.82%
Service Transfers and Refunds	12,269,412	10,218,513	2,050,899	20.07%
Administrative Expenses	4,776,388	4,932,349	(155,961)	(3.16)%
Total Deductions	551,432,531	484,632,557	66,799,974	13.78%
Net Increase (Decrease)	630,779,449	470,162,281	160,617,168	34.16%
Balance Beginning of Year - July 1	4,585,863,403	4,115,701,122	470,162,281	11.42%
Balance End of Year - June 30	\$ 5,216,642,852	\$ 4,585,863,403	\$ 630,779,449	13.75%

Summary Comparative Statements of Changes in Plan Net Assets Analysis

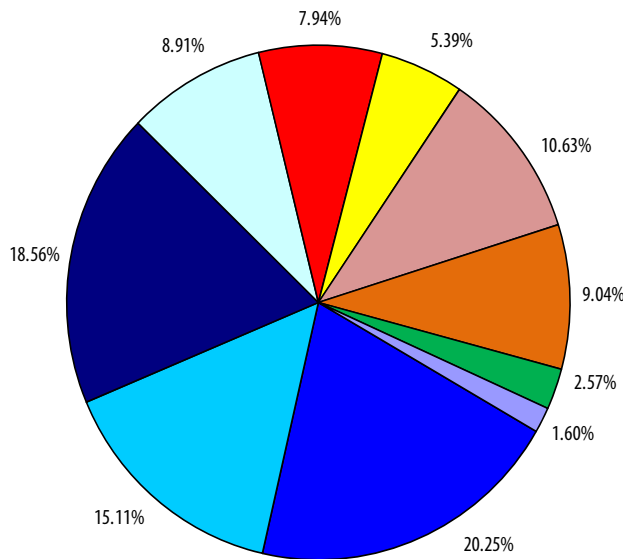
Employer and employee contributions decreased \$8.3 million despite a slight increase in the aggregate employer contribution rates from 20.77% to 20.89%. Additionally, due to economic conditions, layoffs and furloughs have resulted in a decline in salaries paid to active members.

For FY 2011, PSPRS recognized a net investment gain of \$789.3 million which compares to an \$553.1 million gain in the previous year. This 42.7% increase was due to the positive 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, survivor benefits, member refunds and administrative expenses. For FY 2011, these deductions totaled \$551.4 million, an increase of 13.78% from the \$484.6 million paid during FY 2010. The total benefit payments increase is due to a net increase in the number of benefit recipients plus post-retirement adjustments provided to existing benefit recipients. Refunds and service transfers increased \$2.1 million over the prior year which equates to 20.1%. Refunds represent a return of contributions held on account when a member leaves employment. This increase is due to current economic conditions that have led to layoffs and reduction of many governmental services. Administrative expenses decreased 3.2% in large part due to decreases in professional services.

INVESTMENT ACTIVITIES

- U S Equity
- Non-U S Equity
- Fixed Income
- Credit Opportunities
- Private Equity
- Real Assets
- Real Estate
- GTAA
- Absolute Return
- Short Term Investments

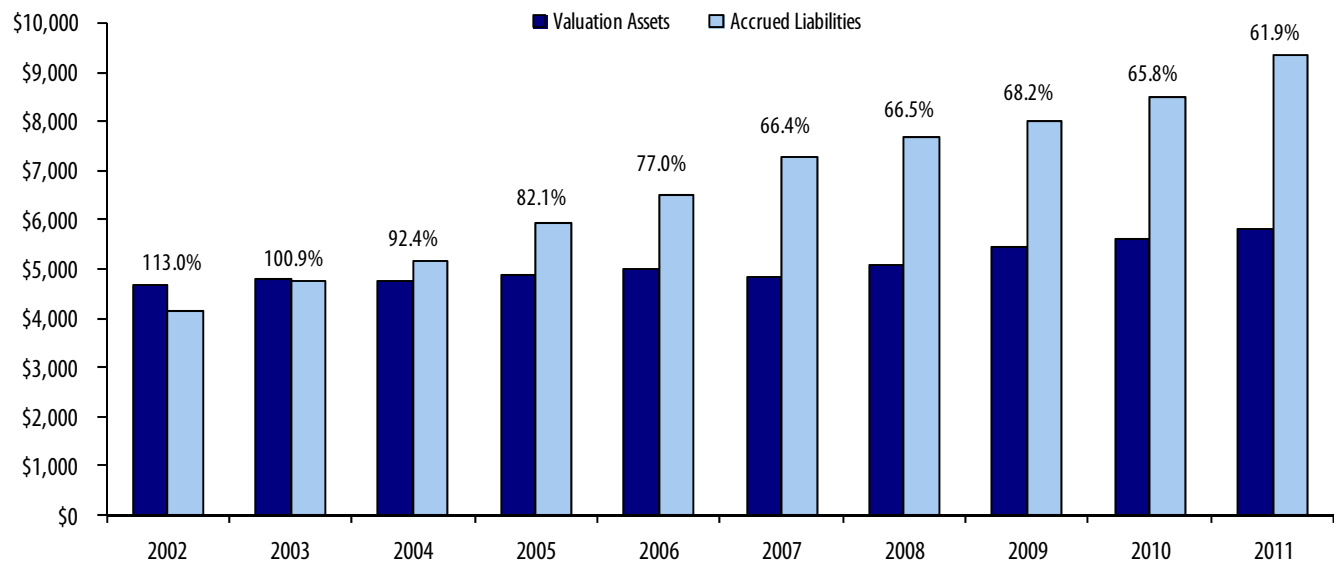


During FY2007 the Board of Trustees adopted a more diversified asset allocation policy and began an asset management restructuring that has been deployed over the past four years. As illustration, at the end of FY2007, 72.8% of the entire investment portfolio was invested in equities versus 35.4% at the end of FY2011. Fixed income has remained about 19% of the entire portfolio. However, alternative investments have increased from 3.5% in FY2007 to 44.5% in FY2011.

At June 30, 2011, PSPRS held \$1.8 billion in equities. The FY2011 rate of return for Total PSPRS equities was 29.98% versus a benchmark rate of return of 31.29%. At June 30, 2011, PSPRS held \$959.7 million in fixed income securities. The FY2011 rate of return for PSPRS fixed income securities was 4.20% versus a benchmark rate of return of 3.90%. The benchmarks for both equities and fixed income securities are representative of the returns that could be expected in a similar investing environment. More detailed information regarding the System’s investment portfolio can be found in the investment section of this report.

PSPRS earns additional income by lending investment securities to brokers. This was done on a pooled basis by our custodial bank (BNY Mellon Bank). 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, 2011.

At June 30, 2011, the total funded status of the PSPRS decreased to 61.9% from 65.8% at FYE2010. This decrease in funded status is related primarily to the seven year smoothing period with only 1/7 of the investment gain from the FY2011 investment return being reflected in the calculation. A more detailed discussion of the funding status can be found in the Administrator's Letter of Transmittal in the Introductory Section of this report.

REQUEST FOR INFORMATION

This report is designed to provide a general overview of the 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
JUNE 30, 2011 WITH COMPARATIVE TOTALS FOR 2010

	2011	2010
ASSETS		
Cash and Short-Term Investments	\$ 133,229,727	\$ 54,071,805
RECEIVABLES		
Member Contributions	3,884,701	3,870,819
Employer Contributions	11,523,988	11,837,423
Interest and Dividends	5,882,999	5,233,188
Investment Sales	1,347,746	57,665,694
Other	2,422,841	2,513,306
Total Receivables	25,062,275	81,120,430
INVESTMENTS AT FAIR VALUE (NOTES 2 AND 3)		
U.S. Equity	1,047,330,360	1,093,235,318
Non U.S. Equity	779,441,089	773,517,715
GTAA	468,064,447	313,598,493
Fixed Income	959,687,838	864,135,904
Credit Opportunities	461,254,905	438,228,418
Private Equity	410,711,916	358,786,145
Real Assets	278,315,308	196,381,163
Real Estate	551,101,759	450,148,565
Absolute Return	132,819,301	-
Total Investments	5,088,726,923	4,488,031,721
Securities Lending Collateral	358,848,471	494,161,031
CAPITAL ASSETS (NOTE 4)		
Land	495,436	495,436
Building	3,592,814	3,573,482
Furniture, Fixtures & Equipment	1,026,755	843,278
Total Capital Assets	5,115,005	4,912,196
Accumulated Depreciation	(1,310,062)	(1,075,767)
Net Capital Assets	3,804,943	3,836,429
TOTAL PLAN ASSETS	5,609,672,339	5,121,221,416
LIABILITIES		
Accrued Accounts Payable	256,039	296,411
Investment Purchases Payable	33,924,977	40,900,571
Securities Lending Collateral	358,848,471	494,161,031
Total Plan Liabilities	393,029,487	535,358,013
NET ASSETS HELD IN TRUST FOR PENSION BENEFITS	5,216,642,852	\$4,585,863,403
NET ASSET RESERVES		
Refundable Members' Reserve	982,628,689	921,671,914
Employers' Reserve	4,065,683,719	3,388,902,162
Future Benefit Increase Reserve	168,330,444	275,289,327
Total Net Asset Reserves	\$5,216,642,852	\$4,585,863,403

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

STATEMENT OF CHANGES IN PLAN NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2011 WITH COMPARATIVE TOTALS FOR 2010

	2011	2010
ADDITIONS (REDUCTIONS)		
Contributions		
Members' Contributions (NOTES 2,5)	\$ 99,262,271	\$ 102,141,540
Employers' Contributions (NOTES 2,5)	272,445,607	288,210,202
Members' Service Purchase	20,936,194	10,607,980
Total Contributions	392,644,072	400,959,722
Investment Income		
<i>From Investing Income</i>		
Net Appreciation (Depreciation) in Fair Value of Investments (NOTES 2,3)	722,917,542	483,512,510
Interest	11,705,499	25,283,323
Dividends	47,559,219	54,737,396
Other Income	21,719,000	2,961,955
<i>From Securities Lending Activities</i>		
Security Lending Activities (NOTE 3)		
Securities Lending Income	1,662,572	2,501,582
Borrower Rebates	1,143,496	1,155,802
Agents Share of Income	(420,635)	(547,024)
Net Securities Lending Income	2,385,433	3,110,360
Total Investment Income (Loss)	806,286,693	569,605,544
Less Investment Expense	(17,022,966)	(16,529,031)
Net Investment Income (Loss)	789,263,727	553,076,513
Transfers Into System	304,181	758,603
Total Additions (Reductions)	1,182,211,980	954,794,838
DEDUCTIONS		
Pension Benefits (NOTE 2)	422,113,671	386,181,299
DROP Benefits (NOTE 2)	112,273,060	83,300,396
Refunds To Terminated Members (NOTE 2)	11,976,416	9,975,440
Administrative Expenses	4,776,388	4,932,349
Transfers To Other Plans	292,996	243,073
Total Deductions	551,432,531	484,632,557
NET INCREASE (DECREASE)	630,779,449	470,162,281
NET ASSETS HELD IN TRUST FOR PENSION BENEFITS		
Beginning of Year, July 1	4,585,863,403	4,115,701,122
End of Year, June 30	\$ 5,216,642,852	\$ 4,585,863,403

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

PSPRS NOTES TO THE FINANCIAL STATEMENTS

NOTE 1: PLAN DESCRIPTION

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 Board of Trustees (formerly Fund Manager) and 235 local boards jointly administer the System.

Effective August 6, 1999, it became the Governor’s responsibility to appoint all members of the Board of Trustees. Effective April 28, 2010, SB 1006 was passed that changed the name of the Fund Manager to Board of Trustees and expanded the size of the Board from five to seven members. SB 1006 also increased the term from three to five years. There will be a transitional period during which the terms of office may vary. The Board of Trustees is responsible for the investment of the Plan’s assets, setting employer contribution rates in accordance with an actuarial study, adopting a budget, hiring personnel to administer the System, setting up records, setting up accounts for each member, paying benefits and the general protection and administration of the System. Substantial investment experience is required for the member of the Board that represents the state as an employer and the two public members of the Board.

Each eligible group participating in the 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 Board of Trustees approves new eligible groups for participation. The PSPRS is reported as a component unit of the State of Arizona.

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

Since none of the plans have the authority to impose their will on any of the other plans, each plan is reported as its own stand-alone government.

At June 30, 2011 and 2010, the number of participating local government employer groups was:

GROUP	2011	2010
Municipalities	144	143
County Agencies	21	21
State Agencies	10	10
Special Districts	60	60
Total Employers	235	234

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, 2011 and 2010, statewide PSPRS membership consisted of:

MEMBERSHIP TYPE	RETIREMENT PLAN		INSURANCE SUBSIDY	
	2011	2010	2011	2010
Retirees	9,522	8,954	6,492	6,104
Terminated Vested	1,419	1,106	0	0
DROP	1,081	1,093	0	0
Current Vested	8,632	13,367	0	0
Current Non-Vested	10,006	6,101	0	0
Total Members	30,660	30,621	6,492	6,104

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

To provide a uniform, consistent and equitable statewide program for public safety personnel who are regularly assigned to 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. A.R.S. §38-841

AVERAGE MONTHLY BENEFIT

Employees who became a member of the System on or before December 31, 2011: An average of your highest **36** consecutive months of compensation (salary) within the last 20 years of credited service A.R.S. § 38-842 (7).

Employees who became a member of the System on or after January 1, 2012: An average of your highest **60** consecutive months of compensation (salary) within the last 20 years of credited service. A.R.S. § 38-842 (7).

Compensation includes base wages, shift and military differential wage pay, compensatory time used by an employee in lieu of overtime not otherwise paid by an employer, holiday and overtime pay that is paid to an employee by the employer on a regular monthly, semi-monthly, or biweekly payroll basis as well as any longevity pay paid to an employee at least every six months for which contributions are made to the system. For the purposes of computing retirement benefits, compensation does not include unused sick leave, unused compensatory time, payment in lieu of vacation, "fringe" benefit pay (such as uniform allowance, cell phone or mileage reimbursement) and any payments made directly or indirectly by the employer to the employee for work performed for a third party on a contracted basis except for third party contracts in certain situations. A.R.S. § 38-842(12).

BENEFIT INCREASE / COST OF LIVING ADJUSTMENT (COLA)

A retired member or survivor of a retired member may receive an increase (COLA) from the System if monies are available (See A.R.S. § 38-856). However, effective July 1, 2013 (A.R.S. § 38-856.02) and each July 1 thereafter, as long as there are no monies left to pay under the old COLA structure (See A.R.S. § 38-856 and Section 62), a COLA will be issued as long as the following criteria have been met:

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

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

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

From and after December 31, 2015, legislature may enact permanent one-time benefit increases after an analysis of the effect of the increase on the System by the Joint Legislative Budget Committee (JLBC). A.R.S. § 38-856.03.

CANCER INSURANCE

A cancer insurance program administered by the PSPRS for eligible fire fighters and peace officers. A.R.S. §§ 38-641 through 38-645 .

CONTRIBUTIONS

Through June 30, 2011, each member shall contribute 7.65% of compensation to the System on a pre-tax basis by payroll deduction. After July 1, 2011, each member shall contribute 8.65% of compensation to the System on a pre-tax basis by payroll deduction. The contribution rate for members will increase each fiscal year. A.R.S. § 38-843(E).

CREDITED SERVICE

The member's total period of service for which the member made contributions to the PSPRS. A.R.S. § 38-842(13) .

DEATH BENEFITS - ACTIVE MEMBER

Spouse's Pension. The surviving spouse of an active member will receive a lifetime monthly benefit of 80% of the pension based on the calculation for an accidental disability retirement. If the member was killed in the line of duty, the spouse will receive a lifetime monthly benefit of 100% of the member's average monthly benefit compensation less the "Child's Pension" stated below (if applicable). A.R.S. § 38-846 , AND

FINANCIAL SECTION

Child's Pension. The surviving eligible child(ren) under the age of 18 will receive 20% of the pension each month based on the calculation for an accidental disability retirement until the child turns 18, or until the age of 23 if the attending full-time school between the ages of 18 and 23. Note: No more than 10% per child and if more than two children, equal shares of the 20%. A.R.S. §§ 38-842(23) and 38-846, OR

Guardian Benefit. If there is no surviving spouse and there is at least one eligible child, a guardian benefit of 80% of the member's pension and the Child's Pension will be paid to the guardian of the eligible child(ren) until the child turns 18, or until the age of 23 if the attending full-time school between the ages of 18 and 23. If the member was killed in the line of duty, the guardian benefit is 100% of the member's average monthly benefit compensation (less the Child's Pension if applicable). If a guardian benefit is paid to a disabled child (the child's disability occurred prior to the age of 23) and remains a dependent of the guardian, the benefit is payable to the guardian or conservator for the lifetime of the child. A.R.S. § 38-842(23) and 38-846, OR

Balance of Contributions. If there is no surviving spouse or eligible child(ren), the member's named beneficiary on file will receive the member's accumulated contributions. A.R.S. § 38-846(I).

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

DEATH BENEFITS - INACTIVE MEMBER

Balance of Contributions. If the member was inactive, the member's named beneficiary on file will receive the member's accumulated contributions. A.R.S. §§ 38-842(31) and 38-846(I).

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

DEATH BENEFITS - RETIRED MEMBER

Spouse's Pension. The surviving spouse of a retired member will receive 80% of the member's pension benefit for lifetime. Requires two consecutive years of marriage at time of death. A.R.S. § 38-846, AND

Child's Pension. The surviving eligible child(ren) under the age of 18 will receive 20% of the member's pension each month until the child turns 18, or until the age of 23 if the attending full-time school between the ages of 18 and 23. Note: No more than 10% per child and if more than two children, equal shares of the 20%. A.R.S. §§ 38-842(23) and 38-846, OR

Guardian Benefit. If there is no surviving spouse and there is at least one eligible child, a guardian benefit of 80% of the member's pension and the Child's Pension will be paid to the guardian of the eligible child(ren) until the child turns 18, or until the age of 23 if attending full-time school between the ages of 18 and 23. If a guardian benefit is paid to a disabled child (the child's disability occurred prior to the age of 23) and remains a dependent of the guardian, the benefit is payable for the lifetime of the child. A.R.S. § 38-842(23) and 38-846, OR

Balance of Contributions. If there is no surviving spouse or eligible child(ren), the member's named beneficiary on file will receive the balance of the member's accumulated contributions less the pension payments made to the member. If there is no beneficiary, the balance of the member's accumulated contributions will be paid to the legal representative of the last surviving individual who was being paid the benefit. A.R.S. § 38-846(I).

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

DEFERRED ANNUITY

Inactive members (not making contributions to the System) that have at least 10 years of credited service may elect to receive a Deferred Annuity at the age of 62. This annuity is a lifetime monthly payment that is actuarially equivalent to the member's accumulated contributions in the System plus an equal amount paid by the employer. This annuity is not a retirement benefit and annuitants are not entitled to survivor benefits, benefit increases, or the group health insurance subsidy. A.R.S. § 38-846.01(A).

ACCIDENTAL DISABILITY

A physical or mental condition which totally and permanently prevents an employee from performing a reasonable range of duties within the employee's job classification that was incurred in the performance of the employee's duties and was not the result of a physical or mental condition or injury that existed or occurred before the employee's date of membership in the System. A.R.S. §§ 38-842(1) and 38-844.

Eligibility for an accidental disability will be determined by the Local Board upon an independent medical examination. The monthly benefit is 50% of the member's average monthly compensation, or the normal pension amount, whichever is greater. (There is no credited service requirement.) The Local Board may require periodic medical re-evaluations and the accidental disability may terminate if the Local Board finds the member no longer meets the requirements for the disability benefit and refuses an offer of employment by an employer in the system. A.R.S. §§ 38-844 and 38-845.

CATASTROPHIC DISABILITY

A physical (not mental) condition or injury that totally and permanently prevents an employee from engaging in any gainful employment that was incurred in the performance of the employee's duties and that did not exist or occur before the employee's date of membership in the System. A.R.S. §§ 38-842(9) and 38-844.

Eligibility for a catastrophic disability will be determined by the Local Board upon an independent medical examination. The monthly benefit is 90% of average monthly benefit compensation for first 60 months then reduced to either 62.5% of the average monthly benefit compensation, or normal pension amount, whichever is greater. (There is no credited service requirement.) The Local Board may require periodic medical re-evaluations and the catastrophic disability may terminate if the Local Board finds the member no longer meets the requirements for the disability benefit. A.R.S. §§ 38-844 and 38-845 and Section 11.

ORDINARY DISABILITY

A physical condition that totally and permanently prevents an employee from performing a reasonable range of duties within the employee's department, or a mental condition that totally and permanently prevents the employee from engaging in any substantial gainful activity. The physical or mental condition or injury did not occur before the employee's date of membership in the System. A.R.S. §§ 38-842(34) and 38-844.

Eligibility for an ordinary disability will be determined by the Local Board upon an independent medical examination. The monthly benefit is a percentage of normal retirement based on the employee's years of credited service divided by 20. The Local Board may require periodic medical re-evaluations and the ordinary disability may terminate if the Local Board finds that the member no longer meets the requirements for the disability benefit and refuses an offer of employment by an employer in the system. A.R.S. §§ 38-844 and 38-845.

TEMPORARY DISABILITY

A physical or mental condition that totally and temporarily prevents an employee from performing a reasonable range of duties within the employee's department and that was incurred in the performance of the employee's duties. The monthly benefit is one-twelfth of 50% of annual compensation at time of disability. (There is no credited service requirement.) The disability pension will be paid for no more than 12 months, or if the member returns to work, or if the Local Board deems the member is no longer under temporary disability, whichever occurs first. The member must terminate employment to receive this benefit. A.R.S. §§ 38-842(46), 38-844 and 38-845.

DIVORCE / DOMESTIC RELATIONS ORDER (DRO)

If the member has been involved in a divorce(s), please provide the PSPRS with a complete copy of the Divorce Decree(s) and any attachments or exhibits if referenced in the Decree(s). Upon receipt, additional correspondence will be provided to the parties. If the retirement account is required to be split, a Domestic Relations Order (DRO) will need to be prepared. To ensure that the language in the DRO is acceptable, it is recommended to provide the PSPRS with a draft copy of the DRO for review and approval prior to submitting it to the court. A.R.S. § 38-860.

DEFERRED RETIREMENT OPTION PLAN (DROP)

Employees who became a member before January 1, 2012 and have at least 20 years of credited service may voluntarily and irrevocably enter into the DROP program with the employer for a period of up to 60 months (5 years). The member's monthly benefit is calculated based upon the years of credited service and average monthly compensation at the beginning of the DROP period and that same amount is credited to the DROP account with interest (which will change each fiscal year). Effective July 1, 2011, the interest rate is 8.0% through June 30, 2012. During the DROP period, the member remains as a full-time employee and contributions will not be paid by the employee or the employer and the employee will not earn any additional credited service. At the end of the 60 months (or prior to that time), the member must terminate employment and the monies in the DROP account will then be paid as a lump-sum to the member or as a rollover. The member will then begin receiving the monthly retirement benefit - which is the same amount that was calculated at the beginning of DROP. A.R.S. §§ 38-842, 38-844.02 through 38-844.09.

Employees who became a member before January 1, 2012 and have less than 20 years of credited service on January 1, 2012 and, when eligible, elects to participate in DROP will receive an interest rate that is equal to the average annual return of the system - minimum 2%; maximum assumed earnings rate. The employee will make contributions to the System during DROP period equivalent to employee contributions outlined above pursuant to A.R.S. § 38-843.

Employees who became a member on or after January 1, 2012 are not eligible to participate in DROP.

DROP BENEFICIARY

If a member dies while in DROP, the accrued DROP monies will be paid to the named DROP beneficiary(ies) on file via the *DROP Beneficiary Designation* form.

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

ELIGIBILITY

Police officers who are certified peace officers and fire fighters are eligible to participate in the PSPRS if the employee's customary employment is for at least 40 hours per week for more than 6 months in a calendar year and are regularly assigned to hazardous duties. Retroactive to January 1, 2009, police and fire chiefs are eligible to participate in the PSPRS. A.R.S. § 38-842 (24 and 31).

CONTINGENT LIABILITIES

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

FINANCIAL SECTION

HEALTH INSURANCE

Pursuant to A.R.S. §§ 38-857, 38-651.01 and 38-782, retirees and survivors under the System that elect group health insurance and/or accident insurance coverage through the Arizona State Retirement System group plan (ASRS), the Arizona Department of Administration (ADOA) group plan, or a group plan through an employer of the PSPRS or CORP plans, the System will pay up to the following amount Premium Benefit amount:

SINGLE		FAMILY		
Not Medicare Eligible	Medicare Eligible	All Not Medicare Eligible	All Medicare Eligible	One With Medicare
\$150.00	\$100.00	\$260.00	\$170.00	\$215.00

JOINDERS

Specific positions and employers may participate in the PSPRS if the governing body of the employer enters into a joinder agreement to bring such employees into the PSPRS. The joinder agreement shall be in accordance with the provisions of this System. Assets under any existing public employee defined benefit retirement program shall be transferred to the PSPRS within 60 days after the employer's effective date. A.R.S. § 38-851.

PURCHASE OF HANDGUN OR SHOTGUN

Upon retirement and subject to approval by the employer, the PSPRS retiree may purchase the handgun or shotgun issued by the employer to the employee at less than fair market value. A.R.S. § 38-845(H).

REFUNDS

Employees who became a member on or before December 31, 2011, pursuant to A.R.S. § 38-846.02 (A and B), upon termination of employment (for any reason other than death or retirement) within 20 days after filing an application with the PSPRS, the member will receive a lump-sum payment of accumulated contributions (less any benefits paid or any amounts owed to the System) - thus, forfeiting 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, an additional percentage of contributions will be refunded to the member according to the member's years of service as stated below :

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

Employees who became a member on or after January 1, 2012, pursuant to A.R.S. § 38-846.02 (C), upon termination of employment (for any reason other than death or retirement) within 20 days after filing an application with PSPRS, shall receive a lump-sum payment of ONLY their accumulated contributions (less any benefits paid or any amounts owed to the System) - thus, forfeiting all membership rights and credited service in the System upon receipt of refund of contributions. The member will NOT receive the additional percentage of contributions as stated above.

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

RETIREMENT ELIGIBILITY AND CALCULATION

Employees who became a member on or before December 31, 2011, pursuant to A.R.S. §§ 38-842(12, 13, 32 and 43) and 38-844 and 38-845, retirement benefits will commence the first day of month following termination of employment and based upon the following:

- 20 years of credited service: 50% of the average monthly benefit compensation. A.R.S. § 38-845(A).
- Age 62 with 15 years of service, or 20 years of service with less than 20 years of credited service: The pension is reduced by 4% per year for each year of credited service under 20 years. A.R.S. § 38-845(A)(1).
- 20 to 24.99 years of credited service: 50% of the average monthly benefit compensation for the first 20 years of credited service plus 2% of the average monthly benefit compensation for each year of credited service between 20 and 24.99. A.R.S. § 38-845(A)(2).
- 25 or more years of credited service: 50% of the average monthly benefit compensation for the first 20 years of credited service plus 2.5% of the average monthly benefit compensation for each year of credited service above 20 years - up to a maximum of 80% of the average monthly benefit compensation. A.R.S. § 38-845(A)(2).

Pursuant to A.R.S. §§ 38-842(12, 32 and 43) and 38-844 and 38-845, retirement benefits will commence the first day of month following termination of employment and based upon the following:

- Age 52.5 with 25 years of credited service: 62.5% of the average monthly benefit compensation. Benefits will be reduced by 4% for each year of credited service under 25 years. A.R.S. § 38-845(G).
- 25 or more years of credited service: 62.5% of the average monthly benefit compensation for the first 25 years of credited service plus 2.5% of the average monthly benefit compensation for each year over 25 years of credited service - up to a maximum of 80% of the average monthly benefit compensation. A.R.S. § 38-845(G)(2).

Employees who became a member on or after January 1, 2012 are not eligible for a "Deferred Annuity." However, a member who attains the service requirement for a normal retirement, but does not meet the age requirement, may elect to leave contributions on account until reaching the age requirement and then elect to receive a retirement benefit (survivor benefits, benefit increases, or the group health insurance subsidy). A.R.S. § 38-846.01(B).

RETURN TO WORK AFTER RETIREMENT

Effective September 30, 2009, language was added to A.R.S. § 38-849(D) that requires the PSPRS to review all reemployment determinations. However, pre-approval of the rehiring decision by the PSPRS was not mandated by this legislative amendment; therefore, in order for a retirement to be valid, the Internal Revenue Service (IRS) requires a separation from service from the date of termination (retirement) to the date of rehire. The statutes have defined this period of separation of service as sixty (60) consecutive days from retirement to the date of rehire.

Effective July 20, 2011, the employer is required to pay an alternate contribution rate on behalf of a retired member who returns to work in any capacity in a position ordinarily filled by an employee. The current alternate contribution rate is 10.51%. A.R.S. § 38-843.05.

Effective July 20, 2011, the premium benefit (subsidy) will not apply if the retired member or survivor is reemployed and participates in health care coverage provided by the member's or survivors new employer. A.R.S. § 38-817(E).

SERVICE PURCHASE

Purchase of Prior Active Military Service. Members who have at least 10 years of service with the System may purchase up to 60 months of credited service for periods of active military service performed before employment with their current employer. A.R.S. § 38-858(A). Active members may also receive credited service limited to 60 months if ordered/volunteered to active military service while working for the current employer if the criteria is met pursuant to A.R.S. § 38-858. The member shall pay the members contributions, upon which the employer shall make employer contributions. If member performs military service due to presidential call-up, the employer shall make the employer and employee contributions not to exceed 48 months pursuant to A.R.S. § 38-858 (G). For more information, contact your employer.

Purchase of Prior Service from an Out-of-State Agency. Active members who have at least 10 years of service with the System that have previous service with an agency of the U.S. Government, a state of the U.S., or a political subdivision of a state of the U.S. as a full-time paid fire fighter or full-time paid certified peace officer may elect to redeem up to 60 months of any part of the prior service if the prior service is not on account with any other retirement system. A.R.S. § 38-853.01.

Purchase of Prior Forfeited Service within the SAME Retirement Plan. If a former member who becomes RE-EMPLOYED with the SAME EMPLOYER within two years after the former member's termination date, and applies with the System within ninety days of reemployment, may elect to purchase **all** of the previously forfeited credited service. The amount required to reinstate the credited service is the amount previously withdrawn plus interest at the rate of 9% compounded annually from the date of withdrawal to the date of repayment and the reimbursement is required to be paid within 1-year from the date of re-employment. A.R.S. § 38-849(C). (*Form P1B*) OR If the statutory requirements above are not met, the member may still purchase some or all of the previously forfeited credited service calculated based on an amount computed by the System's actuary to equal the actuarial present value. A.R.S. § 38-853.01. (*Form P2*).

Purchase of Service between the Arizona Retirement Plans/Systems. Members of any of the four Arizona state retirement System/Plans that have credited service under another Arizona state retirement System/Plan may redeem the credited service to their current Arizona state retirement System/Plan by paying the full actuarial present value of the credited service into the current Arizona retirement System/Plan with the approval of the PSPRS or governing board. A.R.S. § 38-922.

Purchase of Service from Rural Metro/Contract Service. Active members that have previous service 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 purchase service subject to limitations pursuant to federal laws. A.R.S. §§ 38-842 and 38-853.01.

Purchase of Service with a PSPRS Employer Prior to Joinder Date. Active members of the System that had previous service in this state as an employee with an employer now covered by the System as a full-time paid fire fighter or full-time paid certified peace officer may elect to redeem any part of the prior service if the prior service is not on account with any other retirement system. A.R.S. § 38-853.01.

TAXATION OF RETIREMENT BENEFITS

All PSPRS retirement benefits in excess of \$2,500 annually will be subject to Arizona state tax. A.R.S. §§ 38-852 and 43-1022.

TRANSFERS

Transfer of Contributions between PSPRS Employers. A member, who terminates employment with an employer and, within two years, accepts a position with the same or another employer participating in the System shall have their credited service transferred to their record with the new employer if they leave their accumulated contributions on deposit with the System. The period not employed shall not be considered as service. A.R.S. § 38-853.

Transfer of Service between the Arizona Retirement Plans/Systems. Members of any of the four Arizona state retirement System/Plans that have credited service under another Arizona state retirement System/Plan may transfer the credited service to their current Arizona state retirement System/Plan by transferring the full actuarial present value of the credited service into the current Arizona retirement System/Plan with the approval of the PSPRS or governing board. A reduced credited service amount may be transferred based on the transfer of the actuarial present value of the credited service under the prior Arizona state System/Plan. A.R.S. §§ 38-921 and 38-922.

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

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

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND PLAN ASSET MATTERS**BASIS OF ACCOUNTING**

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 \$10,000 or more, when acquired, are capitalized at cost. Improvements, which increase the useful life of the property, are also capitalized. Investment income net of administrative and investment expenses are allocated to each employer group based on the average relative fund size for each employer group for that year.

By state statute, the 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 Gain (Loss) used in this calculation totaled \$228,517,315 for FYE 2011 and \$(835,785) for FYE 2010. This calculation is independent of the calculation of the change in the fair value of investments and may include unrealized amounts from prior periods.

ESTIMATES

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of net assets held in trust for pension benefits at June 30, 2011. Actual results could differ from those estimates.

NOTE 3: CASH AND INVESTMENTS**CASH**

Custodial credit risk for deposits is the risk that in the event of a bank failure, the System's deposits may not be returned. The deposits are held in two financial institutions with a balance of up to \$250,000 (permanently guaranteed as of July 21, 2010) insured by the Federal Deposit Insurance Corporation (FDIC). The System mitigates custodial credit risk for deposits by requiring the financial institutions 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 Bank pledged the following securities to PSPRS, the Corrections Officer Retirement Plan and the Elected Officials' Retirement Plan on June 30, 2011 as collateral:

Description	CPN	Maturity	Market Value
FED NATL MTG ASSN POOL #867436	6.00	5-1-2036	2,010,834
FED NATL MTG ASSN POOL #868293	6.00	4-1-2036	3,048,232
FED NATL MTG ASSN POOL #888268	6.00	3-1-2037	354,062
FED NATL MTG ASSN POOL #974411	6.00	10-1-2037	1,012,237
FED NATL MTG ASSN POOL #985011	6.00	8-1-2038	876,783
TOTAL			7,302,148

All monies shall be secured by the depository in which they are deposited and held to the same extent and in the same manner as required by the general depository law of the state. Cash balances represent both operating and cash accounts held by the bank and investment cash on deposit with the investment custodian. All deposits are carried at cost plus accrued interest. The following table is a schedule of the aggregate book and bank balances of all cash and short-term investment accounts as of June 30, 2011:

	REPORTED AMOUNT	BANK BALANCE
Pension Trust Fund	115,127,493	115,127,493
Operating Fund	18,102,234	18,102,234
Total Deposits	133,229,727	133,229,727

INVESTMENTS

PSPRS investments are reported at Fair Market Value. Fair Market Values are determined as follows: Short-term investments are reported at cost plus accrued interest. Equity securities are valued at the last reported sales price. Fixed-income securities are valued using the last reported sales price or the estimated fair market value as determined by fixed-income broker/dealers plus accrued interest. Investments in hedge funds are valued monthly at the last reported valuations. Limited partnership investments in credit opportunities, private equity, real assets and real estate are valued on a quarterly or monthly basis at last reported valuations adjusted by any subsequent cash flows. Joint venture real estate investments are reported at fair market value using either appraisals or manager assessment to estimate the fair market value. Appraisals will be performed every three years on a rolling schedule unless circumstances warrant otherwise. Investment income is recognized as earned.

Statutes enacted by the Arizona Legislature authorize the Board of Trustees to make investments in accordance with the "Prudent Man" rule. The Board of Trustees is not limited to so-called "Legal Investments for Trustees." In making every investment, the Board of Trustees 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:

- 1) That not more than eighty percent of the combined assets of the system or other plans that the board manages shall be invested at any given time in corporate stocks, based on cost value of such stocks irrespective of capital appreciation.
- 2) That not more than five percent of the combined assets of the system or other plans that the board manages shall be invested in corporate stock issued by any one corporation, other than corporate stock issued by corporations chartered by the United States government or corporate stock issued by a bank or insurance company.
- 3) That not more than five percent of the voting stock of any one corporation shall be owned by the system and other plans that the board administers, except that this limitation does not apply to membership interests in limited liability companies.
- 4) That corporate stocks and exchange traded funds eligible for purchase shall be restricted to stocks and exchange traded funds that, except for bank stocks, insurance stocks and membership interests in limited liability companies, are either:
 - A. Listed or approved on issuance for listing on an exchange registered under the Securities Exchange Act of 1934, as amended (15 United States Code §78a through §78l).
 - 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 §78l).
 - 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 board manages shall be invested in foreign securities, based on the cost value of the stocks irrespective of capital appreciation.
 - E. An exchange traded fund that is recommended by the chief investment officer of the system, that is registered under the investment company act of 1940 (15 United States Code § 80 a-1 through 80a-64) and that is both traded on a public exchange and based on a publicly recognized index.

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

At June 30, 2011, the fair market value of the PSPRS Trust and the allocation for each system and plan was as follows:

A small portion of the assets (real estate) remain outside the commingled funds, representing less than 8 basis points of the total.

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

CUSTODIAL CREDIT RISK

Custodial Credit Risk is the risk that 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 counterparty to the investment or deposit transaction fails. As of June 30, 2011, 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 or the PSPRS Trust and are either held by the counterparty or the counterparty'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, 2011, the System's fixed income assets that were not government guaranteed represented 95.6% of the fixed income portfolio.

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

Included in the fixed income portfolio are cash equivalents or commercial paper. Commercial Paper must have a minimum quality rating of A-1/P-1 at the time of purchase. Investments in derivatives are limited to collateralized mortgage obligations (CMO), collateralized bond obligations (CBO), collateralized debt obligations (CDO), and asset-backed securities (ABS).

In preparing this report, collateral for securities lending has been excluded because it is invested in a securities lending collateral investment pool. The following tables summarize the Plan's fixed income portfolio exposure levels and credit qualities.

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

FIXED SECURITY TYPE	FAIR VALUE JUNE 30, 2011	% OF ALL FIXED INCOME ASSETS	WEIGHTED AVG. CREDIT
Corporate Bonds	890,957,573	97.2%	AA
Mortgages	8,462,159	.9%	Below BBB
CBO	17,725,954	1.9%	A
CDO	-	-	-
Total	917,145,686	100.0%	AA

RATINGS DISPERSION DETAIL

CREDIT RATING LEVEL	CORPORATE BONDS	MORTGAGES	CBO	CDO
AAA	-	-	-	-
AA	708,638,382	-	-	-
A	58,307,889	-	8,327,900	-
BBB	20,914,632	364,941	-	-
Below BBB	103,096,670	8,097,218	9,398,054	-
Total	890,957,573	8,462,159	17,725,954	-

CONCENTRATION OF CREDIT RISK

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

INTEREST RATE RISK

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

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

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

FIXED INCOME SECURITY	<1	1-5	6-10	11-15	16-20	>20
Corporate	-	7,104,006	60,874,581	4,041,063	8,416,344	810,521,580
Agencies	-	110,074	1,611,011	4,474,447	23,876,660	12,469,958
CBO	-	-	9,398,054	-	-	8,327,900
CDO	-	-	-	-	-	-
Total	-	7,214,080	71,883,646	8,515,510	32,293,004	831,319,438

CALLABLE BONDS BY SECURITY TYPE
(INCLUDING GOVERNMENT GUARANTEED SECURITIES)

FIXED INCOME SECURITY TYPE	FAIR VALUE JUNE 30, 2011	% OF ALL FIXED INCOME ASSETS
Corporate	3,899,681	.43%
Agencies	-	-
Total	3,899,681	.43%

FOREIGN CURRENCY RISK

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

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

FOREIGN CURRENCY RISK					
CURRENCY	SHORT TERM	FIXED INCOME	EQUITY	OTHER	TOTAL
AUSTRALIAN DOLLAR	85,860	-	41,769,205	-	41,855,065
BRITISH POUND STERLING	300,250	-	103,148,415	13,526,791	116,975,456
CANADIAN DOLLAR	124,784	-	56,976,949	-	57,101,733
DANISH KRONE	51,997	-	5,171,650	-	5,223,647
EURO CURRENCY UNIT	195,226	-	151,883,868	24,895,395	176,974,489
HONG KONG DOLLAR	100,675	-	13,245,738	-	13,346,413
ISRAELI SHEKEL	51,606	-	3,427,508	-	3,479,114
JAPANESE YEN	1,165,521	-	97,895,282	-	99,060,803
NEW ZEALAND DOLLAR	22,335	-	628,785	-	651,120
NORWEGIAN KRONE	44,018	-	4,398,073	-	4,442,091
SINGAPORE DOLLAR	55,027	-	8,333,165	-	8,388,192
SWEDISH KRONA	98,218	-	15,168,072	-	15,266,290
SWISS FRANC	511,092	-	40,294,136	-	40,805,228
TOTAL MARKET VALUE	2,806,609	-	542,340,846	38,422,186	583,569,641

DERIVATIVES

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

The fair value exposure associated with these derivative instruments was recorded on the financial statements as a portion of the unrealized gains and losses related to U.S. Equity and Fixed Income. The total of unrealized gains for PSPRS was \$17,680,522 at June 30, 2011 consisting of U.S. Equity (gain of \$17,717,162) and Fixed Income (loss of \$36,640). Interest risk associated with these investments are included in the tables on page 34.

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, 2011 the fair value of securities on loan was \$349,154,146 and the collateral was \$358,848,471 for Public Safety Personnel Retirement System. 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, 2011, the weighted average maturity was 166 days for all investments purchased with cash collateral from unmatched loans. The Plan has no credit risk because the amounts owed to the borrowers exceed the amounts the borrowers owe to the Plan.

Prior to FY2009, the System had not experienced any defaults or losses on these loans. However, in November 2008 PSPRS was informed that due to recent market events one or more securities lending collateral vehicles that held assets had been impaired. This potential liability will be realized upon settlement of the recovery process or if there becomes a liquidity issue with the collateral pool. A liability of \$8,166,006 has been recorded as the System's share.

ASSET CLASS	OUT ON LOAN	TOTAL AVAILABLE TO LOAN	% OF AVAILABLE TO LOAN
Equities	300,977,114	537,879,495	56.0%
Agencies	-	-	-
Treasuries	-	-	-
Exchange Traded	48,177,032	67,240,687	71.7%
Totals	349,154,146	605,120,182	57.7%

NOTE 4: CAPITAL ASSETS

These assets are stated at cost, and depreciable assets are depreciated using the straight-line method over the estimated life of the asset. Repairs and maintenance are charged to expense as incurred. Depreciation expense for June 30, 2011 was \$234,295.

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

SCHEDULE OF CAPITAL ASSET ACCOUNT BALANCES

	LAND	BUILDING AND IMPROVEMENTS	FURNITURE, FIXTURES AND EQUIPMENT	TOTAL CAPITAL ASSETS
CAPITAL ASSETS				
Balance June 30, 2010	\$ 495,436	\$ 3,573,482	\$ 843,278	\$ 4,912,196
Additions	-	19,331	183,477	202,809
Deletions	-	-	-	-
Balance June 30, 2011	495,436	3,592,814	1,026,755	5,115,005
ACCUMULATED DEPRECIATION				
Balance June 30, 2010	-	(512,052)	(563,716)	(1,075,767)
Additions	-	(101,564)	(132,731)	(234,295)
Deletions	-	-	-	-
Balance June 30, 2011	-	(613,616)	(696,447)	(1,310,062)
Net Capital Assets	\$ 495,436	\$ 2,979,198	\$ 330,308	\$ 3,804,943

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 Entry Age Normal 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-five (25) year period. Beginning July 1, 2006, the minimum employer contribution rate increased from 5% to 8%.

During the year ended June 30, 2011, contributions totaling \$385,108,768 (\$285,846,497 employer [\$265,520,670 pension and \$20,325,827 health insurance subsidy contributions in excess of the benefits paid] and \$99,262,271 member) were made in accordance with contribution requirements determined by an actuarial valuation of the System as of June 30, 2009. The employer contributions consisted of approximately \$165,295,629 for normal cost [\$158,370,692 pension and \$6,924,937 health insurance subsidy] plus \$120,550,868 for amortization of the unfunded actuarial accrued liability in aggregate [\$107,149,978 pension and \$13,400,890 health insurance subsidy]. Employer contributions represented 20.89% of covered payroll [12.08% for normal costs (11.51% pension and 0.57% health insurance) and 8.81% for amortization of unfunded actuarial accrued liability in aggregate (8.09% pension and 0.72% 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 Board of Trustees, PSPRS, the EORP and the CORP. The employees of any of these eligible groups must make an election to participate within two years after the employee first meets the eligibility requirements to participate in the plan. The election to participate is irrevocable and continues for the remainder of the employee's employment with the employer. If an employee elects to participate, the employee must contribute at least 1% of the employee's gross compensation. The IRS maintains that the employers designate the amounts contributed by each employee. All amounts contributed are subject to the discretion and control of the employer. Employee contributions and earnings to the plan are immediately vested.

Employer contributions, if any, are vested based on the following schedule:

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

PSPRS administers the supplemental defined contribution plan through Nationwide Retirement Solutions, Inc. All contributions are sent directly to Nationwide Retirement Solutions, Inc. 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 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 FY2011, contributions collected for the health insurance subsidy amounted to \$20,325,827 and the health benefit subsidy payments were \$13,400,890. The excess contributions of \$6,924,937 were added to the retirement plan for reporting purposes. Effective FY2008, each participating employer is required by GASB Statement No. 45 to disclose additional information with regard to funding policy, the employer's annual OPEB cost and contributions made, the funded status and funding progress of the employer's individual plan and actuarial methods and assumptions used.

NOTE 8: PLAN TERMINATION

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 Board of Trustees, whichever is less. In management's opinion, any loss realized due to current economic conditions will not have a material effect on the financial statements.

As stated in Note 3 – Cash and Investments (under the Security Lending Program heading), the System was notified in November 2008 of a situation involving one or more security lending collateral vehicles that held assets which have been impaired as a result of recent market events. An estimate of the unrealized loss is approximately 10.7 million dollars for all three plans and has been recorded as a liability. It is anticipated that a final resolution will be reached this next fiscal year.

NOTE 10: FUNDING STATUS AND PROGRESS

The System's funded status (excluding health insurance subsidy) as of the most recent valuation data is as follows:

(IN THOUSANDS)						
ACTUARIAL VALUATION DATE	ACTUARIAL VALUE OF ASSETS (A)	ACTUARIAL ACCRUED LIABILITY (B)	UNFUNDED AAL(UAAL) (B-A)	FUNDED RATIO (A/B)	ANNUAL COVERED PAYROLL (C)	UAAL AS A % OF COVERED PAYROLL ((B-A)/C)
06/30/2011	5,795,945	9,094,447	3,298,502	63.7%	1,325,350	248.9%

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

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

Valuation Date: June 30, 2011

Actuarial Cost Method: Entry Age Normal

Amortization Method: Level Percent of Payroll, Closed

Remaining Amortization Period: 25 years closed for unfunded actuarial accrued liability, 20 years open for excess

Asset Valuation Method: 7-Year Smoothed Market Value

Investment Rate of Return: 8.25%

Projected Salary Increases: 5.00% - 8.00%, which includes inflation at 5.00%

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future, and the actuarially determined amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future. Actuarial calculations reflect a long-term perspective. Consistent with this perspective, actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets. The actuarial calculations are based on the benefits provided under the terms of the Plan in effect at the time of each valuation. These benefits are described in Note 1 under "Summary of Benefits".

NOTE 11: REQUIRED SCHEDULES

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

REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF FUNDING PROGRESS
(IN THOUSANDS)

ACTUARIAL VALUATION DATE	ACTUARIAL VALUE OF ASSETS \$ (A)*	ACTUARIAL ACCRUED LIABILITY (AAL) AT ENTRY AGE \$ (B)*	UNFUNDED AAL (EXCESS) (UAAL) \$ (B-A)*	FUNDED RATIO (A/B)	COVERED PAYROLL \$ (C)	UAAL AS A PERCENTAGE OF COVERED PAYROLL ((B-A)/C)
06-30-02	4,684,386	4,144,211	(540,175)	113.0%	854,249	(63.2)%
06-30-03	4,781,377	4,739,613	(41,764)	100.9%	881,285	(4.7)%
06-30-04	4,774,313	5,167,333	393,020	92.4%	911,718	43.1%
06-30-05	4,639,517	5,704,491	1,064,974	81.3%	974,863	109.2%
06-30-06	4,767,055	6,211,586	1,444,531	76.7%	1,073,685	134.5%
06-30-07	4,572,615	7,011,385	2,438,770	65.2%	1,228,037	198.6%
06-30-08	5,095,645	7,405,397	2,309,752	68.8%	1,383,332	167.0%
06-30-09	5,445,497	7,778,394	2,332,897	70.0%	1,415,643	164.8%
06-30-10	5,591,304	8,255,185	2,663,881	67.7%	1,400,544	190.2%
06-30-11	5,795,945	9,094,447	3,298,502	63.7%	1,325,350	248.9%

* Entry Age Normal Cost method through 6-30-05. Projected Unit Credit method from 6-30-06 through 6-30-10. Entry Age method 6-30-11 to the present.

* Beginning 6-30-07, funded ratio calculation does not include AAL for the health insurance premium subsidy. If the AAL for the health insurance premium subsidy included, the funded ratio would be 66.4% for 6-30-07, 66.5% for 6-30-08, 68.2% for 6-30-09, 65.8% for 6-30-10, and 61.9% for 6-30-11.

* See Notes to the Schedules of Required Supplementary Information.

SCHEDULE OF EMPLOYER CONTRIBUTIONS

EMPLOYER CONTRIBUTIONS		
FISCAL YEAR ENDED JUNE 30,	ANNUAL REQUIRED CONTRIBUTIONS	PERCENTAGE CONTRIBUTED
2002	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	166,578,202	107.00% *
2008	221,732,592	104.00% *
2009	316,222,272	103.10% *
2010	288,210,202	104.30% *
2011	272,445,607	104.90% *

* Total Employer Contributions received during FY2007 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 \$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 107.0% for the retirement plan.

* Total Employer Contributions received during FY2008 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.

* Total Employer Contributions received during FY2009 were \$328,436,309. 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 \$22,084,023. The benefits paid for the health insurance subsidy were \$12,214,039. The difference between the calculated annual required contributions and the benefits paid of \$9,869,986 were then added back to the annual required contributions for the retirement plan. This re-quired calculation resulted in a percent contributed of 103.1% for the retirement plan.

* Total Employer Contributions received during FY2010 were \$300,707,126. 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 \$19,607,613. The benefits paid for the health insurance subsidy were \$12,496,924. The difference between the calculated annual required contributions and the benefits paid of \$7,110,689 were then added back to the annual required contributions for the retirement plan. This re-quired calculation resulted in a percent contributed of 104.3% for the retirement plan.

* Total Employer Contributions received during FY2011 were \$285,846,497. 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 \$20,325,827. The benefits paid for the health insurance subsidy were \$13,400,890. The difference between the calculated annual required contributions and the benefits paid of \$6,924,937 were then added back to the annual required contributions for the retirement plan. This re-quired calculation resulted in a percent contributed of 104.9% for the retirement plan.

* See Notes to the Schedules of Required Supplementary Information.

REQUIRED SUPPLEMENTARY INFORMATION**NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION****ACTUARIAL METHODS AND ASSUMPTIONS FOR VALUATIONS PERFORMED JUNE 30, 2011**

The entry age normal actuarial cost method of valuation is used in determining liabilities and normal cost. Differences in the past between assumed experience and actual experience (actuarial gains and losses) become part of actuarial accrued liabilities. Unfunded actuarial accrued liabilities are amortized to produce payments (principal and interest), which are expressed as a percent of payroll. An open 20-year amortization period for excess and a closed 25-year amortization period were used for the June 30, 2011 valuations. The actuarial value of assets is based on a method that fully recognizes expected investment returns and averages unanticipated market return over a 7-year period. The investment return rate assumption used is 8.25% per year, compounded annually (net of investment expenses). Projected salary increase assumptions are based on 5.00%-8.00%, which include a price inflation assumption of 5.00% per year.

Each of the 235 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 FY2011 were determined by actuarial valuations as of June 30, 2009.

SCHEDULE OF CHANGES IN RESERVE BALANCES
FOR THE YEARS ENDED JUNE 30, 2011 AND 2010

	REFUNDABLE MEMBERS' RESERVE	EMPLOYERS' RESERVE	FUTURE BENEFIT INCREASE RESERVE
BALANCE AS OF JUNE 30, 2009	\$853,566,631	\$2,976,520,773	\$285,613,717
DISTRIBUTION OF REVENUES AND EXPENSES			
Members' Contributions	102,141,540		
Employers' Contributions		300,707,126	
Earnings (Loss) on Investments Net of Investment Expenses		553,076,515	
Pension and Insurance Benefits		(481,978,619)	
Refunds to Terminated Members	(6,329,178)	(3,646,261)	
Administrative Expenses		(4,932,351)	
DISTRIBUTION OF TRANSFERS			
Excess Investment Earnings to be used for Future Benefit Increases		(90,856,517)	90,856,517
Earnings (Loss) on Excess Investment Earnings Account Assets		(38,472,168)	38,472,168
Amount Utilized by Benefit Increases Granted		139,653,075	(139,653,075)
Net Transfers In (Out) and Purchase of Service Credits	10,813,373	310,137	
Balances Transferred to Employers' Reserve due to Retirement	(38,520,452)	38,520,452	
BALANCE AS OF JUNE 30, 2010	\$921,671,914	\$3,388,902,162	\$275,289,327
DISTRIBUTION OF REVENUES AND EXPENSES			
Members' Contributions	99,262,271		
Employers' Contributions		285,846,497	
Earnings (Loss) on Investments Net of Investment Expenses		789,263,727	
Pension and Insurance Benefits		(547,787,622)	
Refunds to Terminated Members	(7,743,586)	(4,232,830)	
Administrative Expenses		(4,776,388)	
DISTRIBUTION OF TRANSFERS			
Excess Investment Earnings to be used for Future Benefit Increases			
Earnings (Loss) on Excess Investment Earnings Account Assets		(47,817,756)	47,817,756
Amount Utilized by Benefit Increases Granted		154,776,639	(154,776,639)
Net Transfers In (Out) and Purchase of Service Credits	20,943,298	4,082	
Balances Transferred to Employers' Reserve due to Retirement	(51,505,208)	51,505,208	
BALANCE AS OF JUNE 30, 2011	\$ 982,628,689	\$ 4,065,683,719	\$ 168,330,444

SUPPORTING SCHEDULES INFORMATION

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

	2011	2010
RECEIPTS		
Members' Contributions	\$ 99,248,389	\$ 102,064,249
Employers' Contributions	272,759,042	301,119,939
Interest	11,687,418	28,627,333
Dividends	46,927,489	53,238,571
Other Income	21,809,465	2,961,955
Securities Lending Income	2,427,586	3,110,361
Transfer In	304,181	758,603
Service Purchase	20,936,194	10,607,980
Maturities and Sales of:		
U S Equity	474,318,598	3,861,632,992
Non-U s Equity	299,276,640	1,982,048,039
GTAA	27,733,582	153,667,203
Fixed Income	424,116,087	266,297,468
Absolute Return	31,197,622	-
Credit Opportunities	259,390,457	182,699,024
Private Equity	178,425,880	415,560,540
Real Assets	282,691,621	211,332,275
Real Estate	176,521,789	89,418,115
Total Receipts	2,629,772,040	7,665,144,647
DISBURSEMENTS		
Pension Benefits	422,113,671	398,678,223
Refunds to Terminated Members	11,976,416	9,975,440
Drop Benefits	112,273,060	83,300,396
Investment and Administrative Expenses	21,839,726	21,482,760
Transfer Out	292,996	243,073
Acquisitions of:		
U S Equity	112,697,851	3,360,979,934
Non-U s Equity	110,374,441	1,919,404,005
GTAA	102,219,965	460,036,689
Fixed Income	498,795,659	235,168,359
Absolute Return	156,297,302	-
Credit Opportunities	218,264,055	213,823,553
Private Equity	130,476,049	571,070,553
Real Assets	351,574,448	230,986,374
Real Estate	301,418,479	179,715,941
Total Disbursements	2,550,614,118	7,684,866,300
INCREASE (DECREASE) IN CASH	79,157,922	(19,721,653)
BEGINNING CASH BALANCE - July 1	54,070,805	73,792,458
ENDING CASH BALANCE - June 30	\$ 133,228,727	\$ 54,070,805

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

EXPENSE CATEGORY	ADMINISTRATIVE	INVESTMENT	TOTAL
Accounting and Auditing Services	\$ 77,731	\$ -	\$ 77,731
Actuarial Services	403,054	-	403,054
Building Expense	147,342	-	147,342
Communications	31,400	-	31,400
Computer Related Expense	90,141	-	90,141
Contractual Services	37,257	-	37,257
Depreciation Expense	234,295	-	234,295
Fund Manager Initiatives	12,736	-	12,736
Furniture and Equipment	309	2,621	2,928
Investment Services	-	14,202,776	14,202,776
Legal Services	456,344	483,046	939,390
Local Board Training	17,408	-	17,408
Payroll Taxes and Fringe Benefits	660,708	226,798	887,506
Postage Expenses	49,091	-	49,091
Printing and Publications	16,135	-	16,135
Professional Services	518,982	1,186,254	1,705,236
Salaries and Wages	1,962,003	857,006	2,819,009
Supplies and Services	32,248	-	32,247
Training Expenses	23,372	7,030	30,402
Travel Expense	5,833	57,435	63,268
TOTAL	\$ 4,776,388	\$ 17,022,966	\$ 21,799,352

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

CONSULTANT	SERVICE PROVIDED	FEES PAID
Albourne America, LLC	International Alternative Investment Consultant	\$ 526,769
Alliance Resource Consulting LLC	Executive Recruitment	14,654
BNY Mellon Asset Servicing	Independent Investment Advisor	119,229
Brazen Technology, Inc.	IT Consultant	1,322
CB Richard Ellis	Real Estate Consultant	5,698
Fleetwood Technology Consulting	IT Consultant	10,931
Gabriel Roeder Smith & Company	Actuary	401,911
Heinfeld, Meech & Co.	Independent Auditors	77,731
Highground, Inc	Legislative Liaison	68,411
Kutak Rock LLP	General Counsel	962,242
Light Stone Solutions, LLC	Due Diligence	198,341
LRS Consulting LLC	Local Board Training	22,859
NEPC, LLC	Independent Investment Advisor	284,911
ORG Portfolio Management LLC	Real Estate Consultant	259,848
Osam Inc.	IT Consultant	16,307
Page, Gerald	IT Consultant	15,501
Public Policy Partners	Legislative Liaison	91,172
Sherwood Systems	Accounting Consultant	7,102
Stepstone Group LLC	Alternative Investment Consultant	75,976
TOTAL		\$ 3,160,917

OTHER SUPPLEMENTARY INFORMATION

**HEALTH INSURANCE PREMIUM SUBSIDY
AGENCY FUND
STATEMENT OF CHANGES IN ASSETS & LIABILITIES
FOR THE YEAR ENDED JUNE 30, 2011**

HEALTH INSURANCE PREMIUM SUBSIDY	BEGINNING BALANCE	ADDITIONS	DELETIONS	ENDING BALANCE
ASSETS				
Cash	\$ 0	\$ 13,400,890	\$ 13,400,890	\$ 0
Total Assets	0	13,400,890	13,400,890	0
LIABILITIES				
Benefits Payable	0	13,400,890	13,400,890	0
Total Liabilities	\$ 0	\$ 13,400,890	\$ 13,400,890	\$ 0

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

ACTUARIAL VALUATION DATE	ACTUARIAL VALUE OF ASSETS \$ (A)	ACTUARIAL ACCRUED LIABILITY \$ (B)	UNFUNDED AAL(UAAL) \$ (B-A)	FUNDED RATIO (A/B)	ANNUAL COVERED PAYROLL \$ (C)	UAAL AS A % OF COVERED PAYROLL ((B-A)/C)
06/30/07	0	256,906	256,906	0.0%	1,228,037	20.9%
06/30/08	0	257,381	257,381	0.0%	1,383,332	18.6%
06/30/09	0	211,057	211,057	0.0%	1,415,643	14.9%
06/30/10	0	236,637	236,637	0.0%	1,400,544	16.9%
06/30/11	0	270,814	270,814	0.0%	1,325,350	20.4%

* GASB reporting requires discreetly reporting the health insurance premium subsidy separately from the retirement plan. As a result, the funded ratio for the retirement plan does not include this portion for the health insurance premium subsidy. If you include the actuarial accrued liabilities for the 2007, 2008, 2009, 2010 and 2011 health insurance premium subsidy with the retirement plan, the funded ratios are 66.4%, 66.5%, 68.2%, 65.8% and 61.9% respectively.

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

Brian Tobin, Chairman
Gregory Ferguson, Trustee
Jeff McHenry, Trustee
Richard Petrenka, Trustee
Randie Stein, Trustee
Lauren Kingry, Trustee

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James M. Hacking
Administrator
Ryan Parham **Jared A. Smout**
Chief Investment Officer Deputy Administrator

December 5, 2011

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

Members:

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

Performance Computation Standards:

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

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

Status: (The returns for the PSPRS system's most recent ten years are cited below.)

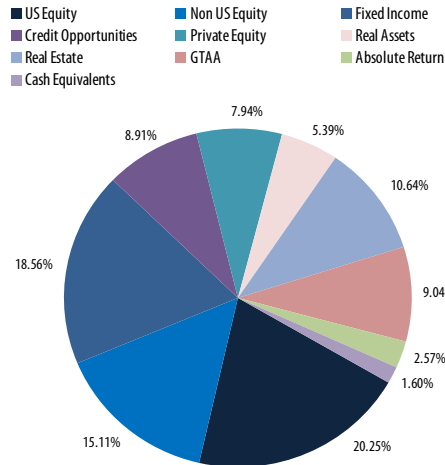
The PSPRS Trust returned +17.37% in the Fiscal Year 2011. This compared favorably with our assumed earnings rate of 8%. The strength of this year's returns is important to contrast with the strong returns of 2004 and 2007, because the strength of this year's return was not just from the equity markets.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

FY	Return %	FY	Return%
2011	17.37	2006	8.32
2010	13.47	2005	9.11
2009	-17.73	2004	14.97
2008	-7.27	2003	6.67
2007	17.05	2002	-15.07

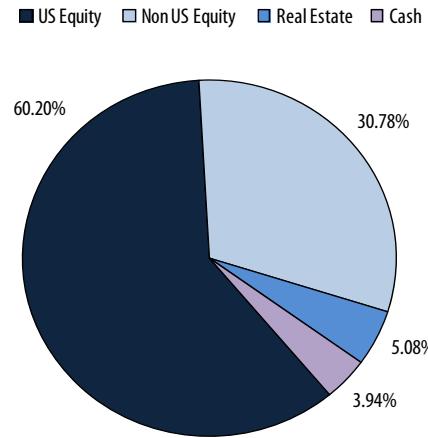
In 2002 the portfolio was invested only in the United States and in just four asset classes. (see Asset Allocations below) Today it is invested in ten asset classes with a truly global exposure. Recent efforts by the Board, Staff and the PSPRS Consultants have been designed to diversify the portfolio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

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

ASSET ALLOCATION
JUNE 30, 2011



ASSET ALLOCATION
JUNE 30, 2002



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

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

Award and Nomination:

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

Conclusion:

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

Respectfully Submitted,

Ryan Parham
Chief Investment Officer

² Data provided by NEPC the PSPRS Board’s consultant.

FUND INVESTMENT OBJECTIVES

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

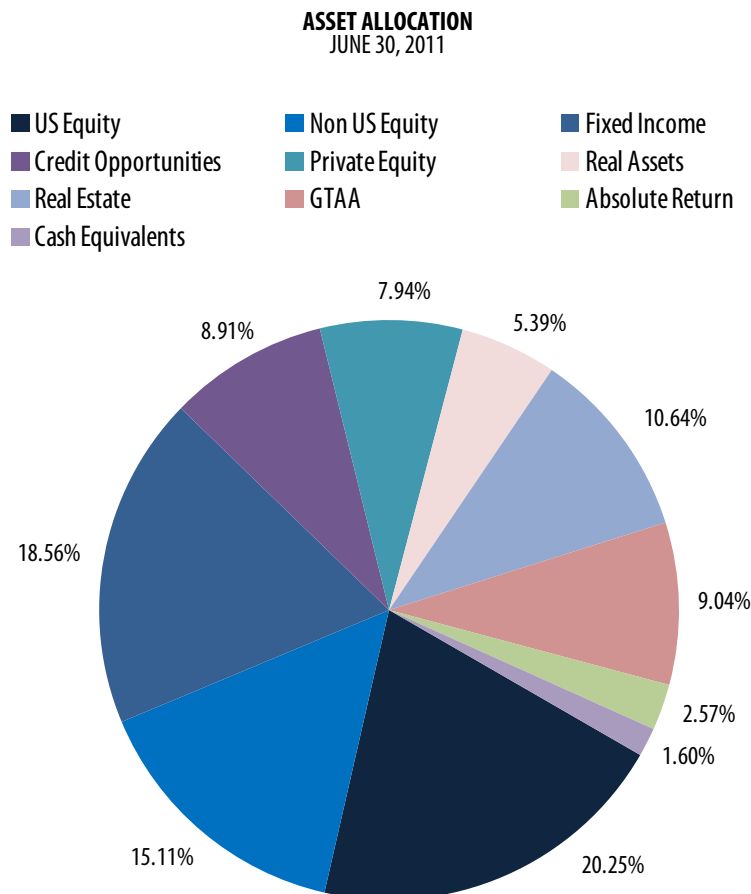
- Maintain a goal for the Fund's assets to be equal to the Fund's liabilities within a twenty year period.
- Annually adjust the employer contribution rates based on the recommendations made by the annual actuarial evaluations.
- Determine a reasonable contribution rate necessary to fund benefits approved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

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

- Deriving a reasonable asset allocation model that attempts to fully achieve the primary investment objective, over the long term.
- Consistent with these objectives and the direction of the Board of Trustees, strategically allocating within asset classes and investment styles in order to enhance investment returns.
- Regularly reviewing the status of investments.
- Regularly assessing the need to adjust the mix, type and composition of the investment classes within the allocation ranges.

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

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



ANNUALIZED RATES OF RETURN*
JUNE 30, 2011

Description	1 Year	3 Years	5 Years	10 Years
PSPRS - Total Fund	17.37%	3.09%	3.53%	3.88%
<i>Target Fund Benchmark</i>	<i>17.36%</i>	<i>1.24%</i>	<i>2.40%</i>	<i>3.18%</i>
Total Equity	29.98%	4.91%	4.19%	
<i>Target Equity Benchmark</i>	<i>31.29%</i>	<i>2.79%</i>	<i>3.10%</i>	
U.S. Equity	30.17%	N/A	N/A	
<i>Russell 3000</i>	<i>32.37%</i>	<i>4.00%</i>	<i>3.35%</i>	
Non-U.S. Equity	29.80%	N/A	N/A	
<i>MSCI ACWI Ex-US Net</i>	<i>29.73%</i>	<i>-0.35%</i>	<i>3.67%</i>	
GTAA	21.21%	N/A	N/A	
<i>3-Month LIBOR + 300 bps</i>	<i>3.33%</i>	<i>3.84%</i>	<i>5.39%</i>	
Fixed Income	4.20%	5.26%	5.26%	
<i>BC Aggregate</i>	<i>3.90%</i>	<i>6.46%</i>	<i>6.52%</i>	
Absolute Return	7.17%	N/A	N/A	
<i>91-Day T-Bill + 200 bps</i>	<i>2.16%</i>	<i>2.44%</i>	<i>4.05%</i>	
Credit Opportunities	18.36%	5.33%	N/A	
<i>ML US High Yield BB-B Constrained</i>	<i>14.56%</i>	<i>10.52%</i>	<i>8.28%</i>	
Private Equity	25.86%	6.75%	N/A	
<i>Russell 3000 + 100 bps</i>	<i>33.37%</i>	<i>5.00%</i>	<i>4.35%</i>	
Real Assets	6.83%	N/A	N/A	
<i>CPI + 200 bps</i>	<i>5.40%</i>	<i>3.05%</i>	<i>4.12%</i>	
Real Estate	-4.93%	-7.63%	N/A	
<i>NCREIF NPI</i>	<i>16.74%</i>	<i>-2.57%</i>	<i>3.44%</i>	
Short Term Investments	0.13%	0.44%	2.22%	
<i>ML Treasury 91 day Actual</i>	<i>0.16%</i>	<i>0.42%</i>	<i>2.00%</i>	

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

Target Fund Benchmarks (Effective Dates)

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

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

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

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

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

Target Equity Benchmarks (Effective Dates)

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

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

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

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

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

EQUITY PORTFOLIO TOP 10 HOLDINGS
 JUNE 30, 2011

Description	Shares	Fair Value
CRESTLINE CS 3000 FUND L.P.	120,717,901	120,717,901
VANGUARD MSCI EMERGING MARKET	1,741,026	84,648,686
ISHARES MSCI EMERGING MARKETS	1,424,732	67,817,260
GAM TRADING STRATEGY	59,022,761	59,022,761
BGI FRONTIER MARKETS FUND	5,159,759	32,439,250
EXXON MOBIL CORP	272,841	22,203,829
VANGUARD FTSE ALL-WORLD EX-US	365,946	18,227,776
ISHARES MSCI CANADA INDEX FUND	574,039	18,179,800
APPLE INC	51,229	17,196,017
VANGUARD TOTAL STOCK MARKET ET	231,750	15,851,696

FIXED INCOME PORTFOLIO TOP 10 HOLDINGS
 JUNE 30, 2011

Description	Shares	Fair Value
BGI CORE ACTIVE BOND FUND	20,957,403	447,769,101
VANGUARD BOND MARKET ETF	1,364,621	110,752,676
FRANKLIN TEMPLETON EMD	54,849,372	54,849,372
CAPITAL GUARDIAN EMERGING	47,511,621	47,511,621
GOLDENTREE HIGH YIELD VALUE	38,116,768	38,116,768
GRACIE INTERNATIONAL CREDIT	38,116,768	38,116,768
IGUAZU PARTNERS LP	31,492,722	31,492,722
SJC DIRECT LENDING	19,013,100	19,013,100
SECURITY MUT LIFE INS CO 144A	11,435,030	11,861,987
CBO HLDGS III 04-3 CL A 144A	9,441,752	9,398,054

SUMMARY OF CHANGES IN INVESTMENT PORTFOLIO

JUNE 30, 2011

(IN THOUSANDS)

DESCRIPTION	JUNE 30, 2010 BALANCE				JUNE 30, 2011 BALANCE			
	PERCENT AT FAIR VALUE	FAIR VALUE	BOOK VALUE	ACQUIRED	MATURED AND SOLD	FAIR VALUE	BOOK VALUE	PERCENT AT FAIR VALUE
U. S. Equity	24.36%	1,093,235	1,094,263	110,984	358,671	1,047,330	846,576	20.58%
Non U. S. Equity	17.24%	773,518	780,304	110,752	260,514	779,441	630,542	15.32%
GTAA	6.99%	313,598	306,628	102,220	14,956	468,064	393,892	9.20%
Fixed Income	19.25%	864,136	796,749	495,519	406,106	959,688	886,162	18.86%
Credit Opportunities	9.76%	438,228	396,332	218,264	225,608	461,255	388,988	9.06%
Private Equity	7.99%	358,786	350,771	130,476	118,979	410,712	362,268	8.07%
Real Assets	4.38%	196,381	190,402	352,658	283,347	278,315	259,713	5.47%
Real Estate	10.03%	450,149	493,364	301,418	170,844	551,102	623,938	10.83%
Absolute Return	0.00%	-	-	156,298	31,198	132,819	125,100	2.61%
Total Portfolio	100.00%	4,488,031	4,408,813	1,978,589	1,870,223	5,088,727	4,517,179	100.00%

SCHEDULE OF COMMISSIONS PAID TO BROKERS

YEAR ENDED JUNE 30, 2011

BROKER	NUMBER OF SHARES TRADED	AVERAGE COMMISSION	TOTAL COMMISSIONS
ABN AMRO BK NV (SECS TRADING), HONG KONG	200,471	0.0005	100
BARCLAYS CAPITAL LE, JERSEY CITY	2,217,572	0.0006	1,247
BERNSTEIN SANFORD C & CO, NEW YORK	81,656	0.0002	17
BNP PARIBAS PEREGRINE SEC LTD, HONG KONG	173,691	0.0004	70
CITIGROUP GBL MKTS AUSTRALIA PTY, SYDNEY	1,587,926	0.0005	794
CITIGROUP GBL MKTS INC, NEW YORK	1,138,192	0.0004	481
CITIGROUP GLOBAL MARKETS LTD, LONDON	452,635	0.0003	158
CITIGROUP GLOBAL MARKETS U.K., LONDON	209,568	0.0004	74
CREDIT SUISSE (EUROPE), LONDON	1,106,503	0.0004	442
CREDIT SUISSE, NEW YORK (CSFBUS33XXX)	1,947,403	0.0004	739
DEUTSCHE BK INTL EQ, LONDN (DEUTGB22EEQ)	95,693	0.0004	34
DEUTSCHE BK SECS INC, NY (NWSCUS33)	880,881	0.0004	340

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

BROKER	NUMBER OF SHARES TRADED	AVERAGE COMMISSION	TOTAL COMMISSIONS
DEUTSCHE MORGAN GRENFELL SEC, SYDNEY	153,330	0.0005	76
GOLDMAN SACHS & CO, NY	157,785	0.0005	78
GOLDMAN SACHS EXECUTION & CLEARING, NY	204,325	0.0007	147
GOLDMAN SACHS INTL, LONDON (GSILGB2X)	13,515,426	0.0004	4,761
INSTINET EUROPE LIMITED, LONDON	7,117,683	0.0004	2,521
INSTINET PACIFIC LTD, HONG KONG	569,891	0.0005	285
INVESTMENT TECHNOLOGY GROUP LTD, DUBLIN	3,355,062	0.0004	1,381
INVESTMENT TECHNOLOGY GROUP, NEW YORK	4,374,110	0.0005	2,165
ITG (EUROPE) LTD, DUBLIN	1,477,451	0.0005	687
ITG AUSTRALIA LTD, MELBOURNE	184,953	0.0005	92
ITG CANADA CORP, TORONTO	5,394,948	0.0004	2,091
ITG HONG KONG LIMITED, HONG KONG	4,677,937	0.0005	2,330
J P MORGAN SEC, SYDNEY	2,390,674	0.0005	1,196
KNIGHT CLEARING SERVICES LLC, JERSEY CIT	17,307	0.0014	25
LOOP CAPITAL MKTS LLC, DALLAS	633,916	0.0005	297
MACQUARIE SECURITIES LIMITED, HONG KONG	208,260	0.0005	105
MERRILL LYNCH INTL LONDON EQUITIES	347,081	0.0004	122
MERRILL LYNCH PIERCE FENNER SMITH INC NY	3,751,997	0.0005	1,888
MERRILL LYNCH PIERCE FENNER, WILMINGTON	1,808,237	0.0005	876
MORGAN STANLEY & CO INC, NY	11,083,914	0.0004	4,517
NOMURA INTERNATIONAL (HK) LTD, HONG KONG	98,513	0.0004	40
NOMURA SECS INTL, LONDON	526,502	0.0004	185
NON-BROKER CORP ACTIONS, BOSTON	38,330	0.0050	190
PENSON FINANCIAL SERVICES INC, DALLAS	101,950,458	0.0001	9,155
PENSON FINANCIAL SERVICES INC, NEW YORK	2,291,060	0.0001	221
RBC CAPITAL MARKETS CORP, MINNEAPOLIS	15,241,537	0.0001	1,578
RBC DOMINION SECS INC, TORONTO (DOMA)	134,354	0.0012	160
REGAL SECURITIES INC, DALLAS	348,073,440	0.0001	32,847
ROYAL BANK OF SCOTLAND N.V, LONDON	2,775,004	0.0003	971
SG SEC (LONDON) LTD, LONDON	10,539,771	0.0004	3,690
STATE STREET BK & TR CO (SEC), LONDON	1,799,636	0.0004	704
STATE STREET BROKERAGE SVCS, BOSTON	7,370,400	0.0004	3,309
UBS EQUITIES, LONDON	1,685,346	0.0004	655
UBS FINANCIAL SERVICES INC, WEEHAWKEN	70,155,133	0.0001	8,087
UBS SECURITIES LLC, STAMFORD	2,772,366	0.0004	1,085
UBS WARBURG ASIA LTD, HONG KONG	2,852,883	0.0005	1,427
TOTAL COMMISSIONS	639,821,211	0.0001	94,440

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

SHARES	DESCRIPTION	COST	FAIR VALUE	UNREALIZED GAIN (LOSS)
23,930,432	RUSSELL 3000 SECURITIES	646,221,763	833,776,416	187,554,653
2,280	S&P 500 EMINI INDEX FUTURES	-	3,537,656	3,537,656
308	RUSSELL 2000 MINI IND FUTURES	-	1,019,412	1,019,412
120,717,901	CRESTLINE CS 3000 FUND L.P.	114,350,303	120,717,901	6,367,598
13,404,518	FRONTPOINT MULTI-STRATEGY FUND	13,563,512	13,404,518	(158,994)
59,022,761	GAM TRADING STRATEGY	57,175,151	59,022,761	1,847,610
231,750	VANGUARD TOTAL STOCK MARKET ET	15,265,253	15,851,696	586,443
217,309,950	TOTAL US EQUITY PORTFOLIO	846,575,982	1,047,330,360	200,754,378

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

SHARES	DESCRIPTION	COST	FAIR VALUE	UNREALIZED GAIN (LOSS)
51,493,917	MSCI WORLD EX-US INDEX	466,683,780	542,625,160	75,941,380
574,039	ISHARES MSCI CDA INDEX FD	16,085,578	18,179,800	2,094,222
1,424,732	ISHARES MSCI EMERGING MARKETS	37,615,625	67,817,260	30,201,635
365,946	VANGUARD INTL EQUITY INDEX	14,665,481	18,227,776	3,562,295
1,741,026	VANGUARD EMERGING MARKETS ETF	58,501,783	84,648,686	26,146,903
120,504	VANGUARD PACIFIC ETF	6,455,308	6,813,289	357,981
5,159,759	BGI FRONTIER MARKETS FUND	22,871,564	32,439,250	9,567,686
165,427	WISDOMTREE EMERGING MARKETS	7,662,872	8,689,868	1,026,996
61,045,350	TOTAL NON-US EQUITY PORTFOLIO	630,541,991	779,441,089	148,899,098

FIXED INCOME PORTFOLIO
YEAR ENDED JUNE 30, 2011

PAR VALUE	DESCRIPTION	COUPON RATE	MATURITY	COST	FAIR VALUE
U.S. GOVERNMENT SECURITIES					
7,623,354	FHLMC MULTICLASS MTG 3561 B	4.00%	08/15/2029	7,530,444	7,672,372
7,623,354	FHLMC MULTICLASS MTG 3740 KD	4.00%	11/15/2038	7,447,063	7,511,748
1,493,176	FHLMC POOL #H1-0069	6.00%	11/01/2036	1,494,743	1,635,595
1,641,038	FHLMC POOL #H1-5010	6.00%	11/01/2036	1,642,759	1,797,560
8,385,689	FNMA GTD REMIC P/T 11-8 AV	4.00%	01/25/2030	8,189,149	8,131,686
36,244	GNMA POOL #0153415	9.00%	04/15/2016	37,415	41,073
9,719	GNMA POOL #0156462	9.00%	07/15/2016	10,045	11,014
21,405	GNMA POOL #0157733	9.00%	05/15/2016	22,110	21,685
13,243	GNMA POOL #0158992	9.00%	06/15/2016	13,570	15,007
19,702	GNMA POOL #0159801	9.00%	09/15/2019	20,656	19,948
39,245	GNMA POOL #0161684	9.00%	07/15/2016	40,587	44,474
25,444	GNMA POOL #0164501	9.00%	08/15/2016	26,305	28,834
67,806	GNMA POOL #0164681	9.00%	10/15/2016	70,171	76,841
21,461	GNMA POOL #0164924	9.00%	09/15/2016	22,163	24,321
28,509	GNMA POOL #0165172	9.00%	06/15/2016	29,449	32,308
10,291	GNMA POOL #0165863	9.00%	08/15/2016	10,642	10,420
24,494	GNMA POOL #0168283	9.00%	08/15/2016	25,332	27,758
8,408	GNMA POOL #0172800	9.00%	08/15/2016	8,690	9,529
16,357	GNMA POOL #0173847	9.00%	09/15/2016	16,888	16,516
16,213	GNMA POOL #0173878	9.00%	08/15/2016	16,739	16,489
12,630	GNMA POOL #0174829	9.00%	09/15/2016	13,039	12,705
37,327	GNMA POOL #0176431	9.00%	08/15/2016	38,610	42,300
9,599	GNMA POOL #0181945	9.00%	04/15/2020	10,089	11,371
1,489	GNMA POOL #0182127	9.00%	11/15/2016	1,541	1,687
9,754	GNMA POOL #0182491	9.00%	12/15/2016	10,106	9,927
25,793	GNMA POOL #0183553	9.00%	08/15/2017	26,792	29,521
15,495	GNMA POOL #0183715	9.00%	11/15/2016	16,052	17,560
72,912	GNMA POOL #0183733	9.00%	01/15/2017	75,599	83,450
4,426	GNMA POOL #0185639	9.00%	11/15/2016	4,569	5,015
29,887	GNMA POOL #0187705	9.00%	01/15/2017	30,952	34,206
21,321	GNMA POOL #0190921	9.00%	12/15/2016	22,075	24,162
21,659	GNMA POOL #0191648	9.00%	05/15/2017	22,488	24,789
15,148	GNMA POOL #0191943	9.00%	07/15/2018	15,802	15,238
30,574	GNMA POOL #0194468	9.00%	12/15/2016	31,640	34,648
1,500	GNMA POOL #0202505	9.00%	10/15/2019	1,549	1,508
26,586	GNMA POOL #0206683	9.00%	04/15/2020	27,916	31,493
24,922	GNMA POOL #0207671	9.00%	07/15/2018	26,002	29,212
3,747	GNMA POOL #0208705	9.00%	05/15/2020	3,927	4,332
19,742	GNMA POOL #0216520	9.00%	05/15/2017	20,496	20,615
2,828	GNMA POOL #0217956	10.00%	11/15/2017	2,977	2,846
34,021	GNMA POOL #0221509	9.00%	12/15/2016	35,178	38,554
34,210	GNMA POOL #0223282	9.00%	05/15/2018	35,689	40,100
11,801	GNMA POOL #0223307	9.00%	04/15/2018	12,307	11,871
16,946	GNMA POOL #0226529	9.00%	06/15/2018	17,674	19,864

FIXED INCOME PORTFOLIO
YEAR ENDED JUNE 30, 2011

PAR VALUE	DESCRIPTION	COUPON RATE	MATURITY	COST	FAIR VALUE
U.S. GOVERNMENT SECURITIES					
9,608	GNMA POOL #0227210	9.00%	09/15/2017	9,979	10,996
9,813	GNMA POOL #0228184	9.00%	05/15/2018	10,239	11,503
1,186	GNMA POOL #0228233	9.00%	05/15/2018	1,229	1,192
24,793	GNMA POOL #0229731	9.00%	07/15/2017	25,757	28,376
21,808	GNMA POOL #0234450	9.00%	04/15/2018	22,720	25,562
1,038	GNMA POOL #0234695	10.00%	12/15/2017	1,099	1,045
19,569	GNMA POOL #0234937	9.00%	03/15/2018	20,402	22,938
14,149	GNMA POOL #0235280	9.00%	04/15/2018	14,757	14,335
27,110	GNMA POOL #0236041	10.00%	11/15/2017	28,430	30,486
14,026	GNMA POOL #0236835	10.00%	11/15/2017	14,711	14,120
2,250	GNMA POOL #0236939	9.00%	04/15/2018	2,347	2,267
62,100	GNMA POOL #0237138	10.00%	10/15/2017	65,797	69,989
8,541	GNMA POOL #0237195	9.00%	06/15/2018	8,877	8,644
1,928	GNMA POOL #0238133	9.00%	04/15/2018	2,002	2,186
21,160	GNMA POOL #0238600	10.00%	11/15/2017	22,164	21,398
10,545	GNMA POOL #0247506	9.00%	01/15/2020	11,067	12,491
6,228	GNMA POOL #0248951	9.00%	05/15/2018	6,499	7,301
65,622	GNMA POOL #0249621	9.00%	05/15/2018	68,434	76,920
17,505	GNMA POOL #0252052	9.00%	06/15/2018	18,081	17,703
65,124	GNMA POOL #0252055	9.00%	06/15/2018	67,972	76,336
5,104	GNMA POOL #0252306	9.00%	04/15/2018	5,314	5,134
6,889	GNMA POOL #0252538	9.00%	05/15/2018	7,180	8,075
6,963	GNMA POOL #0257869	9.00%	09/15/2019	7,303	8,203
2,804	GNMA POOL #0262845	9.00%	03/15/2020	2,946	3,321
43,258	GNMA POOL #0266545	9.00%	01/15/2019	45,216	50,957
41,918	GNMA POOL #0271090	9.00%	10/15/2019	43,922	49,378
15,662	GNMA POOL #0273548	9.00%	09/15/2019	16,426	18,449
31,470	GNMA POOL #0274140	9.00%	09/15/2019	32,987	37,071
7,981	GNMA POOL #0277907	9.00%	11/15/2019	8,374	9,401
12,185	GNMA POOL #0284420	9.00%	02/15/2020	12,790	12,258
10,115	GNMA POOL #0285593	9.00%	02/15/2020	10,623	11,982
16,243	GNMA POOL #0286371	9.00%	02/15/2020	17,019	16,372
17,198	GNMA POOL #0287851	9.00%	04/15/2020	18,074	20,373
16,342	GNMA POOL #0290000	9.00%	04/15/2020	17,154	19,359
14,388	GNMA POOL #0290057	9.00%	06/15/2020	15,129	15,012
13,705	GNMA POOL #0298952	9.00%	04/15/2021	14,428	16,333
4,988	GNMA POOL #0304625	9.00%	03/15/2021	5,249	5,944
12,155	GNMA POOL #0305187	9.00%	06/15/2021	12,811	14,485
19,358	GNMA POOL #0319521	8.00%	02/15/2022	20,339	22,328
29,683	GNMA POOL #0330725	8.00%	07/15/2022	31,254	34,916
98,119	GNMA POOL #0337419	7.00%	06/15/2023	102,353	113,803
50,400	GNMA POOL #0345731	8.00%	05/15/2024	53,197	59,645
22,465	GNMA POOL #0352219	8.00%	04/15/2023	23,669	26,511
136,216	GNMA POOL #0352964	7.00%	05/15/2024	142,155	158,303

FIXED INCOME PORTFOLIO
YEAR ENDED JUNE 30, 2011

PAR VALUE	DESCRIPTION	COUPON RATE	MATURITY	COST	FAIR VALUE
U.S. GOVERNMENT SECURITIES					
217,348	GNMA POOL #0366756	7.00%	03/15/2024	226,802	252,591
141,473	GNMA POOL #0371734	7.00%	04/15/2024	147,624	164,413
238,249	GNMA POOL #0375887	7.00%	05/15/2024	248,651	276,881
329,347	GNMA POOL #0377589	7.50%	08/15/2025	345,331	385,725
122,954	GNMA POOL #0386030	7.00%	05/15/2024	128,311	142,890
56,213	GNMA POOL #0386038	7.00%	06/15/2024	58,664	65,328
32,297	GNMA POOL #0390014	7.00%	06/15/2024	33,708	37,534
120,020	GNMA POOL #0391992	7.00%	03/15/2024	125,253	139,481
235,189	GNMA POOL #0398831	8.00%	08/15/2026	249,036	278,654
30,542	GNMA POOL #0402544	7.50%	04/15/2026	32,050	35,770
241,100	GNMA POOL #0403979	8.50%	10/15/2024	254,948	289,947
145,202	GNMA POOL #0405618	7.50%	04/15/2026	152,375	170,059
20,634	GNMA POOL #0406811	7.50%	01/15/2026	21,648	24,167
149,827	GNMA POOL #0421711	7.50%	04/15/2026	157,207	175,475
7,340	GNMA POOL #0427556	7.50%	03/15/2026	7,700	8,597
35,819	GNMA POOL #0427558	7.50%	04/15/2026	37,589	41,951
79,005	GNMA POOL #0429356	7.50%	03/15/2026	82,890	92,530
53,201	GNMA POOL #0430384	8.00%	08/15/2026	56,141	63,033
181,772	GNMA POOL #0432701	8.00%	06/15/2026	192,429	215,365
91,764	GNMA POOL #0433892	7.00%	07/15/2028	95,779	106,938
75,314	GNMA POOL #0434101	7.00%	12/15/2028	78,623	87,768
146,194	GNMA POOL #0434237	6.00%	03/15/2029	148,294	164,110
27,001	GNMA POOL #0438772	8.00%	08/15/2026	28,591	31,991
52,296	GNMA POOL #0439645	8.00%	09/15/2026	55,372	55,000
86,293	GNMA POOL #0450368	7.00%	08/15/2028	90,076	100,563
48,557	GNMA POOL #0458918	7.00%	08/15/2028	50,681	56,586
171,090	GNMA POOL #0464692	7.00%	07/15/2028	178,587	199,381
99,972	GNMA POOL #0466888	7.00%	07/15/2028	104,348	116,503
184,721	GNMA POOL #0469797	7.00%	12/15/2028	192,827	215,266
128,970	GNMA POOL #0470493	7.00%	06/15/2029	134,636	150,459
109,498	GNMA POOL #0472997	7.00%	06/15/2029	114,313	127,743
37,848	GNMA POOL #0475872	7.00%	07/15/2028	39,505	44,106
26,415	GNMA POOL #0478875	7.50%	11/15/2029	27,786	31,049
108,239	GNMA POOL #0478881	7.50%	11/15/2029	113,843	127,228
153,527	GNMA POOL #0482784	7.00%	10/15/2028	160,267	178,914
66,620	GNMA POOL #0485451	6.50%	05/15/2031	68,377	76,010
128,821	GNMA POOL #0486539	7.00%	09/15/2028	134,464	150,123
28,442	GNMA POOL #0486761	7.00%	12/15/2028	29,689	33,145
34,409	GNMA POOL #0487221	7.00%	05/15/2029	35,922	40,142
55,314	GNMA POOL #0487222	7.00%	05/15/2029	57,734	64,530
148,637	GNMA POOL #0493996	7.00%	07/15/2029	155,181	173,403
290,766	GNMA POOL #0499876	7.00%	06/15/2029	303,569	339,213
197,120	GNMA POOL #0499905	7.00%	05/15/2029	205,800	229,964
123,092	GNMA POOL #0499907	7.00%	05/15/2029	128,504	143,602

FIXED INCOME PORTFOLIO
YEAR ENDED JUNE 30, 2011

PAR VALUE	DESCRIPTION	COUPON RATE	MATURITY	COST	FAIR VALUE
U.S. GOVERNMENT SECURITIES					
177,043	GNMA POOL #0500931	7.00%	06/15/2029	186,081	206,542
681,282	GNMA POOL #0503019	6.00%	03/15/2029	691,048	764,773
551,819	GNMA POOL #0505728	7.00%	06/15/2029	576,093	643,763
59,804	GNMA POOL #0506075	7.00%	11/15/2029	62,437	69,769
145,305	GNMA POOL #0507496	7.00%	06/15/2029	151,703	169,516
63,719	GNMA POOL #0509328	7.00%	06/15/2029	66,516	74,336
22,316	GNMA POOL #0510100	7.00%	07/15/2029	23,297	26,034
22,239	GNMA POOL #0510302	7.00%	08/15/2029	23,217	25,944
114,027	GNMA POOL #0510958	7.00%	05/15/2029	119,040	133,026
31,634	GNMA POOL #0510983	7.00%	06/15/2029	33,027	36,905
159,261	GNMA POOL #0512888	7.00%	07/15/2029	166,280	185,797
130,989	GNMA POOL #0512915	7.00%	07/15/2029	136,758	152,815
90,662	GNMA POOL #0513367	7.00%	08/15/2029	94,656	105,768
15,827	GNMA POOL #0520045	6.50%	06/15/2031	16,245	18,058
162,014	GNMA POOL #0530203	6.50%	04/15/2031	167,710	184,848
319,334	GNMA POOL #0530611	6.50%	05/15/2031	330,578	364,341
314,459	GNMA POOL #0530631	6.50%	06/15/2031	325,542	358,779
76,724	GNMA POOL #0539629	6.50%	04/15/2031	79,420	87,538
149,373	GNMA POOL #0541464	6.50%	06/15/2031	153,310	170,425
101,239	GNMA POOL #0548963	6.50%	03/15/2031	103,913	115,508
354,103	GNMA POOL #0552514	6.50%	04/15/2032	363,406	404,010
982,563	GNMA POOL #0552518	6.50%	04/15/2032	1,008,395	1,121,045
148,620	GNMA POOL #0557424	6.50%	05/15/2031	152,543	169,566
94,891	GNMA POOL #0557467	6.50%	05/15/2031	97,399	108,265
316,232	GNMA POOL #0560189	6.50%	04/15/2031	324,577	360,802
599,129	GNMA POOL #0780076	8.00%	02/15/2025	633,577	707,416
710,792	GNMA POOL #0780220	7.50%	08/15/2025	760,469	832,820
26,150	GNMA POOL #0780896	7.00%	11/15/2028	27,322	30,461
106,105	GNMA POOL #0781129	7.00%	11/15/2028	110,861	123,601
40,435,288	TOTAL US GOVERNMENT SECURITIES			40,543,009	42,542,152

FIXED INCOME PORTFOLIO
YEAR ENDED JUNE 30, 2011

PAR VALUE	DESCRIPTION	COUPON RATE	MATURITY	COST	FAIR VALUE
CORPORATE BONDS					
1,719,004	ACA ABS LTD 144A	VAR	06/10/2041	367,065	17
1,524,671	ANADARKO FINANCE CO	7.50%	05/01/2031	1,577,488	1,761,101
2,287,006	ASSOCIATES CORP OF NORTH AMERI	6.95%	11/01/2018	2,152,123	2,580,040
3,811,677	AUST & NZ BANKING GROUP 144A	4.87%	01/12/2021	3,943,160	3,860,009
144,916	AUTO BD RECEIVABLES TR 94-A	6.40%	04/15/2009	144,916	-
1,524,671	AXA SA	8.60%	12/15/2030	1,472,781	1,816,493
1,524,671	BANK OF AMERICA CORP	5.75%	12/01/2017	1,398,095	1,621,152
9,910,360	BANK OF AMERICA NA	VAR	06/15/2017	8,575,274	8,810,805
1,524,671	BANK ONE CORP	8.00%	04/29/2027	1,495,127	1,899,191
20,957,403	BGI CORE ACTIVE BOND FUND			381,970,387	447,769,100
1,524,671	BURLINGTON RESOURCES FINANCE C	7.40%	12/01/2031	1,413,415	1,888,167
47,511,621	CAPITAL GUARDIAN EMERGING			45,740,121	47,511,621
9,441,752	CBO HLDGS III 04-3 CL A 144A	1.00%	06/01/2019	9,398,054	9,398,054
7,983,134	CBO HLDGS III 1A 04-1 C-2 144A	7.00%	02/10/2038	8,327,900	8,327,900
3,811,677	CITIGROUP INC	5.37%	08/09/2020	4,036,925	3,977,713
652,559	CONAGRA FOODS INC	9.75%	03/01/2021	747,735	844,451
1,143,503	CON-WAY INC	6.70%	05/01/2034	969,708	1,090,056
3,811,677	DEUTSCHE BK CAYMAN 2001-3 144A	VAR	04/30/2031	1,044,641	650,005
54,849,372	FRANKLIN TEMPLETON EMD			53,363,475	54,849,372
2,287,006	GENERAL ELECTRIC CAPITAL CORP	VAR	08/07/2018	2,032,249	2,129,569
3,811,677	GILEAD SCIENCES INC	4.50%	04/01/2021	3,882,137	3,818,004
38,116,768	GOLDENTREE HIGH YIELD VALUE			38,116,768	38,116,768
2,668,174	GOLDMAN SACHS GROUP INC/THE	6.75%	10/01/2037	2,803,206	2,668,120
38,116,768	GRACIE INTERNATIONAL CREDIT			38,116,768	38,116,768
7,493,757	HSBC FINANCE CORP	VAR	06/01/2016	6,958,872	7,104,006
31,492,722	IGUAZU PARTNERS LP			30,493,414	31,492,722
354,229	J P MORGAN RESI 02-R2 CL 3A1	6.00%	04/28/2026	358,268	364,941
3,811,677	MACQUARIE GROUP LTD	6.00%	01/14/2020	3,792,048	3,822,197
3,049,341	MORGAN STANLEY	5.95%	12/28/2017	2,729,649	3,278,194
7,623,354	MORGAN STANLEY	VAR	10/18/2016	6,966,318	7,017,983
280,704	MORGAN STANLEY ABS CAPI NC1 M2	VAR	11/25/2033	244,033	232,959
134,917	MORGAN STANLEY ABS CAPI NC2 M2	VAR	12/25/2033	112,522	85,655
2,001,130	MURPHY OIL CORP	7.05%	05/01/2029	2,006,475	2,289,553
1,524,671	NATIONAL RURAL UTILITIES COOPE	8.00%	03/01/2032	1,709,038	1,987,241
1,524,671	NEXEN INC	6.40%	05/15/2037	1,383,008	1,520,874
3,049,341	NORTH STREET REFERENCED LINKED	VAR	08/30/2030	2,733,188	2,733,188
3,697,326	PACIFIC BELL TELEPHONE CO	7.37%	07/15/2043	3,748,559	3,899,681
4,002,261	PREMIUM ASSET TR ACA 144A	VAR	11/05/2008	4,002,261	-
11,435,030	SECURITY MUT LIFE INS CO 144A	9.37%	12/15/2016	11,861,987	11,861,987
19,013,100	SJC DIRECT LENDING			19,003,452	19,013,100

FIXED INCOME PORTFOLIO
YEAR ENDED JUNE 30, 2011

PAR VALUE	DESCRIPTION	COUPON RATE	MATURITY	COST	FAIR VALUE
CORPORATE BONDS					
127,240	SPDR BARCLAYS CAPITAL INTERNAT			7,548,475	7,859,607
7,623,354	TRAINER WORTHAM FIRST A3L 144A	VAR	04/10/2037	5,364,030	5,364,030
1,524,671	UNITED UTILITIES PLC	4.55%	06/19/2018	1,404,262	1,546,611
1,524,671	UNITEDHEALTH GROUP INC	6.50%	06/15/2037	1,695,368	1,667,075
1,364,621	VANGUARD TOTAL BOND MARKET ETF			108,976,749	110,752,676
3,811,677	VERIZON MARYLAND INC	7.15%	05/01/2023	3,796,848	4,041,063
6,098,683	WACHOVIA CORP	VAR	06/15/2017	5,640,985	5,705,867
383,222,557	TOTAL CORPORATE BONDS			845,619,327	917,145,686
423,657,845	TOTAL FIXED INCOME PORTFOLIO			886,162,336	959,687,838

CREDIT OPPORTUNITIES PORTFOLIO
YEAR ENDED JUNE 30, 2011

DESCRIPTION	COST	FAIR VALUE	UNREALIZED GAIN (LOSS)
BLACKROCK MORTGAGE INVESTORS	41,557,660	58,085,181	16,527,521
CENTERBRIDGE	26,472,045	39,513,033	13,040,988
COMMERCE STREET INCOME PARTNER	29,295,733	37,337,901	8,042,168
EJF DEBT OPPORTUNITIES FUND	30,493,414	30,752,977	259,563
GS CREDIT OPPS FUND 2008	477,516	1,637,712	1,160,196
NISSWA FIXED INCOME FUND LP	22,870,061	29,924,780	7,054,719
OHA STRATEGIC CREDIT	15,683,006	24,345,137	8,662,131
PSPRS PNM MAC MORTGOPP	99,103,596	96,481,906	(2,621,690)
PSPRS-APOLLO EUR NPL	38,545,056	55,156,798	16,611,742
STARK ABS OPPORTUNITIES MASTER	22,870,061	22,870,061	-
TENNENBAUM DIP	633,483	505,966	(127,517)
WATERSTONE MARKET NEUTRAL	30,493,414	33,739,799	3,246,385
WEST FACE LONG TERM OPP	30,493,414	30,903,654	410,240
TOTAL CREDIT OPPORTUNITIES PORTFOLIO	388,988,459	461,254,905	72,266,446

PRIVATE EQUITY PORTFOLIO
YEAR ENDED JUNE 30, 2011

DESCRIPTION	COST	FAIR VALUE	UNREALIZED GAIN (LOSS)
ABRY PARTNERS	10,030,951	14,818,518	4,787,567
APOLLO INVESTMENT FUND VII	20,578,232	34,288,310	13,710,078
AVALON VENTURES IX	2,896,874	2,580,973	(315,901)
BARING ASIA PRIVATE EQUITY V	86,770	192,553	105,783
BLACKSTONE CAPITAL PARTNERS V	17,066,109	19,004,441	1,938,332
CASTLE CREEK	12,292,001	16,405,600	4,113,599
CENTERBRIDGE CAPITAL PARTNERS	3,955,662	3,955,662	-
CHARLESBANK EQUITY FUND VII	6,934,957	7,538,518	603,561
CORTEC GROUP FUND V LP	36,588	36,588	-
DAG VENTURES II CO-INVEST	14,425,516	5,118,616	(9,306,900)
DAG VENTURES II DIRECT	4,014,281	3,491,875	(522,406)
DAG VENTURES III CO-INVEST	9,496,256	9,798,657	302,401
DAG VENTURES III DIRECT	9,807,345	9,952,453	145,108
DAG VENTURES IV CO-INVEST LP	16,199,627	19,523,750	3,324,123
DAG VENTURES IV LP	15,713,390	17,636,297	1,922,907
DFJ MERCURY II	6,861,018	8,108,603	1,247,585
DRUG RYLTY II CO=INV	2,213,535	2,576,574	363,039
DRUG RYLTY II DIRECT	1,867,007	1,537,476	(329,531)
INSIGHT EQUITY II	6,040,619	5,716,693	(323,926)
INSIGHT EQUITY MEZZANINE I	179,647	183,209	3,562
ISHARES RUSSELL 2000 INDEX FUN	47,553,681	63,209,738	15,656,057
JMI EQUITY FUND VII LP	1,686,939	1,665,847	(21,092)
LADDER	14,709,691	17,277,784	2,568,093
LITTLEJOHN FUND IV	5,639,064	6,895,440	1,256,376
LONGWORTH VP III	4,452,038	3,958,700	(493,338)
MESIROW CAPITAL PARTNERS IX	12,125,687	11,103,695	(1,021,992)
MIDOCEAN PARTNER III CO-INVEST	2,096,422	1,988,742	(107,680)
MIDOCEAN PARTNER III DIRECT	18,431,118	16,484,984	(1,946,134)
MILLENNIUM TECHNOLOGY	3,735,443	3,255,520	(479,923)
PENINSULA EQUITY PARTNERS	2,874,722	2,016,815	(857,907)
PROSPECTOR EQUITY CAPITAL	2,546,640	1,861,792	(684,848)
SPDR S&P 500 ETF TRUST	35,911,163	39,839,737	3,928,574
STEPSTONE AZ SECONDARY	24,907,594	34,074,926	9,167,332
STERLING GROUP PARTNERS III	1,891,192	1,536,074	(355,118)
TOWERBROOK INVESTORS III	9,082,369	13,340,493	4,258,124
TRIDENT V LP	5,908,417	5,939,672	31,255
VALLEY VENTURES III	6,053,025	2,726,768	(3,326,257)
VALLEY VENTURES III ANNEX	1,966,012	1,069,823	(896,189)
TOTAL PRIVATE EQUITY PORTFOLIO	362,267,602	410,711,916	48,444,314

REAL ASSETS PORTFOLIO
 YEAR ENDED JUNE 30, 2011

DESCRIPTION	COST	FAIR VALUE	UNREALIZED GAIN (LOSS)
ALTERNA I	15,158,338	18,129,747	2,971,409
BLUEGOLD CAPITAL FUND LTD	9,148,024	8,638,772	(509,252)
CONSERVATION FORESTRY FUND I	15,260,919	15,760,053	499,134
CONSERVATN FOREST II	15,837,580	16,055,034	217,454
ENERGY SELECT SECTOR SPDR FUND	6,577,360	6,376,059	(201,301)
GEOSPHERE	15,246,707	16,558,457	1,311,750
HAWKER CAPITAL HARRIER FUND	15,246,707	13,443,017	(1,803,690)
HELIOS SUNBEAM OPPORTUNITIES	15,246,707	16,214,912	968,205
JP MORGAN AIRRO FUND	11,560,643	11,315,621	(245,022)
MACQUARIE EUR INFRASTRUCT III	15,906,110	19,744,553	3,838,443
MACQUARIE INFRASTRUCTURE II US	10,335,615	12,875,086	2,539,471
MARKET VECTORS - AGRIBUSINESS	11,617,055	11,071,625	(545,430)
ORG SECONDARY - REAL ASSETS	20,385,002	28,976,025	8,591,023
US 10YR NOTE FUTURE (CBT)	-	(1,429)	(1,429)
US 5YR TREAS NTS FUT(CBT)	-	292	292
US TREAS BD FUTURE (CBT)	-	(5,718)	(5,718)
US TREAS-CPI	8,495,026	8,508,583	13,557
US TREAS-CPI INFLAT	7,572,250	7,620,845	48,595
US TREAS-CPI INFLATION INDEX	56,971,227	57,173,434	202,207
US ULTRA BOND (CBT)	-	429	429
VIRIDIAN FUND LTD	9,148,024	9,859,911	711,887
TOTAL REAL ASSETS PORTFOLIO	259,713,294	278,315,308	18,602,014

ABSOLUTE RETURN PORTFOLIO
 YEAR ENDED JUNE 30, 2011

DESCRIPTION	COST	FAIR VALUE	UNREALIZED GAIN (LOSS)
DAVIDSON KEMPNER INSTITUTIONAL	38,116,768	39,729,136	1,612,368
LSV SPECIAL OPPORTUNITIES FUND	3,126,024	3,516,142	390,118
LUXOR CAPITAL PARTNERS	30,493,414	31,645,229	1,151,815
OZ DOMESTIC PARTNERS II LP	53,363,475	57,928,794	4,565,319
TOTAL ABSOLUTE RETURN PORTFOLIO	125,099,681	132,819,301	7,719,620

REAL ESTATE PORTFOLIO
YEAR ENDED JUNE 30, 2011

DESCRIPTION	COST	FAIR VALUE	UNREALIZED GAIN (LOSS)
ALCION II	2,482,864	1,880,829	(602,035)
APEX FUND I	44,658,719	40,325,197	(4,333,522)
APEX FUND II	7,673,020	8,791,819	1,118,799
APOLLO VEF VII DIR R	20,145,658	17,704,356	(2,441,302)
BREP VI	39,740,344	49,101,848	9,361,504
CLSA FUDO CAP II	9,026,223	9,829,240	803,017
COLGATE WILLOW SPRINGS	4,835,648	4,835,648	-
DESERT TROON	245,141,619	182,692,255	(62,449,364)
H2 CREDIT PARTNERS	30,493,414	32,948,852	2,455,438
HARRISON ST RE	48,797,006	46,511,508	(2,285,498)
HARRISON ST RE COINV	5,717,515	6,509,384	791,869
LUBERT ADLER FD VI B	5,145,764	5,145,764	-
ORG SECONDARY FUND	14,587,833	17,249,252	2,661,419
OWH BERKANA DEV	60,987	60,987	-
OWH BERKANA HLD	11,456,982	9,193,108	(2,263,874)
PEBBLECREEK	29,006,860	28,339,817	(667,043)
PIVOTAL EQUITY	1,905,838	2,098,206	192,368
PSPRS-CATALYST EURO	13,501,966	5,150,842	(8,351,124)
PSPRS-IRONPOINTRE	29,086,233	28,977,689	(108,544)
PSPRS-MOUNT GRANGE	14,825,283	13,526,791	(1,298,492)
PSPRS-WALTONMEXICO	20,964,222	15,525,695	(5,438,527)
WALTON FUND V	2,324,086	2,342,331	18,245
WHISP CANYON OWC	22,360,341	22,360,341	-
TOTAL REAL ESTATE PORTFOLIO	623,938,425	551,101,759	(72,836,666)

GTAA SECURITIES PORTFOLIO
YEAR ENDED JUNE 30, 2011

DESCRIPTION	COST	FAIR VALUE	UNREALIZED GAIN (LOSS)
ALL WEATHER PORTFOLIO	15,246,707	16,193,819	947,112
BLACKROCK GLOBAL ASCENT L	152,467,070	157,207,700	4,740,630
BLUE TREND FUND	76,233,535	86,583,961	10,350,426
BRIDGEWATER PURE ALPHA	149,944,268	208,078,967	58,134,699
TOTAL GTAA SECURITIES	393,891,580	468,064,447	74,172,867

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November 7, 2011

The Board of Trustees
Arizona Public Safety Personnel Retirement System
3010 East Camelback Road, Suite 200
Phoenix, Arizona 85016-4416

Re: Arizona Public Safety Personnel Retirement System

Attention: James Hacking, Administrator

The purpose of the annual actuarial valuation of the Arizona Public Safety Personnel Retirement System as of June 30, 2011 is to:

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

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

The valuation process develops contribution rates that are sufficient to fund the plan's normal cost (i.e., the costs assigned by the valuation method to the year of service about to be rendered), as well as to fund unfunded actuarial accrued liabilities as a level percent of active member payroll over a finite period. The valuations were completed based upon population data, asset data, and plan provisions as of June 30, 2011.

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

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



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

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

Actuarial valuations are based upon assumptions regarding future activity in specific risk areas including the rates of investment return and payroll growth, eligibility for the various classes of benefits, and longevity among retired lives. The Board of Trustees adopts these assumptions after considering the advice of the actuary and other professionals. The assumptions and the methods comply with the requirements of Statement No. 25 of the Governmental Accounting Standards Board. Each actuarial valuation takes into account all prior differences between actual and assumed experience in each risk area and adjusts the contribution rates as needed. The June 30, 2011 valuations were based upon assumptions that were recommended in connection with a study of experience covering the 2001-2006 period. Future actuarial measurements may differ significantly from those presented in the valuations due to such factors as experience differing from that anticipated by the actuarial assumptions, changes in plan provisions, changes in actuarial assumptions or methods, or changes in applicable law. Please note the liabilities for the post retirement health insurance subsidy were calculated based on the same assumptions and actuarial cost methods as indicated for GASB Statement No. 25. It is our understanding that currently assets are not segregated to fund these liabilities. As a result, according to GASB Statement No. 45, these benefits may not be considered to be pre-funded. In that case the 8.25% interest rate assumption may not be appropriate. This issue should be discussed with the auditors and with legal counsel.

Based upon the results of the June 30, 2011 valuations, the retired lives are slightly less than fully funded on a funding value of assets basis. They are much less than fully funded based upon the market value of assets. It is most important that this plan receive contributions at least equal to the actuarial rates.

The continuing effect of prior asset losses was dampened by the 7-year smoothing period, and further offset by the effect of lower than assumed pay increases. There remains \$748 million of unrecognized investment losses that will in the absence of other gains, drive the contribution rate up over the next several years.

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

- Assumption and method changes:
 - Investment return was decreased from 8.50% to 8.25%
 - Wage inflation assumption was decreased from 5.5% to 5.0%
 - Funding method was changed from the Projection Unit Credit (PUC) method to the Entry Age Normal (EAN) method



The Board of Trustees
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- Benefit changes
 - o Effective May 31, 2011, no additional amounts are added to the COLA reserve. Any remaining balance in the COLA reserve will be used to pay future COLAs until the reserve is exhausted.
 - o Member contributions for the fiscal year beginning July 1, 2012 were increased to 9.55% of payroll with maintenance of effort provision.

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

Respectfully submitted,

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

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

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

BBM/MB/CN:lr

AGGREGATE ACTUARIAL BALANCE SHEET
YEAR ENDED JUNE 30, 2011

ACTUARIAL ASSETS	2011	2010
ACCRUED ASSETS		
Member Accumulated Contributions	\$ 819,995,853	\$ 799,237,809
Employer and Benefit Payment Reserves	4,396,646,999	3,786,625,594
Funding Value Adjustment	747,632,265	1,280,729,914
Total Accrued Assets	5,964,275,117	5,866,593,317
PROSPECTIVE ASSETS		
Member Contributions	1,087,112,973	937,440,653
Employer Normal Costs	1,212,888,463	1,710,472,398
Employer Unfunded Actuarial Accrued Liability	3,569,316,204	2,900,518,401
Total Prospective Assets	5,869,317,640	5,548,431,452
Total Actuarial Assets	\$ 11,833,592,757	\$ 11,415,024,769
ACTUARIAL PRESENT VALUES (LIABILITY)		
PENSIONS IN PAYMENT STATUS		
Pensions in payment status	\$ 4,626,018,712	\$ 4,117,265,456
PROSPECTIVE PAYMENTS		
Retirement Payments	6,810,004,694	6,795,291,779
Health Insurance Payments	172,954,782	171,900,582
Member Contribution Refunds	56,284,125	55,277,625
Pension Increase Reserve	168,330,444	275,289,327
Total Prospective Payments	7,207,574,045	7,297,759,313
Total Actuarial Present Values (Liabilities)	\$ 11,833,592,757	\$ 11,415,024,769

SUMMARY OF VALUATION ASSUMPTIONS

ECONOMIC ASSUMPTIONS

Interest Rate: 8.25% (net of expenses)

Salary Increases: 5.00% for inflation

DEMOGRAPHIC ASSUMPTIONS

Retired Member Non-Disability Mortality Rates: RP2000 Health Annuitant Mortality Table, male ages set forward 0 years and female ages set forward 1 year.

Active Member Non-Disability Mortality Rates: RP2000 Health Annuitant Mortality Table, male ages set forward 1 year and female ages set forward 2 years.

HEALTHY MORTALITY TABLES

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

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

MORTALITY RATES AND LIFE EXPECTANCY

RETIRED MEMBERS

SAMPLE AGES	PROBABILITY OF DYING NEXT YEAR		FUTURE LIFE EXPECTANCY (YEARS)	
	MEN	WOMEN	MEN	WOMEN
50	.53%	.25%	30.07	32.35
55	.59%	.39%	25.86	27.79
60	.82%	.69%	21.64	23.42
65	1.34%	1.14%	17.62	19.33
70	2.22%	1.86%	13.92	15.54
75	3.78%	3.10%	10.61	12.13
80	6.44%	5.08%	7.79	9.16

MORTALITY RATES AND LIFE EXPECTANCY

ACTIVE MEMBERS

SAMPLE AGES	PROBABILITY OF DYING NEXT YEAR		FUTURE LIFE EXPECTANCY (YEARS)	
	MEN	WOMEN	MEN	WOMEN
50	.20%	.20%	34.07	35.14
55	.28%	.30%	29.44	30.52
60	.44%	.47%	24.89	26.03
65	.70%	.66%	20.50	21.67
70	.95%	2.07%	16.24	17.57
75	3.39%	3.41%	12.66	14.64
80	5.79%	5.63%	10.09	12.50

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

**PERCENT OF ACTIVE MEMBERS RETIRING
FOLLOWING ATTAINMENT OF INDICATED YEARS OF SERVICE**

SERVICE IN YEARS	% RETIRING NEXT YEAR	SERVICE IN YEARS	% RETIRING NEXT YEAR	SERVICE IN YEARS	% RETIRING NEXT YEAR
5	4%	14	5%	23	15%
6	4%	15	5%	24	15%
7	4%	16	15%	25	45%
8	8%	17	5%	26	45%
9	8%	18	6%	27	15%
10	8%	19	7%	28	15%
11	8%	20	40%	29	15%
12	15%	21	30%	30	100%
13	5%	22	20%		

Retirement benefits will commence the first day of the month following termination of employment and based upon completion of 20 years of service, or following 62nd birthday and completion of 15 years of service.

SUMMARY OF VALUTATION ASSUMPTIONS

MISCELLANEOUS AND TECHNICAL ASSUMPTIONS**MARRIAGE ASSUMPTION**

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

PAY INCREASE TIMING

Six months after the valuation date.

DECREMENT TIMING

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

ELIGIBILITY TESTING

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

DECREMENT RELATIVITY

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

DECREMENT OPERATION

Disability and turnover decrements do not operate during retirement eligibility.

SERVICE CREDIT ACCRUALS

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

INCIDENCE OF CONTRIBUTIONS

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

NORMAL FORM OF BENEFIT

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

BENEFIT SERVICE

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

NORMAL COST PERCENTAGE

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

HEALTH CARE UTILIZATION

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

SOLVENCY TEST

Testing the financial solvency of a retirement plan can be done in several ways. The funding objective is to meet long-term benefit promises through contributions that remain approximately level from year to year as a percent of member payroll. If the contributions to the plan are level in concept and soundly executed, and if the plan continues its present operations pattern for the indefinite future, the plan will pay all promised benefits when due - the ultimate test of financial soundness.

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

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 plan that has been following the discipline of level percent of payroll financing, the liabilities for active member contributions on deposit (liability 1) and the liabilities for future benefits to present retired lives (liability 2) will be fully covered by present assets (except in rare circumstances). In addition, the liabilities for service already rendered by active members (liability 3) will be partially covered by the remainder of present assets. Generally, if the plan has been using level cost financing, the funded portion of liability 3 will increase over time. Liability 3 being fully funded is very rare. All amounts presented are in thousands.

YEAR ENDED JUNE 30,	AGGREGATE ACCRUED LIABILITIES				PORTION OF ACCRUED LIABILITIES COVERED BY NET ASSETS AVAILABLE FOR BENEFITS		
	ACTIVE MEMBER CONT.	RETIRANTS AND BENEFICIARIES	ACTIVE MEMBERS (ER PORTION)	VALUATION ASSETS AVAILABLE FOR BENEFITS	(1)	(2)	(3)
	\$ (1)	\$ (2)	\$ (3)	\$ (2)			
2002	495,565	1,905,916	1,742,730	4,684,386	100.0%	100.0%	100.0%
2003	543,817	2,117,512	2,078,284	4,781,377	100.0%	100.0%	82.9%
2004	594,479	2,323,470	2,249,383	4,774,313	100.0%	100.0%	82.5%
2005	643,712	2,566,487	2,741,738	4,886,963	100.0%	100.0%	61.2%
2006	698,025	2,743,387	3,053,601	4,999,911	100.0%	100.0%	51.0%
2007	730,929	3,183,931	3,353,431	4,829,521	100.0%	100.0%	27.3%
2008	789,566	3,418,835	3,454,378	5,095,645	100.0%	100.0%	25.7%
2009	737,839	4,622,427	2,629,185	5,445,497	100.0%	100.0%	3.2%
2010	808,207	4,993,382	2,690,233	5,591,304	100.0%	96.0%	0.0%
2011	819,996	5,790,724	2,754,541	5,795,945	100.0%	86.0%	0.0%

See Schedule of Funding Progress in the Required Supplementary Information.

SUMMARY OF ACTIVE MEMBER DATA

AGE AND SERVICE DISTRIBUTION

Listed below is a summary of Active Members by age group, years of service and annual compensation. The summary points out that there were 18,638 active members in the Plan as of June 30, 2011, compared to 19,468 for the prior year.

ATTAINED AGE	YEARS OF SERVICE TO VALUATION DATE							TOTALS	
	0-4	5-9	10-14	15-19	20-24	25-29	30+	NO.	AVG. SALARY
20-24	285	2						287	\$ 48,269
25-29	1,821	634	1					2,456	56,734
30-34	1,334	1,748	420					3,502	63,302
35-39	754	1,338	1,623	249				3,964	70,503
40-44	442	786	1,383	1,172	204			3,987	76,982
45-49	181	359	559	741	602	146	2	2,590	81,804
50-54	78	137	242	349	303	195	26	1,330	83,705
55-59	31	44	76	117	67	40	22	397	80,206
60-64	11	17	22	31	10	10	4	105	73,659
65+		4	5	8	2	1		20	64,894
Total	4,937	5,069	4,331	2,667	1,188	392	54	18,638	\$ 71,110

COMPARATIVE SCHEDULE

YEAR ENDED JUNE 30,	ACTIVE MEMBERS	PAYROLL +000	AGE (YEARS)	SERVICE (YEARS)	AVERAGE SALARY	INCREASE IN AVG. PAY
2002	15,557	854,249	36.9	9.4	54,911	2.8%
2003	15,530	881,285	37.0	9.5	56,747	3.3%
2004	15,852	911,718	37.1	9.5	57,514	1.4%
2005	16,317	974,863	37.6	9.5	59,745	3.9%
2006	17,324	1,073,685	37.4	9.0	61,977	3.7%
2007	18,624	1,228,037	37.3	8.9	65,903	6.3%
2008	19,912	1,383,332	37.3	8.9	69,472	5.4%
2009	19,867	1,415,643	37.8	9.4	71,256	2.6%
2010	19,468	1,400,547	38.4	10.0	71,941	1.0%
2011	18,638	1,325,350	38.6	10.2	71,110	-1.2%

SUMMARY OF RETIREES AND INACTIVE MEMBERS

YEAR ENDED JUNE 30,	RETIRANTS AND BENEFICIARIES							
	NUMBER REMOVED FROM ROLES	NUMBER ADDED TO ROLES	TOTALS	ANNUAL ALLOWANCES REMOVED FROM ROLES	ANNUAL ALLOWANCES ADDED TO ROLES	ANNUAL PENSIONS	PERCENT INCREASE	AVERAGE PENSION
2002	91	298	5,989	N/A	N/A	184,212,972	8.2%	30,759
2003	104	299	6,184	N/A	N/A	207,616,176	12.7%	33,573
2004	119	331	6,396	5,951,348	22,497,533	224,162,361	8.0%	35,047
2005	103	395	6,688	3,095,916	23,228,295	244,294,740	9.0%	36,527
2006	164	350	6,874	4,721,490	13,926,144	265,826,712	8.8%	38,671
2007	159	918	7,633	3,578,561	45,409,478	307,657,629	15.7%	40,306
2008	164	772	8,241	3,642,137	38,830,259	342,845,751	11.4%	41,602
2009	222	590	8,609	11,175,896	47,338,063	379,007,918	10.5%	44,025
2010	139	484	8,954	5,756,060	37,338,661	410,590,518	8.3%	45,856
2011	130	698	9,522	5,139,598	49,120,961	454,571,881	10.7%	47,739

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

As of June 30, 2011, there were 1,081 inactive members in the Plan who had not withdrawn their accumulated member contributions. It is assumed that these inactive members are waiting to meet the age requirements for a deferred annuity (A.R.S. §38-846.01). They are broken down by attained age and years of service as follows:

SUMMARY OF INACTIVE MEMBERS
FOR THE YEAR ENDED JUNE 30, 2011

ATTAINED AGE	YEARS OF SERVICE TO VALUATION DATE					TOTAL
	0-4	5-9	10-14	15-19	20+	
20-29	280	4				284
30-39	385	52	12			449
40-44	109	26	22	4	1	162
45-49	56	14	16	7		93
50-54	32	7	5	6		50
55-59	7	5	10	1	1	24
60-69	8	2	6	3		19
70+						
Total	877	110	71	21	2	1,081

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

(1) UAAL* at start of year	\$ 2,900,518
(2) Normal cost for year	267,461
(3) Funding Method Contribution	406,045
(4) Interest accrued on (1), (2) and (3)	240,654
(5) Expected UAAL before changes [(1)+(2)-(3)+(4)]	3,002,588
(6) Changes from benefit increases	154,777
(7) Changes from actuarial methods & actuary	381,347
(8) Change in Reserve for future pension increases	(130,358)
(9) Expected UAAL after changes: (5)+(6)+(7)+(8)	3,408,354
(10) Actual UAAL at end of year	3,569,616
(11) Experience Gain (Loss): (9)-(10)	\$ (160,962)

* *Unfunded Actuarial Accrued Liability*

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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.

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, Benefit Recipients by Location, 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 Gabriel, Roeder & Smith.

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

	2011	2010	2009	2008	2007
ADDITIONS					
Member Contributions	\$ 99,262	\$ 102,142	\$ 101,184	\$ 97,157	\$ 84,630
Employer Contributions	272,446	300,706	328,436	233,556	177,588
Net Investment Gain (Loss)	789,264	553,077	(872,799)	(408,918)	815,524
Member Service Purchase	20,936	10,607	7,626	9,483	9,160
Transfers IN	304	759	584	1,696	1,640
Total Additions (Reductions)	1,182,212	967,291	(434,969)	(67,026)	1,088,541
DEDUCTIONS					
Pension & Insurance Benefits	534,388	481,979	456,566	430,209	450,345
Refunds To Terminated Members	11,976	9,975	7,643	7,884	8,709
Administrative Expenses	4,776	4,932	4,352	7,250	3,971
Transfers OUT	293	243	49	144	121
Total Deductions	551,433	497,129	468,610	445,487	463,146
NET INCREASE (DECREASE)	630,779	470,162	(903,579)	(512,513)	625,395
NET ASSETS HELD IN TRUST					
Beginning of Fiscal Year, July 1	4,585,863	4,115,702	5,019,281	5,531,794	4,906,399
End of Fiscal Year, June 30	\$ 5,216,643	\$ 4,585,863	\$ 4,115,702	\$ 5,019,281	\$ 5,531,794
	2006	2005	2004	2003	2002
ADDITIONS					
Member Contributions	\$ 75,616	\$ 67,948	\$ 71,874	\$ 67,937	\$ 62,487
Employer Contributions	127,219	104,498	79,000	50,801	51,983
Net Investment Gain (Loss)	379,512	383,530	562,613	233,425	(654,570)
Member Service Purchase	9,409	8,163	-	-	-
Transfers IN	1,125	994	1,282	1,394	6,184
Total Additions (Reductions)	592,881	565,133	714,769	353,557	(533,916)
DEDUCTIONS					
Pension & Insurance Benefits	284,028	257,449	229,885	209,715	185,035
Refunds To Terminated Members	7,226	7,648	6,391	6,423	6,058
Administrative Expenses	2,980	1,600	1,100	813	735
Transfers OUT	290	129	196	386	-
Total Deductions	294,524	266,826	237,572	217,337	191,828
NET INCREASE (DECREASE)	298,357	298,307	477,197	136,220	(725,744)
NET ASSETS HELD IN TRUST					
Beginning of Fiscal Year, July 1	4,608,042	4,309,735	3,832,538	3,696,318	4,422,062
End of Fiscal Year, June 30	\$ 4,906,399	\$ 4,608,042	\$ 4,309,735	\$ 3,832,538	\$ 3,696,318

FINANCIAL TRENDS

SCHEDULE OF REVENUE BY SOURCE (ALL PLANS COMBINED)
LAST TEN FISCAL YEARS (Includes Health Insurance Subsidy)

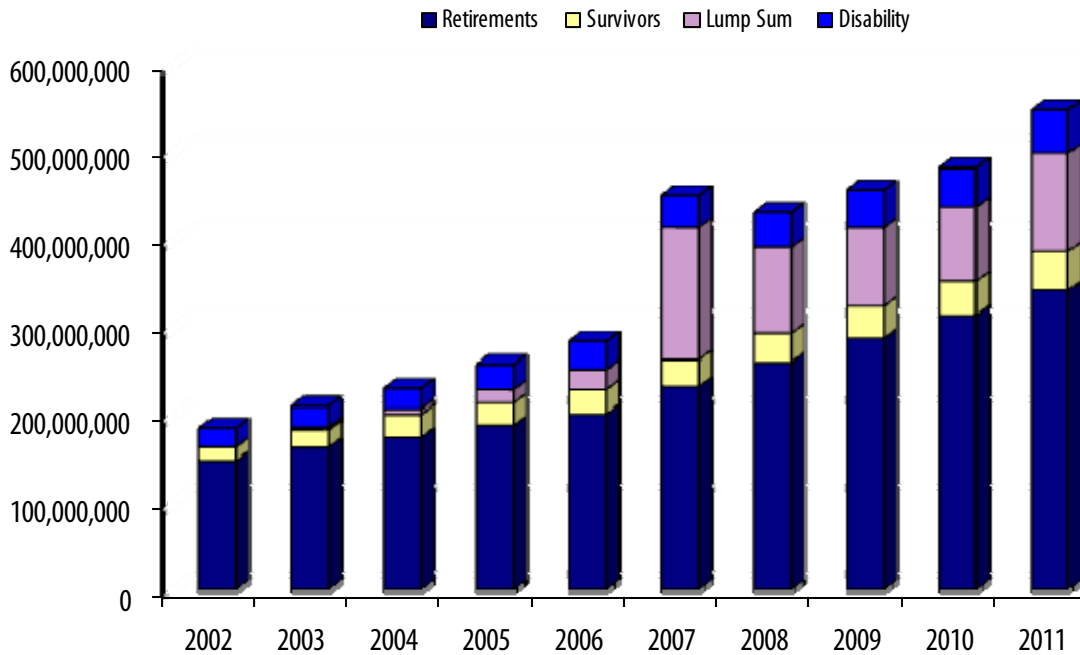
YEAR ENDING JUNE 30,	MEMBER CONT.	EMPLOYER CONT.	FIRE INSURANCE PREMIUM TAX	% OF COVERED PAYROLL	INVESTMENT INCOME (LOSS)	TRANSFERRED IN FROM OTHER PLANS	TOTAL
2002	62,486,725	44,518,693	7,464,714	4.21%	(654,569,820)	6,412,646	(533,687,042)
2003	67,937,288	40,047,132	10,753,537	3.75%	233,424,569	1,393,775	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	166,281,935	11,305,571	13.83%	815,524,366	10,799,442	1,088,541,023
2008	97,156,897	209,425,888	12,306,704	16.52%	(411,505,523)	11,179,532	(81,436,502)
2009	101,183,586	303,715,517	24,720,792	21.71%	(872,798,642)	8,209,996	(434,968,751)
2010	102,141,540	288,786,191	11,920,934	20.77%	553,076,513	11,366,583	967,291,761
2011	99,262,271	273,824,144	12,022,353	20.89%	789,263,727	21,240,375	1,195,612,870

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

YEAR ENDING JUNE 30,	BENEFITS	ADMIN. EXPENSES	REFUNDS	TRANSFERRED TO OTHER PLANS	TOTAL
2002	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	450,345,464	3,971,338	8,708,528	120,511	463,145,841
2008	430,208,772	4,661,877	7,884,695	144,622	442,899,966
2009	456,566,247	4,352,207	7,643,202	49,169	468,610,825
2010	481,978,618	4,932,349	9,975,440	243,073	497,129,480
2011	547,787,621	4,776,388	11,976,416	292,996	564,833,421

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

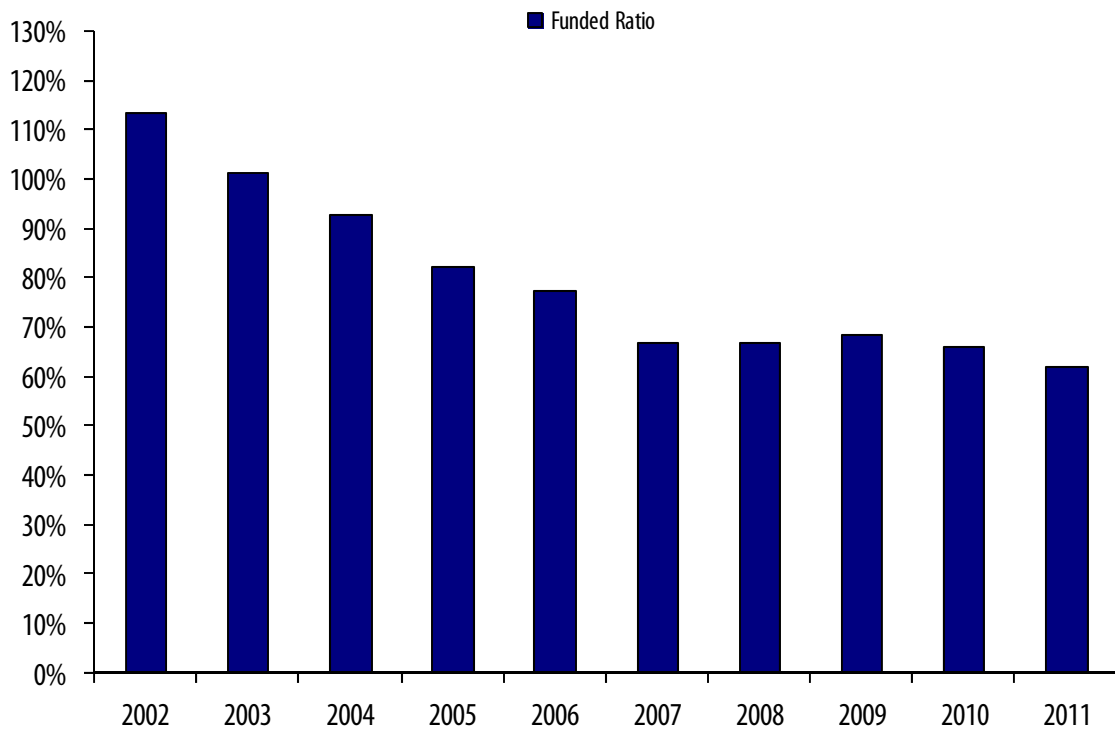
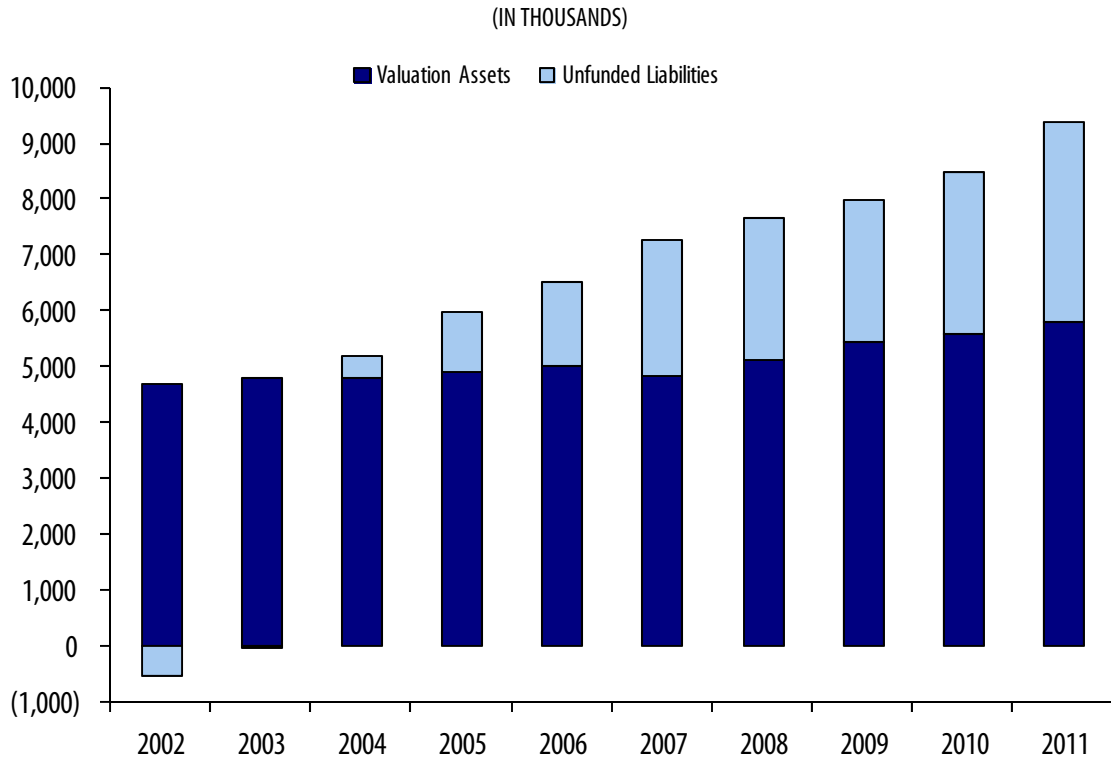
YEAR ENDING JUNE 30,	NORMAL BENEFITS	SURVIVOR BENEFITS	DISABILITY BENEFITS	DEFERRED BENEFITS	HEALTH INSURANCE SUBSIDY	DROP BENEFITS	TOTAL BENEFITS	REFUNDS
2002	137,556,909	15,342,508	21,914,529	70,335	9,715,347	435,573	185,035,202	6,057,924
2003	151,170,457	20,135,779	24,102,353	81,550	11,196,923	3,028,175	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	11,824,417	97,907,651	430,209,731	7,884,695
2009	274,965,209	36,380,334	41,979,907	158,494	12,214,037	90,868,266	456,566,247	7,643,202
2010	300,889,208	39,673,066	45,439,760	179,265	12,496,923	83,300,396	481,978,618	9,975,440
2011	328,892,084	43,889,613	49,132,258	199,716	13,400,890	112,273,060	547,787,621	11,976,416



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

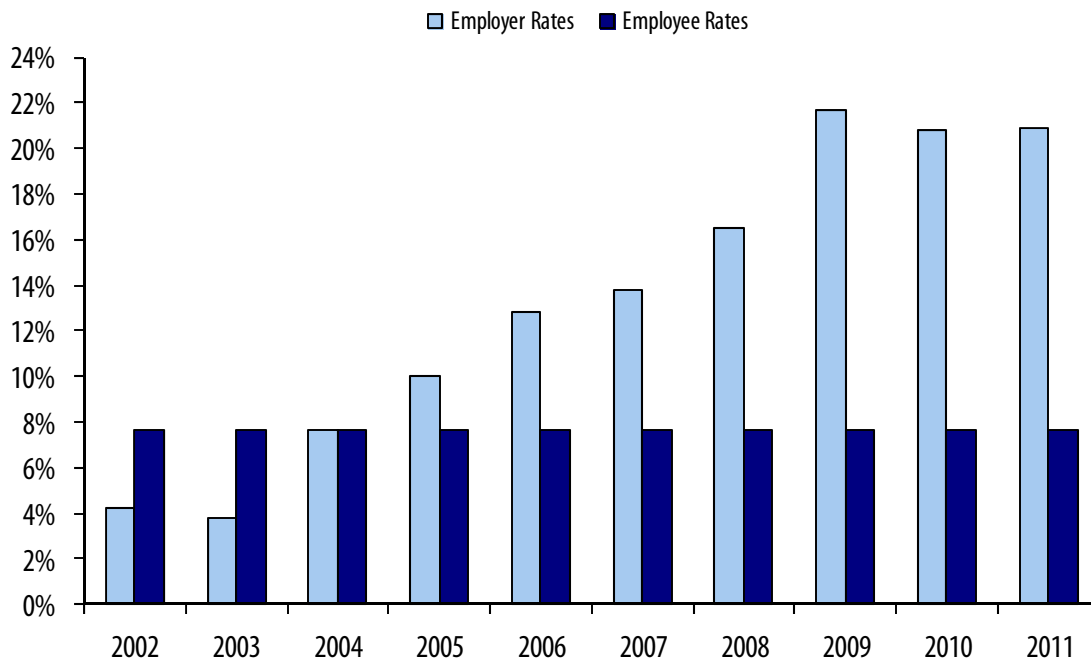
YEAR ENDING JUNE 30,	VALUATION ASSETS	UNFUNDED LIABILITIES	ACCRUED LIABILITIES	FUNDED RATIO
2002	4,684,386	(540,175)	4,144,211	113.0%
2003	4,781,377	(41,764)	4,739,613	100.9%
2004	4,774,313	393,020	5,167,333	92.4%
2005	4,886,963	1,064,974	5,951,937	82.1%
2006	4,999,911	1,495,101	6,495,012	77.0%
2007	4,829,521	2,438,770	7,268,291	66.4%
2008	5,095,645	2,567,134	7,662,779	66.5%
2009	5,445,497	2,543,954	7,989,451	68.2%
2010	5,591,304	2,900,518	8,491,822	65.8%
2011	5,795,945	3,569,316	9,365,261	61.9%

FINANCIAL TRENDS

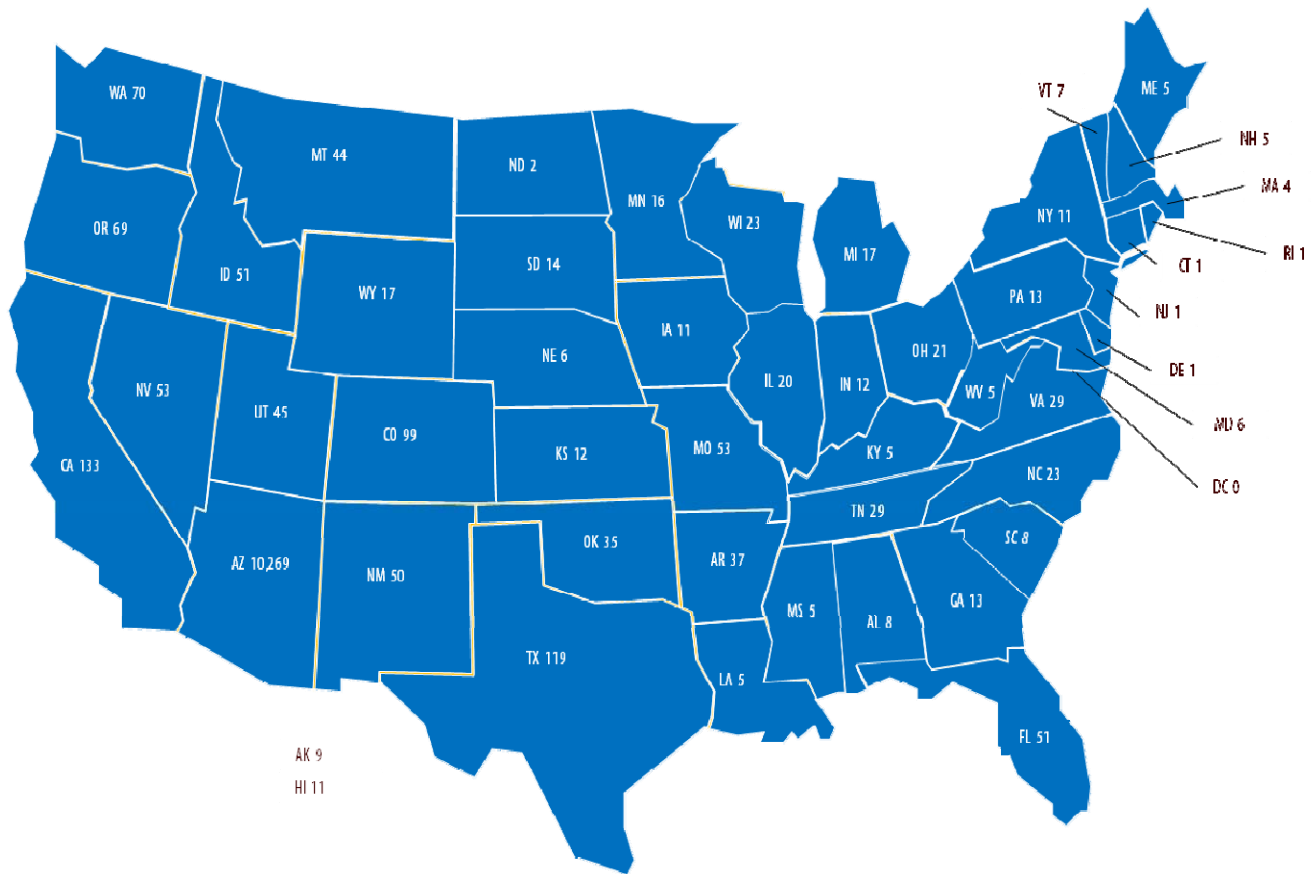


**CONTRIBUTION RATES
LAST TEN FISCAL YEARS**

YEAR ENDING JUNE 30,	AVERAGE EMPLOYER RATE	EMPLOYEE RATE
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%
2009	21.71%	7.65%
2010	20.77%	7.65%
2011	20.89%	7.65%

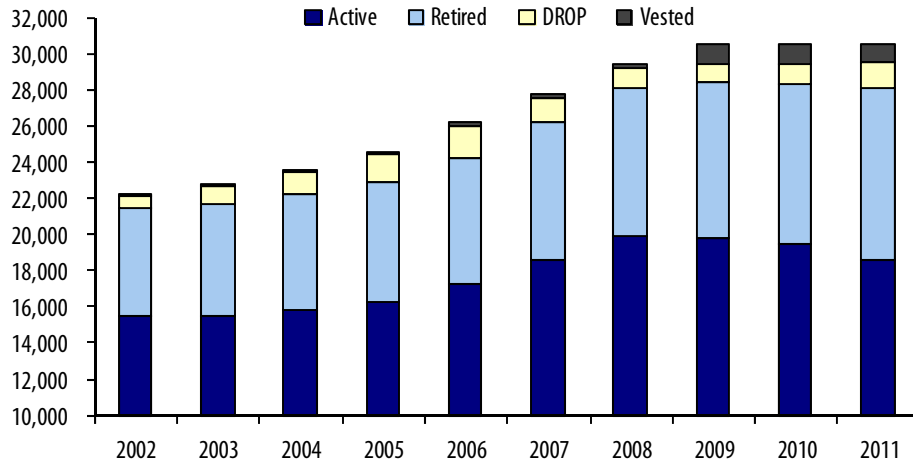


DISTRIBUTION OF BENEFIT RECIPIENTS BY LOCATION



MEMBERSHIP IN RETIREMENT SYSTEM
LAST TEN FISCAL YEARS

YEAR ENDING JUNE 30,	ACTIVE	BENEFICIARY RETIRED	DROP	TERMINATED VESTED	TOTAL
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
2009	19,867	8,609	1,044	1,145	30,665
2010	19,468	8,954	1,093	1,106	30,621
2011	18,638	9,522	1,419	1,081	30,660



**PRINCIPAL PARTICIPATING EMPLOYERS
LAST TEN FISCAL YEARS**

EMPLOYER	2011			2002		
	COVERED EMPLOYEES	RANK	% OF MEMBERSHIP	COVERED EMPLOYEES	RANK	% OF MEMBERSHIP
Phoenix Police	2,870	1	15.40%	2,584	1	16.61%
Phoenix Fire	1,380	2	7.40%	1,265	2	8.13%
Dept of Public Safety	961	3	5.16%	1,000	3	6.43%
Tucson Police	780	4	4.18%	935	4	6.01%
Mesa Police	698	5	3.75%	760	5	4.89%
Maricopa Sheriff	642	6	3.44%	592	6	3.81%
Tucson Fire	500	7	2.68%	469	7	3.01%
Pima Sheriff	494	8	2.65%	461	8	2.96%
Glendale Police	397	9	2.13%	335	9	2.15%
Scottsdale Police	387	10	2.08%	308	12	1.98%
All Others	9,529		51.13%	6,848		44.02%
Total	18,638		100.00%	15,557		100.00%

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

YEAR ENDING JUNE 30,	EXCESS YIELD PER STATUTE	EXCESS EARNINGS	UTILIZED TO FUND COLA	EXCESS EARNINGS AVAILABLE	BENEFIT INCREASE 4% CAP
2002	0.00%	-	(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
2009	0.00%	-	(125,721,193)	285,613,717	146.74
2010	4.47%	90,856,517	(139,653,075)	275,289,327	152.84
2011	0.00%	-	(154,776,639)	168,330,444	153.58

OPERATING INFORMATION

SUMMARY OF GROWTH OF THE SYSTEM
LAST TEN FISCAL YEARS

YEAR ENDING JUNE 30,	TOTAL ASSETS AT BOOK	INVESTMENT REALIZED EARNINGS	ASSUMED ACTUARIAL YIELD	NET EFFECTIVE YIELD	AVERAGE EMPLOYER RATE
2002	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%
2009	4,528,657,401	(693,024,100)	8.50%	-11.82%	21.71%
2010	4,515,144,264	(853,785)	8.50%	1.52%	20.77%
2011	4,654,515,193	228,517,315	8.25%	6.44%	20.89%

BENEFITS PAYABLE JUNE 30, 2011
BY TYPE OF BENEFIT

PENSIONS BEING PAID	NO.	ANNUAL PENSIONS	AVERAGE PENSIONS
RETIRED MEMBERS			
Service Pensions	7,105	355,066,529	50,692
Disability Pensions	1,314	52,597,748	40,029
Total Retired Members	8,329	408,204,277	49,010
SURVIVORS OF MEMBERS			
Spouses	1,146	45,209,921	39,450
Children w/Guardians	47	1,157,683	24,632
Total Survivors of Members	1,193	46,367,604	38,866
TOTAL PENSIONS BEING PAID	9,522	454,571,881	47,739

	AVERAGE AGE	AVERAGE SERVICE	AVG. AGE AT RETIREMENT
Normal retired members	62.7	23.6	51.2
Disability retired members	56.1	14.2	43.7
Spouse beneficiaries	67.7	18.8	44.2

**AVERAGE MONTHLY BENEFITS AND
MEMBERSHIP IN RETIREMENT SYSTEM
LAST TEN FISCAL YEARS**

YEAR ENDING JUNE 30,		YEARS OF CREDITED SERVICE BY CATEGORY							ALL MEMBERS
		<5	5-10	10-15	15-20	20-25	25-30	30+	
2002	Average monthly benefit								2,563
	Average final average salary								4,411
	Number of retirees								5,989
2003	Average monthly benefit								2,798
	Average final average salary								4,586
	Number of retirees								6,184
2004	Average monthly benefit								2,921
	Average final average salary								4,699
	Number of retirees								6,396
2005	Average monthly benefit								3,044
	Average final average salary								4,834
	Number of retirees								6,688
2006	Average monthly benefit	2,323	2,410	2,522	2,629	2,931	4,210	5,114	3,176
	Average final average salary								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								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								5,483
	Number of retirees	233	317	403	501	4,209	2,013	565	8,241
2009	Average monthly benefit	2,638	2,741	2,894	3,007	3,293	4,492	5,401	3,669
	Average final average salary								5,741
	Number of retirees	202	336	425	511	4,351	2,201	583	8,609
2010	Average monthly benefit	2,768	2,879	2,952	3,137	3,434	4,652	5,592	3,821
	Average final average salary								5,938
	Number of retirees	210	343	439	533	4,482	2,333	614	8,954
2011	Average monthly benefit	2,868	3,008	3,061	3,282	3,577	4,820	5,791	3,978
	Average final average salary								6,007
	Number of retirees	221	355	469	551	4,741	2,540	645	9,522

* Detailed information not available prior to fiscal year ending June 30, 2006.

OPERATING INFORMATION

SCHEDULE OF CHANGES IN REFUNDABLE MEMBER RESERVE BALANCES
FISCAL YEAR ENDED JUNE 30, 2011

SYSTEM	2010 BALANCES	RESERVE TRANSFERS	CONTRIBUTIONS RECEIVED	WITHDRAWN MEMBERS	2011 BALANCES
AK CHIN INDIAN COMM. FIRE DEPT.	463,889	(62,399)	99,413	(36,282)	464,621
AK CHIN INDIAN COMM. POLICE DEPT.	235,914	4,651	74,622	(4,671)	310,516
APACHE COUNTY SHERIFF'S DEPT.	773,145	52,533	147,431	(11,337)	961,773
APACHE JUNCTION FIRE DISTRICT	3,895,497	(205,795)	443,161	(3,415)	4,129,447
APACHE JUNCTION POLICE DEPARTMENT	2,064,349	(70,486)	218,084	(33,352)	2,178,595
ARIZONA STATE CAPITOL POLICE	695,536	(60,883)	77,052	(31,165)	680,540
ARIZONA STATE PARK RANGERS	1,712,820	(168,075)	232,636	(45,290)	1,732,090
ASU CAMPUS POLICE	2,115,990	(119,080)	334,617	(43,579)	2,287,948
ATTORNEY GENERAL INVESTIGATORS	848,973	0	24,797	0	873,771
AVONDALE FIRE DEPARTMENT	2,591,959	(160,214)	335,046	(8,471)	2,758,320
AVONDALE POLICE DEPARTMENT	3,288,034	(59,157)	527,415	(57,561)	3,698,731
AVRA VALLEY FIRE DISTRICT	486,396	(68,737)	99,485	(98,116)	419,029
AZ DPT. LIQ. LIC. & CONTROL INVST	606,606	(48,736)	40,812	0	598,682
BENSON FIRE DEPARTMENT	62,096	0	5,090	0	67,186
BENSON POLICE DEPARTMENT	368,450	0	61,521	0	429,971
BISBEE FIRE DEPARTMENT	525,990	0	62,478	(17,425)	571,043
BISBEE POLICE DEPARTMENT	456,610	1,493	72,676	(11,296)	519,483
BLACK CANYON FIRE DISTRICT	112,824	0	29,903	0	142,727
BUCKEYE FIRE DEPARTMENT	2,186,623	(53)	346,571	(27,009)	2,506,133
BUCKEYE POLICE DEPARTMENT	2,151,053	(42,898)	322,982	(66,687)	2,364,449
BUCKEYE VALLEY FIRE DISTRICT	989,665	67,262	289,480	(6,777)	1,339,629
BUCKSKIN FIRE DISTRICT	298,678	(298)	61,639	(9,579)	350,442
BULLHEAD CITY FIRE DEPARTMENT	3,738,752	(164,397)	513,948	(26,439)	4,061,864
BULLHEAD CITY POLICE DEPARTMENT	3,765,192	(291,725)	540,823	(15,641)	3,998,649
CAMP VERDE FIRE DISTRICT	657,297	(54,972)	117,185	0	719,509
CAMP VERDE MARSHAL'S	476,973	0	58,430	(19,493)	515,910
CASA GRANDE FIRE DEPARTMENT	2,076,660	(109,926)	339,316	0	2,306,050
CASA GRANDE POLICE DEPARTMENT	3,031,386	(215,490)	397,275	(55,098)	3,158,074
CAVE CREEK MARSHALS	27,798	0	6,284	0	34,082
CENTRAL ARIZONA COLLEGE POLICE	60,207	0	23,526	0	83,733
CENTRAL YAVAPAI FIRE DISTRICT	4,249,415	(107,062)	414,279	(63,429)	4,493,203
CHANDLER FIRE DEPARTMENT	11,455,224	(744,472)	1,398,591	0	12,109,342
CHANDLER POLICE DEPARTMENT	18,554,685	(1,346,322)	2,319,235	(124,458)	19,403,140
CHINO VALLEY FIRE DISTRICT	1,330,514	(82,224)	164,428	0	1,412,718
CHINO VALLEY POLICE DEPARTMENT	838,515	0	90,189	0	928,704
CHRISTOPHER-KOHL'S FIRE DISTRICT	103,941	(23,319)	21,730	(14,264)	88,087
CITY OF MARICOPA POLICE	1,297,663	(58,530)	249,854	(8,093)	1,480,895
CLARKDALE FIRE DISTRICT	104,451	0	35,550	(11,751)	128,251
CLARKDALE POLICE DEPARTMENT	279,071	0	22,759	0	301,830
CLIFTON FIRE DEPARTMENT	0	0	0	0	0
CLIFTON POLICE DEPARTMENT	33,850	3,292	19,335	0	56,477
COCHISE COUNTY SHERIFF'S DEPT	2,446,706	(81,906)	483,103	(18,939)	2,828,964

SCHEDULE OF CHANGES IN REFUNDABLE MEMBER RESERVE BALANCES
 FISCAL YEAR ENDED JUNE 30, 2011

SYSTEM	2010 BALANCES	RESERVE TRANSFERS	CONTRIBUTIONS RECEIVED	WITHDRAWN MEMBERS	2011 BALANCES
COCONINO COUNTY SHERIFF'S DEPT	2,217,775	(444,037)	258,449	(112,912)	1,919,275
COOLIDGE FIRE DEPARTMENT	41,901	0	11,522	0	53,423
COOLIDGE POLICE DEPARTMENT	945,511	27,188	113,308	(80,324)	1,005,682
CORONA DE TUCSON FIRE DISTRICT	227,693	0	79,512	(1,937)	305,268
COTTONWOOD FIRE DEPARTMENT	695,512	0	137,194	0	832,706
COTTONWOOD POLICE DEPARTMENT	801,223	0	133,676	(32,847)	902,052
DAISY MOUNTAIN FIRE DISTRICT	3,332,734	0	534,906	0	3,867,640
DEPARTMENT OF EMER & MILITARY AFF	1,318,214	(141,625)	179,609	(19,277)	1,336,920
DEPARTMENT OF PUBLIC SAFETY	26,711,385	(2,625,284)	2,705,021	(101,958)	26,689,164
DESERT HILLS FIRE DEPARTMENT	174,343	0	77,630	0	251,972
DIAMOND STAR FIRE DISTRICT	231,872	0	33,491	0	265,363
DOUGLAS FIRE DEPARTMENT	696,801	0	87,268	(2,309)	781,760
DOUGLAS POLICE DEPARTMENT	1,216,558	(49,539)	154,212	(8,957)	1,312,274
DREXEL HEIGHTS FIRE DISTRICT	3,119,151	(328,992)	359,358	0	3,149,517
EAGAR POLICE DEPARTMENT	283,035	20,400	77,807	0	381,242
EL MIRAGE FIRE DEPARTMENT	610,081	4,809	114,637	0	729,526
EL MIRAGE POLICE DEPARTMENT	1,302,228	0	307,661	(4,956)	1,604,932
ELOY FIRE DISTRICT	404,987	0	132,406	0	537,393
ELOY POLICE DEPARTMENT	969,524	0	164,169	0	1,133,693
FLAGSTAFF FIRE DEPARTMENT	4,514,452	(654,795)	450,529	0	4,310,187
FLAGSTAFF POLICE DEPARTMENT	4,454,470	(122,788)	539,183	(17,461)	4,853,404
FLORENCE FIRE DEPARTMENT	429,693	0	85,013	(19,651)	495,055
FLORENCE POLICE DEPARTMENT	847,164	(136,718)	112,159	(15,691)	806,914
FORT MCDOWELL TRIBAL FIRE DEPT.	224,531	74,668	57,702	0	356,902
FORT MCDOWELL TRIBAL POLICE DEPT.	618,646	49,849	101,386	(29,548)	740,333
FORT MOJAVE MESA FIRE DISTRICT	1,247,703	0	0	(12,570)	1,235,132
FORT MOJAVE TRIBAL POLICE DEPT.	284,345	0	101,764	(10,004)	376,104
FREDONIA MARSHALS	87,271	0	13,005	0	100,276
FRY FIRE DISTRICT	1,239,978	(93,977)	224,769	(8,824)	1,361,946
GAME AND FISH DEPARTMENT	5,634,398	(112,530)	548,349	0	6,070,217
GILA COUNTY SHERIFF'S DEPARTMENT	1,215,144	0	160,769	(38,327)	1,337,586
GILA RIVER FIRE DEPARTMENT	1,795,137	1,846	316,956	(19,919)	2,094,021
GILA RIVER POLICE DEPARTMENT	2,572,973	51,052	390,715	(333,922)	2,680,818
GILBERT FIRE DEPARTMENT	7,197,006	0	1,297,298	(14,140)	8,480,165
GILBERT POLICE DEPARTMENT	9,798,766	(412,794)	1,219,155	(176,530)	10,428,597
GLENDALE FIRE DEPARTMENT	12,985,830	(473,099)	1,717,778	0	14,230,508
GLENDALE POLICE DEPARTMENT	19,155,374	(828,129)	2,184,639	(167,844)	20,344,039
GLOBE FIRE DEPARTMENT	658,977	0	66,926	0	725,903
GLOBE POLICE DEPARTMENT	687,135	(76,331)	82,688	(1,339)	692,153
GOLDEN SHORES FIRE DISTRICT	168,200	(17,835)	29,353	0	179,717
GOLDEN VALLEY FIRE DISTRICT	424,319	(18,606)	99,617	(12,919)	492,411
GOLDER RANCH FIRE DISTRICT	3,628,614	160,919	601,331	(72,783)	4,318,082

OPERATING INFORMATION

SCHEDULE OF CHANGES IN REFUNDABLE MEMBER RESERVE BALANCES
FISCAL YEAR ENDED JUNE 30, 2011

SYSTEM	2010 BALANCES	RESERVE TRANSFERS	CONTRIBUTIONS RECEIVED	WITHDRAWN MEMBERS	2011 BALANCES
GOODYEAR FIRE DEPARTMENT	3,516,682	(48,989)	522,792	(13,320)	3,977,166
GOODYEAR POLICE DEPARTMENT	3,643,514	(200,463)	555,518	(136,241)	3,862,328
GRAHAM COUNTY ATTORNEY INVEST.	0	0	0	0	0
GRAHAM COUNTY SHERIFF'S DEPT.	666,821	6,515	87,445	(26,427)	734,354
GREEN VALLEY FIRE DISTRICT	1,923,357	40,322	318,091	0	2,281,771
GREENLEE CNTY ATTY INVESTIGATORS	0	0	0	0	0
GREENLEE COUNTY SHERIFF'S DEPT.	415,144	(1,506)	49,519	(32,773)	430,385
GROOM CREEK FIRE DISTRICT	101,006	(740)	33,291	0	133,557
GUADALUPE FIRE DEPARTMENT	259,645	(69,394)	24,580	0	214,831
HARQUAHALA FIRE DISTRICT	196,442	0	65,722	0	262,164
HAYDEN POLICE DEPARTMENT	116,066	(33,896)	30,340	(8,382)	104,128
HEBER-OVERGAARD FIRE DISTRICT	214,709	0	52,471	0	267,179
HIGHLANDS FIRE DISTRICT	648,937	(14,659)	120,926	(10,335)	744,868
HOLBROOK POLICE DEPARTMENT	439,850	(2,318)	53,290	(9,578)	481,244
HUALAPAI INDIAN TRIBE POLICE DEPT	195,537	(22,359)	48,598	(10,631)	211,145
HUALAPAI VALLEY FIRE DISTRICT	708,409	(8,895)	148,806	(55,401)	792,919
JEROME POLICE DEPARTMENT	42,057	0	6,598	0	48,655
KEARNY POLICE DEPARTMENT	176,740	48,674	52,655	0	278,070
KINGMAN FIRE DEPARTMENT	2,296,902	18,606	226,063	0	2,541,571
KINGMAN POLICE DEPARTMENT	2,075,785	(312,271)	292,618	(13,437)	2,042,695
LA PAZ COUNTY ATTY. INVESTIGATORS	61,769	0	4,333	0	66,102
LA PAZ COUNTY SHERIFF'S DEPT.	1,245,683	(67,589)	106,534	0	1,284,628
LAKE HAVASU CITY FIRE DEPARTMENT	3,073,040	(269,396)	347,920	(43,140)	3,108,425
LAKE HAVASU CITY POLICE DEPT.	3,826,855	(208,955)	588,788	(70,075)	4,136,612
LAKE MOHAVE RANCHOS FIRE DISTRICT	50,009	56,868	72,258	(8,494)	170,640
LAKESIDE FIRE DISTRICT	596,112	(61,631)	111,426	0	645,907
LINDEN FIRE DISTRICT	109,300	0	34,540	0	143,841
MAMMOTH POLICE DEPARTMENT	95,848	24,724	13,312	(27,419)	106,465
MARANA POLICE DEPARTMENT	2,367,296	(53,979)	321,193	(25,577)	2,608,932
MARICOPA CNTY ATTY INVESTIGATORS	484,875	0	92,088	(55,850)	521,112
MARICOPA COUNTY PARK RANGERS	24,132	0	0	0	24,132
MARICOPA COUNTY SHERIFF'S OFFICE	32,775,482	(1,507,118)	3,983,167	(308,069)	34,943,463
MARICOPA FIRE DISTRICT	1,561,939	0	339,613	(21,874)	1,879,678
MAYER FIRE DISTRICT	385,314	(18,105)	70,450	(6,575)	431,085
MESA FIRE DEPARTMENT	26,263,036	(1,526,227)	2,410,536	0	27,147,345
MESA POLICE DEPARTMENT	45,882,832	(3,078,283)	5,184,608	(178,584)	47,810,574
MIAMI FIRE DEPARTMENT	0	0	0	0	0
MIAMI POLICE DEPARTMENT	128,662	0	14,351	(5,425)	137,589
MOHAVE COUNTY SHERIFF'S DEPT.	3,249,233	(222,568)	359,514	(66,504)	3,319,675
MOHAVE VALLEY FIRE DISTRICT	937,198	0	140,517	0	1,077,715
MONTEZUMA RIMROCK FIRE DISTRICT	308,977	(17,130)	43,985	(59,812)	276,020
MOUNT LEMMON FIRE DISTRICT	83,710	0	22,347	(8,063)	97,995

SCHEDULE OF CHANGES IN REFUNDABLE MEMBER RESERVE BALANCES
 FISCAL YEAR ENDED JUNE 30, 2011

SYSTEM	2010 BALANCES	RESERVE TRANSFERS	CONTRIBUTIONS RECEIVED	WITHDRAWN MEMBERS	2011 BALANCES
NAU CAMPUS POLICE	529,352	3,533	66,314	(13,888)	585,311
NAVAJO COUNTY ATTY'S INVESTIGATOR	0	0	0	0	0
NAVAJO COUNTY SHERIFF'S DEPT.	893,762	(146,031)	172,173	0	919,904
NOGALES FIRE DEPARTMENT	1,651,648	(73,075)	173,807	0	1,752,380
NOGALES POLICE DEPARTMENT	2,054,867	(47,607)	256,426	(49,537)	2,214,150
NORTHWEST FIRE DISTRICT	7,282,222	(332,461)	1,134,079	(64,800)	8,019,039
ORACLE FIRE DISTRICT	36,930	0	19,271	0	56,201
ORO VALLEY POLICE DEPARTMENT	4,149,250	(271,012)	641,794	(20,172)	4,499,859
PAGE FIRE DEPARTMENT	236,953	65,641	69,837	(22,391)	350,040
PAGE POLICE DEPARTMENT	605,017	31,398	106,318	(22,059)	720,674
PALOMINAS FIRE DISTRICT	0	0	6,213	0	6,213
PARADISE VALLEY POLICE DEPARTMENT	1,650,532	(191,347)	270,971	(27,808)	1,702,349
PARKER POLICE DEPARTMENT	278,113	0	39,375	0	317,487
PASCUA YAQUI TRIBE FIRE DEPT.	508,450	25,556	100,705	(23,017)	611,694
PASCUA YAQUI TRIBE POLICE DEPT.	877,699	0	151,962	(5,204)	1,024,457
PATAGONIA MARSHALS	36,543	(2,620)	5,232	0	39,155
PAYSON FIRE DEPARTMENT	923,593	0	104,569	0	1,028,162
PAYSON POLICE DEPARTMENT	1,038,017	(63,262)	134,256	0	1,109,011
PEORIA FIRE DEPARTMENT	7,028,334	(90,624)	1,118,314	(53,935)	8,002,089
PEORIA POLICE DEPARTMENT	7,087,229	(535,407)	1,292,734	(41,634)	7,802,921
PHOENIX FIRE DEPARTMENT	107,544,491	(6,882,569)	11,836,482	(151,914)	112,346,490
PHOENIX POLICE DEPARTMENT	192,526,716	(8,673,649)	23,731,929	(583,701)	207,001,294
PICTURE ROCKS FIRE DISTRICT	644,775	(90,689)	59,086	(41,992)	571,179
PIMA COUNTY ATTORNEY INVESTIGATOR	373,696	(197,114)	12,248	0	188,829
PIMA COUNTY COMM. COLLEGE POLICE	784,288	(121,329)	104,136	0	767,094
PIMA COUNTY SHERIFF'S DEPARTMENT	13,064,427	(845,736)	1,614,015	(90,076)	13,742,630
PIMA POLICE DEPARTMENT	46,401	(12,656)	14,726	0	48,470
PINAL COUNTY SHERIFF'S DEPARTMENT	7,197,794	(377,813)	995,410	(158,890)	7,656,501
PINE-STRAWBERRY FIRE DISTRICT	700,054	2,030	85,053	0	787,137
PINETOP FIRE DISTRICT	737,757	(8,466)	153,144	(3,326)	879,109
PINETOP-LAKESIDE POLICE DEPT.	449,686	(145,768)	48,349	0	352,268
PINEWOOD FIRE DISTRICT	294,012	(3,378)	77,457	0	368,091
PRESCOTT FIRE DEPARTMENT	3,282,378	(164,857)	307,196	(13,606)	3,411,111
PRESCOTT POLICE DEPARTMENT	2,802,716	(218,725)	301,194	(23,804)	2,861,380
PRESCOTT VALLEY POLICE DEPARTMENT	2,335,490	(71,368)	269,811	(92,528)	2,441,406
QUARTZSITE FIRE DISTRICT	140,616	0	32,857	0	173,473
QUARTZSITE POLICE DEPARTMENT	509,022	0	88,460	0	597,481
QUEEN CREEK FIRE DEPARTMENT	347,302	0	143,037	(7,092)	483,246
QUEEN VALLEY FIRE DISTRICT	25,702	0	9,169	0	34,872
RINCON VALLEY FIRE DISTRICT	600,758	(10,147)	142,577	(30,533)	702,655
RIO RICO FIRE DISTRICT	579,093	0	116,945	0	696,038
RIO VERDE FIRE DISTRICT	484,221	(15,391)	201,572	0	670,402

OPERATING INFORMATION

SCHEDULE OF CHANGES IN REFUNDABLE MEMBER RESERVE BALANCES
FISCAL YEAR ENDED JUNE 30, 2011

SYSTEM	2010 BALANCES	RESERVE TRANSFERS	CONTRIBUTIONS RECEIVED	WITHDRAWN MEMBERS	2011 BALANCES
SAFFORD POLICE DEPARTMENT	870,858	0	78,089	(17,120)	931,828
SAHUARITA POLICE DEPARTMENT	1,107,639	0	210,280	0	1,317,919
SALT RIVER PIMA-MARICOPA FIRE	2,929,399	0	438,278	(47,978)	3,319,699
SALT RIVER PIMA-MARICOPA POLICE	3,578,539	(49,660)	625,439	(152,825)	4,001,493
SAN CARLOS TRIBAL POLICE	213,766	0	95,665	(14,881)	294,551
SAN LUIS FIRE DEPARTMENT	582,390	0	71,644	(34,110)	619,925
SAN LUIS POLICE DEPARTMENT	922,822	(16,842)	199,383	(54,990)	1,050,374
SANTA CRUZ COUNTY SHERIFF'S DEPT.	1,292,767	(77,829)	157,523	(3,568)	1,368,892
SCOTTSDALE FIRE DEPARTMENT	7,538,528	(244,805)	3,864,177	(381,751)	10,776,150
SCOTTSDALE POLICE DEPARTMENT	22,801,552	(1,644,627)	3,347,421	(108,604)	24,395,742
SEDONA FIRE DISTRICT	2,829,516	(20,888)	420,943	(96,854)	3,132,718
SEDONA POLICE DEPARTMENT	1,110,957	(260,076)	101,133	(72,817)	879,197
SHOW LOW FIRE DISTRICT	919,739	0	168,709	(37,459)	1,050,989
SHOW LOW POLICE DEPARTMENT	1,119,193	14,421	132,110	0	1,265,724
SIERRA VISTA FIRE DEPARTMENT	1,911,781	(179,425)	203,640	0	1,935,997
SIERRA VISTA POLICE DEPARTMENT	2,414,148	(456,156)	291,493	(62,309)	2,187,176
SNOWFLAKE POLICE DEPARTMENT	407,831	(17,100)	55,124	(14,238)	431,617
SOMERTON FIRE DEPARTMENT	440,656	0	62,157	(23,450)	479,363
SOMERTON POLICE DEPARTMENT	532,034	0	66,817	(8,947)	589,904
SONOITA ELGIN FIRE DEPARTMENT	47,809	4,059	32,715	(5,912)	78,672
SOUTH TUCSON FIRE DEPARTMENT	345,687	(9,321)	27,439	0	363,805
SOUTH TUCSON POLICE DEPARTMENT	301,918	(22,123)	100,328	0	380,123
SPRINGERVILLE POLICE DEPARTMENT	218,818	0	26,991	0	245,809
ST. JOHNS POLICE DEPARTMENT	202,519	(51,275)	29,529	(26,714)	154,060
SUMMIT FIRE DISTRICT	1,330,919	0	193,790	0	1,524,709
SUN CITY FIRE DISTRICT	4,703,893	(426,024)	398,666	0	4,676,535
SUN CITY WEST FIRE DISTRICT	2,801,319	(226,048)	295,845	(61,446)	2,809,670
SUN LAKES FIRE DISTRICT	1,764,375	0	281,065	0	2,045,440
SUPERIOR POLICE DEPARTMENT	146,277	(8,634)	23,105	0	160,748
SURPRISE FIRE DEPARTMENT	4,514,565	6,218	601,824	(70,005)	5,052,602
SURPRISE POLICE DEPARTMENT	4,282,080	(106,144)	741,873	(15,023)	4,902,786
TEMPE FIRE DEPARTMENT	9,837,230	(92,920)	918,063	0	10,662,373
TEMPE POLICE DEPARTMENT	18,013,024	(743,417)	2,259,867	(246,782)	19,282,692
THATCHER POLICE DEPARTMENT	340,941	0	48,166	0	389,108
THREE POINTS FIRE DISTRICT	313,555	(19,642)	64,938	0	358,851
TOHONO O'ODHAM NATION FIRE	625,804	63	214,239	(16,438)	823,668
TOHONO O'ODHAM NATION POLICE	1,214,382	(18,589)	374,953	(57,936)	1,512,810
TOLLESON FIRE DEPARTMENT	1,396,656	(26,848)	528,647	0	1,898,455
TOLLESON POLICE DEPARTMENT	906,336	(24,085)	134,042	0	1,016,293
TOMBSTONE MARSHAL'S DEPARTMENT	137,811	857	22,116	0	160,784
TONOPAH FIRE DISTRICT	99,719	0	23,746	(8,459)	115,006
TOWN OF SUPERIOR (FIRE DEPT)	86,746	0	19,299	(11,588)	94,457

SCHEDULE OF CHANGES IN REFUNDABLE MEMBER RESERVE BALANCES
FISCAL YEAR ENDED JUNE 30, 2011

SYSTEM	2010 BALANCES	RESERVE TRANSFERS	CONTRIBUTIONS RECEIVED	WITHDRAWN MEMBERS	2011 BALANCES
TRI-CITY FIRE DISTRICT	376,334	0	76,391	0	452,725
TUBAC FIRE DISTRICT	690,804	(13,237)	113,722	(12,781)	778,508
TUCSON AIRPORT AUTHORITY FIRE DPT	865,725	(260,511)	103,110	0	708,323
TUCSON AIRPORT AUTHORITY POLICE	1,101,246	(145,710)	94,446	(45,103)	1,004,879
TUCSON FIRE DEPARTMENT	26,615,828	(3,495,390)	3,089,250	(351,486)	25,858,202
TUCSON POLICE DEPARTMENT	40,137,726	(4,681,199)	5,300,651	(499,645)	40,257,533
U OF A CAMPUS POLICE DEPARTMENT	2,124,958	2,565	283,203	(17,213)	2,393,513
VERDE VALLEY FIRE DISTRICT	971,812	0	135,306	0	1,107,118
WELLTON POLICE	98,604	0	19,567	(13,248)	104,923
WHETSTONE FIRE DISTRICT	51,294	0	20,436	0	71,730
WICKENBURG FIRE DEPARTMENT	129,287	0	32,705	0	161,991
WICKENBURG POLICE DEPARTMENT	479,618	(28,688)	60,820	(40,595)	471,155
WILLCOX POLICE DEPARTMENT	359,577	(54,493)	42,278	(15,178)	332,184
WILLIAMS POLICE DEPARTMENT	251,761	(103,060)	81,655	(27,700)	202,656
WILLIAMSON VALLEY FIRE DISTRICT	100,188	(76,024)	18,900	(7,708)	35,356
WINSLOW FIRE DEPARTMENT	354,983	0	26,974	0	381,958
WINSLOW POLICE DEPARTMENT	907,942	(65,506)	108,888	0	951,324
WITTMAN FIRE DISTRICT	73,885	0	41,501	0	115,386
YAVAPAI CNTY ATTRNY INVESTIGATORS	0	0	0	0	0
YAVAPAI COUNTY SHERIFF'S DEPT.	4,458,457	(235,907)	529,223	(35,969)	4,715,803
YAVAPAI PRESCOTT TRIBAL POLICE	81,581	49,660	55,877	(18,424)	168,694
YOUNGTOWN POLICE DEPARTMENT	291,766	(55,783)	29,847	(10,234)	255,596
YUMA COUNTY SHERIFF'S DEPARTMENT	2,442,730	0	385,454	(48,709)	2,779,474
YUMA FIRE DEPARTMENT	5,215,380	(191,049)	480,230	0	5,504,561
YUMA POLICE DEPARTMENT	6,215,071	(46,932)	771,083	(16,932)	6,922,290
TOTALS	921,671,914	(51,498,104)	120,198,466	(7,743,586)	982,628,689

OPERATING INFORMATION

SCHEDULE OF CHANGES IN EMPLOYER RESERVE BALANCES AND UNFUNDED ACTUARIAL ACCRUED LIABILITIES

FISCAL YEAR ENDED JUNE 30, 2011

SYSTEM	2010 BALANCES	RESERVE TRANSFERS	CONTRIB RECEIVED	FIRE TAX RECEIVED	PENSION PAYMENTS	SUBSIDY PAYMENTS	DROP PAYMENT	ENHANCED REFUNDS	DIST. OF EARNINGS	2011 BALANCES	UNFUNDED AAL 2010
AK CHIN INDIAN COMM. FIRE-DEPT.	2,095,146	(19,361)	183,231	0	(112,123)	0	0	0	449,801	2,596,694	222,721
AK CHIN INDIAN COMM. POLICE DEPT.	1,018,590	0	111,006	0	(55,708)	0	0	0	229,567	1,303,455	(25,069)
APACHE COUNTY SHERIFF'S DEPT.	2,140,092	38,324	431,656	0	(633,234)	(9,814)	0	0	508,216	2,475,241	5,441,022
APACHE JUNCTION FIRE DISTRICT	9,454,662	205,795	687,855	93,630	(363,694)	(9,364)	(214,664)	0	2,377,850	12,232,070	3,458,297
APACHE JUNCTION POLICE DEPARTMENT	7,136,207	70,486	692,451	0	(1,081,274)	(20,782)	(88,720)	0	1,573,487	8,281,855	8,983,703
ARIZONA STATE CAPITOL POLICE	2,029,605	(25,052)	129,530	0	(134,978)	(6,474)	0	(21,816)	467,717	2,438,533	381,012
ARIZONA STATE PARK RANGERS	5,489,273	168,075	218,944	0	(331,487)	(12,709)	(266,640)	(10,582)	1,234,348	6,489,222	1,876,866
ASU CAMPUS POLICE	9,820,286	145,430	624,322	0	(1,233,579)	(21,618)	(214,634)	(16,928)	2,029,328	11,132,608	5,579,251
ATTORNEY GENERAL INVESTIGATORS	3,962,090	0	266,353	0	(914,021)	(28,993)	0	0	780,350	4,065,778	6,973,085
AVONDALE FIRE DEPARTMENT	6,201,824	160,214	522,204	104,673	(186,908)	(3,453)	(590,270)	0	1,545,028	7,753,312	1,620,697
AVONDALE POLICE DEPARTMENT	7,305,651	68,312	932,058	0	(557,377)	(16,673)	(150,415)	(53,645)	1,898,215	9,426,126	4,315,481
AVRA VALLEY FIRE DISTRICT	1,302,944	(10,299)	62,531	7,918	(16,736)	0	0	(75,414)	302,676	1,573,619	(884,414)
AZ DPT. LIQ. & CONTROL INVST	2,385,055	83,661	165,542	0	(382,461)	(20,225)	0	0	506,466	2,738,038	2,523,032
BENSON FIRE DEPARTMENT	178,216	0	(308)	8,512	0	0	0	0	42,967	229,387	63,691
BENSON POLICE DEPARTMENT	987,183	0	130,279	0	(147,522)	(2,040)	0	0	239,535	1,207,436	1,035,988
BISBEE FIRE DEPARTMENT	1,479,680	0	325,193	9,096	(683,298)	(3,209)	0	(6,970)	321,631	1,442,123	5,880,063
BISBEE POLICE DEPARTMENT	1,368,157	755	250,404	0	(476,371)	(10,456)	0	0	302,452	1,434,942	4,062,228
BLACK CANYON FIRE DISTRICT	213,205	0	33,898	4,040	0	0	0	0	62,626	313,770	27,191
BUCKEYE FIRE DEPARTMENT	3,782,153	0	440,335	91,952	0	0	0	(14,837)	1,111,293	5,410,895	(697,128)
BUCKEYE POLICE DEPARTMENT	5,462,127	42,898	521,417	0	(319,080)	(3,160)	0	(41,575)	1,360,592	7,023,218	1,149,363
BUCKEYE VALLEY FIRE DISTRICT	1,960,255	42,297	340,194	33,530	0	0	0	0	579,880	2,956,156	373,404
BUCKSKIN FIRE DISTRICT	1,127,745	0	191,595	16,099	(290,113)	(3,487)	0	0	245,207	1,287,045	2,193,853
BULLHEAD CITY FIRE DEPARTMENT	13,588,272	(38,168)	837,737	72,505	(438,599)	(7,215)	(355,425)	(9,261)	3,048,123	16,697,971	5,264,382
BULLHEAD CITY POLICE DEPARTMENT	11,529,078	309,647	838,495	0	(950,340)	(32,235)	(298,592)	0	2,669,725	14,065,777	7,234,709
CAMP VERDE FIRE DISTRICT	1,727,921	54,972	180,856	18,839	(66,934)	0	0	0	436,738	2,352,392	460,613
CAMP VERDE MARSHAL'S	1,556,466	0	112,123	0	(101,655)	0	0	(4,873)	357,664	1,919,724	613,689
CASA GRANDE FIRE DEPARTMENT	5,985,356	(66,701)	698,494	64,301	(853,351)	(18,200)	0	0	1,407,369	7,217,268	6,179,985
CASA GRANDE POLICE DEPARTMENT	9,511,058	226,366	1,128,649	0	(1,512,655)	(20,900)	(257,578)	(51,685)	2,150,794	11,174,050	12,232,849
CAVE CREEK MARSHALS	57,339	0	8,165	0	0	0	0	0	16,070	81,573	17,249
CENTRAL ARIZONA COLLEGE POLICE	272,509	0	36,165	0	(38,945)	0	0	0	59,693	329,421	155,367

OPERATING INFORMATION

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

SYSTEM	2010 BALANCES	RESERVE TRANSFERS	CONTRIB RECEIVED	FIRE TAX RECEIVED	PENSION PAYMENTS	SUBSIDY PAYMENTS	DROP PAYMENT	ENHANCED REFUNDS	DIST OF EARNINGS	2011 BALANCES	UNFUNDED AAL 2010
CENTRAL YAVAPAI FIRE DISTRICT	12,665,174	107,062	789,611	148,370	(952,060)	(22,741)	0	(67,673)	2,964,332	15,632,075	7,963,666
CHANDLER FIRE DEPARTMENT	34,183,197	744,472	1,711,981	559,138	(1,961,954)	(66,489)	(809,531)	0	8,012,798	42,373,613	14,077,280
CHANDLER POLICE DEPARTMENT	49,080,329	1,371,925	4,486,817	0	(3,441,323)	(98,502)	(2,368,799)	(72,169)	11,830,732	60,789,009	32,118,737
CHINO VALLEY FIRE DISTRICT	3,318,603	82,224	255,187	33,584	(85,968)	(1,800)	0	0	840,671	4,442,501	911,948
CHINO VALLEY POLICE DEPARTMENT	2,316,270	0	160,571	0	(140,319)	(1,320)	0	0	558,381	2,893,582	539,384
CHRISTOPHER-KOHL'S FIRE DISTRICT	97,356	23,319	33,402	5,578	(5,757)	(300)	0	0	38,536	192,135	64,536
CITY OF MARICOPA POLICE	1,890,759	(58,611)	381,632	0	0	0	0	0	598,781	2,812,561	579,096
CLARKDALE FIRE DISTRICT	131,751	0	34,977	9,515	0	0	0	0	47,037	223,280	24,075
CLARKDALE POLICE DEPARTMENT	1,197,354	0	46,650	0	(91,018)	(3,022)	0	0	254,734	1,404,698	215,114
CLIFTON FIRE DEPARTMENT	194,799	0	(131)	0	(46,328)	(1,800)	0	0	29,694	176,234	79,550
CLIFTON POLICE DEPARTMENT	351,045	3,036	17,995	0	(23,382)	0	0	0	68,730	417,424	(220,728)
COCHISE COUNTY SHERIFF'S DEPT	8,498,575	99,032	1,290,553	0	(1,859,390)	(39,425)	(118,325)	0	1,882,986	9,754,005	14,157,605
COCONINO COUNTY SHERIFF'S DEPT	7,789,122	417,687	888,482	0	(1,912,849)	(53,421)	0	(85,463)	1,650,233	8,693,791	15,153,341
COOLIDGE FIRE DEPARTMENT	80,034	0	6,770	12,323	0	0	0	0	23,878	123,006	(45,548)
COOLIDGE POLICE DEPARTMENT	2,799,871	34,553	265,572	0	(305,832)	(8,662)	0	(33,125)	652,747	3,405,123	2,220,120
CORONA DE TUCSON FIRE DISTRICT	551,619	0	139,883	0	(36,016)	0	0	0	151,374	806,860	715,285
COTTONWOOD FIRE DEPARTMENT	1,502,478	0	192,484	22,391	(70,022)	(3,120)	0	0	406,684	2,050,895	586,001
COTTONWOOD POLICE DEPARTMENT	2,207,945	0	383,460	0	(448,941)	(3,325)	0	(22,993)	524,338	2,640,484	4,012,820
DAISY MOUNTAIN FIRE DISTRICT	5,959,945	0	631,503	95,636	0	0	0	0	1,726,584	8,413,668	1,158,898
DEPARTMENT OF EMER & MILITARY AFF	4,460,908	154,023	365,474	0	(456,984)	(5,122)	(75,122)	0	1,005,571	5,448,748	2,667,837
DEPARTMENT OF PUBLIC SAFETY	340,589,844	2,619,024	22,768,901	0	(49,622,741)	(1,440,436)	(9,696,848)	(60,644)	60,820,909	365,978,010	293,113,949
DESERT HILLS FIRE DEPARTMENT	330,540	0	100,128	9,755	(21,101)	0	0	0	102,319	521,641	741,239
DIAMOND STAR FIRE DISTRICT	556,482	0	51,346	6,559	0	0	0	0	145,113	759,500	163,691
DOUGLAS FIRE DEPARTMENT	3,240,183	0	368,024	11,012	(737,202)	(13,420)	0	0	660,045	3,528,641	5,282,658
DOUGLAS POLICE DEPARTMENT	4,644,563	49,539	518,390	0	(843,361)	(16,361)	(166,606)	0	988,202	5,174,366	6,393,087
DREXEL HEIGHTS FIRE DISTRICT	8,093,439	(3,849)	621,794	50,440	(239,891)	(10,914)	(191,389)	0	1,973,151	10,292,781	2,023,576
EAGAR POLICE DEPARTMENT	1,015,568	3,866	80,531	0	(97,494)	0	0	0	233,343	1,235,814	561,427
EL MIRAGE FIRE DEPARTMENT	1,331,767	1,943	165,281	26,155	(42,599)	0	0	0	361,362	1,843,909	188,788
EL MIRAGE POLICE DEPARTMENT	2,582,983	0	399,494	0	(279,239)	(1,222)	0	0	712,660	3,414,676	2,939,800
ELOY FIRE DISTRICT	928,157	0	213,553	17,214	0	0	0	0	263,542	1,422,467	825,163

OPERATING INFORMATION

SCHEDULE OF CHANGES IN EMPLOYER RESERVE BALANCES AND UNFUNDED ACTUARIAL ACCRUED LIABILITIES

FISCAL YEAR ENDED JUNE 30, 2011

SYSTEM	2010 BALANCES	RESERVE TRANSFERS	CONTRIB RECEIVED	FIRE TAX RECEIVED	PENSION PAYMENTS	SUBSIDY PAYMENTS	DROP PAYMENT	ENHANCED REFUNDS	DIST. OF EARNINGS	2011 BALANCES	UNFUNDED AAL 2010
ELOY POLICE DEPARTMENT	3,054,717	0	238,262	0	(246,161)	(3,000)	0	0	713,495	3,757,312	1,371,594
FLAGSTAFF FIRE DEPARTMENT	21,756,598	610,732	1,058,131	162,168	(2,939,637)	(90,626)	(1,082,592)	0	4,354,520	23,829,294	16,888,094
FLAGSTAFF POLICE DEPARTMENT	14,843,102	100,414	1,508,461	0	(2,515,829)	(49,918)	0	0	3,308,969	17,195,199	18,438,469
FLORENCE FIRE DEPARTMENT	733,917	0	74,157	17,336	0	0	0	0	216,097	1,041,506	(296,744)
FLORENCE POLICE DEPARTMENT	2,016,211	(49,620)	169,635	0	(69,362)	(1,200)	0	0	498,988	2,564,651	(78,023)
FORT MCDOWELL TRIBAL FIRE DEPT.	599,958	48,044	66,795	0	0	0	0	0	164,955	879,752	(173,493)
FORT MCDOWELL TRIBAL POLICE DEPT.	1,249,237	29,872	170,241	0	0	0	0	(11,819)	351,951	1,789,481	187,727
FORT MOJAVE MESA FIRE DISTRICT	4,097,027	0	581,751	24,598	(254,213)	(12,402)	0	0	958,369	5,395,129	3,167,566
FORT MOJAVE TRIBAL POLICE DEPT.	667,302	0	133,149	0	0	0	0	(5,265)	184,680	979,866	(262,074)
FREDONIA MARSHALS	297,943	0	17,595	0	0	0	0	0	69,684	385,221	(59,826)
FRY FIRE DISTRICT	4,898,526	93,977	549,530	29,024	(788,923)	(26,130)	0	0	1,066,225	5,822,229	5,373,795
GAME AND FISH DEPARTMENT	23,813,734	256,513	2,885,801	0	(5,464,692)	(159,847)	(72,262)	0	4,939,251	26,198,497	41,819,814
GILA COUNTY SHERIFF'S DEPARTMENT	4,080,576	0	430,396	0	(602,899)	(12,285)	0	(17,807)	914,408	4,792,390	4,344,353
GILA RIVER FIRE DEPARTMENT	3,231,503	(1,846)	486,223	0	(116,862)	0	0	(262)	932,514	4,531,271	966,463
GILA RIVER POLICE DEPARTMENT	5,048,097	171,448	566,256	0	(85,035)	0	(33,089)	(241,748)	1,368,209	6,794,138	349,608
GILBERT FIRE DEPARTMENT	13,422,658	0	902,725	461,597	(83,834)	(3,120)	0	0	3,810,279	18,510,305	(266,501)
GILBERT POLICE DEPARTMENT	20,367,404	323,699	2,285,315	0	(1,365,789)	(12,752)	0	(85,970)	5,402,843	26,914,751	11,039,587
GLENDALE FIRE DEPARTMENT	47,268,763	473,099	2,653,914	379,789	(3,604,592)	(127,496)	(955,849)	0	10,488,978	56,576,607	20,613,625
GLENDALE POLICE DEPARTMENT	56,061,280	828,129	5,612,251	0	(6,694,390)	(268,170)	(1,797,534)	(118,269)	12,977,957	66,601,254	54,305,698
GLOBE FIRE DEPARTMENT	2,119,586	0	206,145	0	(315,400)	(14,058)	0	0	478,526	2,474,799	2,288,616
GLOBE POLICE DEPARTMENT	2,236,011	76,331	269,898	0	(381,132)	(11,670)	0	0	504,971	2,694,409	2,975,646
GOLDEN SHORES FIRE DISTRICT	374,398	(22,787)	33,179	5,235	0	0	0	0	96,766	486,792	(61,874)
GOLDEN VALLEY FIRE DISTRICT	1,596,048	(20,307)	151,832	20,687	(132,199)	(3,600)	0	0	358,867	1,971,327	612,554
GOLDER RANCH FIRE DISTRICT	8,451,431	259,277	812,603	174,825	(58,300)	(2,700)	0	(57,553)	2,259,878	11,839,460	3,066,136
GOODYEAR FIRE DEPARTMENT	6,676,544	(33,978)	492,839	161,318	(48,318)	(3,120)	0	0	1,863,013	9,108,299	13,602
GOODYEAR POLICE DEPARTMENT	7,873,227	172,074	859,857	0	(371,871)	(6,613)	(164,642)	(81,347)	2,058,232	10,338,917	3,440,825
GRAHAM COUNTY ATTORNEY INVEST.	43,034	0	0	0	0	0	0	0	7,487	50,521	(54,150)
GRAHAM COUNTY SHERIFF'S DEPT.	1,330,597	13,161	210,211	0	(103,106)	(3,120)	0	(22,463)	361,634	1,786,915	1,448,703
GREEN VALLEY FIRE DISTRICT	6,047,385	8,533	537,248	84,707	(92,715)	(1,800)	0	0	1,464,602	8,047,960	2,425,622
GREENLEE CNTY ATTY INVESTIGATORS	34,092	0	0	0	0	0	0	0	5,932	40,024	(42,899)

OPERATING INFORMATION

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

SYSTEM	2010 BALANCES	RESERVE TRANSFERS	CONTRIB RECEIVED	FIRE TAX RECEIVED	PENSION PAYMENTS	SUBSIDY PAYMENTS	DROP PAYMENT	ENHANCED REFUNDS	DIST. OF EARNINGS	2011 BALANCES	UNFUNDED AAL 2010
GREENLEE COUNTY SHERIFF'S DEPT.	1,823,003	(2,482)	92,484	0	(123,926)	(1,200)	0	0	387,676	2,175,555	338,063
GROOM CREEK FIRE DISTRICT	163,898	(360)	46,080	4,011	0	0	0	0	53,248	266,877	31,060
GUADALUPE FIRE DEPARTMENT	318,349	(47,949)	55,516	3,916	(42,379)	(1,200)	0	0	93,872	380,125	529,298
HARQUAHALA FIRE DISTRICT	365,201	0	76,800	4,017	0	0	0	0	110,466	556,485	(117,664)
HAYDEN POLICE DEPARTMENT	689,964	(72,259)	29,343	0	0	0	0	0	135,466	782,514	(711,209)
HEBER-OVERGAARD FIRE DISTRICT	571,661	0	64,803	23,567	0	0	0	(6,724)	148,484	801,791	(163,109)
HIGHLANDS FIRE DISTRICT	1,569,633	(2,516)	222,706	24,279	(114,392)	(1,800)	0	0	405,505	2,103,415	1,234,382
HOLBROOK POLICE DEPARTMENT	1,330,486	(201)	187,802	0	(342,720)	(5,980)	0	0	297,600	1,466,987	2,674,863
HUALAPAI INDIAN TRIBE POLICE DEPT	333,416	(11,150)	60,325	0	0	0	0	0	97,666	480,257	(56,885)
HUALAPAI VALLEY FIRE DISTRICT	1,617,441	(2,545)	241,696	23,709	(117,341)	(8,480)	0	0	423,938	2,178,419	1,341,603
JEROME POLICE DEPARTMENT	115,823	0	12,700	0	0	0	0	0	29,148	157,671	(49,462)
KEARNY POLICE DEPARTMENT	795,419	26,884	31,838	0	(64,615)	(209)	0	0	177,426	966,743	247,118
KINGMAN FIRE DEPARTMENT	7,352,975	20,307	489,846	48,667	(58,222)	(10,570)	0	0	1,699,360	9,042,363	4,455,268
KINGMAN POLICE DEPARTMENT	6,667,763	312,271	558,083	0	(783,054)	(12,000)	0	0	1,524,926	8,267,989	4,679,466
LA PAZ COUNTY ATTY. INVESTIGATORS	148,813	0	7,799	0	0	0	0	0	37,694	194,306	25,434
LA PAZ COUNTY SHERIFF'S DEPT.	3,858,565	67,589	321,972	0	(525,676)	(5,827)	0	0	879,107	4,595,730	4,384,305
LAKE HAVASU CITY FIRE DEPARTMENT	14,020,025	319,323	765,682	146,255	(1,585,324)	(61,540)	(1,002,282)	(36,669)	2,850,495	15,415,966	10,929,385
LAKE HAVASU CITY POLICE DEPT.	11,817,090	208,955	945,259	0	(1,341,339)	(49,960)	(242,603)	(58,882)	2,701,921	13,980,442	10,809,492
LAKE MOHAVE RANCHOS FIRE DISTRICT	144,043	143,148	180,599	4,991	0	0	0	(1,433)	72,730	544,078	701,952
LAKESIDE FIRE DISTRICT	1,164,057	(8,284)	138,840	23,981	(6,730)	0	0	0	323,435	1,635,299	14,039
LINDEN FIRE DISTRICT	227,696	0	33,651	9,696	0	0	0	0	65,408	336,452	(24,191)
MAMMOTH POLICE DEPARTMENT	152,412	201	28,854	0	(11,287)	0	0	(6,855)	45,067	208,391	103,067
MARANA POLICE DEPARTMENT	6,517,620	(58,215)	601,360	0	(508,812)	(12,793)	0	(5,048)	1,568,306	8,102,419	3,866,909
MARICOPA CNTY ATTY INVESTIGATORS	2,891,777	0	252,532	0	(670,075)	(8,171)	0	(28,897)	551,094	2,988,260	3,771,488
MARICOPA COUNTY PARK RANGERS	332,028	0	0	0	(162,897)	(3,600)	0	0	47,483	213,014	1,377,241
MARICOPA COUNTY SHERIFF'S OFFICE	119,885,669	1,521,645	9,495,533	0	(16,781,974)	(325,970)	(1,023,438)	(168,219)	26,115,970	138,719,216	100,776,545
MARICOPA FIRE DISTRICT	2,607,794	0	371,035	49,967	0	0	0	0	789,740	3,818,536	291,306
MAYER FIRE DISTRICT	1,163,307	18,105	99,130	6,812	(63,864)	0	0	0	278,655	1,502,145	(101,723)
MESA FIRE DEPARTMENT	103,446,202	1,622,440	4,590,468	814,771	(9,074,632)	(386,898)	(5,062,050)	0	21,992,419	117,942,720	54,997,715
MESA POLICE DEPARTMENT	165,884,186	3,034,676	11,514,062	0	(17,126,583)	(848,893)	(4,421,472)	(94,973)	36,321,178	194,262,182	112,972,455

OPERATING INFORMATION

SCHEDULE OF CHANGES IN EMPLOYER RESERVE BALANCES AND UNFUNDED ACTUARIAL ACCRUED LIABILITIES

FISCAL YEAR ENDED JUNE 30, 2011

SYSTEM	2010 BALANCES	RESERVE TRANSFERS	CONTRIB RECEIVED	FIRE TAX RECEIVED	PENSION PAYMENTS	SUBSIDY PAYMENTS	DROP PAYMENT	ENHANCED REFUNDS	DIST. OF EARNINGS	2011 BALANCES	UNFUNDED AAL 2010
MIAMI FIRE DEPARTMENT	284,686	0	0	0	0	0	0	0	49,531	334,217	(358,228)
MIAMI POLICE DEPARTMENT	462,768	0	34,984	0	(57,023)	0	0	(4,611)	101,359	537,477	370,730
MOHAVE COUNTY SHERIFF'S DEPT.	11,905,424	204,646	836,234	0	(1,242,014)	(25,831)	(749,285)	(19,992)	2,556,159	13,465,340	7,600,037
MOHAVE VALLEY FIRE DISTRICT	2,555,498	0	177,657	15,382	(33,916)	0	0	0	633,747	3,348,367	(73,040)
MONTUZUMA RIMROCK FIRE DISTRICT	553,845	(4,343)	61,158	10,438	(23,532)	(3,120)	0	(4,293)	150,410	740,563	407,430
MOUNT LEMMON FIRE DISTRICT	228,942	0	20,890	3,531	0	0	0	0	57,764	311,127	(90,999)
NAU CAMPUS POLICE	2,372,807	45	264,476	0	(470,360)	(16,637)	0	(3,472)	490,147	2,637,005	3,076,428
NAVAJO COUNTY ATTY'S INVESTIGATOR	136,737	0	0	0	(29,471)	0	0	0	21,227	128,493	168,968
NAVAJO COUNTY SHERIFF'S DEPT.	3,907,006	72,544	493,565	0	(950,264)	(11,421)	0	0	803,128	4,314,557	5,548,557
NOGALLES FIRE DEPARTMENT	4,536,562	68,608	454,169	24,864	(586,303)	(41,565)	0	0	1,078,445	5,534,780	4,503,045
NOGALLES POLICE DEPARTMENT	6,318,064	47,607	611,735	0	(572,546)	(38,630)	(126,337)	(49,473)	1,459,525	7,649,945	4,625,551
NORTHWEST FIRE DISTRICT	17,324,049	369,946	1,544,134	222,027	(607,917)	(16,115)	(70,998)	(72,489)	4,464,300	23,156,936	6,464,177
ORACLE FIRE DISTRICT	91,847	0	31,146	4,402	0	0	0	0	27,174	154,569	21,664
ORO VALLEY POLICE DEPARTMENT	10,062,544	271,012	914,458	0	(677,451)	(19,363)	(22,813)	0	2,543,678	13,072,064	5,359,719
PAGE FIRE DEPARTMENT	520,316	126,878	94,345	13,391	(65,056)	(1,750)	0	0	156,190	844,314	376,580
PAGE POLICE DEPARTMENT	2,187,773	23,518	212,496	0	(229,561)	0	0	(12,132)	495,473	2,677,568	1,156,164
PALOMINAS FIRE DISTRICT	0	0	187,041	0	0	0	0	0	0	187,041	0
PARADISE VALLEY POLICE DEPARTMENT	5,650,734	191,347	642,336	0	(1,270,463)	(38,274)	(237,548)	(6,952)	1,212,229	6,143,409	11,027,966
PARKER POLICE DEPARTMENT	1,130,885	0	71,749	0	(100,312)	0	0	0	246,086	1,348,408	300,239
PASCUA YAQUI TRIBE FIRE DEPT.	1,086,257	18,507	229,317	0	(43,490)	0	0	(23,179)	302,197	1,569,609	1,501,507
PASCUA YAQUI TRIBE POLICE DEPT.	1,226,924	0	278,603	0	(42,280)	(3,480)	0	0	399,197	1,858,965	1,542,027
PATAGONIA MARSHALS	324,903	192,548	4,363	0	(35,033)	0	0	0	77,196	563,977	(68,632)
PAYSON FIRE DEPARTMENT	2,821,399	0	194,826	46,522	(253,182)	(16,008)	0	0	658,251	3,451,807	2,127,697
PAYSON POLICE DEPARTMENT	3,466,132	63,262	440,500	0	(649,875)	(22,810)	(160,021)	0	761,219	3,898,407	5,427,775
PEORIA FIRE DEPARTMENT	20,158,013	90,624	1,138,355	318,600	(808,208)	(36,816)	(12,307)	(53,935)	4,870,106	25,664,432	5,845,879
PEORIA POLICE DEPARTMENT	25,091,977	586,782	2,182,635	0	(2,210,201)	(34,083)	(322,365)	(9,609)	5,677,792	30,962,929	16,507,000
PHOENIX FIRE DEPARTMENT	441,797,903	6,903,616	25,608,307	3,125,711	(48,017,976)	(1,541,703)	(20,329,698)	(111,695)	93,006,204	500,440,668	340,623,204
PHOENIX POLICE DEPARTMENT	768,935,162	8,653,001	58,586,465	0	(92,168,833)	(2,680,707)	(24,979,089)	(380,326)	163,932,042	879,897,715	655,425,846
PICTURE ROCKS FIRE DISTRICT	1,960,226	223,055	77,873	8,675	(84,120)	(600)	0	(42,724)	462,678	2,605,064	(168,341)
PIMA COUNTY ATTORNEY INVESTIGATOR	1,421,648	197,114	77,498	0	(100,423)	(2,827)	(517,718)	0	266,152	1,341,445	810,891

OPERATING INFORMATION

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

SYSTEM	2010 BALANCES	RESERVE TRANSFERS	CONTRIB RECEIVED	FIRE TAX RECEIVED	PENSION PAYMENTS	SUBSIDY PAYMENTS	DROP PAYMENT	ENHANCED REFUNDS	DIST. OF EARNINGS	2011 BALANCES	UNFUNDED AAL 2010
PIMA COUNTY COMM. COLLEGE POLICE	2,882,064	121,329	265,789	0	(327,862)	(2,559)	(195,237)	0	624,346	3,367,870	1,862,749
PIMA COUNTY SHERIFF'S DEPARTMENT	103,522,060	847,039	8,512,923	0	(13,105,125)	(392,556)	(2,463,682)	(30,240)	19,766,500	116,656,919	82,516,792
PIMA POLICE DEPARTMENT	178,324	(1,112)	13,879	0	0	0	0	0	40,389	231,479	(167,738)
PINAL COUNTY SHERIFF'S DEPARTMENT	22,041,686	628,331	2,307,044	0	(2,514,069)	(61,654)	0	(82,491)	5,151,273	27,470,120	16,238,021
PINE-STRAWBERRY FIRE DISTRICT	1,863,822	89,120	169,087	18,174	(109,322)	0	(255,781)	0	445,936	2,221,036	1,475,563
PINETOP FIRE DISTRICT	1,707,461	(5,875)	274,513	37,919	(151,579)	(4,380)	0	0	450,831	2,308,891	1,903,441
PINETOP-LAKESIDE POLICE DEPT.	1,207,012	174,482	143,027	0	(284,844)	(10,061)	(60,202)	0	276,497	1,445,911	1,829,001
PINEWOOD FIRE DISTRICT	846,242	(586)	146,950	17,015	(143,478)	(4,920)	0	0	206,136	1,067,358	1,218,752
PRESCOTT FIRE DEPARTMENT	12,195,874	234,210	940,118	139,134	(1,815,790)	(45,777)	(274,310)	0	2,632,652	14,006,111	14,471,849
PRESCOTT POLICE DEPARTMENT	8,454,461	247,114	1,187,057	0	(2,112,458)	(63,975)	(216,380)	0	1,880,299	9,376,119	17,934,174
PRESCOTT VALLEY POLICE DEPARTMENT	5,764,969	71,368	519,080	0	(325,692)	(3,798)	0	(93,810)	1,433,120	7,365,237	2,680,811
QUARTZSITE FIRE DISTRICT	267,469	0	51,696	0	0	0	0	0	78,357	397,522	140,871
QUARTZSITE POLICE DEPARTMENT	1,249,653	0	85,629	0	0	0	0	0	321,129	1,656,412	(335,436)
QUEEN CREEK FIRE DEPARTMENT	488,550	0	87,603	59,867	(119,787)	(3,120)	0	0	159,390	672,503	380,232
QUEEN VALLEY FIRE DISTRICT	37,222	0	17,178	0	0	0	0	0	13,240	67,639	41,924
RINCON VALLEY FIRE DISTRICT	1,114,280	(53,135)	190,842	26,038	0	0	0	(21,373)	319,642	1,576,295	418,921
RIO RICO FIRE DISTRICT	879,434	0	152,296	16,136	0	0	0	0	278,589	1,326,455	135,861
RIO VERDE FIRE DISTRICT	1,220,472	15,391	186,755	16,738	(8,822)	0	0	0	331,063	1,761,598	592,805
SAFFORD POLICE DEPARTMENT	2,531,184	0	295,717	0	(403,018)	(9,392)	0	0	587,060	3,001,551	4,395,182
SAHUARITA POLICE DEPARTMENT	2,394,120	0	249,922	0	0	0	0	0	649,291	3,293,333	(120,878)
SALT RIVER PIMA-MARICOPA FIRE	7,720,555	0	808,958	0	(216,837)	0	0	(49,200)	1,934,126	10,197,602	3,363,275
SALT RIVER PIMA-MARICOPA POLICE	6,697,830	(14,301)	1,076,748	0	(461,084)	(5,876)	0	(92,430)	1,868,500	9,069,387	4,659,174
SAN CARLOS TRIBAL POLICE	632,046	0	203,711	0	0	0	0	(10,417)	171,002	996,343	1,141,203
SAN LUIS FIRE DEPARTMENT	1,186,003	0	90,052	15,170	0	0	0	(42,229)	316,421	1,565,416	(192,180)
SAN LUIS POLICE DEPARTMENT	2,129,192	(6,863)	222,614	0	(163,257)	(430)	0	(48,021)	542,455	2,675,689	917,610
SANTA CRUZ COUNTY SHERIFF'S DEPT.	3,096,487	(103,244)	437,151	0	(543,754)	(5,835)	0	0	751,528	3,632,333	4,867,246
SCOTTSDALE FIRE DEPARTMENT	14,663,876	259,425	176,468	1,421,580	(109,210)	(780)	(103,841)	(76,859)	4,280,855	20,511,514	(5,218,147)
SCOTTSDALE POLICE DEPARTMENT	79,766,544	1,570,709	6,011,251	0	(7,997,228)	(282,841)	(1,829,428)	(80,313)	17,757,223	94,915,916	48,878,741
SEDONA FIRE DISTRICT	7,634,551	(17,156)	665,924	134,390	(582,595)	(19,784)	0	(90,653)	1,854,817	9,579,496	5,488,330
SEDONA POLICE DEPARTMENT	2,921,426	242,887	184,816	0	(245,557)	0	0	(74,899)	690,746	3,719,419	654,687

OPERATING INFORMATION

SCHEDULE OF CHANGES IN EMPLOYER RESERVE BALANCES AND UNFUNDED ACTUARIAL ACCRUED LIABILITIES

FISCAL YEAR ENDED JUNE 30, 2011

SYSTEM	2010 BALANCES	RESERVE TRANSFERS	CONTRIB RECEIVED	FIRE TAX RECEIVED	PENSION PAYMENTS	SUBSIDY PAYMENTS	DROP PAYMENT	ENHANCED REFUNDS	DIST. OF EARNINGS	2011 BALANCES	UNFUNDED AAL 2010
SHOW LOW FIRE DISTRICT	1,616,704	0	186,542	34,947	(39,730)	0	0	(4,482)	468,145	2,262,128	154,419
SHOW LOW POLICE DEPARTMENT	3,136,942	7,947	281,143	0	(279,615)	(8,053)	0	0	733,378	3,891,742	1,826,361
SIERRA VISTA FIRE DEPARTMENT	8,029,113	168,018	396,746	64,915	(704,836)	(30,890)	(78,363)	0	1,715,640	9,560,344	4,090,064
SIERRA VISTA POLICE DEPARTMENT	9,085,900	400,843	791,798	0	(1,414,388)	(70,262)	(202,085)	(25,094)	1,935,936	10,502,648	9,190,645
SNOWFLAKE POLICE DEPARTMENT	983,855	(11,737)	135,610	0	(142,324)	(4,320)	0	0	242,222	1,203,307	1,186,678
SOMERTON FIRE DEPARTMENT	997,899	0	110,663	0	(60,001)	0	0	(16,415)	256,635	1,288,781	363,392
SOMERTON POLICE DEPARTMENT	1,438,579	0	131,188	0	(85,396)	(1,800)	0	0	351,720	1,834,292	659,820
SONOITA ELGIN FIRE DEPARTMENT	103,096	2,232	59,104	8,709	0	0	0	0	35,034	208,175	50,223
SOUTH TUCSON FIRE DEPARTMENT	1,102,957	(3,970)	75,788	0	(129,410)	(4,320)	0	0	248,234	1,289,279	744,798
SOUTH TUCSON POLICE DEPARTMENT	433,409	(13,576)	279,086	0	(517,371)	(8,909)	0	0	112,055	284,694	4,849,695
SPRINGVILLE POLICE DEPARTMENT	938,863	0	46,537	0	(61,835)	0	0	0	202,437	1,126,003	131,463
ST. JOHNS POLICE DEPARTMENT	607,796	(1,974)	40,106	0	(38,479)	0	0	(22,707)	134,762	719,506	(60,826)
SUMMIT FIRE DISTRICT	2,831,161	0	281,452	33,322	(33,218)	(1,800)	0	0	765,338	3,876,255	605,929
SUN CITY FIRE DISTRICT	9,257,102	436,980	979,361	84,656	(766,028)	(30,635)	(1,494,138)	0	2,357,929	10,825,228	10,999,853
SUN CITY WEST FIRE DISTRICT	6,827,452	226,048	615,591	95,837	(488,155)	(25,800)	(59,240)	(64,951)	1,702,037	8,828,818	6,114,028
SUN LAKES FIRE DISTRICT	5,512,437	0	428,805	49,828	(284,446)	(5,023)	0	0	1,306,969	7,008,571	1,439,782
SUPERIOR POLICE DEPARTMENT	563,736	(2,434)	40,751	0	(55,097)	0	0	0	123,331	670,287	125,575
SURPRISE FIRE DEPARTMENT	9,092,012	1,483	660,446	228,220	(19,080)	0	0	(73,250)	2,483,563	12,373,394	2,099,965
SURPRISE POLICE DEPARTMENT	9,247,687	106,144	1,166,849	0	(445,870)	(14,921)	0	(3,756)	2,478,315	12,534,449	4,206,715
TEMPE FIRE DEPARTMENT	48,015,645	92,920	2,358,128	463,362	(4,959,728)	(231,319)	(359,224)	0	9,908,066	55,287,850	34,472,857
TEMPE POLICE DEPARTMENT	60,873,284	807,651	5,727,232	0	(9,050,643)	(415,632)	(436,978)	(157,112)	13,528,867	70,876,669	72,969,383
THATCHER POLICE DEPARTMENT	1,537,956	0	134,614	0	(229,468)	(2,580)	0	0	322,616	1,763,138	1,480,598
THREE POINTS FIRE DISTRICT	684,994	(5,104)	81,410	10,539	(56,153)	(900)	0	0	180,266	895,051	358,024
TOHONO O'ODHAM NATION FIRE	2,069,339	(63)	305,206	0	0	0	0	(16,438)	511,245	2,869,290	402,046
TOHONO O'ODHAM NATION POLICE	7,837,876	18,589	607,276	0	(147,322)	(1,200)	0	(25,567)	1,640,228	9,929,880	1,017,340
TOLLESON FIRE DEPARTMENT	2,619,394	(28,683)	246,518	29,679	(78,751)	0	0	0	757,070	3,545,228	601,427
TOLLESON POLICE DEPARTMENT	2,268,692	(10,840)	304,880	0	(308,149)	(4,340)	0	0	560,371	2,810,615	2,342,467
TOMBSTONE MARSHAL'S DEPARTMENT	360,538	241	20,469	0	0	0	0	0	90,506	471,753	(228,463)
TONOPAH FIRE DISTRICT	188,363	0	32,934	5,997	0	0	0	0	54,839	282,133	(64,025)
TOWN OF SUPERIOR (FIRE DEPT)	165,517	0	27,503	0	0	0	0	0	46,954	239,973	(1,444)

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

SYSTEM	2010 BALANCES	RESERVE TRANSFERS	CONTRIB RECEIVED	FIRE TAX RECEIVED	PENSION PAYMENTS	SUBSIDY PAYMENTS	DROP PAYMENT	ENHANCED REFUNDS	DIST. OF EARNINGS	2011 BALANCES	UNFUNDED AAL 2010
TRI-CITY FIRE DISTRICT	665,633	0	95,417	3,107	0	0	0	0	196,504	960,660	21,271
TUBAC FIRE DISTRICT	1,480,081	(3,955)	221,665	23,530	(43,557)	0	0	0	402,530	2,080,294	584,660
TUCSON AIRPORT AUTHORITY FIRE DPT	3,994,369	344,174	284,874	0	(620,043)	(9,800)	(624,826)	0	777,470	4,146,219	4,326,729
TUCSON AIRPORT AUTHORITY POLICE	2,662,764	145,710	369,761	0	(626,265)	(6,542)	(210,980)	(45,103)	614,017	2,903,363	5,557,555
TUCSON FIRE DEPARTMENT	150,291,415	3,495,390	8,970,121	756,832	(21,232,055)	(856,510)	(12,944,663)	(70,980)	28,809,893	157,219,443	139,842,838
TUCSON POLICE DEPARTMENT	238,284,698	4,549,289	14,580,998	0	(32,758,929)	(1,370,855)	(10,715,706)	(301,669)	46,188,719	258,456,544	217,401,798
U OF A CAMPUS POLICE DEPARTMENT	6,157,163	4,178	648,205	0	(766,819)	(30,855)	0	(49)	1,451,691	7,463,514	5,838,755
VERDE VALLEY FIRE DISTRICT	2,656,682	0	186,558	35,827	(81,501)	(3,120)	0	0	655,062	3,449,508	688,128
WELLTON POLICE	195,677	0	37,154	0	(32,265)	0	0	0	52,176	252,743	348,365
WHETSTONE FIRE DISTRICT	65,400	0	24,365	3,719	0	0	0	0	24,524	118,008	(9,887)
WICKENBURG FIRE DEPARTMENT	252,148	0	37,113	4,036	0	0	0	0	72,789	366,086	40,287
WICKENBURG POLICE DEPARTMENT	1,128,902	166,588	150,336	0	(182,694)	(3,793)	0	(42,791)	286,748	1,503,297	1,415,142
WILCOX POLICE DEPARTMENT	1,104,148	54,493	124,512	0	(164,812)	0	0	0	253,519	1,371,861	1,199,693
WILLIAMS POLICE DEPARTMENT	909,736	103,060	76,387	0	(86,004)	0	0	(5,964)	205,422	1,202,638	59,256
WILLIAMSON VALLEY FIRE DISTRICT	194,427	(129,221)	23,918	3,779	0	0	0	0	36,787	129,690	75,499
WINSLOW FIRE DEPARTMENT	4,133,378	0	17,587	6,862	(36,732)	(1,200)	0	0	782,085	4,901,980	(3,417,837)
WINSLOW POLICE DEPARTMENT	2,878,268	65,506	231,156	0	(242,323)	(4,800)	0	0	666,831	3,594,638	1,382,488
WITTMAN FIRE DISTRICT	124,554	0	52,329	13,329	0	0	0	0	43,848	234,059	50,522
YAVAPAI CNTY ATTRNY INVESTIGATORS	138,107	0	0	0	(64,806)	(1,200)	0	0	18,287	90,388	551,524
YAVAPAI COUNTY SHERIFF'S DEPT.	10,926,055	216,697	1,444,325	0	(1,712,722)	(38,581)	(241,050)	(18,283)	2,668,662	13,245,104	14,379,709
YAVAPAI PRESIDENTIAL POLICE	195,264	14,301	41,381	0	0	0	0	(4,606)	60,188	306,528	(90,045)
YOUNGTOWN POLICE DEPARTMENT	806,582	(82,117)	55,207	0	(90,790)	(3,120)	0	0	177,440	863,203	266,945
YUMA COUNTY SHERIFF'S DEPARTMENT	8,646,907	0	1,022,840	0	(1,263,923)	(15,238)	0	(45,945)	1,932,440	10,277,081	8,179,100
YUMA FIRE DEPARTMENT	18,478,258	191,049	1,546,376	127,918	(3,071,496)	(71,704)	(257,397)	0	4,013,960	20,956,964	20,238,607
YUMA POLICE DEPARTMENT	27,590,648	50,732	1,923,837	0	(3,623,952)	(50,265)	0	0	5,795,385	31,686,384	18,129,529
TOTALS	3,664,191,489	51,509,290	273,819,153	12,027,344	(422,113,671)	(13,400,890)	(112,273,060)	(4,232,830)	784,487,339	4,234,014,163	2,900,518,401

OPERATING INFORMATION

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

SYSTEM	2010 EMPLOYER RESERVE	2011 EMPLOYER RESERVE	2010 MEMBER RESERVE	2011 MEMBER RESERVE	COMBINED RESERVES	MEAN BALANCE	FACTOR	INVESTMENT EARNINGS
AK CHIN INDIAN COMM. FIRE DEPT.	2,095,146	2,146,893	463,889	464,621	5,170,548	1,292,637	0.057%	449,801
AK CHIN INDIAN COMM. POLICE DEPT.	1,018,590	1,073,889	235,914	310,516	2,638,909	659,727	0.029%	229,567
APACHE COUNTY SHERIFF'S DEPT.	2,140,092	1,967,025	773,145	961,773	5,842,035	1,460,509	0.065%	508,216
APACHE JUNCTION FIRE DISTRICT	9,454,662	9,854,220	3,895,497	4,129,447	27,333,826	6,833,457	0.303%	2,377,850
APACHE JUNCTION POLICE DEPARTMENT	7,136,207	6,708,368	2,064,349	2,178,595	18,087,520	4,521,880	0.201%	1,573,487
ARIZONA STATE CAPITOL POLICE	2,029,605	1,970,815	695,536	680,540	5,376,497	1,344,124	0.060%	467,717
ARIZONA STATE PARK RANGERS	5,489,273	5,254,874	1,712,820	1,732,090	14,189,058	3,547,264	0.157%	1,234,348
ASU CAMPUS POLICE	9,820,286	9,103,279	2,115,990	2,287,948	23,327,502	5,831,876	0.259%	2,029,328
ATTORNEY GENERAL INVESTIGATORS	3,962,090	3,285,428	848,973	873,771	8,970,262	2,242,565	0.099%	780,350
AVONDALE FIRE DEPARTMENT	6,201,824	6,208,283	2,591,959	2,758,320	17,760,385	4,440,096	0.197%	1,545,028
AVONDALE POLICE DEPARTMENT	7,305,651	7,527,911	3,288,034	3,698,731	21,820,326	5,455,082	0.242%	1,898,215
AVRA VALLEY FIRE DISTRICT	1,302,944	1,270,944	486,396	419,029	3,479,312	869,828	0.039%	302,676
AZ DPT. LIQ. LIC. & CONTROL INVST	2,385,055	2,231,572	606,606	598,682	5,821,915	1,455,479	0.065%	506,466
BENSON FIRE DEPARTMENT	178,216	186,420	62,096	67,186	493,918	123,479	0.005%	42,967
BENSON POLICE DEPARTMENT	987,183	967,900	368,450	429,971	2,753,504	688,376	0.031%	239,535
BISBEE FIRE DEPARTMENT	1,479,680	1,120,493	525,990	571,043	3,697,206	924,301	0.041%	321,631
BISBEE POLICE DEPARTMENT	1,368,157	1,132,490	456,610	519,483	3,476,740	869,185	0.039%	302,452
BLACK CANYON FIRE DISTRICT	213,205	251,143	112,824	142,727	719,900	179,975	0.008%	62,626
BUCKEYE FIRE DEPARTMENT	3,782,153	4,299,603	2,186,623	2,506,133	12,774,511	3,193,628	0.142%	1,111,293
BUCKEYE POLICE DEPARTMENT	5,462,127	5,662,626	2,151,053	2,364,449	15,640,256	3,910,064	0.173%	1,360,592
BUCKEYE VALLEY FIRE DISTRICT	1,960,255	2,376,276	989,665	1,339,629	6,665,825	1,666,456	0.074%	579,880
BUCKSKIN FIRE DISTRICT	1,127,745	1,041,838	298,678	350,442	2,818,703	704,676	0.031%	245,207
BULLHEAD CITY FIRE DEPARTMENT	13,588,272	13,649,847	3,738,752	4,061,864	35,038,736	8,759,684	0.389%	3,048,123
BULLHEAD CITY POLICE DEPARTMENT	11,529,078	11,396,053	3,765,192	3,998,649	30,688,972	7,672,243	0.340%	2,669,725
CAMP VERDE FIRE DISTRICT	1,727,921	1,915,654	657,297	719,509	5,020,382	1,255,095	0.056%	436,738
CAMP VERDE MARSHAL'S	1,556,466	1,562,060	476,973	515,910	4,111,408	1,027,852	0.046%	357,664
CASA GRANDE FIRE DEPARTMENT	5,985,356	5,809,899	2,076,660	2,306,050	16,177,964	4,044,491	0.179%	1,407,369
CASA GRANDE POLICE DEPARTMENT	9,511,058	9,023,256	3,031,386	3,158,074	24,723,774	6,180,943	0.274%	2,150,794
CAVE CREEK MARSHALS	57,339	65,504	27,798	34,082	184,722	46,181	0.002%	16,070
CENTRAL ARIZONA COLLEGE POLICE	272,509	269,729	60,207	83,733	686,177	171,544	0.008%	59,693

OPERATING INFORMATION

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

SYSTEM	2010 EMPLOYER RESERVE	2011 EMPLOYER RESERVE	2010 MEMBER RESERVE	2011 MEMBER RESERVE	COMBINED RESERVES	MEAN BALANCE	FACTOR	INVESTMENT EARNINGS
CENTRAL YAVAPAI FIRE DISTRICT	12,665,174	12,667,743	4,249,415	4,493,203	34,075,536	8,518,884	0.378%	2,964,332
CHANDLER FIRE DEPARTMENT	34,183,197	34,360,815	11,455,224	12,109,342	92,108,578	23,027,144	1.021%	8,012,798
CHANDLER POLICE DEPARTMENT	49,080,329	48,958,277	18,554,685	19,403,140	135,996,431	33,999,108	1.508%	11,830,732
CHINO VALLEY FIRE DISTRICT	3,318,603	3,601,830	1,330,514	1,412,718	9,663,665	2,415,916	0.107%	840,671
CHINO VALLEY POLICE DEPARTMENT	2,316,270	2,335,202	838,515	928,704	6,418,691	1,604,673	0.071%	558,381
CHRISTOPHER-KOHL'S FIRE DISTRICT	97,356	153,598	103,941	88,087	442,982	110,746	0.005%	38,536
CITY OF MARICOPA POLICE	1,890,759	2,213,780	1,297,663	1,480,895	6,883,097	1,720,774	0.076%	598,781
CLARKDALE FIRE DISTRICT	131,751	176,243	104,451	128,251	540,696	135,174	0.006%	47,037
CLARKDALE POLICE DEPARTMENT	1,197,354	1,149,963	279,071	301,830	2,928,218	732,054	0.032%	254,734
CLIFTON FIRE DEPARTMENT	194,799	146,540	0	0	341,339	85,335	0.004%	29,694
CLIFTON POLICE DEPARTMENT	351,045	348,694	33,850	56,477	790,067	197,517	0.009%	68,730
COCHISE COUNTY SHERIFF'S DEPT	8,498,575	7,871,019	2,446,706	2,828,964	21,645,264	5,411,316	0.240%	1,882,986
COCONINO COUNTY SHERIFF'S DEPT	7,789,122	7,043,558	2,217,775	1,919,275	18,969,730	4,742,432	0.210%	1,650,233
COOLIDGE FIRE DEPARTMENT	80,034	99,128	41,901	53,423	274,485	68,621	0.003%	23,878
COOLIDGE POLICE DEPARTMENT	2,799,871	2,752,376	945,511	1,005,682	7,503,441	1,875,860	0.083%	652,747
CORONA DE TUCSON FIRE DISTRICT	551,619	655,487	227,693	305,268	1,740,066	435,017	0.019%	151,374
COTTONWOOD FIRE DEPARTMENT	1,502,478	1,644,211	695,512	832,706	4,674,907	1,168,727	0.052%	406,684
COTTONWOOD POLICE DEPARTMENT	2,207,945	2,116,146	801,223	902,052	6,027,366	1,506,841	0.067%	524,338
DAISY MOUNTAIN FIRE DISTRICT	5,959,945	6,687,084	3,332,734	3,867,640	19,847,403	4,961,851	0.220%	1,726,584
DEPARTMENT OF EMER & MILITARY AFF	4,460,908	4,443,177	1,318,214	1,336,920	11,559,219	2,889,805	0.128%	1,005,571
DEPARTMENT OF PUBLIC SAFETY	340,589,844	305,157,100	26,711,385	26,689,164	699,147,492	174,786,873	7.753%	60,820,909
DESERT HILLS FIRE DEPARTMENT	330,540	419,322	174,343	251,972	1,176,177	294,044	0.013%	102,319
DIAMOND STAR FIRE DISTRICT	556,482	614,386	231,872	265,363	1,668,103	417,026	0.018%	145,113
DOUGLAS FIRE DEPARTMENT	3,240,183	2,868,596	696,801	781,760	7,587,340	1,896,835	0.084%	660,045
DOUGLAS POLICE DEPARTMENT	4,644,563	4,186,164	1,216,558	1,312,274	11,359,559	2,839,890	0.126%	988,202
DREXEL HEIGHTS FIRE DISTRICT	8,093,439	8,319,630	3,119,151	3,149,517	22,681,737	5,670,434	0.252%	1,973,151
EAGAR POLICE DEPARTMENT	1,015,568	1,002,471	283,035	381,242	2,682,316	670,579	0.030%	233,343
EL MIRAGE FIRE DEPARTMENT	1,331,767	1,482,547	610,081	729,526	4,153,922	1,038,480	0.046%	361,362
EL MIRAGE POLICE DEPARTMENT	2,582,983	2,702,016	1,302,228	1,604,932	8,192,159	2,048,040	0.091%	712,660
ELOY FIRE DISTRICT	928,157	1,158,925	404,987	537,393	3,029,462	757,366	0.034%	263,542

OPERATING INFORMATION

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

SYSTEM	2010 EMPLOYER RESERVE	2011 EMPLOYER RESERVE	2010 MEMBER RESERVE	2011 MEMBER RESERVE	COMBINED RESERVES	MEAN BALANCE	FACTOR	INVESTMENT EARNINGS
ELOY POLICE DEPARTMENT	3,054,717	3,043,817	969,524	1,133,693	8,201,750	2,050,438	0.091%	713,495
FLAGSTAFF FIRE DEPARTMENT	21,756,598	19,474,774	4,514,452	4,310,187	50,056,011	12,514,003	0.555%	4,354,520
FLAGSTAFF POLICE DEPARTMENT	14,843,102	13,886,230	4,454,470	4,853,404	38,037,206	9,509,301	0.422%	3,308,969
FLORENCE FIRE DEPARTMENT	733,917	825,409	429,693	495,055	2,484,074	621,018	0.028%	216,097
FLORENCE POLICE DEPARTMENT	2,016,211	2,065,663	847,164	806,914	5,735,953	1,433,988	0.064%	498,988
FORT MCDOWELL TRIBAL FIRE DEPT.	599,958	714,797	224,531	356,902	1,896,188	474,047	0.021%	164,955
FORT MCDOWELL TRIBAL POLICE DEPT.	1,249,237	1,437,530	618,646	740,333	4,045,745	1,011,436	0.045%	351,951
FORT MOJAVE MESA FIRE DISTRICT	4,097,027	4,436,760	1,247,703	1,235,132	11,016,622	2,754,156	0.122%	958,369
FORT MOJAVE TRIBAL POLICE DEPT.	667,302	795,185	284,345	376,104	2,122,936	530,734	0.024%	184,680
FREDONIA MARSHALS	297,943	315,538	87,271	100,276	801,028	200,257	0.009%	69,684
FRY FIRE DISTRICT	4,898,526	4,756,004	1,239,978	1,361,946	12,256,454	3,064,113	0.136%	1,066,225
GAME AND FISH DEPARTMENT	23,813,734	21,259,246	5,634,398	6,070,217	56,777,595	14,194,399	0.630%	4,939,251
GILA COUNTY SHERIFF'S DEPARTMENT	4,080,576	3,877,982	1,215,144	1,337,586	10,511,288	2,627,822	0.117%	914,408
GILA RIVER FIRE DEPARTMENT	3,231,503	3,598,757	1,795,137	2,094,021	10,719,418	2,679,854	0.119%	932,514
GILA RIVER POLICE DEPARTMENT	5,048,097	5,425,929	2,572,973	2,680,818	15,727,817	3,931,954	0.174%	1,368,209
GILBERT FIRE DEPARTMENT	13,422,658	14,700,026	7,197,006	8,480,165	43,799,854	10,949,963	0.486%	3,810,279
GILBERT POLICE DEPARTMENT	20,367,404	21,511,907	9,798,766	10,428,597	62,106,674	15,526,668	0.689%	5,402,843
GLENDALE FIRE DEPARTMENT	47,268,763	46,087,629	12,985,830	14,230,508	120,572,729	30,143,182	1.337%	10,488,978
GLENDALE POLICE DEPARTMENT	56,061,280	53,623,298	19,155,374	20,344,039	149,183,991	37,295,998	1.654%	12,977,957
GLOBE FIRE DEPARTMENT	2,119,586	1,996,273	658,977	725,903	5,500,739	1,375,185	0.061%	478,526
GLOBE POLICE DEPARTMENT	2,236,011	2,189,438	687,135	692,153	5,804,737	1,451,184	0.064%	504,971
GOLDEN SHORES FIRE DISTRICT	374,398	390,026	168,200	179,717	1,112,340	278,085	0.012%	96,766
GOLDEN VALLEY FIRE DISTRICT	1,596,048	1,612,460	424,319	492,411	4,125,238	1,031,309	0.046%	358,867
GOLDER RANCH FIRE DISTRICT	8,451,431	9,579,582	3,628,614	4,318,082	25,977,710	6,494,427	0.288%	2,259,878
GOODYEAR FIRE DEPARTMENT	6,676,544	7,245,286	3,516,682	3,977,166	21,415,678	5,353,919	0.237%	1,863,013
GOODYEAR POLICE DEPARTMENT	7,873,227	8,280,685	3,643,514	3,862,328	23,659,754	5,914,939	0.262%	2,058,232
GRAHAM COUNTY ATTORNEY INVEST.	43,034	43,034	0	0	86,068	21,517	0.001%	7,487
GRAHAM COUNTY SHERIFF'S DEPT.	1,330,597	1,425,280	666,821	734,354	4,157,053	1,039,263	0.046%	361,634
GREEN VALLEY FIRE DISTRICT	6,047,385	6,583,358	1,923,357	2,281,771	16,835,871	4,208,968	0.187%	1,464,602
GREENLEE CNTY ATTY INVESTIGATORS	34,092	34,092	0	0	68,184	17,046	0.001%	5,932

OPERATING INFORMATION

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

SYSTEM	2010 EMPLOYER RESERVE	2011 EMPLOYER RESERVE	2010 MEMBER RESERVE	2011 MEMBER RESERVE	COMBINED RESERVES	MEAN BALANCE	FACTOR	INVESTMENT EARNINGS
GREENLEE COUNTY SHERIFF'S DEPT.	1,823,003	1,787,878	415,144	430,385	4,456,410	1,114,103	0.049%	387,676
GROOM CREEK FIRE DISTRICT	163,898	213,629	101,006	133,557	612,090	153,023	0.007%	53,248
GUADALUPE FIRE DEPARTMENT	318,349	286,253	259,645	214,831	1,079,078	269,769	0.012%	93,872
HARQUAHALA FIRE DISTRICT	365,201	446,019	196,442	262,164	1,269,826	317,456	0.014%	110,466
HAYDEN POLICE DEPARTMENT	689,964	647,048	116,066	104,128	1,557,206	389,302	0.017%	135,466
HEBER-OVERGAARD FIRE DISTRICT	571,661	653,307	214,709	267,179	1,706,855	426,714	0.019%	148,484
HIGHLANDS FIRE DISTRICT	1,569,633	1,697,910	648,937	744,868	4,661,349	1,165,337	0.052%	405,505
HOLBROOK POLICE DEPARTMENT	1,330,486	1,169,387	439,850	481,244	3,420,968	855,242	0.038%	297,600
HUALAPAI INDIAN TRIBE POLICE DEPT	333,416	382,591	195,537	211,145	1,122,689	280,672	0.012%	97,666
HUALAPAI VALLEY FIRE DISTRICT	1,617,441	1,754,481	708,409	792,919	4,873,249	1,218,312	0.054%	423,938
JEROME POLICE DEPARTMENT	115,823	128,523	42,057	48,655	335,058	83,765	0.004%	29,148
KEARNY POLICE DEPARTMENT	795,419	789,317	176,740	278,070	2,039,545	509,886	0.023%	177,426
KINGMAN FIRE DEPARTMENT	7,352,975	7,343,003	2,296,902	2,541,571	19,534,451	4,883,613	0.217%	1,699,360
KINGMAN POLICE DEPARTMENT	6,667,763	6,743,063	2,075,785	2,042,695	17,529,306	4,382,327	0.194%	1,524,926
LA PAZ COUNTY ATTY. INVESTIGATORS	148,813	156,612	61,769	66,102	433,297	108,324	0.005%	37,694
LA PAZ COUNTY SHERIFF'S DEPT.	3,858,565	3,716,623	1,245,683	1,284,628	10,105,498	2,526,375	0.112%	879,107
LAKE HAVASU CITY FIRE DEPARTMENT	14,020,025	12,565,471	3,073,040	3,108,425	32,766,961	8,191,740	0.363%	2,850,495
LAKE HAVASU CITY POLICE DEPT.	11,817,090	11,278,521	3,826,855	4,136,612	31,059,078	7,764,770	0.344%	2,701,921
LAKE MOHAVE RANCHOS FIRE DISTRICT	144,043	471,348	50,009	170,640	836,041	209,010	0.009%	72,730
LAKESIDE FIRE DISTRICT	1,164,057	1,311,864	596,112	645,907	3,717,940	929,485	0.041%	323,435
LINDEN FIRE DISTRICT	227,696	271,043	109,300	143,841	751,880	187,970	0.008%	65,408
MAMMOTH POLICE DEPARTMENT	152,412	163,325	95,848	106,465	518,049	129,512	0.006%	45,067
MARANA POLICE DEPARTMENT	6,517,620	6,534,113	2,367,296	2,608,932	18,027,961	4,506,990	0.200%	1,568,306
MARICOPA CNTY ATTY INVESTIGATORS	2,891,777	2,437,166	484,875	521,112	6,334,929	1,583,732	0.070%	551,094
MARICOPA COUNTY PARK RANGERS	332,028	165,531	24,132	24,132	545,824	136,456	0.006%	47,483
MARICOPA COUNTY SHERIFF'S OFFICE	119,885,669	112,603,246	32,775,482	34,943,463	300,207,861	75,051,965	3.329%	26,115,970
MARICOPA FIRE DISTRICT	2,607,794	3,028,796	1,561,939	1,879,678	9,078,207	2,269,552	0.101%	789,740
MAYER FIRE DISTRICT	1,163,307	1,223,490	385,314	431,085	3,203,195	800,799	0.036%	278,655
MESA FIRE DEPARTMENT	103,446,202	95,950,302	26,263,036	27,147,345	252,806,884	63,201,721	2.803%	21,992,419
MESA POLICE DEPARTMENT	165,884,186	157,941,004	45,882,832	47,810,574	417,518,596	104,379,649	4.630%	36,321,178

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FISCAL YEAR ENDED JUNE 30, 2011

SYSTEM	2010 EMPLOYER RESERVE	2011 EMPLOYER RESERVE	2010 MEMBER RESERVE	2011 MEMBER RESERVE	COMBINED RESERVES	MEAN BALANCE	FACTOR	INVESTMENT EARNINGS
MIAMI FIRE DEPARTMENT	284,686	284,686	0	0	569,372	142,343	0.006%	49,531
MIAMI POLICE DEPARTMENT	462,768	436,119	128,662	137,589	1,165,137	291,284	0.013%	101,359
MOHAVE COUNTY SHERIFF'S DEPT.	11,905,424	10,909,181	3,249,233	3,319,675	29,383,513	7,345,878	0.326%	2,556,159
MOHAVE VALLEY FIRE DISTRICT	2,555,498	2,714,621	937,198	1,077,715	7,285,033	1,821,258	0.081%	633,747
MONTEZUMA RIMROCK FIRE DISTRICT	553,845	590,153	308,977	276,020	1,728,994	432,249	0.019%	150,410
MOUNT LEMMON FIRE DISTRICT	228,942	253,363	83,710	97,995	664,010	166,003	0.007%	57,764
NAU CAMPUS POLICE	2,372,807	2,146,858	529,352	585,311	5,634,328	1,408,582	0.062%	490,147
NAVAJO COUNTY ATTY'S INVESTIGATOR	136,737	107,266	0	0	244,003	61,001	0.003%	21,227
NAVAJO COUNTY SHERIFF'S DEPT.	3,907,006	3,511,430	893,762	919,904	9,232,101	2,308,025	0.102%	803,128
NOGALES FIRE DEPARTMENT	4,536,562	4,456,335	1,651,648	1,752,380	12,396,925	3,099,231	0.137%	1,078,445
NOGALES POLICE DEPARTMENT	6,318,064	6,190,421	2,054,867	2,214,150	16,777,502	4,194,375	0.186%	1,459,525
NORTHWEST FIRE DISTRICT	17,324,049	18,692,636	7,282,222	8,019,039	51,317,946	12,829,486	0.569%	4,464,300
ORACLE FIRE DISTRICT	91,847	127,395	36,930	56,201	312,372	78,093	0.003%	27,174
ORO VALLEY POLICE DEPARTMENT	10,062,544	10,528,387	4,149,250	4,499,859	29,240,039	7,310,010	0.324%	2,543,678
PAGE FIRE DEPARTMENT	520,316	688,124	236,953	350,040	1,795,432	448,858	0.020%	156,190
PAGE POLICE DEPARTMENT	2,187,773	2,182,094	605,017	720,674	5,695,558	1,423,890	0.063%	495,473
PALOMINAS FIRE DISTRICT	0	187,041	0	6,213	193,255	48,314	0.000%	0
PARADISE VALLEY POLICE DEPARTMENT	5,650,734	4,931,179	1,650,532	1,702,349	13,934,795	3,483,699	0.155%	1,212,229
PARKER POLICE DEPARTMENT	1,130,885	1,102,322	278,113	317,487	2,828,806	707,202	0.031%	246,086
PASCUA YAQUI TRIBE FIRE DEPT.	1,086,257	1,267,412	508,450	611,694	3,473,812	868,453	0.039%	302,197
PASCUA YAQUI TRIBE POLICE DEPT.	1,226,924	1,459,767	877,699	1,024,457	4,588,848	1,147,212	0.051%	399,197
PATAGONIA MARSHALS	324,903	486,781	36,543	39,155	887,382	221,845	0.010%	77,196
PAYSON FIRE DEPARTMENT	2,821,399	2,793,557	923,593	1,028,162	7,566,711	1,891,678	0.084%	658,251
PAYSON POLICE DEPARTMENT	3,466,132	3,137,188	1,038,017	1,109,011	8,750,349	2,187,587	0.097%	761,219
PEORIA FIRE DEPARTMENT	20,158,013	20,794,326	7,028,334	8,002,089	55,982,761	13,995,690	0.621%	4,870,106
PEORIA POLICE DEPARTMENT	25,091,977	25,285,137	7,087,229	7,802,921	65,267,264	16,316,816	0.724%	5,677,792
PHOENIX FIRE DEPARTMENT	441,797,903	407,434,465	107,544,491	112,346,490	1,069,123,349	267,280,837	11.856%	93,006,204
PHOENIX POLICE DEPARTMENT	768,935,162	715,965,674	192,526,716	207,001,294	1,884,428,847	471,107,212	20.897%	163,932,042
PICTURE ROCKS FIRE DISTRICT	1,960,226	2,142,386	644,775	571,179	5,318,566	1,329,641	0.059%	462,678
PIMA COUNTY ATTORNEY INVESTIGATOR	1,421,648	1,075,293	373,696	188,829	3,059,467	764,867	0.034%	266,152

OPERATING INFORMATION

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

SYSTEM	2010 EMPLOYER RESERVE	2011 EMPLOYER RESERVE	2010 MEMBER RESERVE	2011 MEMBER RESERVE	COMBINED RESERVES	MEAN BALANCE	FACTOR	INVESTMENT EARNINGS
PIMA COUNTY COMM. COLLEGE POLICE	2,882,064	2,743,525	784,288	767,094	7,176,971	1,794,243	0.080%	624,346
PIMA COUNTY SHERIFF'S DEPARTMENT	103,522,060	96,890,419	13,064,427	13,742,630	227,219,536	56,804,884	2.520%	19,766,500
PIMA POLICE DEPARTMENT	178,324	191,090	46,401	48,470	464,285	116,071	0.005%	40,389
PINAL COUNTY SHERIFF'S DEPARTMENT	22,041,686	22,318,847	7,197,794	7,656,501	59,214,828	14,803,707	0.657%	5,151,273
PINE-STRAWBERRY FIRE DISTRICT	1,863,822	1,775,100	700,054	787,137	5,126,113	1,281,528	0.057%	445,936
PINETOP FIRE DISTRICT	1,707,461	1,858,060	737,757	879,109	5,182,387	1,295,597	0.057%	450,831
PINETOP-LAKESIDE POLICE DEPT.	1,207,012	1,169,415	449,686	352,268	3,178,380	794,595	0.035%	276,497
PINEWOOD FIRE DISTRICT	846,242	861,223	294,012	368,091	2,369,568	592,392	0.026%	206,136
PRESCOTT FIRE DEPARTMENT	12,195,874	11,373,459	3,282,378	3,411,111	30,262,821	7,565,705	0.336%	2,632,652
PRESCOTT POLICE DEPARTMENT	8,454,461	7,495,820	2,802,716	2,861,380	21,614,377	5,403,594	0.240%	1,880,299
PRESCOTT VALLEY POLICE DEPARTMENT	5,764,969	5,932,116	2,335,490	2,441,406	16,473,981	4,118,495	0.183%	1,433,120
QUARTZSITE FIRE DISTRICT	267,469	319,165	140,616	173,473	900,723	225,181	0.010%	78,357
QUARTZSITE POLICE DEPARTMENT	1,249,653	1,335,282	509,022	597,481	3,691,438	922,860	0.041%	321,129
QUEEN CREEK FIRE DEPARTMENT	488,550	513,113	347,302	483,246	1,832,212	458,053	0.020%	159,390
QUEEN VALLEY FIRE DISTRICT	37,222	54,400	25,702	34,872	152,195	38,049	0.002%	13,240
RINCON VALLEY FIRE DISTRICT	1,114,280	1,256,653	600,758	702,655	3,674,346	918,587	0.041%	319,642
RIO RICO FIRE DISTRICT	879,434	1,047,866	579,093	696,038	3,202,431	800,608	0.036%	278,589
RIO VERDE FIRE DISTRICT	1,220,472	1,430,535	484,221	670,402	3,805,630	951,408	0.042%	331,063
SAFFORD POLICE DEPARTMENT	2,531,184	2,414,491	870,858	931,828	6,748,361	1,687,090	0.075%	587,060
SAHUARITA POLICE DEPARTMENT	2,394,120	2,644,042	1,107,639	1,317,919	7,463,720	1,865,930	0.083%	649,291
SALT RIVER PIMA-MARICOPA FIRE	7,720,555	8,263,476	2,929,399	3,319,699	22,233,129	5,558,282	0.247%	1,934,126
SALT RIVER PIMA-MARICOPA POLICE	6,697,830	7,200,887	3,578,539	4,001,493	21,478,749	5,369,687	0.238%	1,868,500
SAN CARLOS TRIBAL POLICE	632,046	825,340	213,766	294,551	1,965,703	491,426	0.022%	171,002
SAN LUIS FIRE DEPARTMENT	1,186,003	1,248,996	582,390	619,925	3,637,313	909,328	0.040%	316,421
SAN LUIS POLICE DEPARTMENT	2,129,192	2,133,234	922,822	1,050,374	6,235,622	1,558,905	0.069%	542,455
SANTA CRUZ COUNTY SHERIFF'S DEPT.	3,096,487	2,880,805	1,292,767	1,368,892	8,638,951	2,159,738	0.096%	751,528
SCOTTSDALE FIRE DEPARTMENT	14,663,876	16,230,659	7,538,528	10,776,150	49,209,212	12,302,303	0.546%	4,280,855
SCOTTSDALE POLICE DEPARTMENT	79,766,544	77,158,693	22,801,552	24,395,742	204,122,530	51,030,633	2.264%	17,757,223
SEDONA FIRE DISTRICT	7,634,551	7,724,679	2,829,516	3,132,718	21,321,464	5,330,366	0.236%	1,854,817
SEDONA POLICE DEPARTMENT	2,921,426	3,028,673	1,110,957	879,197	7,940,253	1,985,063	0.088%	690,746

OPERATING INFORMATION

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

SYSTEM	2010 EMPLOYER RESERVE	2011 EMPLOYER RESERVE	2010 MEMBER RESERVE	2011 MEMBER RESERVE	COMBINED RESERVES	MEAN BALANCE	FACTOR	INVESTMENT EARNINGS
SHOW LOW FIRE DISTRICT	1,616,704	1,793,982	919,739	1,050,989	5,381,415	1,345,354	0.060%	468,145
SHOW LOW POLICE DEPARTMENT	3,136,942	3,138,364	1,119,193	1,265,724	8,660,223	2,165,056	0.096%	753,378
SIERRA VISTA FIRE DEPARTMENT	8,029,113	7,844,704	1,911,781	1,935,997	19,721,595	4,930,399	0.219%	1,715,640
SIERRA VISTA POLICE DEPARTMENT	9,085,900	8,566,712	2,414,148	2,187,176	22,253,936	5,563,484	0.247%	1,935,936
SNOWFLAKE POLICE DEPARTMENT	983,855	961,085	407,831	431,617	2,784,388	696,097	0.031%	242,222
SOMERTON FIRE DEPARTMENT	997,899	1,032,146	440,656	479,363	2,950,064	737,516	0.033%	256,635
SOMERTON POLICE DEPARTMENT	1,438,579	1,482,571	532,034	589,904	4,043,089	1,010,772	0.045%	351,720
SONOITA ELGIN FIRE DEPARTMENT	103,096	173,141	47,809	78,672	402,718	100,679	0.004%	35,034
SOUTH TUCSON FIRE DEPARTMENT	1,102,957	1,041,045	345,687	363,805	2,853,494	713,374	0.032%	248,234
SOUTH TUCSON POLICE DEPARTMENT	433,409	172,640	301,918	380,123	1,288,090	322,022	0.014%	112,055
SPRINGVILLE POLICE DEPARTMENT	938,863	923,565	218,818	245,809	2,327,056	581,764	0.026%	202,437
ST. JOHNS POLICE DEPARTMENT	607,796	584,743	202,519	154,060	1,549,119	387,280	0.017%	134,762
SUMMIT FIRE DISTRICT	2,831,161	3,110,917	1,330,919	1,524,709	8,797,704	2,199,426	0.098%	765,338
SUN CITY FIRE DISTRICT	9,257,102	8,467,299	4,703,893	4,676,535	27,104,828	6,776,207	0.301%	2,357,929
SUN CITY WEST FIRE DISTRICT	6,827,452	7,126,781	2,801,319	2,809,670	19,565,223	4,891,306	0.217%	1,702,037
SUN LAKES FIRE DISTRICT	5,512,437	5,701,601	1,764,375	2,045,440	15,023,853	3,755,963	0.167%	1,306,969
SUPERIOR POLICE DEPARTMENT	563,736	546,955	146,277	160,748	1,417,717	354,429	0.016%	123,331
SURPRISE FIRE DEPARTMENT	9,092,012	9,889,831	4,514,565	5,052,602	28,549,009	7,137,252	0.317%	2,483,563
SURPRISE POLICE DEPARTMENT	9,247,687	10,056,134	4,282,080	4,902,786	28,488,687	7,122,172	0.316%	2,478,315
TEMPE FIRE DEPARTMENT	48,015,645	45,379,784	9,837,230	10,662,373	113,895,033	28,473,758	1.263%	9,908,066
TEMPE POLICE DEPARTMENT	60,873,284	57,347,802	18,013,024	19,282,692	155,516,802	38,879,201	1.725%	13,528,867
THATCHER POLICE DEPARTMENT	1,537,956	1,440,522	340,941	389,108	3,708,528	927,132	0.041%	322,616
THREE POINTS FIRE DISTRICT	684,994	714,786	313,555	358,851	2,072,186	518,046	0.023%	180,266
TOHONO O'ODHAM NATION FIRE	2,069,339	2,358,045	625,804	823,668	5,876,856	1,469,214	0.065%	511,245
TOHONO O'ODHAM NATION POLICE	7,837,876	8,289,652	1,214,382	1,512,810	18,854,721	4,713,680	0.209%	1,640,228
TOLLESON FIRE DEPARTMENT	2,619,394	2,788,157	1,396,656	1,898,455	8,702,662	2,175,665	0.097%	757,070
TOLLESON POLICE DEPARTMENT	2,268,692	2,250,244	906,336	1,016,293	6,441,565	1,610,391	0.071%	560,371
TOMBSTONE MARSHAL'S DEPARTMENT	360,538	381,247	137,811	160,784	1,040,379	260,095	0.012%	90,506
TONOPAH FIRE DISTRICT	188,363	227,294	99,719	115,006	630,382	157,596	0.007%	54,839
TOWN OF SUPERIOR (FIRE DEPT)	165,517	193,020	86,746	94,457	539,740	134,935	0.006%	46,954

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

SYSTEM	2010 EMPLOYER RESERVE	2011 EMPLOYER RESERVE	2010 MEMBER RESERVE	2011 MEMBER RESERVE	COMBINED RESERVES	MEAN BALANCE	FACTOR	INVESTMENT EARNINGS
TRI-CITY FIRE DISTRICT	665,633	764,156	376,334	452,725	2,258,848	564,712	0.025%	196,504
TUBAC FIRE DISTRICT	1,480,081	1,677,764	690,804	778,508	4,627,158	1,156,789	0.051%	402,530
TUCSON AIRPORT AUTHORITY FIRE DPT	3,994,369	3,368,748	865,725	708,323	8,937,165	2,234,291	0.099%	777,470
TUCSON AIRPORT AUTHORITY POLICE	2,662,764	2,289,346	1,101,246	1,004,879	7,058,235	1,764,559	0.078%	614,017
TUCSON FIRE DEPARTMENT	150,291,415	128,409,550	26,615,828	25,858,202	331,174,995	82,793,749	3.672%	28,809,893
TUCSON POLICE DEPARTMENT	238,284,698	212,267,825	40,137,726	40,257,533	530,947,782	132,736,946	5.888%	46,188,719
U OF A CAMPUS POLICE DEPARTMENT	6,157,163	6,011,823	2,124,958	2,393,513	16,687,457	4,171,864	0.185%	1,451,691
VERDE VALLEY FIRE DISTRICT	2,656,682	2,794,446	971,812	1,107,118	7,530,057	1,882,514	0.084%	655,062
WELLTON POLICE	195,677	200,567	98,604	104,923	599,771	149,943	0.007%	52,176
WHEATSTONE FIRE DISTRICT	65,400	93,484	51,294	71,730	281,907	70,477	0.003%	24,524
WICKENBURG FIRE DEPARTMENT	252,148	293,297	129,287	161,991	836,723	209,181	0.009%	72,789
WICKENBURG POLICE DEPARTMENT	1,128,902	1,216,548	479,618	471,155	3,296,223	824,056	0.037%	286,748
WILLCOX POLICE DEPARTMENT	1,104,148	1,118,342	359,577	332,184	2,914,250	728,562	0.032%	253,519
WILLIAMS POLICE DEPARTMENT	909,736	997,215	251,761	202,656	2,361,369	590,342	0.026%	205,422
WILLIAMSON VALLEY FIRE DISTRICT	194,427	92,903	100,188	35,356	422,874	105,718	0.005%	36,787
WINSLOW FIRE DEPARTMENT	4,133,378	4,119,894	354,983	381,958	8,990,213	2,247,553	0.100%	782,085
WINSLOW POLICE DEPARTMENT	2,878,268	2,927,807	907,942	951,324	7,665,342	1,916,335	0.085%	666,831
WITTMAN FIRE DISTRICT	124,554	190,212	73,885	115,386	504,036	126,009	0.006%	43,848
YAVAPAI CNTY ATTRNY INVESTIGATORS	138,107	72,101	0	0	210,209	52,552	0.002%	18,287
YAVAPAI COUNTY SHERIFF'S DEPT.	10,926,055	10,576,442	4,458,457	4,715,803	30,676,757	7,669,189	0.340%	2,668,662
YAVAPAI PRESCOTT TRIBAL POLICE	195,264	246,339	81,581	168,694	691,877	172,969	0.008%	60,188
YOUNGTOWN POLICE DEPARTMENT	806,582	685,762	291,766	255,596	2,039,706	509,927	0.023%	177,440
YUMA COUNTY SHERIFF'S DEPARTMENT	8,646,907	8,344,641	2,442,730	2,779,474	22,213,752	5,553,438	0.246%	1,932,440
YUMA FIRE DEPARTMENT	18,478,258	16,943,004	5,215,380	5,504,561	46,141,203	11,535,301	0.512%	4,013,960
YUMA POLICE DEPARTMENT	27,590,648	25,891,000	6,215,071	6,922,290	66,619,009	16,654,752	0.739%	5,795,385
TOTALS	3,664,191,489	3,449,526,824	921,671,914	982,628,689	9,018,018,917	2,254,504,729	100.000%	784,487,339

OPERATING INFORMATION

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
 CHRISTOPHER-KOHL'S FIRE DISTRICT
 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.
 LAKE MOHAVE RANCHOS FIRE DISTRICT
 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

PARTICIPATING EMPLOYERS

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
 PALOMINAS FIRE DISTRICT
 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 DEPARTMENT
 QUEEN VALLEY 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
 SONOITA ELGIN FIRE 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
 WHETSTONE FIRE DISTRICT
 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

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