

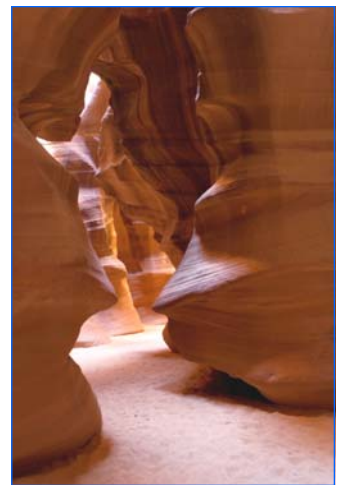
PUBLIC SAFETY

PERSONNEL RETIREMENT SYSTEM



44th COMPREHENSIVE ANNUAL FINANCIAL REPORT

A PENSION TRUST FUND OF THE STATE OF ARIZONA



FOR THE FISCAL YEAR ENDED JUNE 30, 2012

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-Fourth Comprehensive Annual Financial Report

For the Fiscal Year Ended
June 30, 2012

Prepared by the Staff of PSPRS

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

TABLE OF CONTENTS

INTRODUCTORY SECTION

Certificate of Achievement	6
Board of Trustees Transmittal Letter	7
Letter from the Administrator	10
Board of Trustees	14
Executive Staff and Organizational Chart	15
Professional Advisors	16

FINANCIAL SECTION

Independent Auditors' Report	18
Management's Discussion and Analysis	20
Basic Financial Statements	
Statement of Plan Net Assets	24
Statement of Changes in Plan Net Assets	25
Notes to the Financial Statements	26
Required Supplementary Information	
Schedule of Funding Progress	39
Schedule of Employer Contributions	39
Notes to the Required Supplementary Information	41
Supporting Schedules Information	
Schedule of Changes in Reserve Balances	42
Schedule of Receipts and Disbursements	43
Schedule of Administrative Expenses	44
Schedule of Consultant Expenses	45
Other Supplementary Information	
Agency Fund Statement of Changes in Assets and Liabilities	46
Agency Fund Schedule of Funding Progress	46

INVESTMENT SECTION

Chief Investment Officer's Letter	48
Fund Investment Objectives	50
Investment Performance	
Asset Allocation	50
Annualized Rates of Return, Benchmark and Indices	51
Top 10 Investment Holdings	52
Summary of Changes in Investment Portfolio	52
Schedule of Commissions Paid to Brokers	52

TABLE OF CONTENTS (continued)

Equity Portfolio	55
Fixed Income Portfolio	56
Alternative Investments Portfolio	
Credit Opportunities Portfolio	58
Private Equity Portfolio	59
Real Assets Portfolio	61
Absolute Return Portfolio	61
Real Estate Portfolio	62
GTAA Securities Portfolio	62

ACTUARIAL SECTION

Actuary's Certification Letter	64
Actuarial Balance Sheet	67
Summary of Valuation Assumptions	68
Solvency Test	70
Summary of Active Member Data	71
Summary of Retirees and Inactive Members	72
Schedule of Experience Gain/Loss	73

STATISTICAL SECTION

Statistical Summary	76
Changes in Plan Net Assets - Last Ten Fiscal Years	77
Schedule of Revenue by Source - Last Ten Fiscal Years	78
Schedule of Expenses by Type - Last Ten Fiscal Years	78
Deductions from Plan Net Assets for Benefits and Refunds by Type - Last Ten Fiscal Years	78
Valuation Assets vs. Pension Liabilities - Last Ten Fiscal Years	79
Contribution Rates- Last Ten Fiscal Years	81
Distribution of Benefit Recipients By Location	82
System Membership - Last Ten Fiscal Years	82
Principal Participating Employers	83
Summary of Benefit Increases - Last Ten Years	83
Summary of Growth of the System - Last Ten Fiscal Years	84
Benefits Payable by Benefit Type	84
Average Monthly Benefits and Membership - Last Ten Fiscal Years	85
Schedule of Changes in Refundable Member Reserve Balances	86
Schedule of Changes in Employer Reserve Balances and Unfunded AAL	92
Schedule of Changes in Employers Earnings Distribution	100
Participating Employers	108

THIS PAGE INTENTIONALLY BLANK



INTRODUCTORY SECTION

Certificate of Achievement	6
Board of Trustees Transmittal Letter	7
Letter from the Administrator	10
Board of Trustees	14
Executive Staff and Organizational Chart	15
Professional Advisors	16

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, 2011

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.



Linda C. Danison

President

Jeffrey R. Emer

Executive Director

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

Brian P. Tobin, Chairman
Gregory Ferguson, Vice Chair
Jeff McHenry, Trustee
Richard J. Petrenka, Trustee
Randie A. Stein, Trustee
Lauren Kingry, Trustee
William C. Davis, Trustee

3010 East Camelback Road, Suite 200
Phoenix, Arizona 85016-4416
www.psprs.com
TELEPHONE: (602) 255-5575
FAX: (602) 255-5572

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

November 20, 2012

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-fourth Comprehensive Annual Financial Report (CAFR) for the PSPRS Plan for the fiscal year ended June 30, 2012 (FY'12), in accordance with the provisions of A.R.S. Section 38-848.

The PSPRS Plan's Funding Status

As of fiscal year-end, the financial status of the PSPRS Plan, as reflected in its funding ratio, decreased from 61.9% at June 30, 2011 to 58.6% at June 30, 2012. 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 that began in FY'02 is due primarily to the asset value losses and negative rates of return that the Plan experienced in FY'01 and FY'02 (\$1.3 billion) coupled with the additional losses and negative rates of return the Plan experienced in FY'08 and FY'09 and now again in FY'12. The losses in FY'01 and FY'02 were largely the result of a lack of investment diversification and an over-concentration in high technology and telecommunication stocks and bonds at a time when the "tech-telecom bubble" was deflating. The FY'08 and FY'09 losses 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.

The FY'12 actuarial loss due to investment return that reflects the Plan's -0.79% return (net of fees) was the result of two factors: first, weakness and volatility in the financial markets – especially the international equity markets – that resulted from weakness in the U.S. and global economies; and, second, an actual rate of return that was significantly less than the Plan's benchmark return (2.89%) for the fiscal year.

A second factor that has also contributed significantly to the funding erosion was the downward revision in the Plan's actuarial assumption for investment return. (That assumption was reduced by one-half of 1% from 8.5% in FY'10 to 8.0% in FY'12 and will be reduced further to 7.8% for FY'13.) Downward revision in this assumption reduces the projected rate of growth in Plan assets relative to the rate of growth in liability for benefits and that, in turn, diminishes the Plan's funding ratio (and adds to the employer contribution requirement).

It should be noted that the Plan's funding ratio decreased during fiscal years 2010 and 2011 even though the Plan had strong rates of return in those years (13.47% in FY'10 and 17.37% in FY'11). This is because the PSPRS Plan uses a seven year averaging process ("smoothing") to determine the fiscal year-end actuarial value of assets. Under this methodology, 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. So, although only one-seventh of the -0.79% return that the PSPRS Plan experienced in FY'12 is reflected in this fiscal year's results, those results also reflect one-seventh portions of the -7.27% and -17.73% returns that the Plan experienced during FY'08 and FY'09 respectively. Because the remainder of the FY'08, FY'09 and FY'12 investment losses will be factored into the PSPRS Plan's funding ratios over the next several fiscal years, the forecast 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 and/or a significant infusion of additional revenues from sources other than member and employer contributions.

How to move the Plan back to an annual pattern of steadily improving funding ratios remains the principal challenge facing the PSPRS System and its Board of Trustees. Although the System has no control or influence over the performance of the U.S. and global financial markets and the world economies, the Board has taken the initiative to fully diversify the System's financial market exposures to reduce overall risk and volatility. Yet, despite this, the PSPRS Plan's actual FY'12 investment return of -0.79% was 3.68% (368 basis points) less than the Plan's FY'12 benchmark return of 2.89%. In response, and understanding that relative underperformance can and should be addressed, the Board, in conjunction with the System's staff and investment consultants, has taken steps to assure that this problem is remedied (See **FY'12 Investment Results** below) going forward.

The FY'08, FY'09 and FY'12 investment losses have taken, and will continue to take, their toll on the financial status of the PSPRS Plan. However, it should be noted that the legal challenges to the 2011 statutory changes relating to the formula for increasing benefits after retirement (i.e., the Plan's COLA formula), would, if successful, further undermine the Plan's funding status. Currently, there are four legal challenges to the COLA changes pending in the state courts. The Board, through its attorney, is defending the legislative changes and has directed the System's staff to approach the Governor's Office, the State Attorney General and Legislative leadership regarding intervening directly in these lawsuits to resist these challenges.

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 any return over 9% had to be diverted into the PSPRS Plan's Reserve for Future Benefit Increases ("The Reserve"). These Reserve assets were then used to finance life-time post-retirement adjustments payable to the Plan's eligible beneficiaries. However, whenever assets were allocated to the Reserve, those same assets were denied to the underfunded Plan and 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 investment return assets into the Plan's Reserve, effective May 31, 2011), \$193.6 million of FY'11 investment return would have been diverted to the Plan's Reserve. That would have worsened the underfunded status of the Plan as of June 30, 2011. If the Arizona courts overturn the pension reform bill's COLA changes, the System will have to revive and restore the old mechanism which will have adverse consequences for the financial status of the Plan.

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, the Plan's funding ratio decline for the fiscal year ended June 30, 2012 (FY'12) will increase the PSPRS employers' contribution rates as of July 1, 2013 (the start of employer FY'14). The PSPRS aggregate employer contribution rate will total 30.44%, consisting of a 13.37% "normal cost" component (to cover the cost of future service to be performed by the covered group) and a 17.07% component for the amortization of the unfunded actuarial accrued liability (associated with service performed in the past).

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 21.71% of payroll in employer FY'09. For the next two years, the aggregate rate remained relatively stable. But because of the Plan's funding ratio declines in FY'10 and FY'11, the aggregate employer rate began to increase again, rising to 22.68% in employer FY'12 and 27.18% in employer FY'13. Given the further erosion in the Plan's funding status as of the end of FY'12, the aggregate employer rate is scheduled to increase to 30.44% of payroll during employer FY'14. That represents a 3.26% of payroll increase over the current employer FY'13 aggregate rate. This increase in the employer rate reflects the same combination of factors that have contributed to the funding ratio erosion, including the performance of the financial markets and the actuarial assumption revisions adopted by the Board, based on recommendations from the System's actuaries. 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 gains from several years of far better than expected investment returns and/or significant infusions of additional revenue from sources other than member and employer contribution rates.

If the current legal challenges to the COLA changes made by SB 1609 are successful or if a successful legal challenge is made against the increases in PSPRS member contribution rates (which were increased by the pension reform bill), the financial condition of the underfunded PSPRS Plan will deteriorate significantly.

FY'12 Investment Results

As indicated above, the FY'12 PSPRS Plan return of -0.79% was 368 basis points less than the 2.89% benchmark return for the Plan. The principal factors contributing to the 368 basis points of underperformance were as follows: First, the FY'12 write down in the value of the legacy residential real estate accounted for 161 basis points of the underperformance. Second, a market timing decision by staff to delay moving U.S. equity assets from BNY Mellon Bank to State Street Global Advisors (at a time when the equity market was rising) cost an additional 66 basis points. Third, the use of an inappropriate index for the Credit Opportunity asset class which accounted for an additional 64 basis points. (The use of an index inappropriate for the asset class had the effect of inflating the benchmark return and giving the appearance of underperformance.) Finally, the failure of the active portfolio managers to add value in the U.S. equity asset class accounted for an additional 14 basis points of underperformance. Steps have been, and will continue to be, taken to address the causes of the FY'12 underperformance relative to the benchmark. First, barring some new shock to the housing market in the U.S. Southwest, there should be no further write downs in the values of the legacy residential real estate; indeed, property values have at last begun to rise, creating opportunities to liquidate some of those properties at a gain. Second, all the U.S. equity indexed assets have been moved to State Street Global Advisors and are fully invested. Third, as part of the new asset allocation approved in June, the Credit Opportunities asset class now has an appropriate benchmark assigned to it. Finally, the U.S. equity asset class active portfolio manager investment strategy is under review; recommendations will be made to the Board for consideration, most likely in November.

Despite the FY'12 negative investment return, the assets still remaining in the PSPRS Reserve were used to fund a two step increase in benefits for all the Plan's eligible beneficiaries as required by law. The first installment was paid in July; the second installment was paid in September. The asset balance remaining in the Reserve as of June 30th (\$167 million) was used to finance the increases, thus leaving a Reserve balance of zero. A new statutory post-retirement adjustment formula 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. If a robust rate of increase in the value of residential real estate in the U.S. southwest enables PSPRS to sell the legacy real estate from the past at significant gains, that could result in some of those gains being used to fund post retirement adjustments for eligible beneficiaries, rather than being used to offset some of the funding ratio deterioration that resulted from the write down in the values of those same properties in past years.

A Short Term Strategy to Improve the Plan's Funding Status and Reduce the Rate of Growth in Employer Contributions

To improve the Plan's funded status and reduce the rate of increase in 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 gone 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 former over-weight reliance on equities has declined considerably and so has the risk level. Nevertheless, because its assets must be invested, the Plan remains exposed to the consequences of poorly performing financial markets, as was evident in FY'08 and FY'09 and again in FY'12.

In the short-term, and while awaiting final court decisions in the lawsuits challenging the changes made by the pension reform bill to the Plan's COLA and to member contribution rates, the Board of Trustees has directed the System's staff to urge the PSPRS constituent organizations and the employer groups to come forward with legislative proposals to add additional sources of revenue to supplement the revenue derived from contributions and investment return. This seems to be the only means available in the short term to improve the Plan's funding status and diminish the upward trend of employer contribution rates.

Conclusion

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

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

Respectfully submitted,



Brian P. Tobin, Chairman
of the Board of Trustees



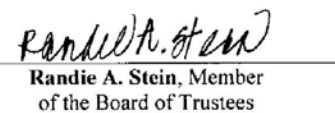
Gregory Ferguson, Vice Chairman
of the Board of Trustees



Jeff Allen McHenry, Member
of the Board of Trustees



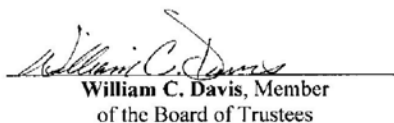
Richard J. Petrenka, Member
of the Board of Trustees



Randie A. Stein, Member
of the Board of Trustees



Lauren Kingry, Member
of the Board of Trustees



William C. Davis, Member
of the Board of Trustees

Brian P. Tobin, Chairman
Gregory Ferguson, Vice Chair
Jeff McHenry, Trustee
Richard J. Petrenka, Trustee
Randie A. Stein, Trustee
Lauren Kingry, Trustee
William C. Davis, Trustee

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

3010 East Camelback Road, Suite 200
Phoenix, Arizona 85016-4416
www.psprs.com
TELEPHONE: (602) 255-5575
FAX: (602) 255-5572

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

November 20, 2012

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-fourth 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, 2012. The Plan was created on July 1, 1968 to provide a uniform statewide retirement system for public safety personnel. The System provides normal retirement benefits based on years of service, the annual benefit accrual rate and final average compensation; it also provides disability benefits, survivor benefits for spouses and children, post-retirement adjustments and health insurance premium 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, 2012 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, 2012 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 loss of \$41.7 million this past fiscal year. That was offset by revenue from member contributions of \$112.6 million, direct employer contributions (including Alternative Contributions) of \$298.6 million, and insurance premium taxes of \$12.2 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'12 administrative and investment-related expenses totaled \$28.7 million, up from the \$21.8 million during the prior year. Administrative and investment expenses were approximately 56 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 we are having to accommodate 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 -0.79% on a net of fees basis. This return was well below the System's 8.0% actuarial assumed rate of return; it was also below the Plan's benchmark return of 2.89% for the fiscal year. 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'12, the State Legislature approved, and the Governor signed, five bills that were of significance. The first was HB2409 which authorizes service credit purchases via payroll deduction and provides refunds of contributions and interest to members when they exit the PSPRS DROP program. The second was HB2571, which was the Governor's Personnel Reform initiative and which will make the PSPRS agency staff subject to the State's Department of Administration; however, it will have little, if any, substantive effect on the staff. The third bill was HB2745, which exempts from the Alternative Contribution requirements, PSPRS retirees who returned to work prior to July 20, 2011 and who are required to participate in another state retirement system. The fourth bill was SB1115 which eliminated the investment relationship contract warranty requirements that related to illegal immigration and investments in terrorist-supporting nations. The final bill was SB1116 which made many administrative, technical and clarifying changes to the PSPRS, CORP and EORP statutes. These changes included authorization for the use of "swaps" in investment transactions.

Actuarial and Funding Information

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

The PSPRS Plan is funded through a statutorily specified member contribution (that was 8.65% of gross payroll in FY'12), 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 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 has deteriorated steadily for the last three fiscal years, including FY'12. The primary factor responsible for this negative trend has been the poor performance of the U.S. and global financial markets in FY'08, FY'09 and again in FY'12; that poor performance yielded negative rates of return for PSPRS. At June 30, 2012, the Plan's funding ratio was only 58.6%. Given the System's seven year averaging of investment results (actuarial "smoothing"), much of the effect of the FY'08, FY'09 and FY'12 negative rates of return is 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 27.18%. The aggregate rate that will take effect on July 1, 2013 based on the PSPRS Plan's FY'12 results will be 30.44%. Further decline in the Plan's funding ratio will cause employer rates to rise even further in the future.

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 and underfunded Plan. For example, the Plan's FY'10 13.47% return resulted in a \$90.9 million flow of new assets into the Reserve. However, the 2011 pension reform bill, SB 1609, changed all this.

As of May 31, 2011, the new law prohibits any further transfers of assets to the PSPRS Reserve. But, 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 of \$167 million that remained in the Reserve as of the end of FY'12 was used to fund a final increase that was paid in two installments following the close of the fiscal year. Now, the Reserve balance is zero. 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 not annual, adjustments for retirees and the Plan's other beneficiaries in the future.

Certificate of Achievement

The Government Finance Officers Association (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the System for the PSPRS Plan's Comprehensive Annual Financial Report (CAFR) for the fiscal year ended June 30, 2011. This was the twenty-first consecutive year that the Plan has achieved this prestigious award. In order to be awarded a Certificate, a governmental entity must publish an easily readable and efficiently organized CAFR. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

We believe our FY'12 CAFR continues to meet the Certificate of Achievement Program's requirements. We are, therefore, submitting it to the GFOA to determine its eligibility for a certificate.

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:

- The quarterly, administrative budget tracking report was changed to a monthly report and revised to show not just fiscal-year-to-date budget vs actual spending but also budget to fiscal year projected actual spending; the System's Governance Manual was reviewed and amended and, as part of that process, the Board of Trustees approved a revised Investment Policy.
- The administrative budget for FY'13, as approved by the Board, is 2.85% less than the FY'12 budget and 6.51% less than the actual level of spending for FY'12.
- A search process was successfully completed to fill the position of Deputy Administrator, who reports to, and serves at the pleasure of, the Administrator; a successful search process was also completed to fill the position of In-House Investment Counsel. The new counsel, who arrived on staff in August, is expected to perform a significant portion of the investment-related legal work and will monitor and coordinate any investment-related legal work that is performed by external counsel.
- The new Call Center staff, who were hired during FY'11, were trained and are now functioning at such a level of proficiency that the call volume to the processing units (i.e., the Retired and Active Member and Insurance Departments) was reduced by an estimated 60%.
- The System continued its comprehensive and multi-year effort to assure that the PRPRS local board network is 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 (22), group meetings/consultations via conference call, video conference and webinars (6), the development of more training modules (including a Retirement Instruction Manual) and enhanced spreadsheets which were made accessible through the PSPRS web site, continued publication of a monthly local board newsletter (6 issues), the implementation of a new "high three" calculator for use by the local boards and the beginning of the development of a web site for use by the local boards so that they will be able to send new beneficiary data electronically.
- 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.
- At the IT back-up facility in Denver, all the servers were upgraded and are now all under warranty and a secondary Storage Area Network (SAN) was set up to enable frequent replication of all System-critical servers; also, the Server Room at the Phoenix headquarters was upgraded, re-configured and remodeled such that it now contains all servers, has a fire suppression system, and has redundant power and switching for all critical systems and redundant cooling.
- The monthly beneficiary payroll process was successfully outsourced to Wells Fargo Bank and the Bank also assumed the responsibility for issuing any printed benefit checks and the annual 1099's.
- The IT Programming staff enhanced the Member's Only web site to allow members to change demographic and other personal information online.

New Initiatives for System FY'13

As we have moved through the first four months of the new fiscal year (FY'13), some new initiatives are underway and still others are planned. These include:

- Keeping expenditures during the fiscal year in line with the FY'13 administrative budget that was approved by the Board and providing the Board's Operations, Governance and Audit Committee with monthly budget tracking reports;
- Completing 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 been filed challenging the COLA and member contribution rate increase provisions contained in the 2011 pension reform bill, SB 1609;
- Assuring that the System's GRS actuaries and staff maintain the detailed records that would be needed 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 add to the functionality (i.e., processing new retirements and new hire eligibility determinations online) of the PSPRS local board web site to facilitate communication and allow direct data entry in a secured environment.
- IT initiatives include: 1) virtualizing the System's Data Base server and setting up site-to-site replication for databases; 2) installing firewalls at both the Phoenix Office and Denver facility; 3) creating a complete "test" environment that mirrors the PSPRS production environment; and 4) continuing to facilitate the development of electronic business processes and the phasing out of paper processes.

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 contributed to the administrative operations 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,

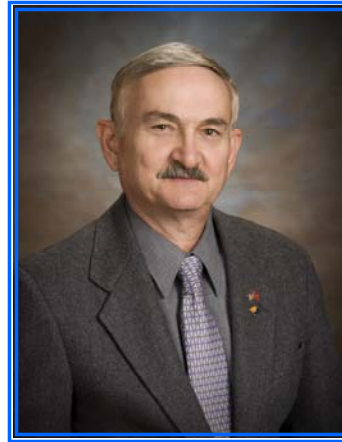


James M. Hacking
Administrator

BOARD OF TRUSTEES
(AS OF JUNE 30, 2012)



Brian P. Tobin
Chairman



Gregory Ferguson
Vice Chairman



Jeff Allen McHenry
Trustee



Richard J. Petrenka
Trustee



Randie A. Stein
Trustee



Lauren Kingry
Trustee

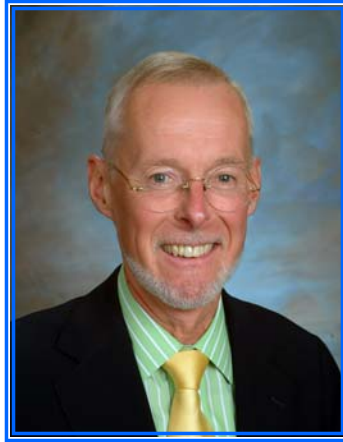


William C. Davis
Trustee

EXECUTIVE STAFF AND ORGANIZATIONAL CHART



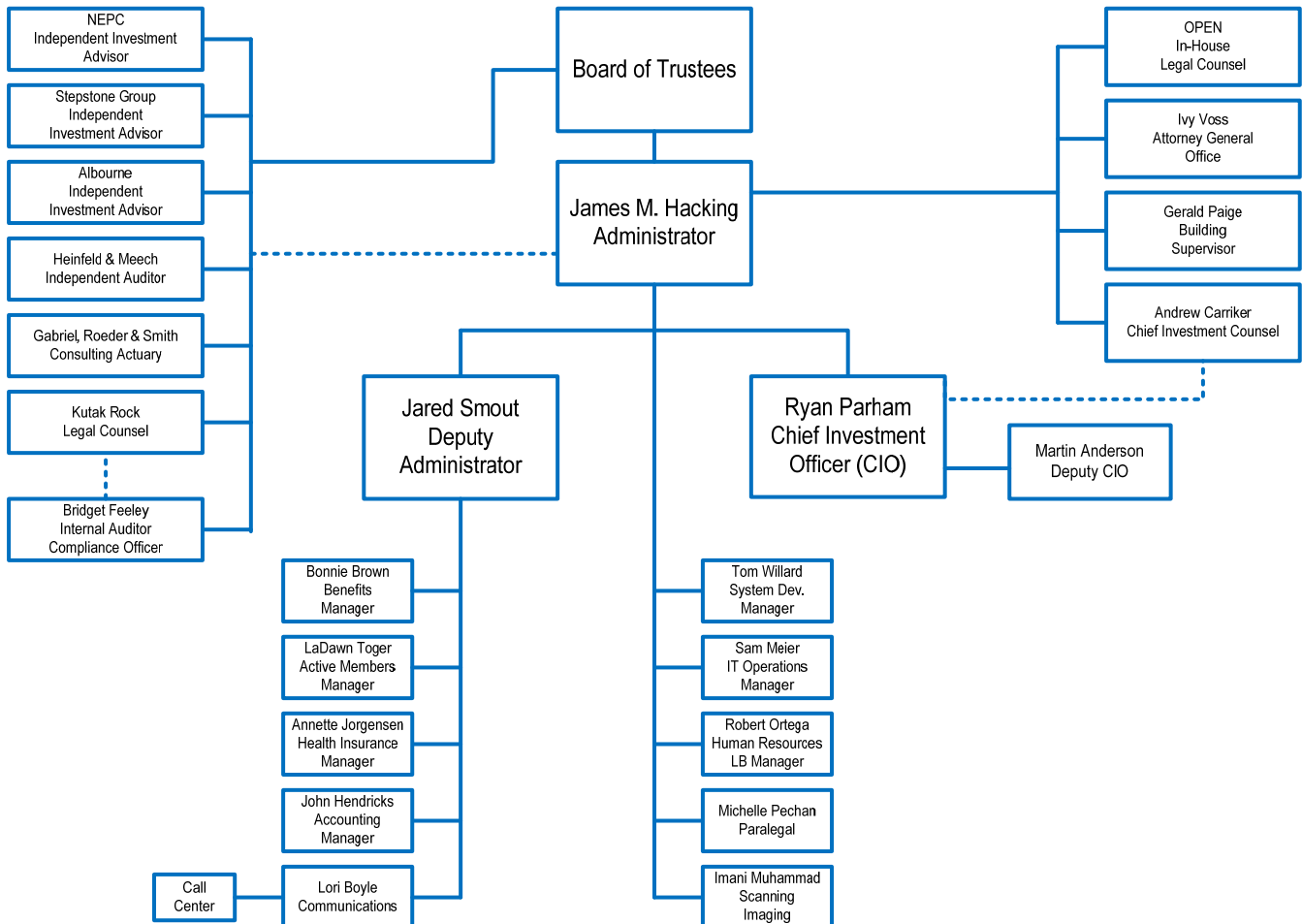
Ryan Parham
Chief Investment Officer



James M. Hacking
Administrator



Jared A. Smout
Deputy Administrator



PROFESSIONAL ADVISORS

Albourne America, LLC

Alliance Resource Consulting LLC

BNY Mellon Asset Servicing

Brazen Technology, Inc.

CB Richard Ellis

Ernst & Young

Fleetwood Technology Consulting

Gabriel Roeder Smith & Company

Heinfeld, Meech & Co.

Highground, Inc

Kutak Rock LLP

Light Stone Solutions, LLC

LRS Consulting LLC

NEPC, LLC

Org Portfolio Management LLC

OSAM Inc.

Public Policy Partners

Stepstone Group LLC

International Alternative Investment Consultant

Executive Recruitment

Independent Investment Advisor

IT Consultant

Real Estate Consultant

Real Estate Consultant

IT Consultant

Actuary

Independent Auditors

Legislative Liaison

General Counsel

Due Diligence

Local Board Training

Independent Investment Advisor

Real Estate Consultant

IT Consultant

Legislative Liaison

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.

Independent Auditors' Report	18
Management's Discussion and Analysis	20
Basic Financial Statements	
Statement of Plan Net Assets	24
Statement of Changes in Plan Net Assets	25
Notes to the Financial Statements	26
Required Supplementary Information	
Schedule of Funding Progress	39
Schedule of Employer Contributions	39
Notes to the Required Supplementary Information	41
Supporting Schedules Information	
Schedule of Changes in Reserve Balances	42
Schedule of Receipts and Disbursements	43
Schedule of Administrative Expenses	44
Schedule of Consultant Expenses	45
Other Supplementary Information	
Agency Fund Statement of Changes in Assets and Liabilities	46
Agency Fund Schedule of Funding Progress	46



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

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, 2012, 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, 2011, presented in the basic financial statements are included for additional analysis only. Our audit report dated December 5, 2011, 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, 2012, 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 November 20, 2012, 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.

TUCSON • PHOENIX • FLAGSTAFF • ALBUQUERQUE
www.heinfeldmeech.com

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.
CPAs and Business Consultants

November 20, 2012

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 2012 are as follows:

- The Public Safety Personnel Retirement System (PSPRS) had a total rate of return (net of fees) of -0.79% this year. Our total portfolio underperformed the target fund benchmark by 368 basis points. This is a decline from the prior year's return of 17.37% .
- As of the close of the fiscal year 2012, the Future Benefit Increase Reserve has been depleted.
- Retirement benefits paid totaled \$507.18 million for the current year, compared to \$534.39 for the previous year. This represents a 5.09% decrease from the prior year. Normal, survivor, and disability retirement benefits paid decreased by \$27.20 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 06/30/2012	As of 06/30/2011	Change	% Change
Cash and Short-Term Investments	\$ 102,676,329	\$ 133,229,727	\$ (30,553,398)	(22.93)%
Total Receivables	61,209,670	25,062,275	36,147,395	144.23%
Total Investments	4,919,305,759	5,088,726,923	(169,421,164)	(3.33)%
Securities Lending Collateral	102,111,901	358,848,471	(256,736,570)	(71.54)%
Net Capital Assets	3,750,957	3,804,943	(53,986)	(1.42)%
Total Plan Assets	5,189,054,616	5,609,672,339	(420,617,723)	(7.50)%
Accrued Accounts Payable	544,554	256,039	288,515	112.68%
Investment Purchases Payable	11,710,287	33,924,977	(22,214,690)	(65.48)%
Securities Lending Collateral	102,111,901	358,848,471	(256,736,570)	(71.54)%
Total Plan Liabilities	114,366,742	393,029,487	(278,662,745)	(70.90)%
Net Assets	\$ 5,074,687,874	\$ 5,216,642,852	\$ (141,954,978)	(2.72)%

Summary Comparative Statements of Plan Net Assets Analysis

The total plan net assets held in trust for benefits at June 30, 2012 were \$5.07 billion, a 2.72% decrease from \$5.22 billion at June 30, 2011. The decrease in net assets is primarily due to unfavorable financial markets during the fiscal year. The decrease in cash or increase in receivables is attributable to normal fluctuations in investment income receivables during the year. 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

	2012	2011	Change	% Change
ADDITIONS				
Total Contributions and Service Purchase	\$ 423,697,183	\$ 392,644,072	\$ 31,053,111	7.91%
Net Investment Income (Loss)	(41,661,350)	789,263,727	(830,925,077)	(105.28)%
Service Transfers	539,618	304,181	235,437	77.40%
Total Additions (Reductions)	382,575,451	1,182,211,980	(799,636,529)	(67.64)%
DEDUCTIONS				
Benefits	507,182,015	534,386,731	(27,204,716)	(5.09)%
Service Transfers and Refunds	12,458,050	12,269,412	188,638	1.54%
Administrative Expenses	4,890,364	4,776,388	113,976	2.39%
Total Deductions	524,530,429	551,432,531	(26,902,102)	(4.88)%
Net Increase (Decrease)	(141,954,978)	630,779,449	(772,734,427)	(122.50)%
Balance Beginning of Year - July 1	5,216,642,852	4,585,863,403	630,779,449	13.75%
Balance End of Year - June 30	\$ 5,074,687,874	\$ 5,216,642,852	\$ (141,954,978)	(2.72)%

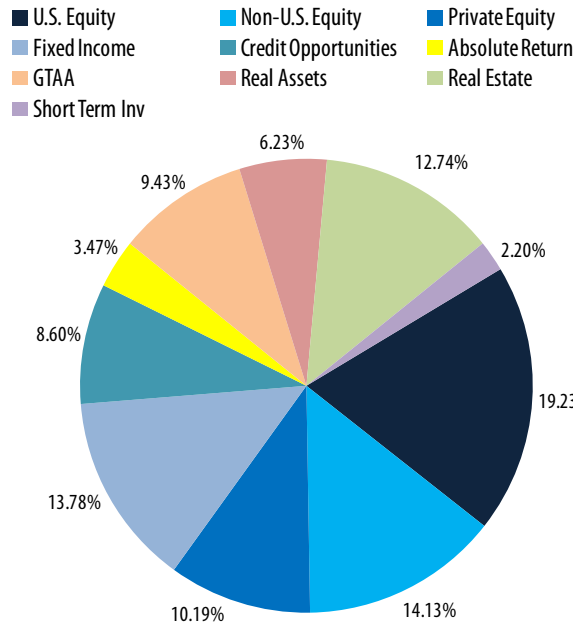
Summary Comparative Statements of Changes in Plan Net Assets Analysis

Employer and employee contributions for FY2012 increased \$31.05 million due to an increase in employee contribution rates from 7.65% to 8.65% and an increase in the aggregate employer contribution rates from 20.89% to 22.68%.

For FY 2012, PSPRS recognized a net investment loss of \$41.66 million which compares to an \$789.26 million gain in the previous year. This 105.28% decrease was due to the negative returns in the financial markets during the fiscal year.

Deductions from the PSPRS net assets held in trust for benefits consist primarily of pension, disability, survivor benefits, member refunds and administrative expenses. For FY 2012, these deductions totaled \$524.53 million, an decrease of 4.88% from the \$551.43 million paid during FY 2011. Refunds and service transfers increased \$0.19 million over the prior year which equates to 1.54%. Refunds represent a return of contributions held on account when a member leaves employment. This increase is due to current economic conditions that have led to layoffs and reduction of many governmental services. Administrative expenses increased 2.39%.

INVESTMENT ACTIVITIES

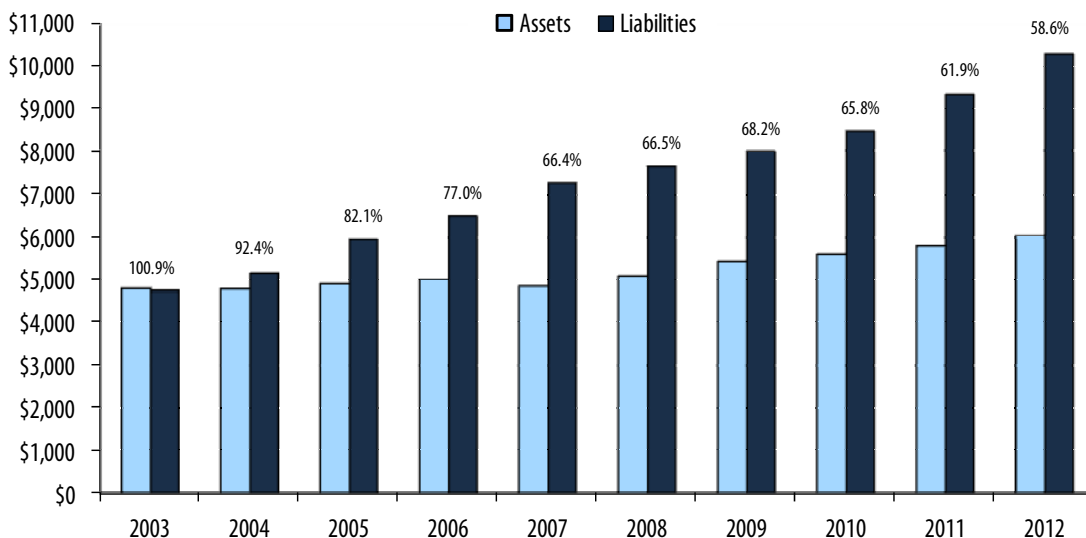


During FY2007 the Board of Trustees adopted a more diversified asset allocation policy and began an asset management restructuring that has been deployed over the past four years. As illustration, at the end of FY2007, 72.8% of the entire investment portfolio was invested in equities versus 33.4% at the end of FY2012. Fixed income had remained about 19% of the entire portfolio prior to being reduced to 13.8% in FY2012. However, alternative investments have increased from 3.5% in FY2007 to 50.7% in FY2012.

At June 30, 2012, PSPRS held \$1.68 billion in equities. The FY2012 rate of return for Total PSPRS equities was -6.19% versus a benchmark rate of return of -4.36%. At June 30, 2012, PSPRS held \$681.84 million in fixed income securities. The FY2012 rate of return for PSPRS fixed income securities was 6.39% versus a benchmark rate of return of 7.47%. 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, 2012.

At June 30, 2012, the total funded status of the PSPRS decreased to 58.6% from 61.9% at FYE2011. This decrease in funded status is related primarily to the seven year smoothing period with only 1/7 of the investment gain from the FY2012 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, 2012 WITH COMPARATIVE TOTALS FOR 2011

	2012	2011
ASSETS		
Cash and Short-Term Investments	\$ 102,676,329	\$ 133,229,727
RECEIVABLES		
Member Contributions	3,579,383	3,884,701
Employer Contributions	9,458,815	11,523,988
Interest and Dividends	4,667,718	5,882,999
Investment Sales	40,986,912	1,347,746
Other	2,516,842	2,422,841
Total Receivables	61,209,670	25,062,275
INVESTMENTS AT FAIR VALUE (NOTES 2 AND 3)		
U.S. Equity	969,757,584	1,047,330,360
Non U.S. Equity	710,653,056	779,441,089
GTAA	476,060,752	468,064,447
Fixed Income	681,837,244	959,687,838
Credit Opportunities	434,272,921	461,254,905
Private Equity	514,147,279	410,711,916
Real Assets	314,124,974	278,315,308
Real Estate	643,119,161	551,101,759
Absolute Return	175,332,788	132,819,301
Total Investments	4,919,305,759	5,088,726,923
Securities Lending Collateral	102,111,901	358,848,471
CAPITAL ASSETS (NOTE 4)		
Land	495,436	495,436
Building	3,671,586	3,592,814
Furniture, Fixtures & Equipment	1,123,133	1,026,755
Total Capital Assets	5,290,155	5,115,005
Accumulated Depreciation	(1,539,198)	(1,310,062)
Net Capital Assets	3,750,957	3,804,943
TOTAL PLAN ASSETS	5,189,054,616	5,609,672,339
LIABILITIES		
Accrued Accounts Payable	544,554	256,039
Investment Purchases Payable	11,710,287	33,924,977
Securities Lending Collateral	102,111,901	358,848,471
Total Plan Liabilities	114,366,742	393,029,487
NET ASSETS HELD IN TRUST FOR PENSION BENEFITS	5,074,687,874	5,216,642,852
NET ASSET RESERVES		
Refundable Members' Reserve	1,067,750,716	982,628,689
Employers' Reserve	4,006,937,158	4,065,683,719
Future Benefit Increase Reserve	-	168,330,444
Total Net Asset Reserves	\$ 5,074,687,874	\$ 5,216,642,852

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

STATEMENT OF CHANGES IN PLAN NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2012 WITH COMPARATIVE TOTALS FOR 2011

	2012	2011
ADDITIONS (REDUCTIONS)		
Contributions		
Members' Contributions (NOTES 2,5)	\$ 112,645,371	\$ 99,262,271
Employers' Contributions (NOTES 2,5)	295,491,882	272,445,607
Members' Service Purchase	13,735,525	20,936,194
Alternate Employer Contributions	1,824,405	-
Total Contributions	423,697,183	392,644,072
Investment Income		
<i>From Investing Income</i>		
Net Appreciation (Depreciation) in Fair Value of Investments (NOTES 2,3)	(87,846,537)	722,917,542
Interest	11,061,203	11,705,499
Dividends	38,835,919	47,559,219
Other Income	18,926,446	21,719,000
<i>From Securities Lending Activities</i>		
Security Lending Activities (NOTE 3)		
Securities Lending Income	350,695	1,662,572
Borrower Rebates	990,676	1,143,496
Agents Share of Income	(200,103)	(420,635)
Net Securities Lending Income	1,141,268	2,385,433
Total Investment Income (Loss)	(17,881,701)	806,286,693
Less Investment Expense	(23,779,649)	(17,022,966)
Net Investment Income (Loss)	(41,661,350)	789,263,727
Transfers Into System	539,618	304,181
Total Additions (Reductions)	382,575,451	1,182,211,980
DEDUCTIONS		
Pension Benefits (NOTE 2)	460,700,737	422,113,671
DROP Benefits (NOTE 2)	46,481,278	112,273,060
Refunds To Terminated Members (NOTE 2)	12,376,688	11,976,416
Administrative Expenses	4,890,364	4,776,388
Transfers To Other Plans	81,362	292,996
Total Deductions	524,530,429	551,432,531
NET INCREASE (DECREASE)	(141,954,978)	630,779,449
NET ASSETS HELD IN TRUST FOR PENSION BENEFITS		
Beginning of Year, July 1	5,216,642,852	4,585,863,403
End of Year, June 30	\$ 5,074,687,874	\$ 5,216,642,852

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 an agent 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 237 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, 2012 and 2011, the number of participating local government employer groups was:

GROUP	2012	2011
Municipalities	144	144
County Agencies	21	21
State Agencies	10	10
Special Districts	62	60
Total Employers	237	235

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, 2012 and 2011, statewide PSPRS membership consisted of:

MEMBERSHIP TYPE	RETIREMENT PLAN		INSURANCE SUBSIDY	
	2012	2011	2012	2011
Retirees	9,802	9,522	6,632	6,492
Terminated Vested	1,264	1,081	-	-
DROP	1,496	1,419	-	-
Current Vested	9,056	8,632	-	-
Current Non-Vested	9,486	10,006	-	-
Total Members	31,104	30,660	6,632	6,492

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

Each member shall contribute 9.55% of compensation to the System on a pre-tax basis by payroll deduction. The contribution rate for members will change 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 Spouse's Pension each month for lifetime. The Spouse's Pension is 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

Child's Pension. The surviving eligible child(ren) will receive a Child's Pension of 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 (2) children, equal shares of the 20%. A.R.S. §§ 38-842(23) and 38-846, OR

Guardian Benefit. If there is no surviving spouse, or the pension of the surviving spouse is terminated, and there is at least one (1) eligible child, a Guardian Benefit of 80% (based on the calculation for a Spouse's Pension) and the applicable Child's Pension (based on the calculation for a 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 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. 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). 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. If the surviving beneficiary does not apply for the benefit within twelve months from the date of the member's death, the Local Board has the authority to pay the member's nearest of kin, or estate. 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. If the surviving beneficiary does not apply for the benefit within twelve months from the date of the member's death, the Local Board has the authority to pay the member's nearest of kin, or estate. 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. If married for at least two (2) consecutive years at the time of the member's death, the surviving spouse will receive a Spouse's Pension each month for lifetime based on 80% of the member's pension benefit. A.R.S. § 38-846, AND

Child's Pension. The surviving eligible child(ren) will receive a Child's Pension of 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 (2) children, equal shares of the 20%. A.R.S. §§ 38-842(23) and 38-846, OR

Guardian Benefit. If there is no surviving spouse, or the pension of the surviving spouse is terminated, and there is at least one eligible child, a Guardian Benefit of 80% (based on the member's pension) and the applicable Child's Pension (based on the member'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 the surviving beneficiary does not apply for the benefit within twelve months from the date of the member's death, the Local Board has the authority to pay the member's nearest of kin, or estate. 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). Employees who became a member on or after January 12, 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).

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. For members with a membership date on or before December 31, 2011, the monthly benefit is 50% of the member's average monthly compensation, or the normal pension amount, whichever is greater. For members with a membership date on or after January 1, 2012, the monthly benefit is 62.5% of the member's average monthly compensation less a 4% reduction for each year of credited service under 25 years, or the normal pension amount, whichever is greater (but not less than 50% of the average monthly compensation). (There is no age or 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. For all members, the monthly benefit is a percentage of normal retirement based on the employee's years of credited service (maximum of 20 years) divided by twenty (20) for membership on or before December 31, 2011, or twenty-five (25) for membership on or after January 1, 2012. 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 twelve (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 on or before December 31, 2011 that have AT LEAST 20 years of credited service on January 1, 2012 and enter into DROP either prior to or after January 1, 2012 may voluntarily and irrevocably enter into the DROP program with the employer for a period of up to sixty (60) months (i.e., 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 (subject to change each fiscal year). Currently, the interest rate is 7.85% from July 1, 2012 through June 30, 2013. Additionally, 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 sixty (60) months (or prior to that time), the member terminates employment and the monies accrued in DROP will be paid as a lump-sum either directly to the member (less mandated taxes), 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 on or before December 31, 2011 that have LESS THAN 20 years of credited service on January 1, 2012 and enter into the DROP program after January 1, 2012, 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 (subject to change each fiscal year equal to the average annual return of the system – minimum 2%; maximum assumed earnings rate). The interest rate for the DROP account is 4.4% from July 1, 2012 through June 30, 2013. Additionally, during the DROP period, the member remains as a full-time employee and contributions will be paid by the employee, but employee will not earn any additional credited service. At the end of the sixty (60) months (or prior to that time), the member terminates employment and the monies accrued in DROP will be paid as a lump-sum either directly to the member (less mandated taxes), 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 and will also receive the contributions made to the retirement system during period of time in DROP, plus interest (subject to change each fiscal year). The interest rate for the DROP account is 2.0% from July 1, 2012 through June 30, 2013. A.R.S. §§ 38-842, 38-844.02 through 38-844.09, and 38-844.06(B).

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

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 forty (40) hours per week for more than six (6) months in a calendar year and are regularly assigned to hazardous duties. Retroactive to January 1, 2011, police and fire chiefs are eligible to participate in the PSPRS. A.R.S. § 38-842 (24 and 31).

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 sixty (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 twenty (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 (5) or more years of credited service, an additional percentage of contributions will be refunded to the member according to the member's years of service as stated below:

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

Employees who became a member on or after January 1, 2012, pursuant to A.R.S. § 38-846.02 (C), upon termination of employment (for any reason other than death or retirement) within twenty (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 for the first 20 years of credited service. 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: 50% of the average monthly benefit compensation for the first 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).

Employees who became a member on or after January 1, 2012, pursuant to A.R.S. §§ 38-842(7, 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 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. §§ 38-842(7 and 32) and 38-845(G).
- 25 or more years of 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. The pension is reduced by 4% per year for each year of credited service under 25 years with a pro-rata reduction for any fractional years. A.R.S. §§ 38-842(7) and 38-845(G).

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.

RETURN TO WORK AFTER RETIREMENT

In order for you to continue to receive your retirement benefits, you must terminate your employment and be retired for a minimum of one (1) year from the effective date of your retirement, in any capacity, by the employer from which you retired. If you become employed in the same, or substantially similar position, by the employer from which you retired, your retirement benefits will be suspended. You can return to work with the employer from which you retired and continue to receive your retirement benefits as long as you are retired for a minimum of sixty (60) consecutive days from the effective date of your retirement and you were hired as a result of participating in an open, competitive, new-hire process for an entry-level, nonsupervisory position, or hired as a fire inspector, or arson investigator. You may continue to receive your retirement benefits if you are assigned to voluntary duties (i.e., acting as a limited authority peace officer for an employer pursuant to the Arizona peace officer standards and training board rules). If you are receiving a disability retirement (*and have not reached normal retirement*) and have become employed by any employer in a PSPRS covered position, your retirement benefits will cease. Upon eligibility for retirement, the service from the disability retirement will be considered "service" and not "credited" service and your average monthly compensation will be based on the compensation from the new employment. You cannot have an implicit or explicit pre-existing agreement with the employer from which you retired, whether written or verbal, to return to work, in any capacity.

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 survivor's new employer. A.R.S. § 38-817(E).

SERVICE PURCHASE

Purchase of Prior Active Military Service. Members who have at least ten (10) years of service with the System may purchase up to sixty (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 sixty (60) months if ordered/volunteered to active military service while working for the current employer if the criteria is met pursuant to A.R.S. § 38-858. 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 forty-eight (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 five (5) 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 sixty (60) months of any part of the prior service if the prior service is not on account with any other retirement system. A.R.S. § 38-853.01.

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 one (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. § 38-849(C)(D), as applicable. (*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.

TRANSFERS

Transfer of Contributions between PSPRS Employers. A member, who terminates employment with an employer and, within two (2) 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 \$153.74 million for FYE 2012 and \$228.52 million for FYE 2011. 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, 2012. 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, 2012 as collateral:

Description	CPN	Maturity	Market Value	Description	CPN	Maturity	Market Value
FNMA Pool AH0006	4.00	12-1-2040	1,655,452	FNMA Pool AH6993	4.50	2-1-2041	5,034,974
FNMA Pool AH0007	4.00	12-1-2040	2,069,431	FNMA Pool AH7905	4.00	7-1-2041	1,126,561
FNMA Pool AH0125	3.50	1-1-2041	1,303,689	FNMA Pool AH9937	4.50	5-1-2041	2,260,959
FNMA Pool AH0946	4.00	12-1-2040	5,899,210	FNMA Pool AI1186	4.00	4-1-2041	212,081
FNMA Pool AH0969	3.50	12-1-2025	36,105	FNMA Pool AI1163	4.50	4-1-2041	1,117,916
FNMA Pool AH1264	4.00	1-1-2041	183,058	FNMA Pool AI6900	3.00	10-1-2026	3,007,744
FNMA Pool AH1516	3.00	12-1-2025	4,541,065	FNMA Pool AI6897	3.00	10-1-2026	1,238,083
FNMA Pool AH3394	4.00	1-1-2041	109,321	FNMA Pool AJ1625	3.00	10-1-2026	10,543,022
FNMA Pool AH6783	4.00	3-1-2041	5,858,140	TOTAL			46,196,811

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, 2012:

	REPORTED AMOUNT	BANK BALANCE
Pension Trust Fund	94,521,055	94,521,055
Operating Fund	8,155,274	8,155,274
Total Deposits	102,676,329	102,676,329

INVESTMENTS

PSPRS investments are reported at Fair Value. Fair Values are determined as follows: Short-term investments are reported at cost plus accrued interest. Equity securities are valued at the last reported sales price. Fixed-income securities are valued using the last reported sales price or the estimated fair value as determined by fixed-income broker/dealers plus accrued interest. Investments in hedge funds are valued monthly at the last reported valuations. Limited partnership investments in credit opportunities, private equity, real assets and real estate are valued on a quarterly or monthly basis at last reported valuations adjusted by any subsequent cash flows. Joint venture real estate investments are reported at fair value using either appraisals or manager assessment to estimate the fair 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, 2012, the fair 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 approximately 9 basis points of the total.

PLAN	UNITIZED	PERCENT
PSPRS	5,042,941,294	76.17%
CORP	1,283,259,612	19.38%
EORP	294,171,509	4.45%
TRUST TOTAL	6,620,372,415	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, 2012, 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, 2012, the System's fixed income assets that were not government guaranteed represented 95.1% 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, 2012	% OF ALL FIXED INCOME ASSETS	WEIGHTED AVG. CREDIT
Corporate Bonds	622,072,272	96.0%	A
Mortgages	8,462,658	1.3%	BBB
CBO	17,704,451	2.7%	Below BBB
TOTAL	648,239,381	100.0%	

RATINGS DISPERSION DETAIL

CREDIT RATING LEVEL	CORPORATE BONDS	MORTGAGES	CBO
AAA	-	-	-
AA	15,950,977	-	-
A	56,300,701	-	8,308,325
BBB	16,995,862	267,633	-
Below BBB	2,308,297	8,195,025	9,396,126
Not Rated	530,516,435	-	-
TOTAL	622,072,272	8,462,658	17,704,451

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	-	32,941,296	33,457,684	5,902,179	4,517,148	545,253,965
Agencies	-	-	-	2	17,472,367	16,125,494
Mortgages	-	-	-	267,633	2,747,490	5,447,535
CBO	-	-	9,396,126	-	-	8,308,325
CDO	-	-	-	-	-	-
TOTAL	-	32,941,296	42,853,810	6,169,814	24,737,005	575,135,319

CALLABLE BONDS BY SECURITY TYPE
(INCLUDING GOVERNMENT GUARANTEED SECURITIES)

FIXED INCOME SECURITY TYPE	FAIR VALUE JUNE 30, 2012	% OF ALL FIXED INCOME ASSETS
Corporate	7,910,507	1.16%
Agencies	-	0.00%
TOTAL	7,910,507	1.16%

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.

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	40,783	-	35,341,083	-	35,381,866
CANADIAN DOLLAR	70,563	-	47,483,449	-	47,554,012
DANISH KRONE	50,542	-	4,618,678	-	4,669,220
EURO CURRENCY UNIT	232,910	52,316,303	108,286,434	46,607,705	207,443,352
HONG KONG DOLLAR	89,106	-	12,216,591	-	12,305,697
ISRAELI SHEKEL	10,729	-	2,317,205	-	2,327,934
JAPANESE YEN	890,783	-	87,057,714	-	87,948,497
NEW ZEALAND DOLLAR	4,709	-	518,875	-	523,584
NORWEGIAN KRONE	25,807	-	3,701,891	-	3,727,698
POUND STERLING	147,949	-	93,300,781	22,783,683	116,232,413
SINGAPORE DOLLAR	7,534	-	7,314,372	-	7,321,906
SWEDISH KRONA	25,590	-	12,468,067	-	12,493,657
SWISS FRANC	239,207	-	33,933,701	-	34,172,908
TOTAL MARKET VALUE	1,836,212	52,316,303	448,558,841	69,391,388	572,102,744

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 \$3,049,269 at June 30, 2012 consisting of U.S. Equity (gain of \$3,031,446) and Fixed Income (gain of \$17,823). 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, 2012 the fair value of securities on loan was \$98.20 million and the collateral was \$102.11 million 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, 2012, the weighted average maturity was 113 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 \$8.16 million has been recorded as the System's share.

ASSET CLASS	OUT ON LOAN	TOTAL AVAILABLE TO LOAN	% OF AVAILABLE TO LOAN
Equities	\$ 53,390,832	\$ 95,090,664	56.15%
Agencies	-	-	0.00%
Treasuries	12,897,138	12,941,419	99.66%
Exchange Traded	31,911,121	46,221,630	69.04%
Totals	\$ 98,199,091	\$ 154,253,713	63.66%

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, 2012 was \$229,135.

The following table is a schedule of the capital asset account balances as of June 30, 2011, and June 30, 2012, and changes to those account balances during the year ended June 30, 2012.

SCHEDULE OF CAPITAL ASSET ACCOUNT BALANCES

	LAND	BUILDING AND IMPROVEMENTS	FURNITURE, FIXTURES AND EQUIPMENT	TOTAL CAPITAL ASSETS
CAPITAL ASSETS				
Balance June 30, 2011	\$ 495,436	\$ 3,592,814	\$ 1,026,755	\$ 5,115,005
Additions	-	78,772	96,378	175,150
Deletions	-	-	-	-
Balance June 30, 2012	495,436	3,671,586	1,123,133	5,290,155
ACCUMULATED DEPRECIATION				
Balance June 30, 2011	-	(613,616)	(696,447)	(1,310,063)
Additions	-	(102,885)	(126,250)	(229,135)
Deletions	-	-	-	-
Balance June 30, 2012	-	(716,501)	(822,697)	(1,539,198)
Net Capital Assets	\$ 495,436	\$ 2,955,085	\$ 300,436	\$ 3,750,957

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 24 year period. Beginning July 1, 2006, the minimum employer contribution rate increased from 5% to 8%.

During the year ended June 30, 2012, contributions totaling \$421,650,469 (\$309,005,098 employer [\$286,869,567 pension and \$22,135,531 health insurance subsidy contributions in excess of the benefits paid] and \$112,645,371 member) were made in accordance with contribution requirements determined by an actuarial valuation of the System as of June 30, 2010. The employer contributions consisted of approximately \$165,810,937 for normal cost [\$157,188,622 pension and \$8,622,315 health insurance subsidy] plus \$143,194,161 for amortization of the unfunded actuarial accrued liability in aggregate [\$129,680,945 pension and \$13,513,216 health insurance subsidy]. Employer contributions represented 22.68% of covered payroll [12.17% for normal costs (11.60% pension and 0.57% health insurance) and 10.51% for amortization of unfunded actuarial accrued liability in aggregate (9.66% pension and 0.85% health insurance subsidy)]. Member contributions represented 8.65% 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 FY2012, contributions collected for the health insurance subsidy amounted to \$22,135,531 and the health benefit subsidy payments were \$13,513,216. The excess contributions of \$8,622,315 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)
06/30/2012	6,051,595	10,054,752	4,003,157	60.2%	1,349,252	296.7%

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, 2012
- Actuarial Cost Method: Entry Age Normal
- Amortization Method: Level Percent of Payroll, Closed
- Remaining Amortization Period: 24 years closed for unfunded actuarial accrued liability
- Asset Valuation Method: 7-Year Smoothed Market Value, 80%/120% Market
- Investment Rate of Return: 8.00%
- Projected Salary Increases: 5.00% - 9.00%, 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)
06-30-03	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%
06-30-12	6,051,595	10,054,752	4,003,157	60.2%	1,349,252	296.7%

* 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, 61.9% for 6-30-11 and 58.6% for 6-30-12.

* 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
2003	50,800,669	100.0%
2004	79,000,130	100.0%
2005	104,497,150	100.0%
2006	127,218,686	100.0%
2007	166,578,202	107.0% *
2008	221,732,592	104.0% *
2009	316,222,272	103.1% *
2010	288,210,202	104.3% *
2011	272,445,607	104.9% *
2012	295,491,882	104.6% *

* 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.

* Total Employer Contributions received during FY2012 were \$309,005,098. 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 \$22,135,531. The benefits paid for the health insurance subsidy were \$13,513,216. The difference between the calculated annual required contributions and the benefits paid of \$8,622,315 were then added back to the annual required contributions for the retirement plan. This re-quired calculation resulted in a percent contributed of 104.6% 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, 2012**

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. A closed 24-year amortization period were used for the June 30, 2012 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 8.00% per year, compounded annually (net of investment expenses). Projected salary increase assumptions are based on 5.00%-9.00%, which include a price inflation assumption of 5.00% per year.

The Actuarial Standards of Practice require that the Funding Value of Assets fall within a reasonable range around the Market Value. Although some actuarial judgment is used to determine what is deemed 'reasonable', a ratio approaching 140% is on the high end. We recommend that consideration be given to establishing an asset corridor for the June 30, 2012 actuarial valuation. An asset corridor, sometimes called a "Collar", is a limitation on the amount by which the Funding Value is permitted to differ from Market Value. A corridor of 20 to 25% is a common standard, although many systems have relaxed their standards in response to the extraordinary events of late 2008 and early 2009. It is not anticipated that this change would have any immediate impact on the contribution rate as the Funding Value of Assets was within 15% of the Market Value. However, implementing this now would protect the System from having the Funding Value of assets stray too far away (either below or above) from the true value of assets in the fund. The actuary recommends that a 20% corridor be added to the Funding Value of Assets Calculation.

Each of the 237 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 FY2012 were determined by actuarial valuations as of June 30, 2010.

SCHEDULE OF CHANGES IN RESERVE BALANCES
FOR THE YEARS ENDED JUNE 30, 2012 AND 2011

	REFUNDABLE MEMBERS' RESERVE	EMPLOYERS' RESERVE	FUTURE BENEFIT INCREASE RESERVE
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
DISTRIBUTION OF REVENUES AND EXPENSES			
Members' Contributions	112,645,371		
Employers' Contributions		310,829,503	
Earnings (Loss) on Investments Net of Investment Expenses		(41,661,350)	
Pension and Insurance Benefits		(520,695,231)	
Refunds to Terminated Members	(7,852,771)	(4,523,917)	
Administrative Expenses		(4,890,364)	
DISTRIBUTION OF TRANSFERS			
Excess Investment Earnings to be used for Future Benefit Increases			
Earnings (Loss) on Excess Investment Earnings Account Assets		1,329,811	(1,329,811)
Amount Utilized by Benefit Increases Granted		167,000,633	(167,000,633)
Net Transfers In (Out) and Purchase of Service Credits	14,086,019	107,762	
Balances Transferred to Employers' Reserve due to Retirement	(33,756,592)	33,756,592	
BALANCE AS OF JUNE 30, 2012	\$ 1,067,750,716	\$ 4,006,937,158	\$ -

SUPPORTING SCHEDULES INFORMATION

SCHEDULE OF RECEIPTS AND DISBURSEMENTS
FOR THE YEARS ENDED JUNE 30, 2012 AND 2011

	2012	2011
RECEIPTS		
Members' Contributions	\$ 112,950,689	\$ 99,248,389
Employers' Contributions	299,381,460	272,759,042
Interest	11,729,205	11,687,418
Dividends	39,383,198	46,927,489
Other Income	18,832,445	21,809,465
Securities Lending Income	1,242,249	2,427,586
Transfer In	539,618	304,181
Service Purchase	13,735,525	20,936,194
Maturities and Sales of:		
U S Equity	290,546,173	474,318,598
Non-U s Equity	111,254,130	299,276,640
GTAA	122,748,351	27,733,582
Fixed Income	526,533,612	424,116,087
Absolute Return	3,925,609	31,197,622
Credit Opportunities	252,622,079	259,390,457
Private Equity	158,865,378	178,425,880
Real Assets	294,698,829	282,691,621
Real Estate	39,792,074	176,521,789
Total Receipts	2,298,780,624	2,629,772,040
DISBURSEMENTS		
Pension Benefits	460,700,737	422,113,671
Refunds to Terminated Members	12,376,688	11,976,416
Drop Benefits	46,481,278	112,273,060
Investment and Administrative Expenses	28,381,498	21,839,726
Transfer Out	81,362	292,996
Acquisitions of:		
U S Equity	269,665,906	112,697,851
Non-U s Equity	184,098,878	110,374,441
GTAA	113,560,163	102,219,965
Fixed Income	226,609,289	498,795,659
Absolute Return	40,504,702	156,297,302
Credit Opportunities	229,996,209	218,264,055
Private Equity	229,925,908	130,476,049
Real Assets	328,756,195	351,574,448
Real Estate	158,195,209	301,418,479
Total Disbursements	2,329,334,022	2,550,614,118
INCREASE (DECREASE) IN CASH	(30,553,398)	79,157,922
BEGINNING CASH BALANCE - July 1	133,229,727	54,071,805
ENDING CASH BALANCE - June 30	\$ 102,676,329	\$ 133,229,727

SCHEDULE OF ADMINISTRATIVE EXPENSES
FOR THE YEAR ENDED JUNE 30, 2012

EXPENSE CATEGORY	ADMINISTRATIVE	INVESTMENT	TOTAL
Accounting and Auditing Services	\$ 50,048	\$ -	\$ 50,048
Actuarial Services	290,784	-	290,784
Building Expense	189,836	-	189,836
Communications	37,182	-	37,182
Computer Related Expense	98,441	33,030	131,471
Contractual Services	78,442	-	78,442
Depreciation Expense	229,136	-	229,136
Fund Manager Initiatives	9,063	-	9,063
Furniture and Equipment	7,598	1,993	9,591
Investment Services	-	20,447,383	20,447,383
Legal Services	581,031	696,779	1,277,810
Local Board Training	1,587	-	1,587
Payroll Taxes and Fringe Benefits	700,512	306,742	1,007,254
Postage Expenses	16,928	-	16,928
Printing and Publications	13,997	-	13,997
Professional Services	553,765	1,071,028	1,624,793
Salaries and Wages	1,943,588	1,140,586	3,084,174
Supplies and Services	39,471	-	39,471
Training Expenses	31,779	11,039	42,818
Travel Expense	17,176	71,069	88,245
TOTAL	\$ 4,890,364	\$ 23,779,649	\$ 28,670,013

SCHEDULE OF CONSULTANT EXPENSES
FOR THE YEAR ENDED JUNE 30, 2012

CONSULTANT	SERVICE PROVIDED	FEES PAID
ALBOURNE AMERICA, LLC	International Alternative Investment Consultant	\$ 405,263
BALLARD SPAHR LLP	Litigation Counsel	19,974
BNY MELLON ASSET SERVICING	Independent Investment Advisor	114,188
COOLEY LLP	Investment Counsel	72,459
FOLEY & LARDNER, LLC	Investment Counsel	44,169
FOSTER PEPPER	Investment Counsel	8,915
GABRIEL ROEDER SMITH & COMPANY	Actuary	292,284
GOODWIN PROCTER	Investment Counsel	23,903
HEINFELD, MEECH & CO.	Independent Auditors	50,048
HIGHGROUND, INC	Legislative Liason	59,418
JACKSON WALKER LLP	Investment Counsel	27,727
KUTAK ROCK LLP	General Counsel	678,462
LIGHT STONE SOLUTIONS, LLC	Due Dilligence	173,008
LRS CONSULTING LLC	Local Board Training	1,738
MANPOWER	IT Consultant	33,477
MORRISON FOERSTER	Investment Counsel	33,537
NEPC, LLC	Independent Investment Advisor	314,469
OFFICE OF THE ATTORNEY GENERAL	General Counsel	45,249
ORG PORTFOLIO MANAGEMENT LLC	Real Estate Consultant	268,053
PILLSBURY	IT Consultant	20,110
PUBLIC POLICY PARTNERS	Investment Counsel	77,701
ROPES & GRAY LLP	Investment Counsel	24,633
STEPSTONE GROUP LLC	Equity Advisors	76,177
STEPTOE & JOHNSON, LLP	Litigation Counsel	255,605
TO THE TOP CONSULTING LLC	Local Board Training	6,837
TOTAL		\$ 3,127,404

OTHER SUPPLEMENTARY INFORMATION

**HEALTH INSURANCE PREMIUM SUBSIDY
AGENCY FUND
STATEMENT OF CHANGES IN ASSETS & LIABILITIES
FOR THE YEAR ENDED JUNE 30, 2012**

HEALTH INSURANCE PREMIUM SUBSIDY	BEGINNING BALANCE	ADDITIONS	DELETIONS	ENDING BALANCE
ASSETS				
Cash	\$ 0	\$ 13,513,216	\$ 13,513,216	\$ 0
Total Assets	0	\$ 13,513,216	\$ 13,513,216	0
LIABILITIES				
Benefits Payable	0	\$ 13,513,216	\$ 13,513,216	0
Total Liabilities	\$ 0	\$ 13,513,216	\$ 13,513,216	\$ 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%
06/30/12	0	270,778	270,778	0.0%	1,349,252	20.1%

* 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, 2011 and 2012 health insurance premium subsidy with the retirement plan, the funded ratios are 66.4%, 66.5%, 68.2%, 65.8%, 61.9% and 58.6% respectively.

Chief Investment Officer's Letter	48
Fund Investment Objectives	50
Investment Performance	
Asset Allocation	50
Annualized Rates of Return, Benchmark and Indices	51
Top 10 Investment Holdings	52
Summary of Changes in Investment Portfolio	52
Schedule of Commissions Paid to Brokers	52
Equity Portfolio	55
Fixed Income Portfolio	56
Alternative Investments Portfolio	
Credit Opportunities Portfolio	58
Private Equity Portfolio	59
Real Assets Portfolio	61
Absolute Return Portfolio	61
Real Estate Portfolio	62
GTAA Securities Portfolio	62



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

3010 East Camelback Road, Suite 200
Phoenix, Arizona 85016-4416

www.psprs.com

TELEPHONE: (602) 255-5575

FAX: (602) 255-5572

James M. Hacking

Administrator

Ryan Parham

Chief Investment Officer

Jared A. Smout

Deputy Administrator

November 20, 2012

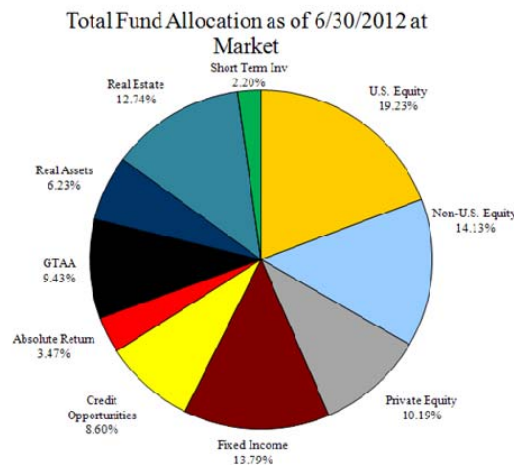
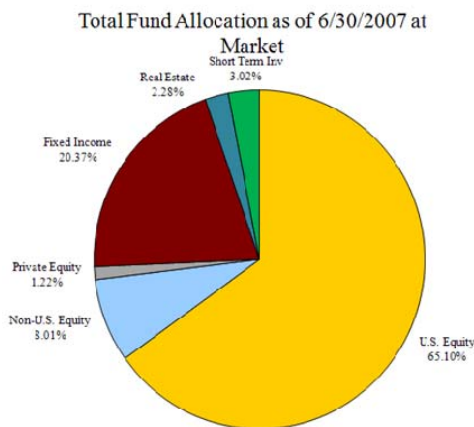
The Board of Trustees and
The Administrator of the
Arizona Public Safety Personnel Retirement System

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:

INTRODUCTION

On behalf of the entire PSPRS investment team, it is a pleasure to provide this annual update of investment activities of the Arizona PSPRS Trust for the fiscal year ending June 30, 2012. In commenting on the investment activities of our Trust a review of our history is important. That history, in part, is presented herein. It is not an understatement to say that we have gone through and expect to see more remarkable economic stress and uncertainty. The following charts show the PSPRS asset allocation as of year-end 2007 and 2012. The year-end 2007 allocation highlights what was a huge historic dependence on U.S. equities (65.10%). Bonds and stocks were the two major asset classes held in the portfolio. Today's portfolio has ten asset classes with a little more than 30% in global equities. The close of 2012 marks the fourth year since we began this portfolio evolution and the third year of it having been substantially deployed.



WHY DID WE MOVE THE PORTFOLIO AWAY FROM U.S. EQUITIES?

A quick review of the portfolio's historic returns from the year 2000 up to and including 2009 shows the damaging effects of having "our eggs" concentrated in the equities basket.

We had six positive return years during this period including a positive 17.05% in 2007, a positive 14.95% in 2004 and a positive 12.29% in 2000. We also had four negative years. The net of the ups and downs produced a total compounded return over the total period of only 0.25%. With the old portfolio we see clearly the distinct possibility of big "ups" but also big "downs" and the compounding effects of that risk have produced poor returns.

In 2009 the Board approved plans to move the portfolio away from that outsized risk and toward a more diversified structure. This contemplated portfolio would capture most of the upside in big up markets, but not all of it, and it would suffer much less of the downside from big down markets. This proved to be true in the disastrous year of 2009 when our portfolio was down in the crash 17.73%. We had begun to move to the new asset allocation in that year and quickly noted that without those moves, our previous allocation would have been down almost 30%.

Many of our pension peers were down 25% or more. Recent stress tests on our portfolio indicate that we will capture approximately 70% of a strong up-market but only approximately 40% of a strong down-market. Preventing that see-saw of returns produces a superior long term compounded return. This has been a key feature of the endowment investment universe which has historically produced better returns than public pensions.

HOW IS THE NEW PORTFOLIO DIFFERENT AND HOW IS IT PERFORMING?

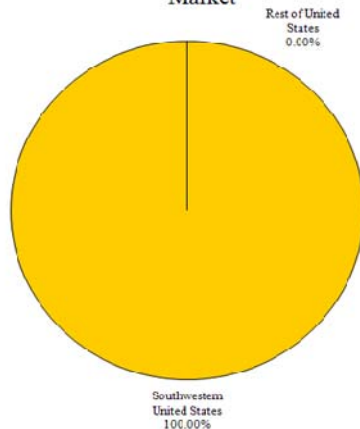
For the fiscal year which ended June 30, 2012 the total fund returned a -0.79%. This return is disappointing given our assumed earnings rate of 8.00%. But the markets offered very little opportunities for return in this last year. The average pension plan with its larger equity risk returned only about 1.15%. The average endowment, whose allocation is very similar to ours lost about -0.30%. Over the last three years, while the new allocation has been largely deployed, the fund has returned a compounded return of 9.73%, and that includes this year's disappointing net result. Importantly, as we focus on our desire to control downside risk in those three years, the portfolio has been among the top 10% in the nation in a Sortino Ratio risk score and among the top quartile in another broad risk measurement category.

RISK, RETURN AND REAL ESTATE

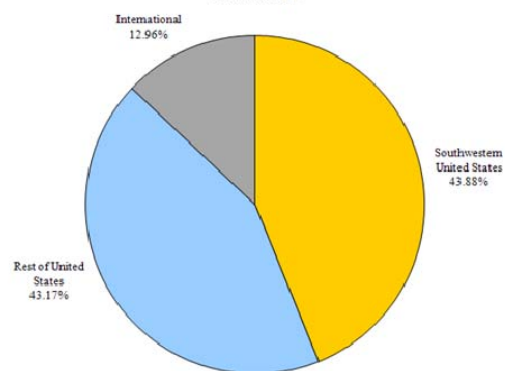
We have created a portfolio that is designed to protect on the downside and capture most of the upside of the markets. It is designed to earn our assumed earnings rate, not in every year, which as you can see from the markets is virtually impossible, but to earn 7.85% on average over longer time frames.

This year's report would be incomplete if I did not comment on the Southwestern United States Real Estate, a story which is near and dear to all Arizonans, and has strongly influenced our portfolio. Just as we were highly concentrated in U. S. Equities in 2007, we were also concentrated in Real Estate in the Southwestern United States. We have felt the negative effects of that concentration quite severely. Without that Southwestern United States concentration in Real Estate we would have returned 0.16% versus a -0.79% in 2012, beating the average endowments. On a three year basis we would have returned 11.62% verses our actual return of 9.73%. To reduce this effect of "all our eggs in volatile baskets" we continue to diversify the Real Estate portfolio as well. The following charts show the PSPRS geographic allocations within Real Estate as of year-end 2007 and 2012.

Total Real Estate Allocation as of 6/30/2007 at Market



Total Real Estate Allocation as of 6/30/2012 at Market



INVESTMENT TEAM / CONSULTANTS / INVESTMENT MANAGERS

The PSPRS investment team now includes 10 staff members who have collectively earned 6 Doctorate Degrees, 13 Masters Degrees including 6 MBAs and a host of other degrees. Combined, the team has over 100 years of business and investment experience. Our PSPRS external consultants, Albourne, NEPC, ORG and Step-Stone now have offices and staff in every major economic region of the world. We have invested with more than 100 external managers across all 10 asset classes who represent the best managers in the world. To each of these individuals and organizations I extend my gratitude, knowing that they make their best efforts to benefit the retirees, active members, employers and future members of the Arizona Public Safety Personnel Retirement System. We look forward to continuing and improving success.

Respectfully Submitted,

Ryan P. Parham
Chief Investment Officer

FUND INVESTMENT OBJECTIVES

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

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

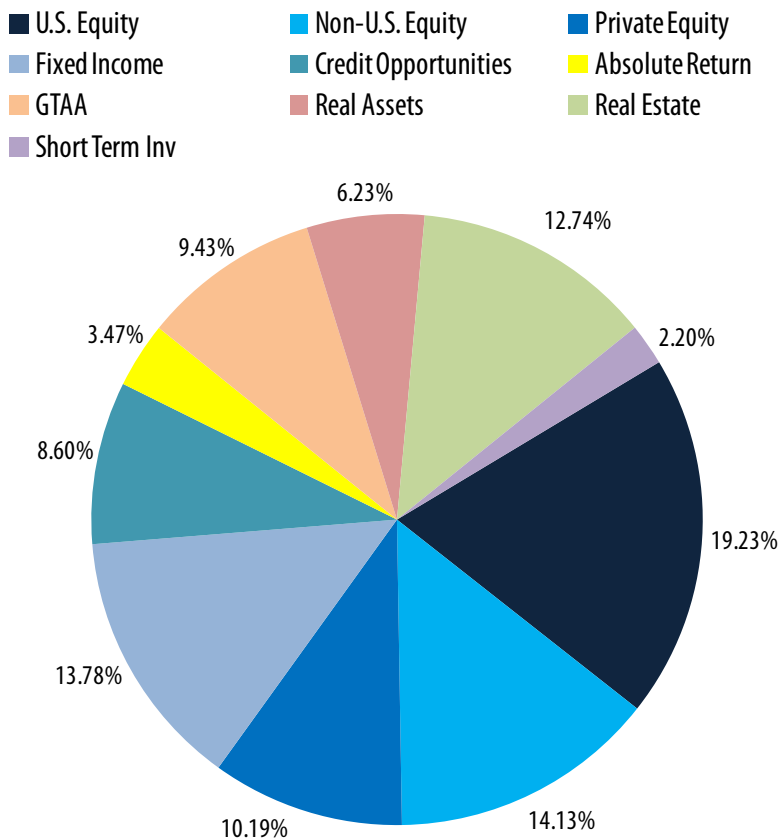
Consistent with the Fund objectives, the primary investment objective of the Fund is to maximize long-term real (after inflation) investment returns recognizing established risk (volatility) parameters and the need to preserve capital by:

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

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

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

ASSET ALLOCATION
JUNE 30, 2012



ANNUALIZED RATES OF RETURN*
JUNE 30, 2012

Description	1 Year	3 Years	5 Years	10 Years
PSPRS - Total Fund	-0.79%	9.73%	0.16%	5.51%
<i>Target Fund Benchmark</i>	2.89%	10.62%	0.13%	3.91%
Total Equity	-6.19%	11.52%	-0.91%	
<i>Target Equity Benchmark</i>	-4.36%	12.59%	-1.46%	
U.S. Equity	0.01%	15.04%	N/A	
<i>Russell 3000</i>	3.84%	16.73%	0.40%	
Non-U.S. Equity	-14.82%	6.41%	N/A	
<i>MSCI ACWI Ex-US Net</i>	-14.56%	6.97%	-4.62%	
Private Equity	6.20%	19.19%	2.44%	
<i>Russell 3000 + 100 bps</i>	4.84%	17.73%	1.40%	
Fixed Income	6.39%	8.06%	5.15%	
<i>BC US Aggregate</i>	7.47%	6.93%	6.79%	
Credit Opportunities	0.26%	16.68%	N/A	
<i>BofA ML US High Yield BB-B Constrained</i>	7.02%	14.25%	7.62%	
Absolute Return	2.86%	N/A	N/A	
<i>BofA ML 3-Month T-Bill + 200 bps</i>	2.06%	2.13%	3.00%	
GTAA	3.42%	N/A	N/A	
<i>3-Month LIBOR + 300bps</i>	3.43%	3.37%	4.40%	
Real Assets	0.55%	4.42%	N/A	
<i>CPI + 200 bps</i>	3.68%	4.05%	3.96%	
Real Estate	-3.84%	-7.23%	-2.61%	
<i>NCREIF NPI</i>	12.04%	8.82%	2.51%	
Short Term Investments	-0.55%	-0.05%	1.02%	
<i>BofA ML 3-Month T-Bill</i>	0.06%	0.12%	0.98%	

*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 US Aggregate, 4% BofA ML 3-Month T-Bill + 200 bps, 9% BofA ML US High Yield BB-B Constrained, 8% Russell 3000 + 100 bps, 6% CPI + 200 bps, 8% NCREIF NPI and 2% BofA ML 3-Month T-Bill

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

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% BofA ML 3-Month 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% BofA ML 3-Month T-Bill

July 1, 2002 - June 30, 2006: 45% S&P 500, 45% BC Gov/Cred and 10% BofA ML 3-Month 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, 2012

Description	Shares	Fair Value
VANGUARD MSCI EMERGING MKT	3,393,050	135,484,474
CRESTLINE CS 3000 FUND L.P.	118,356,566	118,356,566
GAM TRADING STRATEGY	77,062,412	77,062,412
ISHARES MSCI EAFE INDEX FUND	1,035,344	51,725,808
KKR EQUITY STRATEGIES	46,141,897	46,141,897
VANGUARD TOTAL STOCK MARKET ET	473,530	33,005,036
BGI FRONTIER MARKETS FUND	5,155,667	26,822,053
APPLE INC	36,258	21,174,896
EXXON MOBIL CORP	181,141	15,500,244
ISHARES MSCI EMERGING MARKETS	326,710	12,785,801

FIXED INCOME PORTFOLIO TOP 10 HOLDINGS

JUNE 30, 2012

Description	Shares	Fair Value
BGI CORE ACTIVE BOND FUND	12,809,191	297,309,719
FRANKLIN TEMPLETON EMD	56,461,960	56,461,959
CAPITAL GUARDIAN EMERGING	3,540,189	48,394,389
GOLDENTREE HIGH YIELD VALUE	39,019,367	39,019,366
GRACIE INTERNATIONAL CREDIT	18,326	36,561,987
IGUAZU PARTNERS LP	32,239,652	32,239,651
SJC DIRECT LENDING	20,529,359	20,529,359
SECURITY MUT LIFE INS CO 144A	11,425,961	11,774,273
CBO HLDGS III 04-3 CL A 144A	9,434,264	9,396,126
FNMA GTD REMIC P/T 11-8 AV	8,379,038	9,134,157

SUMMARY OF CHANGES IN INVESTMENT PORTFOLIO

JUNE 30, 2012

(IN THOUSANDS)

DESCRIPTION	JUNE 30, 2011 BALANCE				JUNE 30, 2012 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	846,576	265,335	290,799	969,758	821,112	19.71%
Non U. S. Equity	17.24%	773,518	630,542	184,352	103,940	710,653	710,954	14.45%
GTAA	6.99%	313,598	393,892	116,925	106,385	476,061	404,432	9.68%
Fixed Income	19.25%	864,136	886,162	203,958	484,689	681,837	605,431	13.86%
Credit Opportunities	9.76%	438,228	388,988	209,563	213,035	434,273	385,516	8.83%
Private Equity	7.99%	358,786	362,268	230,620	135,546	514,147	457,342	10.45%
Real Assets	4.38%	196,381	259,713	329,770	296,288	314,125	293,195	6.39%
Real Estate	10.03%	450,149	623,938	158,811	32,648	643,119	750,101	13.07%
Absolute Return	0.00%	-	125,100	40,613	3,363	175,333	162,350	3.56%
TOTAL PORTFOLIO	100.00%	4,488,031	4,517,179	1,739,947	1,666,693	4,919,306	4,590,433	100.00%

SCHEDULE OF COMMISSIONS PAID TO BROKERS

YEAR ENDED JUNE 30, 2012

BROKER	NUMBER OF SHARES TRADED	AVERAGE COMMISSION	TOTAL COMMISSIONS
ABN AMRO BK NV (SECS TRADING), HONG KONG	58,936	0.0005	30
BAIRD, ROBERT W & CO INC, MILWAUKEE	2,129,162	0.0011	2,257
BARCLAYS CAPITAL LE, JERSEY CITY	9,059,777	0.0004	3,962
BARCLAYS CAPITAL, LONDON (BARCGB33)	1,306,104	0.0003	457
BENCHMARK COMPANY LLC, BROOKLYN	22,567	0.0066	149
BERNSTEIN SANFORD C & CO, NEW YORK	472,879	0.0002	113
BLOOMBERG TRADEBOOK LLC, NEW YORK	54,750	0.0038	207
BMO CAPITAL MARKETS CORP, NEW YORK	478,539	0.0012	592
BTIG LLC, JERSEY CITY	1,017,676	0.0017	1,717
BURKE & QUICK PARTNERS LLC, JERSEY CITY	56,418	0.0053	301
CANACCORD GENUITY INC, JERSEY CITY	394,990	0.0011	442
CANTOR FITZGERALD & CO INC, NEW YORK	699,360	0.0050	3,511
CAPITAL ONE SOUTHCOAST INC, NEW ORLEANS	319,137	0.0014	435
CIBC WORLD MKTS INC, TORONTO	1,992,943	0.0004	781

SCHEDULE OF COMMISSIONS PAID TO BROKERS
YEAR ENDED JUNE 30, 2012

BROKER	NUMBER OF SHARES TRADED	AVERAGE COMMISSION	TOTAL COMMISSIONS
CITIGROUP GBL MKTS AUSTRALIA PTY, SYDNEY	172,030	0.0005	85
CITIGROUP GBL MKTS INC, NEW YORK	9,710,429	0.0005	4,504
CITIGROUP GBL MKTS/SALOMON, NEW YORK	204,280	0.0005	101
CLEARVIEW CORRESPONDENT SRVS,LLC,RICHMON	753,245	0.0013	975
COMPASS POINT RESEARCH & TR, JERSEY CITY	428,559	0.0073	3,128
COWEN AND COMPANY LLC, NEW YORK	666,398	0.0033	2,191
CRAIG HALLUM, MINNEAPOLIS	577,420	0.0040	2,302
CREDIT AGRICOLE CHEUVREUX NORDC,STOCKHOL	40,041	0.0003	13
CREDIT AGRICOLE CHEUVREUX, COURBEVOIE	274,629	0.0003	95
CREDIT SUISSE (EUROPE), LONDON	11,572,850	0.0003	3,262
CREDIT SUISSE AUSTRALIA EQ, MELBOURNE	1,890,808	0.0004	775
CREDIT SUISSE, NEW YORK (CSFBUS33XXX)	2,377,126	0.0005	1,185
DEUTSCHE BK SECS INC, NY (NWSCUS33)	10,186,530	0.0003	3,120
DOUGHERTY COMPANY, BROOKLYN	557,685	0.0008	471
EXECUTION LTD, LONDON	321,325	0.0003	111
FIG PARTNERS LLC, ATLANTA	1,052,968	0.0027	2,872
FIRST ANALYSIS SECS CORP, CHICAGO	843,975	0.0011	970
FRIEDMAN BILLINGS, WASHINGTON DC	216,288	0.0019	405
GOLDMAN SACHS & CO, NY	945,291	0.0018	1,663
GOLDMAN SACHS INTL, LONDON (GSILGB2X)	450,201	0.0003	157
GUGGENHEIM CAPITAL MKT LLC, JERSEY CITY	177,449	0.0020	357
HOWARD WEIL INCORPORATED, NEW ORLEANS	664,208	0.0016	1,057
INSTINET EUROPE LIMITED, LONDON	965,486	0.0005	481
INSTINET PACIFIC LTD, HONG KONG	62,357	0.0005	30
INVESTMENT TECHNOLOGY GROUP LTD,DUBLIN	4,203,242	0.0004	1,518
INVESTMENT TECHNOLOGY GROUP, NEW YORK	8,051,759	0.0004	3,075
ITG AUSTRALIA LTD, MELBOURNE	572,308	0.0005	285
ITG CANADA CORP, TORONTO	523,597	0.0005	239
ITG HONG KONG LIMITED, HONG KONG	386,884	0.0005	192
J P MORGAN SEC, SYDNEY	112,790	0.0005	55
J P MORGAN SECURITIES INC, BROOKLYN	9,284,287	0.0003	3,232
JEFFERIES & CO INC, NEW YORK	1,054,505	0.0019	1,997
JMP SECURITIES, SAN FRANCISCO	294,485	0.0024	710
JOHNSON RICE & CO, NEW ORLEANS	758,008	0.0011	835
JONESTRADING INSTL SVCS LLC, WESTLAKE	21,585,909	0.0024	52,332
JP MORGAN SECS ASIA PACIFIC, HONG KONG	89,882	0.0005	44
KEEFE BRUYETTE AND WOODS, JERSEY CITY	1,443,954	0.0022	3,189
KNIGHT CLEARING SERVICES LLC, JERSEY CIT	2,768	0.0025	7
KNIGHT DIRECT LLC, JERSEY CITY	147,426	0.0042	616
KNIGHT EQUITY MARKETS L.P.,JERSEY CITY	16,375,325	0.0015	24,784
LAZARD CAPITAL MARKETS LLC, NEW YORK	483,107	0.0021	1,017
LEHMAN BROTHERS INC, JERSEY CITY	56,142	0.0003	19
LEK SECURITIES CORP, NEW YORK	311,248	0.0026	795
LIQUIDNET INC, BROOKLYN	5,866,872	0.0008	4,435

SCHEDULE OF COMMISSIONS PAID TO BROKERS
YEAR ENDED JUNE 30, 2012

BROKER	NUMBER OF SHARES TRADED	AVERAGE COMMISSION	TOTAL COMMISSIONS
MACQUARIE EQUITIES LTD, SYDNEY	80,371	0.0005	39
MACQUARIE SECURITIES LIMITED, HONG KONG	55,009	0.0005	26
MACQUARIE SECURITIES(USA)INC JERSEY CITY	309,734	0.0016	509
MERRILL LYNCH INTL LONDON EQUITIES	825,688	0.0003	288
MERRILL LYNCH PIERCE FENNER SMITH INC NY	4,260,873	0.0004	1,727
MERRILL LYNCH PIERCE FENNER, WILMINGTON	605,693	0.0004	270
MITSUBISHI UFJ SECS INTL PLC, LONDON	3,197,014	0.0004	1,278
MKM PARTNERS LLC, GREENWICH	176,865	0.0024	427
MORGAN STANLEY & CO INC, NY	768,060	0.0006	438
NATIONAL FINL SVCS CORP, NEW YORK	113,145	0.0015	168
NEEDHAM & CO, NEW YORK	504,965	0.0012	612
NOMURA SECS INTL, LONDON	642,311	0.0003	209
OPPENHEIMER & CO INC, NEW YORK	1,803,993	0.0023	4,172
PICKERING ENERGY PARTNERS, HOUSTON	766,372	0.0011	815
PIPER JAFFRAY & CO, MINNEAPOLIS	174,768	0.0027	471
PULSE TRADING LLC, BOSTON	19,867,881	0.0018	34,770
RAYMOND JAMES & ASSOC INC, ST PETERSBURG	295,182	0.0028	815
RBC CAPITAL MARKETS LLC, NEW YORK	470,207,344	0.0001	46,192
RBC DOMINION SECS INC, TORONTO (DOMA)	292,877	0.0003	87
SANDLER O'NEILL & PARTNERS, NEW YORK	1,556,669	0.0020	3,166
SCARSDALE EQUITIES LLC, JERSEY CITY	505,661	0.0024	1,202
SIDOTI & CO LLC, NEW YORK	1,218,529	0.0016	1,977
STATE STREET BK & TR CO (SEC), LONDON	229,353	0.0006	130
STATE STREET BROKERAGE SVCS, BOSTON	20,757	0.0016	33
STEPHENS INC, LITTLE ROCK	1,232,165	0.0015	1,864
STERNE AGEE & LEACH INC	637,247	0.0018	1,172
STIFEL NICOLAUS	52,706,970	0.0002	11,586
SUNTRUST CAPITAL MARKETS INC, ATLANTA	485,427	0.0013	650
THINKEQUITY PARTNERS LLC, MINNEAPOLIS	385,359	0.0019	726
UBS EQUITIES, LONDON	881,908	0.0005	421
UBS FINANCIAL SERVICES INC, WEEHAWKEN	15,127,026	0.0002	3,427
UBS SECURITIES LLC, STAMFORD	140,560	0.0033	469
UBS WARBURG ASIA LTD, HONG KONG	44,623	0.0004	17
UBS WARBURG AUSTRALIA EQUITIES, SYDNEY	114,904	0.0005	56
WEDBUSH MORGAN SECS INC, LOS ANGELES	414,095	0.0026	1,067
WEDGE SECURITIES LLC, JERSEY CITY	27,353	0.0033	90
WEEDEN & CO, NEW YORK	1,953,573	0.0018	3,536
WILLIAM BLAIR & CO, CHICAGO	177,972	0.0018	322
WUNDERLICH SECURITIES INC, MEMPHIS	983,191	0.0016	1,561
TOTAL COMMISSIONS	718,570,801	0.0004	271,425

U.S. EQUITY PORTFOLIO
YEAR ENDED JUNE 30, 2012

SHARES	DESCRIPTION	COST	FAIR VALUE	UNREALIZED GAIN (LOSS)
15,554,474	RUSSELL 3000 SECURITIES	442,842,329	575,844,513	133,002,184
2,593	RUSSELL 1000 MINI FUTURES	0	6,883,041	6,883,041
206	RUSSELL 2000 MINI IND FUTURES	0	701,859	701,859
118,356,566	CRESTLINE ALPHA	114,259,614	118,356,566	4,096,952
1,409,580	FRONTPOINT ALPHA	2,034,688	1,409,580	(625,108)
77,062,412	GAM TRADING STRATEGY	76,173,076	77,062,412	889,336
473,530	VANGUARD TOTAL STOCK MARKET ET	32,331,570	33,005,036	673,466
46,141,897	KKR EQ STRATEGIES	45,703,845	46,141,897	438,052
1,853,348	RANGER SMALL CAP	53,446,192	53,126,138	(320,054)
5,311,314	THB MICRO CAP	39,513,698	41,330,299	1,816,601
1,032,434	THB SMALL CAP VAL	14,807,031	15,896,243	1,089,212
267,198,354	TOTAL US EQUITY PORTFOLIO	821,112,043	969,757,584	148,645,541

NON-U.S. EQUITY PORTFOLIO
YEAR ENDED JUNE 30, 2012

SHARES	DESCRIPTION	COST	FAIR VALUE	UNREALIZED GAIN (LOSS)
49,685,090	MCSI WORLD EX-US INDEX	460,204,932	448,759,360	(11,445,572)
412,477	ISHARES MSCI CANADA INDEX FUND	11,362,866	10,658,411	(704,455)
326,710	ISHARES MSCI EMERGING MARKETS	8,625,765	12,785,801	4,160,036
1,035,344	ISHARES MSCI EAFE INDEX FUND	52,485,644	51,725,808	(759,836)
35,344	VANGUARD MSCI EUROPEAN ETF	1,503,621	1,513,797	10,176
3,393,050	VANGUARD MSCI EMERGING MARKETS	129,927,680	135,484,474	5,556,794
233,068	VANGUARD MSCI PACIFIC ETF	11,831,700	11,681,382	(150,318)
5,155,667	BGI FRONTIER MARKETS FUND	22,853,425	26,822,053	3,968,628
258,988	WISDOMTREE EMERGING MARKETS SM	12,158,339	11,221,970	(936,369)
60,535,738	TOTAL NON-US EQUITY PORTFOLIO	710,953,972	710,653,056	(300,916)

FIXED INCOME PORTFOLIO
YEAR ENDED JUNE 30, 2012

PAR VALUE	DESCRIPTION	COUPON RATE	MATURITY	COST	FAIR VALUE
U.S. GOVERNMENT SECURITIES					
1,378,396	FHLMC POOL #H1-0069	6.00%	11/01/2036	1,379,786	1,505,857
1,249,274	FHLMC POOL #H1-5010	6.00%	11/01/2036	1,250,520	1,364,795
4,940,415	FHLMC MULTICLASS MTG 4012 MW	3.50%	03/15/2042	4,964,984	4,982,903
7,617,308	FHLMC MULTICLASS MTG 3740 KD	4.00%	11/15/2038	7,447,537	8,271,939
8,379,038	FNMA GTD REMIC P/T 11-8 AV	4.00%	01/25/2030	8,193,251	9,134,157
7,617,308	FHLMC MULTICLASS MTG 3561 B	4.00%	08/15/2029	7,529,551	8,338,210
2	GNMA POOL #0427558	7.50%	04/15/2026	2	2
31,181,741	TOTAL US GOVERNMENT SECURITIES			30,765,631	33,597,863

PAR VALUE	DESCRIPTION	COUPON RATE	MATURITY	COST	FAIR VALUE
CORPORATE BONDS					
1,752,022	ACA ABS LTD 144A	2.02%	06/10/2041	446,362	18
2,285,192	ASSOCIATES CORP OF NORTH AMERI	6.95%	11/01/2018	2,168,822	2,576,577
3,808,654	AUSTRALIA & NEW ZEALAND B 144A	4.88%	01/12/2021	3,926,227	4,174,932
144,801	AUTO BD RECEIVABLES TR 94-A	6.40%	04/15/2009	144,801	0
1,523,462	AXA SA	8.60%	12/15/2030	1,474,284	1,629,540
9,902,500	BANK OF AMERICA NA	0.77%	06/15/2017	8,792,854	8,425,146
1,523,462	BANK ONE CORP	8.00%	04/29/2027	1,495,810	1,938,209
12,809,191	BGI CORE ACTIVE BOND FUND	0.00%		233,460,786	297,309,719
3,540,189	CAPITAL GUARDIAN EMERGING	0.00%		45,703,846	48,394,389
9,434,264	CBO HLDGS III 04-3 CL A 144A	1.00%	06/01/2019	9,396,126	9,396,126
7,976,803	CBO HLDGS III 1A 04-1 C-2 144A	7.00%	02/10/2038	8,308,325	8,308,325
3,808,654	CITIGROUP INC	8.50%	05/22/2019	4,513,005	4,703,802
652,042	CONAGRA FOODS INC	9.75%	03/01/2021	737,285	890,076
1,142,596	CON-WAY INC	6.70%	05/01/2034	976,560	1,135,078
3,808,654	DEUTSCHE BK CAYMAN 2001-3 144A	1.45%	04/30/2031	1,183,524	649,490
56,461,960	FRANKLIN TEMPLETON EMD	0.00%		53,321,153	56,461,959
2,285,192	GENERAL ELECTRIC CAPITAL CORP	0.74%	08/07/2018	2,066,554	2,107,861
3,808,654	GILEAD SCIENCES INC	4.50%	04/01/2021	3,871,824	4,232,443
39,019,367	GOLDENTREE HIGH YIELD VALUE	0.00%		38,086,538	39,019,366
2,666,058	GOLDMAN SACHS GROUP INC/THE	6.75%	10/01/2037	2,795,833	2,612,870
18,326	GRACIE INTERNATIONAL CREDIT			38,086,538	36,561,987
7,487,813	HSBC FINANCE CORP	0.90%	06/01/2016	7,062,208	6,862,656
32,239,652	IGUAZU PARTNERS LP			30,469,230	32,239,651
261,542	J P MORGAN RESI 02-R2 CL 3A1	6.00%	04/28/2026	264,322	267,633
3,808,654	MACQUARIE GROUP LTD 144A	6.00%	01/14/2020	3,791,342	3,788,963

FIXED INCOME PORTFOLIO
YEAR ENDED JUNE 30, 2012

PAR VALUE	DESCRIPTION	COUPON RATE	MATURITY	COST	FAIR VALUE
CORPORATE BONDS					
7,617,308	MORGAN STANLEY	5.95%	12/28/2017	7,330,881	7,824,194
155,229	MORGAN STANLEY ABS CAPI NC1 M2	2.57%	12/27/2033	135,857	117,538
124,086	MORGAN STANLEY ABS CAPI NC2 M2	2.05%	12/25/2033	104,406	82,007
1,523,462	NATIONAL RURAL UTILITIES COOPE	8.00%	03/01/2032	1,698,751	2,238,117
1,523,462	NEXEN INC	6.40%	05/15/2037	1,387,394	1,614,382
3,046,923	NORTH STREET REFERENCED LINKED	4.20%	04/30/2031	2,747,490	2,747,490
1,523,462	NRG ENERGY INC	8.25%	09/01/2020	1,534,365	1,576,783
3,694,394	PACIFIC BELL TELEPHONE CO	7.38%	07/15/2043	3,743,985	3,946,537
2,666,058	PROTECTIVE LIFE CORP	8.45%	10/15/2039	3,062,560	3,209,267
1	REGIONAL DIVERSIFIED FDG 144A	9.25%	03/15/2030	1	1
11,425,961	SECURITY MUT LIFE INS CO 144A	9.38%	12/15/2016	11,774,273	11,774,273
20,529,359	SJC DIRECT LENDING	0.00%		20,537,651	20,529,359
7,617,308	TRAINER WORTHAM FIRST A3L 144A	2.21%	04/10/2037	5,447,535	5,447,535
1,523,462	UNITED UTILITIES PLC	4.55%	06/19/2018	1,420,451	1,582,054
1,523,462	UNITEDHEALTH GROUP INC	6.50%	06/15/2037	1,687,439	2,019,836
3,808,654	VERIZON MARYLAND INC	7.15%	05/01/2023	3,795,092	3,963,971
6,093,846	WACHOVIA CORP	0.74%	06/15/2017	5,713,434	5,879,221
286,566,141	TOTAL US CORPORATE BONDS			574,665,724	648,239,381
317,747,882	TOTAL FIXED INCOME PORTFOLIO			605,431,355	681,837,244

CREDIT OPPORTUNITIES PORTFOLIO
YEAR ENDED JUNE 30, 2012

DESCRIPTION	COST	FAIR VALUE	UNREALIZED GAIN (LOSS)
BLACKROCK MORTGAGE INVESTORS	8,776,439	24,891,558	16,115,119
CASTLE CREEK AZ TARP	2,925,686	2,925,686	0
CENTERBRIDGE	28,526,347	41,640,138	13,113,791
CENTERBRIDGE SC II	3,046,923	3,046,923	0
COMMERCE STREET INCOME PARTNER	25,861,930	32,591,638	6,729,708
EJF DEBT OPPORTUNITIES FUND	30,469,231	31,999,794	1,530,563
GS CREDIT OPPS FUND 2008	477,137	1,220,310	743,173
ISHARES IBOXX \$ HIGH YIELD COR	5,585,022	5,823,007	237,985
OHA STRATEGIC CREDIT	21,122,124	26,474,110	5,351,986
PAC ALLI ASIA SPEC FEEDER LP	7,138,339	7,093,484	(44,855)
PACIFIC ALLIANCE ASIA	30,469,231	31,752,575	1,283,344
PSPRS PNMAC MORTGOPP	99,024,998	93,403,975	(5,621,023)
PSPRS-APOLLO EUR NPL	40,958,833	52,316,303	11,357,470
STARK ABS OPPORTUNITIES MASTER	5,065,953	6,150,984	1,085,031
STARK MORTGAGE OPPORTUNITIES	30,469,231	30,647,658	178,427
TENNENBAUM DIP	1,209,152	776,665	(432,487)
TPG OPPORTUNITIES FUND II LP	13,920,235	14,076,022	155,787
WEST FACE LONG TERM OPP	30,469,230	27,442,091	(3,027,139)
TOTAL CREDIT OPPORTUNITIES PORTFOLIO	385,516,041	434,272,921	48,756,880

PRIVATE EQUITY PORTFOLIO
YEAR ENDED JUNE 30, 2012

DESCRIPTION	COST	FAIR VALUE	UNREALIZED GAIN (LOSS)
ABRY PARTNERS	10,208,295	13,256,838	3,048,543
APOLLO INVESTMENT FUND VII	31,256,281	45,877,366	14,621,085
AVALON VENTURES IX	6,398,538	6,434,682	36,144
BARING ASIA PRIVATE EQUITY V	5,865,502	5,940,216	74,714
BERKSHIRE FUND VIII LP	758,410	820,205	61,795
BLACKSTONE CAPITAL PARTNERS V	16,885,877	19,923,508	3,037,631
CASTLE CREEK	24,460,304	32,161,135	7,700,831
CENTERBRIDGE CAPITAL PARTNERS	18,332,235	18,220,166	(112,069)
CHARLESBANK EQUITY FUND VII	10,453,788	11,839,200	1,385,412
CORTEC GROUP FUND V LP	2,935,950	3,008,903	72,953
DAG VENTURES II CO-INVEST	13,370,028	4,065,266	(9,304,762)
DAG VENTURES II DIRECT	4,024,274	3,399,820	(624,454)
DAG VENTURES III CO-INVEST	9,145,946	8,283,471	(862,475)
DAG VENTURES III DIRECT	9,834,244	9,816,682	(17,562)
DAG VENTURES IV CO-INVEST LP	16,473,304	22,160,917	5,687,613
DAG VENTURES IV LP	17,510,038	20,717,907	3,207,869
DAG VENTURES V CO-INVEST	3,046,924	3,046,924	0
DAG VENTURES V, LP	2,323,279	2,194,046	(129,233)
DFJ MERCURY II	8,473,943	9,216,351	742,408
DRUG RYLTY II CO=INV	2,503,540	2,833,357	329,817
DRUG RYLTY II DIRECT	5,577,449	6,055,591	478,142
EQT VI LP	1,935,922	1,728,323	(207,599)
INSIGHT EQUITY II	18,713,214	20,251,380	1,538,166
INSIGHT EQUITY MEZZANINE I	493,976	524,615	30,639
JMI EQUITY FUND VII LP	7,990,883	8,011,061	20,178
LADDER	17,287,909	20,788,235	3,500,326
LITTLEJOHN FUND IV	14,574,431	17,341,781	2,767,350
LITTLEJOHN IV CO-INVEST LP	2,825,968	4,594,271	1,768,303
LONGWORTH VP III	4,448,508	5,095,812	647,304
MESIROW CAPITAL PARTNERS IX	12,116,070	10,312,718	(1,803,352)

PRIVATE EQUITY PORTFOLIO
YEAR ENDED JUNE 30, 2012

DESCRIPTION	COST	FAIR VALUE	UNREALIZED GAIN (LOSS)
MIDOCEAN PARTNER III CO-INVEST	4,973,742	5,391,530	417,788
MIDOCEAN PARTNER III DIRECT	19,148,241	18,777,938	(370,303)
MILLENNIUM TECHNOLOGY	6,017,673	5,714,671	(303,002)
OAKTREE EURO PRINCIPAL III	13,687,105	13,824,415	137,310
PATRIA - BRAZILIAN PRIVATE	1,009,371	1,043,078	33,707
PENINSULA EQUITY PARTNERS	3,249,649	3,391,988	142,339
PROSPECTOR EQUITY CAPITAL	2,493,833	1,662,097	(831,736)
STEPSTONE AZ SECONDARY	39,480,013	57,160,318	17,680,305
STERLING GROUP PARTNERS III	7,075,932	8,488,585	1,412,653
TOWERBROOK INVESTORS III	15,056,909	21,035,366	5,978,457
TRIDENT V CO-INVEST	2,176,180	2,176,180	0
TRIDENT V LP	9,851,641	10,201,507	349,866
TRUSTBRIDGE PARTNERS IV LP	9,213,216	8,883,435	(329,781)
VALLEY VENTURES III	6,048,224	2,332,991	(3,715,233)
VALLEY VENTURES III ANNEX	1,964,453	561,962	(1,402,491)
VISTA EQUITY PARTNERS FUND IV	11,686,811	11,702,651	15,840
VIVO VENTURES VII LP	3,984,122	3,877,820	(106,302)
TOTAL PRIVATE EQUITY PORTFOLIO	457,342,145	514,147,279	56,805,134

REAL ASSETS PORTFOLIO
YEAR ENDED JUNE 30, 2012

DESCRIPTION	COST	FAIR VALUE	UNREALIZED GAIN (LOSS)
ALTERNA I	20,312,664	23,473,648	3,160,984
CONSERVATION FORESTRY FUND I	12,196,853	11,179,284	(1,017,569)
CONSERVATN FOREST II	18,732,894	19,565,494	832,600
DENHAM COMMODITY PARTNERS VI	1,208,448	1,208,448	0
EIF US POWER FUND IV	6,402,220	4,901,116	(1,501,104)
FUNDAMENTAL PARTNERS II	16,126,946	15,788,412	(338,534)
GEOSPHERE	15,234,615	16,109,645	875,030
HELIOS SUNBEAM OPPORTUNITIES	19,043,269	17,711,729	(1,331,540)
JP MORGAN AIRRO FUND	11,148,510	11,448,688	300,178
JP MORGAN AIRRO SIDECAR LP	17,051,261	16,108,897	(942,364)
LD COMMODITIES ALPHA FD LTD	19,043,269	19,316,015	272,746
MACQUARIE EUR INFRASTRUCT III	15,782,488	19,377,489	3,595,001
MACQUARIE INFRASTRUCTURE II US	15,611,638	19,789,616	4,177,978
ORG SECONDARY - REAL ASSETS	19,830,712	27,427,078	7,596,366
TAYLOR WOODS PARTNERS LP	19,043,269	17,701,480	(1,341,789)
TRUST IN ENERGY RECAP FUND	3,197,536	3,119,599	(77,937)
TVEST CROSSOVER III	8,950,336	14,613,541	5,663,205
US 10 YR TREAS NTS FUTURE(CBT)	0	34,456	34,456
US 5YR TREAS NTS FUT (CBT)	0	(6,332)	(6,332)
US TREAS BD FUTURE (CBT)	0	5,832	5,832
US TREAS-CPI	3,564,379	3,541,405	(22,974)
US TREAS-CPI INFLATION INDEX	32,432,184	33,670,205	1,238,021
US ULTRA BOND (CBT)	0	(22,554)	(22,554)
VIRIDIAN FUND LTD	18,281,538	18,061,783	(219,755)
TOTAL REAL ASSETS PORTFOLIO	293,195,029	314,124,974	20,929,945

ABSOLUTE RETURN PORTFOLIO
YEAR ENDED JUNE 30, 2012

DESCRIPTION	COST	FAIR VALUE	UNREALIZED GAIN (LOSS)
DAVIDSON KEMPNER INSTITUTIONAL	38,086,538	39,814,452	1,727,914
GSAM HF SEED 2011	21,000,999	21,108,068	107,069
LSV SPECIAL OPPORTUNITIES FUND	19,471,798	25,739,040	6,267,242
LUXOR CAPITAL PARTNERS	30,469,230	30,352,480	(116,750)
OZ DOMESTIC PARTNERS II LP	53,321,153	58,318,748	4,997,595
TOTAL ABSOLUTE RETURN PORTFOLIO	162,349,718	175,332,788	12,983,070

REAL ESTATE PORTFOLIO
YEAR ENDED JUNE 30, 2012

DESCRIPTION	COST	FAIR VALUE	UNREALIZED GAIN (LOSS)
ALCION II	4,333,879	3,564,275	(769,604)
APEX FUND I	45,040,564	17,158,747	(27,881,817)
APEX FUND II	7,749,275	6,417,582	(1,331,693)
AREA VEF DIR	36,876,259	36,630,511	(245,748)
BREP VI	41,463,253	55,011,818	13,548,565
CATALYST EURO	36,880,506	25,501,892	(11,378,614)
CLSA FUDO CAP II	11,119,816	12,957,439	1,837,623
COLGATE WILLOW SPRINGS	4,835,648	4,835,648	0
DESERT TROON	274,654,702	203,258,096	(71,396,606)
GREENFIELD VI	7,611,612	7,227,910	(383,702)
H2 CREDIT PARTNERS	30,469,230	34,860,505	4,391,275
HARRISON ST RE	48,758,306	45,581,064	(3,177,242)
HARRISON ST RE COINV	5,712,981	6,673,156	960,175
IRON POINT RE	47,950,979	48,795,946	844,967
LUBERT ADLER FD VI B	10,607,286	10,909,030	301,744
MOUNT GRANGE	20,340,510	22,783,683	2,443,173
ORG SECONDARY RE	23,699,529	28,224,638	4,525,109
OWH BERKANA DEV	3,754,716	2,023,799	(1,730,917)
OWH BERKANA HLD	7,672,163	13,200,451	5,528,288
PEBBLECREEK	28,983,855	9,445,461	(19,538,394)
PIVOTAL EQUITY	1,904,327	2,096,542	192,215
WALTON FUND V	40,957	27,950	(13,007)
WALTON MEXICO	27,193,788	22,042,704	(5,151,084)
WHISP CANYON OWC	22,446,549	23,890,314	1,443,765
TOTAL REAL ESTATE PORTFOLIO	750,100,690	643,119,161	(106,981,529)

GTAA SECURITIES PORTFOLIO
YEAR ENDED JUNE 30, 2012

DESCRIPTION	COST	FAIR VALUE	UNREALIZED GAIN (LOSS)
BLACKROCK GLOBAL ASCENT L	102,404,709	98,196,146	(4,208,563)
BRIDGEWATER PURE ALPHA	118,959,249	181,396,372	62,437,123
BLUE TREND FUND	76,173,076	82,373,621	6,200,545
ALL WEATHER PORTFOLIO	30,722,157	34,832,278	4,110,121
D. E. SHAW MULTI-ASSET FUND	76,173,076	79,262,335	3,089,259
TOTAL GTAA PORTFOLIO	404,432,267	476,060,752	71,628,485

Actuary's Certification Letter	64
Actuarial Balance Sheet	67
Summary of Valuation Assumptions	68
Solvency Test	70
Summary of Active Member Data	71
Summary of Retirees and Inactive Members	72
Schedule of Experience Gain/Loss	73



October 19, 2012

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, 2012 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, 2013.

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, 2012.

The valuation was based upon information furnished by the plan's administrative staff concerning Retirement System benefits, financial transactions, and active members, terminated members, retirees and beneficiaries. We checked the data for internal and year to year consistency, but did not otherwise audit the data. As a result, we do not assume responsibility for the accuracy or completeness of the data provided. The actuary summarizes and tabulates population data in order to analyze longer-term trends. The following schedules were prepared by the actuary and provided to the administrative staff to be included in the "Actuarial Section" of the June 30, 2012 CAFR:

- Aggregate Actuarial Balance Sheet as of June 30, 2012
- 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, 2012



The Board of Trustees

October 19, 2012

Page 2

GRS did not prepare any of the schedules included in the “Financial Section” of the June 30, 2012 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, 2012 valuations were based upon assumptions that were recommended in connection with a study of experience covering the 2006-2011 period. Future actuarial measurements may differ significantly from those presented in the valuations due to such factors as experience differing from that anticipated by the actuarial assumptions, changes in plan provisions, changes in actuarial assumptions or methods, or changes in applicable law. 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 8.00% 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, 2012 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 \$977 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, 2012 actuarial valuation reflected the following changes:

- Assumption and method changes:
 - Investment return was decreased from 8.25% to 8.00%
 - Demographic assumption changes and method changes recommended in the July 1, 2006 through June 30, 2011 Analysis of Actuarial Assumptions and adopted by the Board.



The Board of Trustees
October 19, 2012
Page 3

- Benefit changes
 - Member contributions for the fiscal year beginning July 1, 2013 were increased to 10.35% 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.

BBM/MB/:lr

AGGREGATE ACTUARIAL BALANCE SHEET
YEAR ENDED JUNE 30, 2012

ACTUARIAL ASSETS	2012	2011
ACCRUED ASSETS		
Member Accumulated Contributions	\$ 897,597,292	\$ 819,995,853
Employer and Benefit Payment Reserves	4,177,090,582	4,396,646,999
Funding Value Adjustment	976,907,138	747,632,265
Total Accrued Assets	6,051,595,012	5,964,275,117
PROSPECTIVE ASSETS		
Member Contributions	1,242,554,460	1,087,112,973
Employer Normal Costs	1,274,796,320	1,212,888,463
Employer Unfunded Actuarial Accrued Liability	4,273,934,974	3,569,316,204
Total Prospective Assets	6,791,285,754	5,869,317,640
Total Actuarial Assets	\$ 12,842,880,766	\$ 11,833,592,757
ACTUARIAL PRESENT VALUES (LIABILITY)		
PENSIONS IN PAYMENT STATUS		
Pensions in payment status	\$ 5,045,392,933	\$ 4,626,018,712
PROSPECTIVE PAYMENTS		
Retirement Payments	7,576,245,472	6,810,004,694
Health Insurance Payments	164,827,118	172,954,782
Member Contribution Refunds	56,415,243	56,284,125
Pension Increase Reserve	-	168,330,444
Total Prospective Payments	7,797,487,833	7,207,574,045
Total Actuarial Present Values (Liabilities)	\$ 12,842,880,766	\$ 11,833,592,757

SUMMARY OF VALUATION ASSUMPTIONS

ECONOMIC ASSUMPTIONS

Interest Rate: 8.00% (net of expenses)

Salary Increases: 5.00% for inflation

HEALTHY MORTALITY TABLE

RP2000 Health Annuitant Mortality Table projected to 2015 using projection scale AA adjusted by 105% for both males and females.

This assumption was first used for the FY2012 valuation of the System and include margin for future improvements in mortality.

DISABLED MORTALITY TABLES

RP2000 Health Annuitant Mortality Table projected to 2015 using projection scale AA set forward 10 years for both males and females.

This assumption was first used for the FY2012 valuation of the System.

MORTALITY RATES AND LIFE EXPECTANCY

HEALTHY MORTALITY

SAMPLE AGES	PROBABILITY OF DYING NEXT YEAR		FUTURE LIFE EXPECTANCY (YEARS)	
	MEN	WOMEN	MEN	WOMEN
50	.16%	.13%	31.88	33.93
55	.27%	.24%	27.19	29.20
60	.53%	.47%	22.67	24.66
65	1.03%	.90%	18.43	20.39
70	1.77%	1.55%	14.56	16.49
75	3.06%	2.49%	11.04	12.95
80	5.54%	4.13%	8.00	9.80

MORTALITY RATES AND LIFE EXPECTANCY

DISABLED MORTALITY

SAMPLE AGES	PROBABILITY OF DYING NEXT YEAR		FUTURE LIFE EXPECTANCY (YEARS)	
	MEN	WOMEN	MEN	WOMEN
50	.53%	.47%	23.05	25.08
55	1.03%	.90%	18.79	20.80
60	1.77%	1.55%	14.89	16.86
65	3.06%	2.49%	11.34	13.29
70	5.54%	4.13%	8.25	10.09
75	9.97%	7.08%	5.81	7.35
80	17.27%	12.59%	4.02	5.30

ACTIVE MEMBERS MORTALITY TABLE

Sample rates of mortality for death-in-service set forward 0 years for both males and females.

This assumption was first used for the FY2012 valuation of the System.

MORTALITY RATES

ACTIVE MEMBERS

SAMPLE AGES	PROBABILITY OF DYING NEXT YEAR	
	MEN	WOMEN
50	.16%	.13%
55	.27%	.24%
60	.53%	.47%
65	1.03%	.90%

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**

85% of males and females are assumed to be married for purposes of death-in-service benefits. Male spouses are assumed to be three years older than female spouses for active member valuation purposes.

PAY INCREASE TIMING

Six months after the valuation date.

DECREMENT TIMING

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

ELIGIBILITY TESTING

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

DECREMENT RELATIVITY

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

DECREMENT OPERATION

Disability and turnover decrements do not operate during retirement eligibility.

SERVICE CREDIT ACCRUALS

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

INCIDENCE OF CONTRIBUTIONS

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

NORMAL FORM OF BENEFIT

A straight life payment is the assumed normal form of benefit for members who are not married, and the 80% Joint and Survivor form of payment with no reduction, for married members. 85% 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

75% of future retirees are expected to utilize health care. 85% of those are assumed to be married.

FUTURE COST OF LIVING INCREASES

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

SOLVENCY TEST

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

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

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)			
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%
2012	897,597	6,364,273	3,063,659	6,051,595	100.0%	81.0%	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 18,542 active members in the Plan as of June 30, 2012, compared to 18,638 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	276	1						277	\$ 48,112
25-29	1,401	765	1					2,167	57,253
30-34	1,090	1,952	405					3,447	64,390
35-39	583	1,382	1,599	264				3,828	71,355
40-44	381	809	1,444	1,298	178	2		4,112	78,577
45-49	161	345	593	838	601	144	1	2,683	83,146
50-54	69	161	276	376	284	248	33	1,447	85,309
55-59	23	58	78	136	80	57	20	452	81,544
60-64	7	17	25	28	16	10	4	107	80,224
65+	2	3	5	5	6	1		22	76,611
Total	3,993	5,493	4,426	2,945	1,165	462	58	18,542	\$ 72,767

COMPARATIVE SCHEDULE

YEAR ENDED JUNE 30,	ACTIVE MEMBERS	PAYROLL +000	AGE (YEARS)	SERVICE (YEARS)	AVERAGE SALARY	INCREASE IN AVG. PAY
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	65,938	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%
2012	18,542	1,349,252	39.1	10.6	72,767	2.3%

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
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
2012	138	418	9,802	5,859,981	36,291,206	485,003,106	6.7%	49,480

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, 2012, there were 1,264 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, 2012**

ATTAINED AGE	YEARS OF SERVICE TO VALUATION DATE					TOTAL
	0-4	5-9	10-14	15-19	20+	
20-29	254	13				267
30-39	450	91	23	2		566
40-44	127	30	32	4		193
45-49	68	23	16	8		115
50-54	40	7	11	7	2	67
55-59	12	9	14	1	2	38
60-69	6	3	7	1		17
70+	1					1
Total	958	176	103	23	4	1,264

SCHEDULE OF EXPERIENCE GAIN (LOSS)
 YEAR ENDED JUNE 30, 2012
 (IN THOUSANDS)

(1) UAAL* at start of year	3,569,316
(2) Normal cost for year	278,249
(3) Funding Method Contribution	437,210
(4) Interest accrued on (1), (2) and (3)	287,911
(5) Expected UAAL before changes [(1)+(2)-(3)+(4)]	3,698,266
(6) Changes from benefit increases	167,001
(7) Changes from actuarial methods & actuary	347,081
(8) Change in Reserve for future pension increases	(182,218)
(9) Expected UAAL after changes: (5)+(6)+(7)+(8)	4,030,130
(10) Actual UAAL at end of year	4,273,935
(11) Experience Gain (Loss): (9)-(10)	(243,805)

* *Unfunded Actuarial Accrued Liability*

THIS PAGE INTENTIONALLY BLANK

Statistical Summary	76
Changes in Plan Net Assets - Last Ten Fiscal Years	77
Schedule of Revenue by Source - Last Ten Fiscal Years	78
Schedule of Expenses by Type - Last Ten Fiscal Years	78
Deductions from Plan Net Assets for Benefits and Refunds by Type - Last Ten Fiscal Years	78
Valuation Assets vs. Pension Liabilities - Last Ten Fiscal Years	79
Contribution Rates- Last Ten Fiscal Years	81
Distribution of Benefit Recipients By Location	82
System Membership - Last Ten Fiscal Years	82
Principal Participating Employers	83
Summary of Benefit Increases - Last Ten Years	83
Summary of Growth of the System - Last Ten Fiscal Years	84
Benefits Payable by Benefit Type	84
Average Monthly Benefits and Membership - Last Ten Fiscal Years	85
Schedule of Changes in Member Reserve Balances	86
Schedule of Changes in Employer Reserve Balances	92
Schedule of Changes in Employers Earnings Distribution	100
Participating Employers	108

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)

	2012	2011	2010	2009	2008
ADDITIONS					
Member Contributions	\$ 112,645	\$ 99,262	\$ 102,142	\$ 101,184	\$ 97,157
Employer Contributions	310,830	272,446	300,706	328,436	233,556
Net Investment Gain (Loss)	(41,661)	789,264	553,077	(872,799)	(408,918)
Member Service Purchase	13,735	20,936	10,607	7,626	9,483
Transfers IN	540	304	759	584	1,696
Total Additions (Reductions)	396,089	1,182,212	967,291	(434,969)	(67,026)
DEDUCTIONS					
Pension & Insurance Benefits	520,696	534,388	481,979	456,566	430,209
Refunds To Terminated Members	12,377	11,976	9,975	7,643	7,884
Administrative Expenses	4,890	4,776	4,932	4,352	7,250
Transfers OUT	81	293	243	49	144
Total Deductions	538,044	551,433	497,129	468,610	445,487
NET INCREASE (DECREASE)	(141,955)	630,779	470,162	(903,579)	(512,513)
NET ASSETS HELD IN TRUST					
Beginning of Fiscal Year, July 1	5,216,643	4,585,863	4,115,702	5,019,281	5,531,794
End of Fiscal Year, June 30	\$ 5,074,688	\$ 5,216,643	\$ 4,585,863	\$ 4,115,702	\$ 5,019,281
	2007	2006	2005	2004	2003
ADDITIONS					
Member Contributions	\$ 84,630	\$ 75,616	\$ 67,948	\$ 71,874	\$ 67,937
Employer Contributions	177,588	127,219	104,498	79,000	50,801
Net Investment Gain (Loss)	815,524	379,512	383,530	562,613	233,425
Member Service Purchase	9,160	9,409	8,163	-	-
Transfers IN	1,640	1,125	994	1,282	1,394
Total Additions (Reductions)	1,088,541	592,881	565,133	714,769	353,557
DEDUCTIONS					
Pension & Insurance Benefits	450,345	284,028	257,449	229,885	209,715
Refunds To Terminated Members	8,709	7,226	7,648	6,391	6,423
Administrative Expenses	3,971	2,980	1,600	1,100	813
Transfers OUT	121	290	129	196	386
Total Deductions	463,146	294,524	266,826	237,572	217,337
NET INCREASE (DECREASE)	625,395	298,357	298,307	477,197	136,220
NET ASSETS HELD IN TRUST					
Beginning of Fiscal Year, July 1	4,906,399	4,608,042	4,309,735	3,832,538	3,696,318
End of Fiscal Year, June 30	\$ 5,531,794	\$ 4,906,399	\$ 4,608,042	\$ 4,309,735	\$ 3,832,538

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
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
2012	112,645,371	298,641,991	12,187,512	22.68%	(41,661,350)	14,275,143	396,088,667

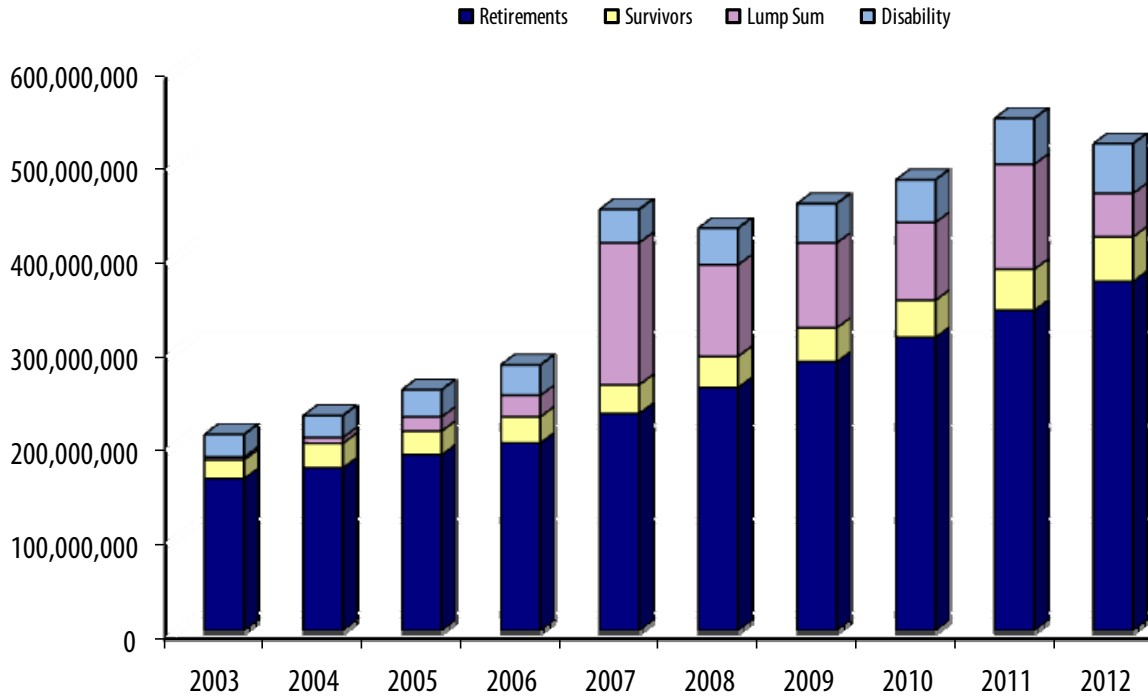
SCHEDULE OF EXPENSES BY TYPE (ALL PLANS COMBINED)
LAST TEN FISCAL YEARS

YEAR ENDING JUNE 30,	BENEFITS	ADMIN. EXPENSES	REFUNDS	TRANSFERRED TO OTHER PLANS	TOTAL
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
2012	520,695,231	4,890,364	12,376,688	81,362	538,043,645

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	TOTAL BENEFITS	DROP BENEFITS	REFUNDS	HEALTH INSURANCE SUBSIDY*
2003	151,170,457	20,135,779	24,102,353	81,550	195,490,139	3,028,175	6,422,965	11,196,923
2004	163,080,132	26,321,345	23,431,361	102,458	212,935,296	6,175,715	6,390,643	10,774,433
2005	176,394,304	25,357,132	28,883,283	131,285	230,766,004	15,265,160	7,647,443	11,417,919
2006	190,350,994	27,991,410	32,501,612	140,587	250,984,603	22,839,120	7,225,720	10,203,920
2007	220,950,477	30,742,748	35,536,324	146,890	287,376,439	151,959,720	8,708,528	11,009,305
2008	247,831,306	33,357,309	39,137,350	151,698	320,477,663	97,907,651	7,884,695	11,824,417
2009	274,965,209	36,380,334	41,979,907	158,494	353,483,944	90,868,266	7,643,202	12,214,037
2010	300,889,208	39,673,066	45,439,760	179,265	386,181,299	83,300,396	9,975,440	12,496,923
2011	328,892,084	43,889,613	49,132,258	199,716	422,113,671	112,273,060	11,976,416	13,400,890
2012	359,668,287	47,630,792	53,214,209	187,449	460,700,737	46,481,278	12,376,688	13,513,216

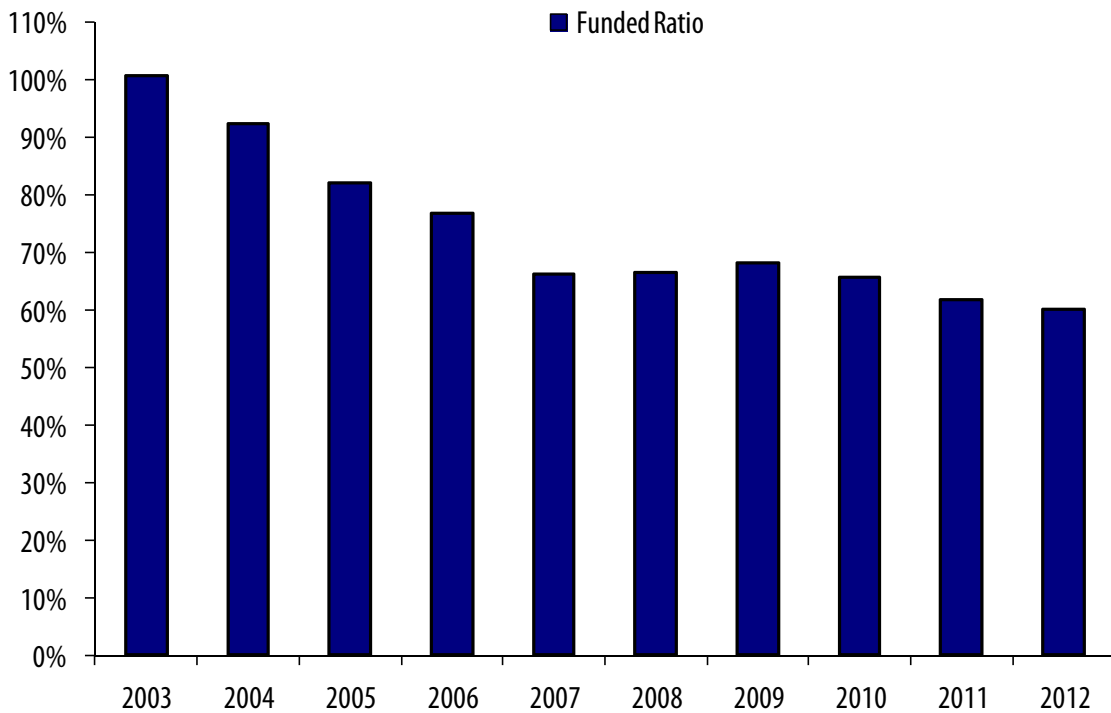
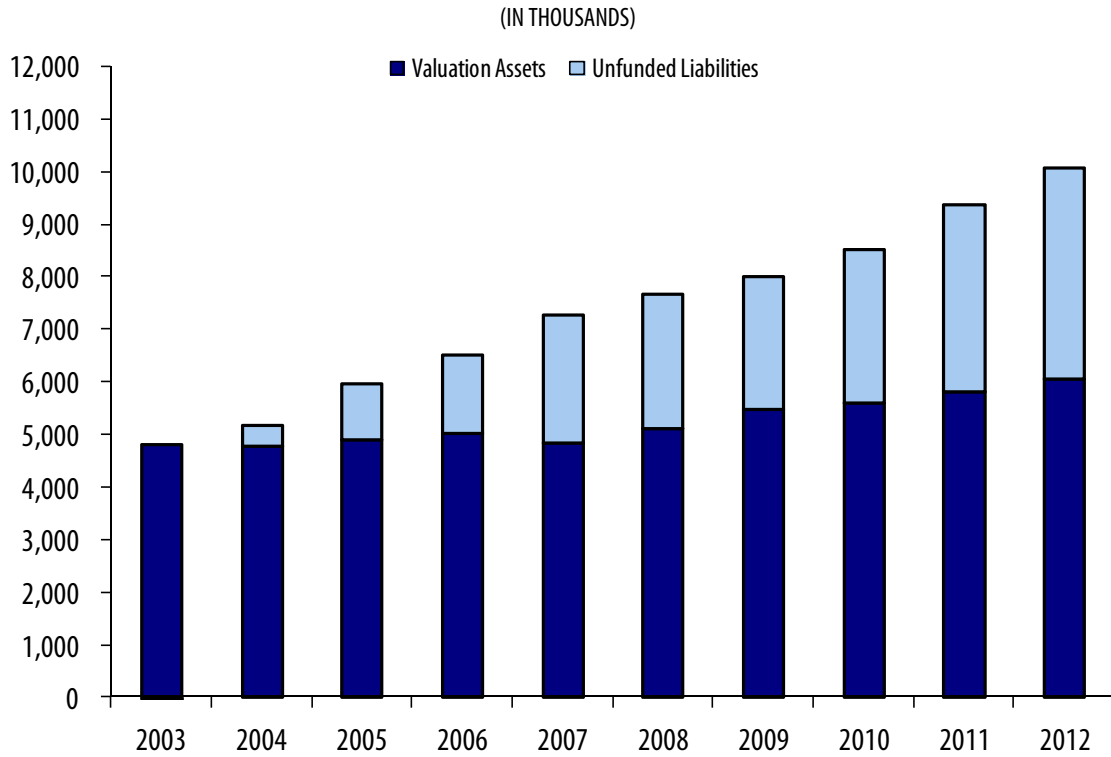
* Health Insurance Subsidy payments are reported as an offset to Employer Contributions. The detail appears in the notes below the Schedule of Employer Contributions on page 39.



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

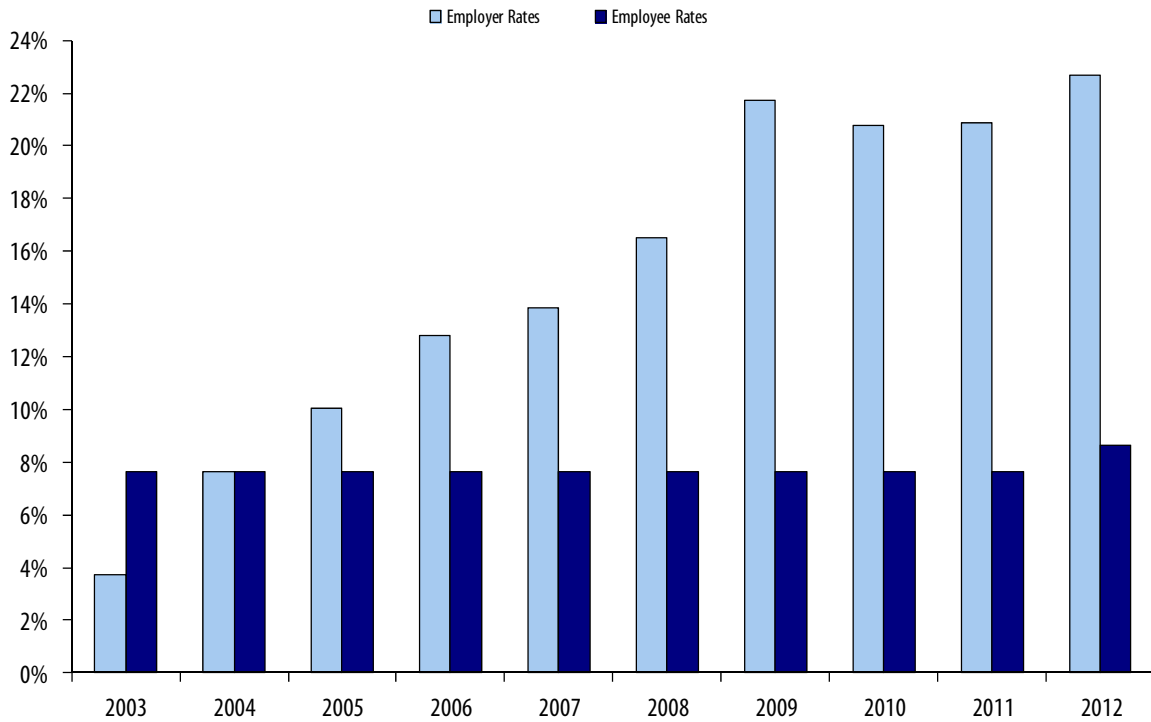
YEAR ENDING JUNE 30,	VALUATION ASSETS	UNFUNDED LIABILITIES	ACCRUED LIABILITIES	FUNDED RATIO
2003	4,781,377	(41,764)	4,739,613	100.9%
2004	4,774,313	393,020	5,167,333	92.4%
2005	4,886,963	1,064,974	5,951,937	82.1%
2006	4,999,911	1,495,101	6,495,012	77.0%
2007	4,829,521	2,438,770	7,268,291	66.4%
2008	5,095,645	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%
2012	6,051,595	4,273,935	10,325,530	58.6%

FINANCIAL TRENDS

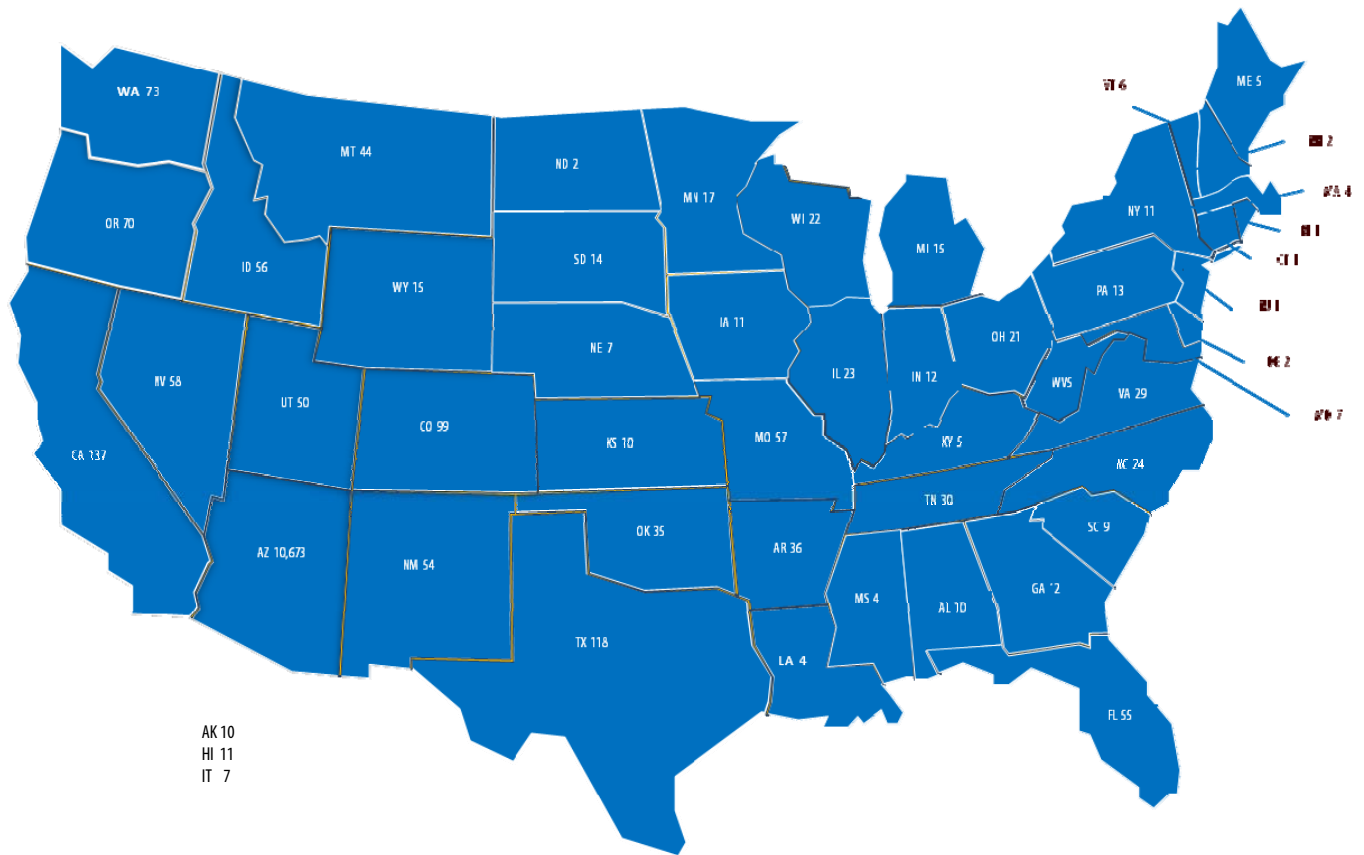


**CONTRIBUTION RATES
LAST TEN FISCAL YEARS**

YEAR ENDING JUNE 30,	AVERAGE EMPLOYER RATE	EMPLOYEE RATE
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%
2012	22.68%	8.65%



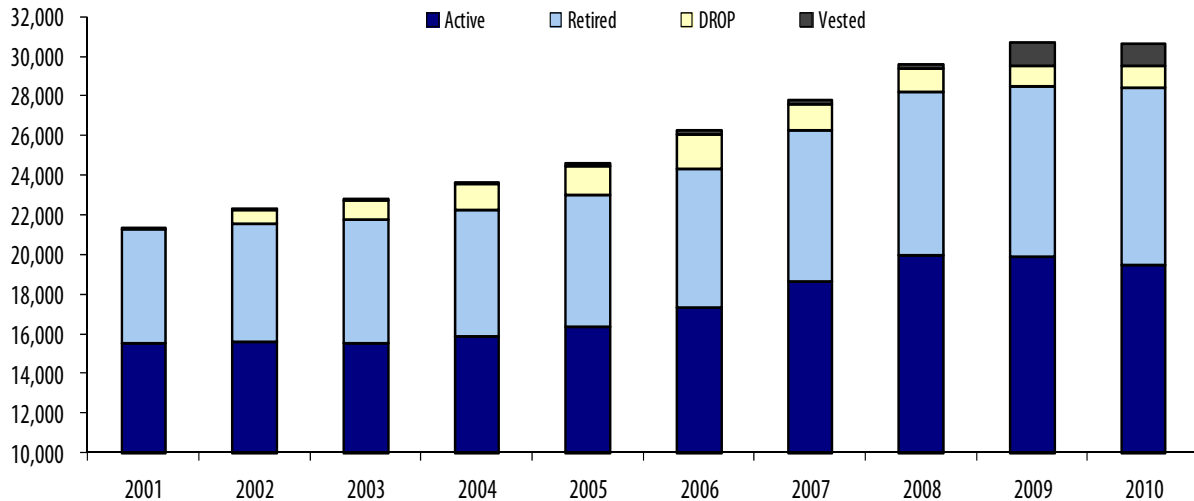
DISTRIBUTION OF BENEFIT RECIPIENTS BY LOCATION



MEMBERSHIP IN RETIREMENT SYSTEM
LAST TEN FISCAL YEARS

YEAR ENDING JUNE 30,	ACTIVE	BENEFICIARY RETIRED	DROP	TERMINATED VESTED	TOTAL
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
2012	18,542	9,802	1,496	1,264	31,104

OPERATING INFORMATION



PRINCIPAL PARTICIPATING EMPLOYERS
LAST TEN FISCAL YEARS

EMPLOYER	2012			2003		
	COVERED EMPLOYEES	RANK	% OF MEMBERSHIP	COVERED EMPLOYEES	RANK	% OF MEMBERSHIP
PHOENIX POLICE	2,767	1	14.91%	2,545	1	16.39%
PHOENIX FIRE	1,382	2	7.45%	1,217	2	7.84%
DEPT OF PUBLIC SAFETY	934	3	5.03%	1,012	3	6.52%
TUCSON POLICE	811	4	4.37%	887	4	5.71%
MESA POLICE	701	5	3.78%	783	5	5.04%
MARICOPA SHERIFF	622	6	3.35%	587	6	3.78%
PIMA SHERIFF	497	7	2.68%	457	7	2.94%
TUCSON FIRE	494	8	2.66%	452	8	2.91%
SCOTTSDALE POLICE	392	9	2.11%	353	9	2.27%
GLENDALE POLICE	379	10	2.04%	321	12	2.07%
ALL OTHERS	9,563		51.62%	6,916		44.53%
TOTAL	18,542		100.00%	15,530		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
2003	0.00%	-	(67,995,889)	468,125,352	102.53
2004	5.97%	107,495,840	(77,066,484)	568,619,029	111.90
2005	0.11%	2,198,002	(85,121,958)	537,513,325	116.82
2006	0.00%	-	(91,412,190)	490,714,741	121.76
2007	8.05%	190,317,350	(101,767,604)	662,931,350	127.06
2008	0.00%	-	(114,771,709)	499,951,273	134.34
2009	0.00%	-	(125,721,193)	285,613,717	138.66
2010	4.47%	90,856,517	(139,653,075)	275,289,327	146.74
2011	0.00%	-	(154,776,639)	168,330,444	152.84
2012	0.00%	-	(167,000,633)	-	153.06

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
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%
2012	4,754,315,706	153,740,609	8.00%	4.25%	22.68%

BENEFITS PAYABLE JUNE 30, 2012
BY TYPE OF BENEFIT

PENSIONS BEING PAID	NO.	ANNUAL PENSIONS	AVERAGE PENSIONS
RETIRED MEMBERS			
Service Pensions	7,219	378,844,612	52,479
Disability Pensions	1,344	55,975,335	41,648
Total Retired Members	8,563	434,819,947	50,779
SURVIVORS OF MEMBERS			
Spouses	1,185	48,901,672	41,267
Children w/Guardians	54	1,281,487	23,731
Total Survivors of Members	1,239	50,183,159	40,503
TOTAL PENSIONS BEING PAID	9,802	485,003,106	49,480

	AVERAGE AGE	AVERAGE SERVICE	AVG. AGE AT RETIREMENT
Normal retired members	63.2	23.6	51.3
Disability retired members	56.7	14.3	43.8
Spouse beneficiaries	68.1	18.8	44.1

**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+
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	7,182
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
2012	Average monthly benefit	2,988	3,116	3,184	3,405	3,718	4,973	5,988	4,123
	Average final average salary								6,077
	Number of retirees	228	367	478	567	4,872	2,636	654	9,802

* 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, 2012

SYSTEM	2011 BALANCES	RESERVE TRANSFERS	CONTRIBUTIONS RECEIVED	WITHDRAWN MEMBERS	2012 BALANCES
AK CHIN INDIAN COMM. FIRE DEPT.	464,621	38,724	151,194	(6,770)	647,768
AK CHIN INDIAN COMM. POLICE DEPT.	310,516	4,533	90,416	0	405,465
APACHE COUNTY SHERIFF'S DEPT.	961,773	(134,510)	134,618	(41,052)	920,829
APACHE JUNCTION FIRE DISTRICT	4,129,447	(229,123)	498,141	(36,902)	4,361,563
APACHE JUNCTION POLICE DEPARTMENT	2,178,595	(60,822)	253,858	(46)	2,371,585
ARIZONA STATE CAPITOL POLICE	680,540	(666,044)	0	(12,803)	1,693
ARIZONA STATE PARK RANGERS	1,732,090	(50,390)	91,724	(45,554)	1,727,871
ASU PD PSPRS LOCAL BOARD	2,287,948	(190,716)	296,844	(1,744)	2,392,332
ATTORNEY GENERAL INVESTIGATORS	873,771	(260,711)	43,264	0	656,324
AVONDALE FIRE DEPARTMENT	2,758,320	(117,846)	346,178	0	2,986,652
AVONDALE POLICE DEPARTMENT	3,698,731	(292,273)	575,059	(116,601)	3,864,914
AVRA VALLEY FIRE DISTRICT	419,029	(2,619)	94,775	(26,860)	484,324
AZ DPT. LIQ. LIC. & CONTROL INVST	598,682	2,208	50,120	0	651,010
BENSON FIRE DEPARTMENT	67,186	0	5,977	0	73,163
BENSON POLICE DEPARTMENT	429,971	0	66,952	(7,459)	489,464
BISBEE FIRE DEPARTMENT	571,043	(179,076)	66,788	0	458,755
BISBEE POLICE DEPARTMENT	519,483	0	54,908	(170)	574,220
BLACK CANYON FIRE DISTRICT	142,727	(6,310)	34,030	0	170,447
BUCKEYE FIRE DEPARTMENT	2,506,133	0	404,019	0	2,910,152
BUCKEYE POLICE DEPARTMENT	2,364,449	(75,658)	382,801	(47,136)	2,624,457
BUCKEYE VALLEY FIRE DISTRICT	1,339,629	(32,540)	350,571	(40,814)	1,616,846
BUCKSKIN FIRE DISTRICT	350,442	0	58,169	(61,115)	347,496
BULLHEAD CITY FIRE DEPARTMENT	4,061,864	(142,128)	494,104	(114,403)	4,299,437
BULLHEAD CITY POLICE DEPARTMENT	3,998,649	(209,827)	493,611	(139,652)	4,142,781
CAMP VERDE FIRE DISTRICT	719,509	(35,958)	134,382	0	817,933
CAMP VERDE MARSHALL'S	515,910	0	66,468	0	582,378
CASA GRANDE FIRE DEPARTMENT	2,306,050	(20,194)	394,393	0	2,680,248
CASA GRANDE POLICE DEPARTMENT	3,158,074	23,961	456,203	(113,588)	3,524,649
CAVE CREEK MARSHALS	34,082	0	7,105	0	41,187
CENTRAL AZ. COLLEGE POLICE DEPT.	83,733	0	24,134	(12,885)	94,982
CENTRAL YAVAPAI FIRE DISTRICT	4,493,203	(538,111)	517,853	(20,796)	4,452,148
CHANDLER FIRE DEPARTMENT	12,109,342	(265,408)	1,473,977	0	13,317,912
CHANDLER POLICE DEPARTMENT	19,403,140	(361,902)	2,257,762	(64,160)	21,234,840
CHINO VALLEY FIRE DISTRICT	1,412,718	0	187,461	0	1,600,179
CHINO VALLEY POLICE DEPARTMENT	928,704	(165,790)	86,076	(8,018)	840,973
CHRISTOPHER-KOHL'S FIRE DISTRICT	88,087	(32,172)	19,112	0	75,027
CITY OF MARICOPA FIRE	1,879,678	(9,365)	402,061	0	2,272,374
CITY OF MARICOPA POLICE	1,480,895	(241,243)	367,261	(117,419)	1,489,495
CLARKDALE FIRE DISTRICT	128,251	20,889	76,644	0	225,784
CLARKDALE POLICE DEPARTMENT	301,830	(73,885)	19,346	(21,011)	226,280
CLIFTON FIRE DEPARTMENT	0	0	0	0	0
CLIFTON POLICE DEPARTMENT	56,477	0	25,014	0	81,492

SCHEDULE OF CHANGES IN REFUNDABLE MEMBER RESERVE BALANCES
FISCAL YEAR ENDED JUNE 30, 2012

SYSTEM	2011 BALANCES	RESERVE TRANSFERS	CONTRIBUTIONS RECEIVED	WITHDRAWN MEMBERS	2012 BALANCES
COCHISE COUNTY SHERIFF'S DEPT	2,828,964	(4,036)	399,219	(21,503)	3,202,644
COCONINO COUNTY SHERIFF'S DEPT	1,919,275	(25,684)	214,174	(24,559)	2,083,206
COOLIDGE FIRE DEPARTMENT	53,423	0	13,719	0	67,142
COOLIDGE POLICE DEPARTMENT	1,005,682	(41,095)	135,096	(46,826)	1,052,857
CORONA DE TUCSON FIRE DISTRICT	305,268	0	85,636	(7,761)	383,142
COTTONWOOD FIRE DEPARTMENT	832,706	(168,718)	139,266	(6,497)	796,757
COTTONWOOD POLICE DEPARTMENT	902,052	(143,186)	168,718	0	927,585
DAISY MOUNTAIN FIRE DISTRICT	3,867,640	(31,938)	570,877	(60,780)	4,345,799
DEPARTMENT OF EMER & MILITARY AFF	1,336,920	(110,232)	184,149	(7,950)	1,402,888
DEPARTMENT OF PUBLIC SAFETY	26,689,164	(470,915)	3,012,845	(230,218)	29,000,877
DESERT HILLS FIRE DEPARTMENT	251,972	0	88,807	0	340,779
DOUGLAS FIRE DEPARTMENT	781,760	(64,735)	109,241	(38,875)	787,391
DOUGLAS POLICE DEPARTMENT	1,312,274	(135,217)	167,222	(1,072)	1,343,207
DREXEL HEIGHTS FIRE DISTRICT	3,149,517	(149,006)	418,021	0	3,418,533
EAGAR POLICE DEPARTMENT	381,242	(62,443)	36,354	0	355,153
EL MIRAGE FIRE DEPARTMENT	729,526	(86,873)	146,578	0	789,231
EL MIRAGE POLICE DEPARTMENT	1,604,932	(16,254)	271,801	(108,270)	1,752,209
ELOY FIRE DISTRICT	537,393	0	161,031	(10,461)	687,963
ELOY POLICE DEPARTMENT	1,133,693	(37,993)	147,300	(137,869)	1,105,131
FLAGSTAFF FIRE DEPARTMENT	4,310,187	(137,286)	590,131	0	4,763,031
FLAGSTAFF POLICE DEPARTMENT	4,853,404	(570,316)	619,753	(118,578)	4,784,262
FLORENCE FIRE DEPARTMENT	495,055	8	106,585	0	601,648
FLORENCE POLICE DEPARTMENT	806,914	(243,050)	135,907	(2,736)	697,036
FORT MCDOWELL TRIBAL FIRE DEPT.	356,902	0	76,390	0	433,291
FORT MCDOWELL TRIBAL POLICE DEPT.	740,333	(6,232)	136,698	0	870,799
FORT MOJAVE MESA FIRE DISTRICT	1,235,132	(169,103)	195,584	0	1,261,613
FORT MOJAVE TRIBAL POLICE DEPT.	376,104	0	117,172	(5,875)	487,401
FREDONIA MARSHALS	100,276	0	13,788	0	114,064
FRY FIRE DISTRICT	1,361,946	(17,129)	241,148	(16,942)	1,569,023
GAME AND FISH DEPARTMENT	6,070,217	(359,245)	644,520	(9,928)	6,345,564
GILA COUNTY SHERIFF'S DEPARTMENT	1,337,586	(173,155)	160,174	(67,960)	1,256,645
GILA RIVER FIRE DEPARTMENT	2,094,021	(85,687)	388,986	(119,739)	2,277,581
GILA RIVER POLICE DEPARTMENT	2,680,818	207,454	734,446	(141,963)	3,480,755
GILBERT FIRE DEPARTMENT	8,480,165	(116,786)	1,651,164	(5,800)	10,008,743
GILBERT POLICE DEPARTMENT	10,428,597	(63,610)	1,449,012	(104,155)	11,709,843
GLENDALE FIRE DEPARTMENT	14,230,508	(87,709)	1,950,435	0	16,093,234
GLENDALE POLICE DEPARTMENT	20,344,039	(772,455)	2,675,330	(130,316)	22,116,598
GLOBE FIRE DEPARTMENT	725,903	(49,086)	71,855	0	748,672
GLOBE POLICE DEPARTMENT	692,153	(46,471)	90,129	0	735,811
GOLDEN SHORES FIRE DISTRICT	179,717	0	34,410	0	214,127
GOLDEN VALLEY FIRE DISTRICT	492,411	(5,114)	115,355	(20,319)	582,333
GOLDER RANCH FIRE DISTRICT	4,318,082	(117,927)	687,145	0	4,887,301

OPERATING INFORMATION

SCHEDULE OF CHANGES IN REFUNDABLE MEMBER RESERVE BALANCES
FISCAL YEAR ENDED JUNE 30, 2012

SYSTEM	2011 BALANCES	RESERVE TRANSFERS	CONTRIBUTIONS RECEIVED	WITHDRAWN MEMBERS	2012 BALANCES
GOODYEAR FIRE DEPARTMENT	3,977,166	0	577,415	0	4,554,581
GOODYEAR POLICE DEPARTMENT	3,862,328	(414,261)	613,036	(53,471)	4,007,632
GRAHAM COUNTY ATTORNEY INVEST.	0	0	0	0	0
GRAHAM COUNTY SHERIFF'S DEPT.	734,354	(53,448)	98,637	(18,030)	761,513
GREEN VALLEY FIRE DISTRICT	2,281,771	(266,898)	351,389	0	2,366,262
GREENLEE CNTY ATTY INVESTIGATORS	0	0	0	0	0
GREENLEE COUNTY SHERIFF'S DEPT.	430,385	0	64,644	(14,262)	480,767
GROOM CREEK FIRE DISTRICT	133,557	0	32,387	(9,370)	156,574
GUADALUPE FIRE DEPARTMENT	214,831	(11,013)	21,068	0	224,886
HARQUAHALA FIRE DISTRICT	262,164	(28,460)	66,510	(65,815)	234,399
HAYDEN POLICE DEPARTMENT	104,128	(52,862)	29,474	(8,543)	72,196
HEBER-OVERGAARD FIRE DISTRICT	267,179	0	64,406	0	331,585
HELLSGATE FIRE DISTRICT	265,363	(7,460)	34,999	0	292,902
HIGHLANDS FIRE DISTRICT	744,868	0	143,738	0	888,606
HOLBROOK POLICE DEPARTMENT	481,244	(28,909)	60,888	(32,116)	481,107
HUACHUCA CITY POLICE DEPARTMENT	0	0	20,698	0	20,698
HUALAPAI INDIAN TRIBE POLICE DEPT	211,145	0	56,873	0	268,018
JEROME POLICE DEPARTMENT	48,655	0	10,707	(13,235)	46,127
KEARNY POLICE DEPARTMENT	278,070	6,130	16,987	0	301,187
KINGMAN FIRE DEPARTMENT	2,541,571	(181,554)	255,502	(35,467)	2,580,053
KINGMAN POLICE DEPARTMENT	2,042,695	(147,965)	266,291	0	2,161,021
LA PAZ COUNTY ATTY. INVESTIGATORS	66,102	0	1,319	0	67,421
LA PAZ COUNTY SHERIFF'S DEPT.	1,284,628	(88,494)	110,557	(65,783)	1,240,908
LAKE HAVASU CITY FIRE DEPARTMENT	3,108,425	(5,085)	387,753	(33,707)	3,457,385
LAKE HAVASU CITY POLICE DEPT.	4,136,612	(144,962)	399,705	0	4,391,355
LAKE MOHAVE RANCHOS FIRE DISTRICT	170,640	(68,703)	76,148	(17,366)	160,719
LAKESIDE FIRE DISTRICT	645,907	4,237	140,095	0	790,239
LINDEN FIRE DISTRICT	143,841	(4,237)	40,144	(17,301)	162,447
MAMMOTH POLICE DEPARTMENT	106,465	(12,063)	8,877	0	103,279
MARANA POLICE DEPARTMENT	2,608,932	(8,669)	389,759	(26,004)	2,964,019
MARICOPA CNTY ATTY INVESTIGATORS	521,112	0	68,225	0	589,336
MARICOPA COUNTY PARK RANGERS	24,132	0	0	0	24,132
MARICOPA COUNTY SHERIFF'S OFFICE	34,943,463	(1,062,271)	3,439,742	(255,577)	37,065,357
MAYER FIRE DISTRICT	431,085	0	76,623	0	507,708
MESA FIRE DEPARTMENT	27,147,345	(981,187)	2,688,878	(18,259)	28,836,776
MESA POLICE DEPARTMENT	47,810,574	(2,792,016)	4,928,001	(267,265)	49,679,295
MIAMI FIRE DEPARTMENT	0	0	0	0	0
MIAMI POLICE DEPARTMENT	137,589	0	14,541	(14,063)	138,067
MOHAVE COUNTY SHERIFF'S DEPT.	3,319,675	(35,958)	407,922	(78,797)	3,612,842
MOHAVE VALLEY FIRE DISTRICT	1,077,715	0	166,766	0	1,244,481
MONTEZUMA RIMROCK FIRE DISTRICT	276,020	(15,492)	42,645	0	303,172
MOUNT LEMMON FIRE DISTRICT	97,995	(6,495)	25,608	0	117,107

SCHEDULE OF CHANGES IN REFUNDABLE MEMBER RESERVE BALANCES
FISCAL YEAR ENDED JUNE 30, 2012

SYSTEM	2011 BALANCES	RESERVE TRANSFERS	CONTRIBUTIONS RECEIVED	WITHDRAWN MEMBERS	2012 BALANCES
NAU CAMPUS POLICE	585,311	0	121,403	0	706,713
NAVAJO COUNTY ATTY'S INVESTIGATOR	0	0	0	0	0
NAVAJO COUNTY SHERIFF'S DEPT.	919,904	(31,520)	224,013	(20,566)	1,091,831
NOGALES FIRE DEPARTMENT	1,752,380	0	198,415	(4,381)	1,946,413
NOGALES POLICE DEPARTMENT	2,214,150	(55,638)	270,663	(54,424)	2,374,751
NORTHERN AZ. CONSOLIDATED FD #1	792,919	(18,789)	138,865	(7,597)	905,398
NORTHWEST FIRE DISTRICT	8,019,039	272	1,113,246	(31,769)	9,100,789
ORACLE FIRE DISTRICT	56,201	23,674	22,125	0	102,000
ORO VALLEY POLICE DEPT.	4,499,859	12,685	524,790	(74,762)	4,962,571
PAGE FIRE DEPARTMENT	350,040	0	79,877	(42,530)	387,387
PAGE POLICE DEPARTMENT	720,674	(53,205)	118,628	(21,280)	764,816
PALOMINAS FIRE DISTRICT	6,213	12,010	33,964	0	52,187
PARADISE VALLEY POLICE DEPARTMENT	1,702,349	(82,807)	163,974	(49,492)	1,734,026
PARKER POLICE DEPARTMENT	317,487	26,023	50,047	0	393,557
PASCUA YAQUI TRIBE FIRE DEPT.	611,694	(14,244)	124,920	0	722,370
PASCUA YAQUI TRIBE POLICE DEPT.	1,024,457	(258,890)	189,672	0	955,239
PATAGONIA MARSHALS	39,155	(2,983)	7,359	0	43,532
PAYSON FIRE DEPARTMENT	1,028,162	19,929	126,314	(45,630)	1,128,774
PAYSON POLICE DEPARTMENT	1,109,011	0	135,764	(81,960)	1,162,815
PEORIA FIRE DEPARTMENT	8,002,089	(313,052)	972,074	(52,983)	8,608,128
PEORIA POLICE DEPARTMENT	7,802,921	(97,717)	1,328,944	0	9,034,148
PHOENIX FIRE DEPARTMENT	112,346,490	(1,941,314)	11,633,554	(91,612)	121,947,118
PHOENIX POLICE DEPARTMENT	207,001,294	(6,296,978)	23,583,010	(608,235)	223,679,091
PICTURE ROCKS FIRE DISTRICT	571,179	(53,928)	87,859	0	605,110
PIMA COUNTY ATTORNEY INVESTIGATOR	188,829	0	12,544	(15,479)	185,895
PIMA COUNTY COMM. COLLEGE POLICE	767,094	(65,220)	124,565	(12,983)	813,457
PIMA COUNTY SHERIFF'S DEPARTMENT	13,742,630	(572,642)	2,047,715	(127,045)	15,090,658
PIMA POLICE DEPARTMENT	48,470	(5,806)	14,731	0	57,396
PINAL COUNTY SHERIFF'S DEPARTMENT	7,656,501	(221,616)	1,119,326	(35,878)	8,518,333
PINE-STRAWBERRY FIRE DISTRICT	787,137	0	98,623	0	885,760
PINETOP FIRE DISTRICT	879,109	(32,087)	161,274	(40,994)	967,302
PINETOP-LAKESIDE POLICE DEPT.	352,268	(178)	48,866	(65,391)	335,565
PINEWOOD FIRE DISTRICT	368,091	0	93,696	(10,826)	450,961
PRESCOTT FIRE DEPARTMENT	3,411,111	(479,757)	480,603	(71,301)	3,340,655
PRESCOTT POLICE DEPARTMENT	2,861,380	(49,151)	352,682	(48,575)	3,116,336
PRESCOTT VALLEY POLICE DEPARTMENT	2,441,406	(18,637)	315,901	(119,947)	2,618,722
QUARTZSITE FIRE DISTRICT	173,473	0	38,929	0	212,402
QUARTZSITE POLICE DEPARTMENT	597,481	107,642	54,104	(121,022)	638,204
QUEEN CREEK FIRE DEPARTMENT	483,246	(46,113)	156,396	(19,809)	573,721
QUEEN VALLEY FIRE DISTRICT	34,872	0	11,231	0	46,103
RINCON VALLEY FIRE DISTRICT	702,655	(1,077)	161,141	0	862,719
RIO RICO FIRE DISTRICT	696,038	0	134,371	(28,008)	802,400

OPERATING INFORMATION

SCHEDULE OF CHANGES IN REFUNDABLE MEMBER RESERVE BALANCES
FISCAL YEAR ENDED JUNE 30, 2012

SYSTEM	2011 BALANCES	RESERVE TRANSFERS	CONTRIBUTIONS RECEIVED	WITHDRAWN MEMBERS	2012 BALANCES
RIO VERDE FIRE DISTRICT	670,402	28,421	92,828	0	791,651
SAFFORD POLICE DEPARTMENT	931,828	0	90,718	0	1,022,546
SAHUARITA POLICE DEPARTMENT	1,317,919	(67,749)	201,075	(34,146)	1,417,099
SALT RIVER PIMA-MARICOPA FIRE	3,319,699	(20,433)	537,692	(13,228)	3,823,730
SALT RIVER PIMA-MARICOPA POLICE	4,001,493	(100,004)	740,698	(197,641)	4,444,545
SAN CARLOS TRIBAL POLICE DEPT.	294,551	12,750	115,918	(21,935)	401,283
SAN LUIS FIRE DEPARTMENT	619,925	0	119,388	(1,474)	737,839
SAN LUIS POLICE DEPARTMENT	1,050,374	(196,164)	137,660	0	991,870
SANTA CRUZ COUNTY SHERIFF'S DEPT.	1,368,892	(93,420)	173,135	0	1,448,607
SCOTTSDALE FIRE DEPARTMENT	10,776,150	(449,493)	5,101,369	(99,540)	15,328,485
SCOTTSDALE POLICE DEPARTMENT	24,395,742	(476,258)	3,027,176	(242,503)	26,704,156
SEDONA FIRE DISTRICT	3,132,718	(107,067)	432,836	(39,646)	3,418,842
SEDONA POLICE DEPARTMENT	879,197	(32,723)	117,458	(21,915)	942,018
SHOW LOW FIRE DISTRICT	1,050,989	0	188,106	0	1,239,095
SHOW LOW POLICE DEPARTMENT	1,265,724	(59,191)	141,001	0	1,347,534
SIERRA VISTA FIRE DEPARTMENT	1,935,997	(192,503)	235,412	0	1,978,906
SIERRA VISTA POLICE DEPARTMENT	2,187,176	15,613	345,215	(50,819)	2,497,185
SNOWFLAKE POLICE DEPARTMENT	431,617	(68,038)	62,661	0	426,240
SOMERTON FIRE DEPARTMENT	479,363	0	77,259	(33,084)	523,539
SOMERTON POLICE DEPARTMENT	589,904	(2,493)	75,809	(10,201)	653,019
SONOITA ELGIN FIRE DEPARTMENT	78,672	37,691	38,403	(8,333)	146,432
SOUTH TUCSON FIRE DEPARTMENT	363,805	0	16,711	(51,395)	329,121
SOUTH TUCSON POLICE DEPARTMENT	380,123	2,813	51,535	(15,600)	418,871
SPRINGVILLE POLICE DEPARTMENT	245,809	2,389	32,475	0	280,674
ST. JOHNS POLICE DEPARTMENT	154,060	(33,873)	28,267	0	148,453
SUMMIT FIRE DISTRICT	1,524,709	(60,662)	212,126	(17,510)	1,658,662
SUN CITY FIRE DISTRICT	4,676,535	0	390,804	0	5,067,339
SUN CITY WEST FIRE DISTRICT	2,809,670	(24)	333,542	(32,890)	3,110,298
SUN LAKES FIRE DISTRICT	2,045,440	(169,843)	268,950	(29,435)	2,115,113
SUN SITES PEARCE FIRE DISTRICT	0	99,392	7,019	0	106,410
SUPERIOR POLICE DEPARTMENT	160,748	(15,530)	24,968	0	170,186
SURPRISE FIRE DEPARTMENT	5,052,602	(375,217)	725,491	0	5,402,876
SURPRISE POLICE DEPARTMENT	4,902,786	(39,295)	733,168	(225,300)	5,371,360
TEMPE FIRE DEPARTMENT	10,662,373	(409,855)	1,112,164	0	11,364,683
TEMPE POLICE DEPARTMENT	19,282,692	(873,015)	2,383,874	(90,411)	20,703,141
THATCHER POLICE DEPARTMENT	389,108	0	55,524	0	444,632
THREE POINTS FIRE DISTRICT	358,851	(52,333)	73,451	(5,963)	374,005
TOHONO O'ODHAM NATION FIRE DEPT.	823,668	0	239,474	(30,096)	1,033,046
TOHONO O'ODHAM NATION POLICE DEPT	1,512,810	(15,049)	411,081	(27,198)	1,881,644
TOLLESON FIRE DEPARTMENT	1,898,455	(241,103)	292,950	0	1,950,302
TOLLESON POLICE DEPARTMENT	1,016,293	0	152,778	0	1,169,071
TOMBSTONE MARSHAL'S DEPARTMENT	160,784	(2,919)	18,424	0	176,289

SCHEDULE OF CHANGES IN REFUNDABLE MEMBER RESERVE BALANCES
FISCAL YEAR ENDED JUNE 30, 2012

SYSTEM	2011 BALANCES	RESERVE TRANSFERS	CONTRIBUTIONS RECEIVED	WITHDRAWN MEMBERS	2012 BALANCES
TONOPAH VALLEY FIRE DISTRICT	115,006	0	27,115	0	142,121
TOWN OF SUPERIOR (FIRE DEPT)	94,457	(14,940)	21,680	0	101,197
TRI-CITY FIRE DISTRICT	452,725	(18,936)	79,228	0	513,016
TUBAC FIRE DISTRICT	778,508	0	127,059	0	905,567
TUCSON AIRPORT AUTHORITY FIRE DPT	708,323	(102,528)	81,945	0	687,740
TUCSON AIRPORT AUTHORITY POLICE	1,004,879	(144,567)	112,389	0	972,702
TUCSON FIRE	25,858,202	(393,048)	3,501,818	(111,776)	28,855,196
TUCSON POLICE	40,257,533	(2,082,511)	5,463,906	(443,634)	43,195,295
U OF A CAMPUS POLICE DEPARTMENT	2,393,513	50,602	276,550	(85,821)	2,634,845
VERDE VALLEY FIRE DISTRICT	1,107,118	0	149,709	(12,962)	1,243,864
WELLTON POLICE	104,923	(167,896)	139,533	0	76,560
WHETSTONE FIRE DISTRICT	71,730	(7,436)	21,390	(6,667)	79,016
WICKENBURG FIRE DEPARTMENT	161,991	(9,527)	38,438	0	190,903
WICKENBURG POLICE DEPARTMENT	471,155	4,872	88,524	(16,376)	548,175
WILLCOX POLICE DEPARTMENT	332,184	0	44,492	(16,868)	359,808
WILLIAMS POLICE DEPARTMENT	202,656	(58,866)	45,670	(17,922)	171,538
WILLIAMSON VALLEY FIRE DISTRICT	35,356	32,540	21,716	0	89,612
WINSLOW FIRE DEPARTMENT	381,958	(195,432)	24,162	(43,080)	167,607
WINSLOW POLICE DEPARTMENT	951,324	(50,377)	106,905	0	1,007,852
WITTMANN FIRE DISTRICT	115,386	0	48,921	(4,980)	159,327
YAVAPAI CNTY ATTRNY INVESTIGATORS	0	0	0	0	0
YAVAPAI COUNTY SHERIFF'S DEPT.	4,715,803	(200,836)	609,494	(85,432)	5,039,029
YAVAPAI PRESCOTT TRIBAL POLICE	168,694	0	26,266	0	194,960
YOUNGTOWN POLICE DEPARTMENT	255,596	0	17,384	(78,661)	194,319
YUMA COUNTY SHERIFF'S DEPARTMENT	2,779,474	(33,014)	423,008	(21,567)	3,147,901
YUMA FIRE DEPARTMENT	5,504,561	0	606,033	(35,525)	6,075,069
YUMA POLICE DEPARTMENT	6,922,290	(474,278)	876,286	(118,413)	7,205,885
TOTALS	982,628,689	(33,406,098)	126,380,896	(7,852,771)	1,067,750,716

OPERATING INFORMATION

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

FISCAL YEAR ENDED JUNE 30, 2012

SYSTEM	2011 BALANCES	RESERVE TRANSFERS	CONTRIB RECEIVED	FIRE TAX RECEIVED	PENSION PAYMENTS	SUBSIDY PAYMENTS	DROP PAYMENT	ENHANCED REFUNDS	DIST. OF EARNINGS	2012 BALANCES	UNFUNDED AAL 2011
AK CHIN INDIAN COMM. FIRE-DEPT.	2,596,694	13,140	220,411	0	(119,460)	0	0	0	(28,911)	2,681,874	225,764
AK CHIN INDIAN COMM. POLICE DEPT.	1,303,455	0	122,611	0	(57,542)	0	0	0	(15,257)	1,353,267	68,975
APACHE COUNTY SHERIFF'S DEPT.	2,475,241	89,693	506,420	0	(685,743)	(9,550)	0	(17,901)	(30,245)	2,327,915	6,215,564
APACHE JUNCTION FIRE DISTRICT	12,227,821	192,317	729,274	87,591	(459,488)	(10,270)	(329,190)	(5,874)	(149,292)	12,282,890	4,782,639
APACHE JUNCTION POLICE DEPARTMENT	8,281,855	77,589	794,442	0	(1,160,265)	(20,763)	(48,482)	0	(93,474)	7,830,901	10,814,424
ARIZONA STATE CAPITOL POLICE	2,438,533	(428,342)	0	0	0	0	0	0	(23,107)	1,987,084	(119,633)
ARIZONA STATE PARK RANGERS	6,489,222	50,390	196,224	0	(379,222)	(13,968)	0	(22,929)	(73,265)	6,246,452	2,631,440
ASU PD PSPRS LOCAL BOARD	11,132,608	25,577	720,591	0	(1,306,835)	(24,943)	(71,453)	0	(118,387)	10,357,157	7,044,683
ATTORNEY GENERAL INVESTIGATORS	4,065,778	261,967	561,634	0	(1,023,559)	(33,247)	(493,091)	0	(40,239)	3,299,243	8,446,178
AVONDALE FIRE DEPARTMENT	7,753,312	117,846	539,453	100,547	(311,246)	(9,550)	0	0	(97,673)	8,092,688	1,947,115
AVONDALE POLICE DEPARTMENT	9,426,126	233,402	943,694	0	(615,910)	(14,866)	(24,357)	(66,195)	(121,014)	9,760,880	5,534,108
AVRA VALLEY FIRE DISTRICT	1,573,321	(999)	109,207	13,701	(28,690)	0	0	0	(18,659)	1,647,881	(562,743)
AZ DPT. LIQ. & CONTROL INVST	2,738,038	(80,713)	235,149	0	(400,197)	(19,571)	0	0	(29,094)	2,443,612	3,208,931
BENSON FIRE DEPARTMENT	229,144	0	(213)	10,169	0	0	0	0	(2,741)	236,360	75,501
BENSON POLICE DEPARTMENT	1,207,436	0	133,879	0	(154,858)	(2,040)	0	0	(14,912)	1,169,504	1,279,478
BISBEE FIRE DEPARTMENT	1,441,843	71,526	376,510	11,127	(719,584)	(4,109)	(177,505)	0	(15,633)	984,175	6,959,873
BISBEE POLICE DEPARTMENT	1,434,942	0	278,462	0	(500,118)	(9,381)	0	0	(16,809)	1,187,096	4,856,336
BLACK CANYON FIRE DISTRICT	313,594	(2,204)	35,412	0	0	0	0	0	(4,384)	342,418	27,067
BUCKEYE FIRE DEPARTMENT	5,406,618	0	496,051	92,626	0	0	0	0	(75,739)	5,919,556	(268,465)
BUCKEYE POLICE DEPARTMENT	7,023,218	106,436	554,319	0	(444,685)	(2,190)	0	(48,619)	(86,468)	7,102,012	2,495,956
BUCKEYE VALLEY FIRE DISTRICT	2,955,027	0	376,220	28,856	0	0	0	0	(41,754)	3,318,349	578,552
BUCKSKIN FIRE DISTRICT	1,287,045	0	169,288	18,733	(302,951)	(5,047)	0	(9,757)	(14,151)	1,143,160	2,507,082
BULLHEAD CITY FIRE DEPARTMENT	16,694,021	142,128	888,284	70,134	(532,792)	(12,545)	(412,216)	(93,703)	(188,236)	16,555,075	7,392,823
BULLHEAD CITY POLICE DEPARTMENT	14,065,777	209,827	907,220	0	(1,077,583)	(36,795)	(150,308)	(77,405)	(162,338)	13,678,396	9,399,125
CAMP VERDE FIRE DISTRICT	2,351,725	35,958	193,826	17,887	(94,833)	0	0	0	(28,794)	2,475,771	924,618
CAMP VERDE MARSHALL'S	1,919,724	0	121,180	0	(105,323)	0	0	0	(22,308)	1,913,272	669,327
CASA GRANDE FIRE DEPARTMENT	7,214,608	0	759,826	68,968	(819,528)	(16,625)	0	0	(87,403)	7,119,847	7,550,005
CASA GRANDE POLICE DEPARTMENT	11,174,050	(769)	1,255,217	0	(1,610,144)	(22,206)	0	(63,253)	(128,751)	10,604,145	14,600,717
CAVE CREEK MARSHALS	81,573	0	8,354	0	0	0	0	0	(1,111)	88,815	30,481
CENTRAL AZ. COLLEGE POLICE DEPT.	329,421	0	50,873	0	(40,779)	0	0	0	(3,817)	335,698	194,509

OPERATING INFORMATION

SCHEDULE OF CHANGES IN EMPLOYER RESERVE BALANCES AND UNFUNDED ACTUARIAL ACCRUED LIABILITIES
FISCAL YEAR ENDED JUNE 30, 2012

SYSTEM	2011 BALANCES	RESERVE TRANSFERS	CONTRIB RECEIVED	FIRE TAX RECEIVED	PENSION PAYMENTS	SUBSIDY PAYMENTS	DROP PAYMENT	ENHANCED REFUNDS	DIST. OF EARNINGS	2012 BALANCES	UNFUNDED AAL 2011
CENTRAL YAVAPAI FIRE DISTRICT	15,625,878	563,040	791,306	147,079	(1,250,994)	(42,499)	(726,430)	(5,199)	(178,665)	14,923,514	10,924,666
CHANDLER FIRE DEPARTMENT	42,361,082	273,024	1,930,307	563,563	(2,275,439)	(72,279)	(769,118)	0	(494,471)	41,516,669	19,975,532
CHANDLER POLICE DEPARTMENT	60,789,009	409,695	4,529,113	0	(3,880,305)	(102,459)	(104,448)	(39,634)	(734,180)	60,866,791	42,990,454
CHINO VALLEY FIRE DISTRICT	4,441,164	0	261,007	33,969	(87,802)	(1,800)	0	0	(54,494)	4,592,044	1,673,833
CHINO VALLEY POLICE DEPARTMENT	2,893,582	145,666	134,660	0	(169,846)	(2,465)	(277,057)	0	(33,270)	2,691,269	919,565
CHRISTOPHER-KOHL'S FIRE DISTRICT	191,952	(2,245)	23,201	6,411	(11,514)	(1,800)	0	0	(2,527)	203,479	1,444
CITY OF MARICOPA - FIRE	3,816,113	0	424,542	51,176	0	0	0	0	(55,212)	4,236,620	928,303
CITY OF MARICOPA (POLICE DEPT.)	2,812,561	37,187	453,771	0	(5,992)	0	0	(104,269)	(40,423)	3,152,835	544,650
CLARKDALE FIRE DISTRICT	222,906	0	42,960	9,179	0	0	0	0	(3,837)	271,209	94,112
CLARKDALE POLICE DEPARTMENT	1,404,698	73,885	37,905	0	(127,931)	(4,053)	0	(11,556)	(14,887)	1,358,060	284,405
CLIFTON FIRE DEPARTMENT	176,197	0	(133)	0	(25,828)	(1,250)	0	0	(1,464)	147,521	37,057
CLIFTON POLICE DEPARTMENT	417,424	0	21,882	0	(25,216)	0	0	0	(4,366)	409,724	(161,391)
COCHISE COUNTY SHERIFF'S DEPT	9,754,005	59,919	1,208,072	0	(1,975,652)	(39,123)	0	0	(111,652)	8,895,568	17,337,492
COCONINO COUNTY SHERIFF'S DEPT	8,693,791	240,393	975,066	0	(2,121,430)	(55,385)	0	0	(91,999)	7,640,435	18,267,638
COOLIDGE FIRE DEPARTMENT	122,413	0	7,624	11,231	0	0	0	0	(1,730)	139,538	(54,192)
COOLIDGE POLICE DEPARTMENT	3,405,123	(11,052)	296,197	0	(334,659)	(8,643)	0	(46,826)	(39,467)	3,260,673	2,725,514
CORONA DE TUCSON FIRE DISTRICT	806,381	0	139,322	14,656	(31,135)	0	0	0	(10,916)	918,308	780,928
COTTONWOOD FIRE DEPARTMENT	2,050,041	157,892	175,112	23,301	(77,473)	(3,380)	0	0	(27,043)	2,298,449	754,366
COTTONWOOD POLICE DEPARTMENT	2,640,484	143,186	409,981	0	(516,144)	(4,098)	0	0	(32,170)	2,641,239	4,246,680
DAISY MOUNTAIN FIRE DISTRICT	8,408,782	31,938	667,648	91,348	(14,078)	0	0	(60,780)	(115,949)	9,008,908	2,597,599
DEPARTMENT OF EMER & MILITARY AFF	5,448,748	105,579	378,334	0	(552,653)	(5,545)	(117,551)	0	(60,550)	5,196,360	3,289,463
DEPARTMENT OF PUBLIC SAFETY	365,978,010	1,531,191	25,022,456	0	(53,350,146)	(1,417,724)	(3,344,175)	(141,500)	(3,404,326)	330,873,784	363,671,818
DESERT HILLS FIRE DEPARTMENT	521,154	0	139,325	9,271	(22,935)	0	0	0	(7,929)	638,885	938,958
DOUGLAS FIRE DEPARTMENT	3,528,276	64,735	436,507	13,405	(781,244)	(11,950)	(202,831)	(15,261)	(36,608)	2,995,028	6,282,729
DOUGLAS POLICE DEPARTMENT	5,174,366	92,824	582,342	0	(926,808)	(13,456)	(5,498)	0	(57,345)	4,846,425	8,005,047
DREXEL HEIGHTS FIRE DISTRICT	10,290,675	149,006	585,041	53,552	(348,397)	(15,800)	(381,745)	0	(122,452)	10,209,879	3,772,964
EAGAR POLICE DEPARTMENT	1,235,814	62,443	120,544	0	(131,071)	0	0	0	(14,681)	1,273,049	771,773
EL MIRAGE FIRE DEPARTMENT	1,842,315	86,873	159,231	24,301	(64,180)	0	0	0	(24,362)	2,024,179	290,998
EL MIRAGE POLICE DEPARTMENT	3,414,676	(10,338)	499,508	0	(293,912)	(1,203)	0	(109,054)	(46,257)	3,453,419	3,555,651
ELOY FIRE DISTRICT	1,421,821	0	277,999	16,966	0	0	0	0	(19,428)	1,647,359	1,062,736

OPERATING INFORMATION

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

FISCAL YEAR ENDED JUNE 30, 2012

SYSTEM	2011 BALANCES	RESERVE TRANSFERS	CONTRIB RECEIVED	FIRE TAX RECEIVED	PENSION PAYMENTS	SUBSIDY PAYMENTS	DROP PAYMENT	ENHANCED REFUNDS	DIST. OF EARNINGS	2012 BALANCES	UNFUNDED AAL 2011
ELOY POLICE DEPARTMENT	3,757,312	0	266,194	0	(259,000)	(3,000)	0	(104,687)	(43,471)	3,613,347	1,397,581
FLAGSTAFF FIRE DEPARTMENT	23,823,581	137,286	1,276,035	180,833	(3,232,474)	(95,474)	(225,218)	0	(246,612)	21,617,957	21,274,419
FLAGSTAFF POLICE DEPARTMENT	17,195,199	502,549	1,688,273	0	(2,894,897)	(51,929)	(473,684)	(91,884)	(192,324)	15,681,302	21,918,984
FLORENCE FIRE DEPARTMENT	1,040,796	(8)	93,451	20,183	0	0	0	0	(14,825)	1,139,597	(137,234)
FLORENCE POLICE DEPARTMENT	2,564,651	219,930	186,474	0	(147,970)	(3,800)	0	0	(31,019)	2,788,267	(80,626)
FORT MCDOWELL TRIBAL FIRE DEPT.	879,752	0	87,962	0	0	0	0	0	(11,878)	955,836	(2,821)
FORT MCDOWELL TRIBAL POLICE DEPT.	1,789,481	2,429	215,054	0	0	0	0	0	(24,352)	1,982,611	300,887
FORT MOJAVE MESA FIRE DISTRICT	5,395,129	169,103	399,352	24,064	(365,155)	(10,563)	0	0	(60,813)	5,551,116	3,795,281
FORT MOJAVE TRIBAL POLICE DEPT.	979,866	0	122,861	0	0	0	0	0	(13,267)	1,089,459	(310,266)
FREDONIA MARSHALS	385,221	0	16,291	0	0	0	0	0	(4,508)	397,004	(28,223)
FRY FIRE DISTRICT	5,821,196	(17,049)	536,907	34,654	(820,103)	(24,497)	0	0	(64,323)	5,466,786	6,938,794
GAME AND FISH DEPARTMENT	26,198,497	417,868	3,009,939	0	(5,766,480)	(167,867)	(312,963)	0	(279,180)	23,099,813	49,585,323
GILA COUNTY SHERIFF'S DEPARTMENT	4,792,390	149,115	453,772	0	(673,770)	(12,167)	0	(41,079)	(54,288)	4,613,973	5,257,662
GILA RIVER FIRE DEPARTMENT	4,531,271	50,944	497,816	0	(130,288)	0	0	(113,484)	(61,873)	4,774,386	1,042,348
GILA RIVER POLICE DEPARTMENT	6,794,138	184,773	857,811	0	(137,056)	0	0	(93,113)	(92,600)	7,513,952	(41,911)
GILBERT FIRE DEPARTMENT	18,492,807	84,901	991,529	472,751	(91,205)	(2,801)	0	0	(256,377)	19,691,605	3,352,984
GILBERT POLICE DEPARTMENT	26,914,751	166,513	2,412,330	0	(1,466,253)	(14,498)	(111,730)	0	(346,556)	27,554,558	15,060,205
GLENDALE FIRE DEPARTMENT	56,559,805	87,709	3,053,617	361,863	(3,908,475)	(127,996)	(289,993)	0	(642,275)	55,094,256	29,801,518
GLENDALE POLICE DEPARTMENT	66,601,254	758,793	6,371,364	0	(7,398,944)	(271,802)	(995,689)	(42,839)	(783,970)	64,238,168	65,631,564
GLOBE FIRE DEPARTMENT	2,474,530	49,086	212,235	0	(338,004)	(13,110)	0	0	(28,524)	2,356,214	2,752,712
GLOBE POLICE DEPARTMENT	2,694,409	(10,862)	261,842	0	(424,267)	(12,420)	0	0	(29,862)	2,478,841	3,596,816
GOLDEN SHORES FIRE DISTRICT	486,584	0	35,349	4,826	0	0	0	0	(6,337)	520,421	(9,259)
GOLDEN VALLEY FIRE DISTRICT	1,970,434	1,020	176,928	16,912	(139,535)	(3,600)	0	0	(22,820)	1,999,338	863,498
GOLDER RANCH FIRE DISTRICT	11,834,244	125,831	896,803	206,392	(144,630)	(5,530)	(164,060)	0	(152,164)	12,596,886	5,867,768
GOODYEAR FIRE DEPARTMENT	9,101,277	0	538,796	162,101	(48,318)	1,560	0	0	(123,341)	9,632,075	1,316,911
GOODYEAR POLICE DEPARTMENT	10,338,917	452,845	888,872	0	(580,975)	(12,441)	(252,106)	(12,839)	(130,739)	10,691,534	4,777,765
GRAHAM COUNTY ATTORNEY INVEST.	50,521	0	0	0	0	0	0	0	(455)	50,066	(56,806)
GRAHAM COUNTY SHERIFF'S DEPT.	1,786,915	61,317	222,704	0	(141,771)	(2,895)	0	(4,507)	(23,438)	1,898,324	1,552,359
GREEN VALLEY FIRE DISTRICT	8,044,731	266,898	514,217	97,031	(179,594)	(6,355)	0	0	(96,506)	8,640,421	3,578,523
GREENLEE CNTY ATTY INVESTIGATORS	40,024	0	0	0	0	0	0	0	(360)	39,663	(45,002)

OPERATING INFORMATION

SCHEDULE OF CHANGES IN EMPLOYER RESERVE BALANCES AND UNFUNDED ACTUARIAL ACCRUED LIABILITIES
FISCAL YEAR ENDED JUNE 30, 2012

SYSTEM	2011 BALANCES	RESERVE TRANSFERS	CONTRIB RECEIVED	FIRE TAX RECEIVED	PENSION PAYMENTS	SUBSIDY PAYMENTS	DROP PAYMENT	ENHANCED REFUNDS	DIST. OF EARNINGS	2012 BALANCES	UNFUNDED AAL 2011
GREENLEE COUNTY SHERIFF'S DEPT.	2,175,555	0	109,977	0	(131,262)	(1,200)	0	0	(23,597)	2,129,473	453,427
GROOM CREEK FIRE DISTRICT	266,725	0	38,896	3,869	0	0	0	0	(3,902)	305,589	71,083
GUADALUPE FIRE DEPARTMENT	379,985	(9,488)	39,604	3,791	(44,213)	(1,200)	0	0	(5,351)	363,128	494,999
HARQUAHALA FIRE DISTRICT	556,295	(39,965)	70,420	0	0	0	0	(65,780)	(7,088)	513,883	9,638
HAYDEN POLICE DEPARTMENT	782,514	(32,379)	38,607	0	0	0	0	0	(7,870)	780,872	(775,199)
HEBER-OVERGAARD FIRE DISTRICT	801,093	0	69,562	25,284	0	0	0	0	(10,339)	885,600	(161,009)
HELLSGATE FIRE DISTRICT	759,500	(3,671)	45,434	7,003	0	0	0	0	(9,574)	798,690	422,509
HIGHLANDS FIRE DISTRICT	2,102,557	0	245,963	24,257	(119,894)	(1,800)	0	0	(26,962)	2,224,121	1,658,212
HOLBROOK POLICE DEPARTMENT	1,466,987	39,260	218,064	0	(370,562)	(6,240)	0	(34,406)	(16,854)	1,296,249	3,225,228
HUACHUCA CITY POLICE DEPARTMENT	0	0	87,746	0	0	0	0	0	(488)	87,258	0
HUALAPAI INDIAN TRIBE POLICE DEPT	480,257	0	63,805	0	0	0	0	0	(6,771)	537,291	(140,222)
JEROME POLICE DEPARTMENT	157,671	0	17,699	0	0	0	0	0	(1,927)	173,443	(76,886)
KEARNY POLICE DEPARTMENT	966,743	422	41,594	0	(68,283)	(209)	0	0	(11,197)	929,071	273,901
KINGMAN FIRE DEPARTMENT	9,042,363	188,521	529,561	47,718	(601,717)	(10,500)	0	(30,147)	(105,063)	9,060,736	5,444,634
KINGMAN POLICE DEPARTMENT	8,267,989	147,965	587,133	0	(885,760)	(14,640)	(236,901)	0	(91,588)	7,774,199	5,991,592
LA PAZ COUNTY ATTY. INVESTIGATORS	194,306	0	2,110	0	0	0	0	0	(2,361)	194,056	10,312
LA PAZ COUNTY SHERIFF'S DEPT.	4,595,730	(9,578)	323,089	0	(564,537)	(3,936)	0	(25,627)	(51,503)	4,263,638	4,747,375
LAKE HAVASU CITY FIRE DEPARTMENT	15,415,966	(1,091)	960,609	142,849	(1,763,280)	(70,340)	0	(30,958)	(164,984)	14,488,772	13,662,369
LAKE HAVASU CITY POLICE DEPT.	13,980,442	144,962	1,032,763	0	(1,424,188)	(42,851)	0	0	(163,021)	13,528,107	13,662,678
LAKE MOHAVE RANCHOS FIRE DISTRICT	544,078	87,380	149,606	4,523	(35,673)	0	(13,085)	0	(7,261)	729,570	714,808
LAKESIDE FIRE DISTRICT	1,634,543	0	147,741	26,244	(26,920)	0	0	0	(21,852)	1,759,757	454,547
LINDEN FIRE DISTRICT	336,452	0	40,510	10,719	0	0	0	(4,325)	(4,621)	378,735	(42,557)
MAMMOTH POLICE DEPARTMENT	208,391	(9,368)	21,979	0	(13,121)	0	0	0	(2,819)	205,063	100,349
MARANA POLICE DEPARTMENT	8,102,419	93,356	734,561	0	(549,215)	(14,093)	(163,210)	0	(98,531)	8,105,287	4,748,557
MARICOPA CNTY ATTY INVESTIGATORS	2,988,260	0	451,261	0	(695,778)	(9,421)	0	0	(30,772)	2,703,551	4,371,346
MARICOPA COUNTY PARK RANGERS	213,014	0	0	0	(170,234)	(3,600)	0	0	(1,353)	37,827	1,611,624
MARICOPA COUNTY SHERIFF'S OFFICE	138,719,216	1,075,289	9,626,334	0	(17,818,281)	(304,591)	(1,369,331)	(165,175)	(1,533,369)	128,230,093	123,424,097
MAYER FIRE DISTRICT	1,501,876	0	97,201	6,425	(85,856)	0	0	0	(17,835)	1,501,810	243,964
MESA FIRE DEPARTMENT	117,907,908	1,069,028	5,639,678	802,551	(10,049,426)	(425,821)	(2,452,821)	0	(1,289,697)	111,201,399	74,135,661
MESA POLICE DEPARTMENT	194,262,182	2,934,938	12,624,278	0	(19,036,338)	(911,168)	(4,098,920)	(260,212)	(2,149,322)	183,365,438	141,721,196

OPERATING INFORMATION

SCHEDULE OF CHANGES IN EMPLOYER RESERVE BALANCES AND UNFUNDED ACTUARIAL ACCRUED LIABILITIES
FISCAL YEAR ENDED JUNE 30, 2012

SYSTEM	2011 BALANCES	RESERVE TRANSFERS	CONTRIB RECEIVED	FIRE TAX RECEIVED	PENSION PAYMENTS	SUBSIDY PAYMENTS	DROP PAYMENT	ENHANCED REFUNDS	DIST. OF EARNINGS	2012 BALANCES	UNFUNDED AAL 2011
MIAMI FIRE DEPARTMENT - GONE	334,217	0	0	0	0	0	0	0	(3,010)	331,207	(375,790)
MIAMI POLICE DEPARTMENT	537,477	0	32,614	0	(60,691)	0	0	(3,516)	(5,940)	499,945	331,252
MOHAVE COUNTY SHERIFF'S DEPT.	13,465,340	1,648	887,428	0	(1,398,807)	(25,147)	0	(71,598)	(149,768)	12,709,096	9,742,899
MOHAVE VALLEY FIRE DISTRICT	3,347,710	0	207,173	14,455	(35,750)	0	0	0	(41,447)	3,492,141	57,095
MONTUZUMA RIMROCK FIRE DISTRICT	740,165	0	76,239	9,376	(25,367)	(2,850)	0	0	(9,533)	788,030	587,272
MOUNT LEMMON FIRE DISTRICT	311,038	0	22,600	4,223	0	0	0	0	(3,891)	333,970	(39,589)
NAU CAMPUS POLICE	2,637,005	0	261,202	0	(482,198)	(15,784)	0	0	(28,503)	2,371,722	3,820,034
NAVAJO COUNTY ATTY'S INVESTIGATOR	128,493	0	0	0	(31,305)	0	0	0	(1,016)	96,172	225,803
NAVAJO COUNTY SHERIFF'S DEPT.	4,314,557	126,475	651,638	0	(1,028,633)	(7,477)	0	(4,422)	(46,738)	4,005,401	6,588,126
NOGALES FIRE DEPARTMENT	5,534,780	0	478,826	30,031	(613,486)	(40,415)	0	0	(65,855)	5,323,881	5,289,568
NOGALES POLICE DEPARTMENT	7,649,945	55,638	587,396	0	(638,506)	(40,935)	(46,438)	(47,985)	(88,978)	7,430,137	5,402,341
NORTHERN AZ. CONSOLIDATED FD #1	2,178,419	(2,762)	233,701	24,239	(122,843)	(8,700)	0	0	(27,826)	2,274,228	1,732,225
NORTHWEST FIRE DISTRICT	23,148,452	(272)	1,541,485	250,757	(706,764)	(17,520)	0	(22,238)	(290,299)	23,903,600	10,762,612
ORACLE FIRE DISTRICT	154,569	0	30,281	5,500	0	0	0	0	(2,266)	188,084	(9,998)
ORO VALLEY POLICE DEPT.	13,072,064	0	1,032,868	0	(770,135)	(10,280)	0	(63,548)	(161,201)	13,099,769	6,923,220
PAGE FIRE DEPARTMENT	843,894	0	92,960	16,285	(68,724)	(1,200)	0	0	(11,099)	872,117	577,632
PAGE POLICE DEPARTMENT	2,677,568	87,530	216,547	0	(285,151)	0	0	(8,512)	(30,853)	2,657,128	1,544,638
PALOMINAS FIRE DISTRICT	187,041	(13,935)	42,015	9,938	0	0	0	0	(2,119)	222,940	(158,977)
PARADISE VALLEY POLICE DEPARTMENT	6,143,409	82,807	751,436	0	(1,392,107)	(38,176)	(240,336)	(19,797)	(66,952)	5,220,284	12,742,243
PARKER POLICE DEPARTMENT	1,348,408	12,073	85,797	0	(105,814)	1,141	0	0	(15,316)	1,326,288	494,726
PASCUA YAQUI TRIBE FIRE DEPT.	1,569,609	(9,005)	256,753	0	(45,324)	0	0	0	(21,057)	1,750,977	1,894,441
PASCUA YAQUI TRIBE POLICE DEPT.	1,858,965	258,890	335,165	0	(121,140)	(5,430)	(42,614)	0	(27,572)	2,256,263	2,195,350
PATAGONIA MARSHALS	563,977	(59)	9,308	0	(64,150)	0	0	0	(5,205)	503,871	134,574
PAYSON FIRE DEPARTMENT	3,451,807	9,490	242,759	47,825	(264,187)	(16,185)	0	(45,630)	(40,687)	3,385,193	2,509,704
PAYSON POLICE DEPARTMENT	3,898,407	0	437,099	0	(699,753)	(22,531)	0	(38,284)	(43,886)	3,531,052	6,381,934
PEORIA FIRE DEPARTMENT	25,649,839	313,052	1,193,405	314,725	(950,223)	(31,197)	(204,416)	(15,914)	(308,615)	25,960,655	8,982,085
PEORIA POLICE DEPARTMENT	30,962,929	167,761	2,295,150	0	(2,438,623)	(42,141)	0	0	(354,620)	30,590,456	21,603,710
PHOENIX FIRE DEPARTMENT	500,309,255	2,015,850	28,129,045	3,047,750	(52,089,220)	(1,575,259)	(5,305,934)	(65,169)	(5,444,920)	469,021,398	411,858,335
PHOENIX POLICE DEPARTMENT	879,897,715	6,269,785	62,512,744	0	(99,303,608)	(2,624,897)	(10,251,354)	(481,205)	(9,666,982)	826,352,199	767,766,175
PICTURE ROCKS FIRE DISTRICT	2,604,735	(144,497)	123,147	0	(164,904)	(2,700)	0	0	(27,907)	2,387,875	111,745

OPERATING INFORMATION

SCHEDULE OF CHANGES IN EMPLOYER RESERVE BALANCES AND UNFUNDED ACTUARIAL ACCRUED LIABILITIES
FISCAL YEAR ENDED JUNE 30, 2012

SYSTEM	2011 BALANCES	RESERVE TRANSFERS	CONTRIB RECEIVED	FIRE TAX RECEIVED	PENSION PAYMENTS	SUBSIDY PAYMENTS	DROP PAYMENT	ENHANCED REFUNDS	DIST. OF EARNINGS	2012 BALANCES	UNFUNDED AAL 2011
PIMA COUNTY ATTORNEY INVESTIGATOR	1,341,445	0	66,512	0	(175,456)	(7,475)	0	0	(13,245)	1,211,781	1,204,669
PIMA COUNTY COMM. COLLEGE POLICE	3,367,870	56,125	292,179	0	(447,077)	(5,740)	0	0	(36,981)	3,226,377	2,080,322
PIMA COUNTY SHERIFF'S DEPARTMENT	116,656,919	734,877	9,442,456	0	(14,172,792)	(384,241)	(1,142,619)	(51,355)	(1,155,452)	109,927,793	101,043,278
PIMA POLICE DEPARTMENT	231,479	(2,063)	13,181	0	0	0	0	0	(2,612)	239,985	(186,844)
PINAL COUNTY SHERIFF'S DEPARTMENT	27,470,120	342,330	2,436,949	0	(2,855,485)	(61,743)	(76,892)	(37,301)	(319,124)	26,898,854	19,824,809
PINE-STRAWBERRY FIRE DISTRICT	2,220,450	0	188,532	18,633	(116,470)	0	0	0	(27,941)	2,283,203	1,731,859
PINETOP FIRE DISTRICT	2,307,895	32,087	274,121	41,415	(184,118)	(3,880)	0	(40,994)	(29,636)	2,396,891	2,413,514
PINETOP-LAKESIDE POLICE DEPT.	1,445,911	178	168,485	0	(331,963)	(10,247)	0	(75,821)	(14,998)	1,181,545	2,483,751
PINEWOOD FIRE DISTRICT	1,066,779	0	160,117	17,662	(148,980)	(4,320)	0	0	(13,407)	1,077,850	1,416,320
PRESCOTT FIRE DEPARTMENT	14,006,111	479,757	1,019,758	146,179	(2,062,060)	(45,781)	(570,110)	(22,368)	(151,807)	12,799,681	17,145,125
PRESCOTT POLICE DEPARTMENT	9,376,119	73,587	1,427,632	0	(2,272,796)	(64,531)	(126,114)	(16,116)	(106,963)	8,290,819	21,772,017
PRESCOTT VALLEY POLICE DEPARTMENT	7,365,237	42,032	556,461	0	(364,978)	(4,280)	0	(83,788)	(89,780)	7,420,904	3,602,293
QUARTZSITE FIRE DISTRICT	397,363	0	54,518	7,411	0	0	0	0	(5,596)	453,696	209,565
QUARTZSITE POLICE DEPARTMENT	1,656,412	102,552	71,429	0	0	0	0	(81,953)	(20,898)	1,727,542	(258,586)
QUEEN CREEK FIRE DEPARTMENT	669,962	(9,400)	139,932	57,770	(84,555)	(3,120)	0	0	(11,247)	759,342	1,012,494
QUEEN VALLEY FIRE DISTRICT	67,639	0	17,334	1,352	0	0	0	0	(1,058)	85,268	43,605
RINCON VALLEY FIRE DISTRICT	1,575,401	(773)	187,078	30,189	0	0	0	0	(22,214)	1,769,681	731,952
RIO RICO FIRE DISTRICT	1,325,976	0	182,878	17,160	0	0	0	0	(19,592)	1,506,423	253,013
RIO VERDE FIRE DISTRICT	1,760,870	0	216,858	17,834	(21,173)	0	0	0	(23,406)	1,950,983	970,658
SAFFORD POLICE DEPARTMENT	3,001,551	0	348,569	0	(423,193)	(9,080)	0	0	(35,459)	2,882,387	4,914,338
SAHUARITA POLICE DEPARTMENT	3,293,333	(34,912)	314,831	0	0	0	0	(5,633)	(43,214)	3,524,405	359,050
SALT RIVER PIMA-MARICOPA FIRE	10,197,602	71,239	881,278	0	(270,991)	0	0	0	(127,087)	10,752,043	3,854,377
SALT RIVER PIMA-MARICOPA POLICE	9,069,387	38,286	1,182,262	0	(489,176)	(6,363)	0	(105,033)	(122,514)	9,566,849	5,311,012
SAN CARLOS TRIBAL POLICE DEPT.	996,343	0	211,717	0	0	0	0	(5,484)	(13,036)	1,189,540	1,116,585
SAN LUIS FIRE DEPARTMENT	1,564,950	0	144,885	19,307	0	0	0	0	(20,949)	1,708,192	31,364
SAN LUIS POLICE DEPARTMENT	2,675,689	203,747	238,879	0	(190,443)	(423)	0	0	(34,430)	2,893,019	1,383,314
SANTA CRUZ COUNTY SHERIFF'S DEPT.	3,632,333	93,420	446,349	0	(554,929)	(5,149)	0	0	(45,313)	3,566,711	4,986,489
SCOTTSDALE FIRE DEPARTMENT	20,453,518	386,874	475,042	1,380,501	(174,224)	(3,380)	0	(33,688)	(310,927)	22,173,716	(3,518,263)
SCOTTSDALE POLICE DEPARTMENT	94,915,916	505,166	6,560,275	0	(8,789,499)	(269,584)	(1,154,038)	(73,364)	(1,070,506)	90,624,367	61,728,466
SEDONA FIRE DISTRICT	9,578,250	110,857	670,748	133,291	(637,854)	(21,355)	(303,050)	(39,646)	(115,382)	9,375,859	6,999,748

OPERATING INFORMATION

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

FISCAL YEAR ENDED JUNE 30, 2012

SYSTEM	2011 BALANCES	RESERVE TRANSFERS	CONTRIB RECEIVED	FIRE TAX RECEIVED	PENSION PAYMENTS	SUBSIDY PAYMENTS	DROP PAYMENT	ENHANCED REFUNDS	DIST. OF EARNINGS	2012 BALANCES	UNFUNDED AAL 2011
SEDONA POLICE DEPARTMENT	3,719,419	(1,707)	181,687	0	(253,390)	0	0	(8,766)	(41,332)	3,595,911	1,156,418
SHOW LOW FIRE DISTRICT	2,262,128	0	180,556	38,631	(41,564)	0	0	0	(31,488)	2,408,263	429,069
SHOW LOW POLICE DEPARTMENT	3,891,742	59,191	310,409	0	(298,957)	(9,820)	0	0	(47,095)	3,905,470	2,636,689
SIERRA VISTA FIRE DEPARTMENT	9,560,344	202,406	452,991	82,501	(797,103)	(36,840)	(336,724)	0	(101,789)	9,025,785	5,623,895
SIERRA VISTA POLICE DEPARTMENT	10,502,648	5,432	916,716	0	(1,499,457)	(72,278)	0	(22,283)	(112,665)	9,718,112	11,485,865
SNOWFLAKE POLICE DEPARTMENT	1,203,307	47,367	145,100	0	(160,972)	(3,660)	0	0	(14,827)	1,216,314	1,375,019
SOMERTON FIRE DEPARTMENT	1,288,781	0	121,473	0	(63,669)	0	0	(12,300)	(16,329)	1,317,955	685,785
SOMERTON POLICE DEPARTMENT	1,834,292	(2,302)	138,385	0	(87,230)	(1,800)	0	0	(22,330)	1,859,014	876,802
SONOITA ELGIN FIRE DEPARTMENT	208,140	(1,639)	48,255	10,323	0	0	0	0	(3,145)	261,934	51,032
SOUTH TUCSON FIRE DEPARTMENT	1,289,279	0	45,709	0	(136,746)	(4,320)	0	(51,395)	(14,072)	1,128,455	903,445
SOUTH TUCSON POLICE DEPARTMENT	284,694	(6,354)	321,724	0	(544,729)	(9,893)	0	(3,900)	(5,067)	36,475	5,807,671
SPRINGERVILLE POLICE DEPARTMENT	1,126,003	908	56,353	0	(63,669)	0	0	0	(12,484)	1,107,111	255,874
ST. JOHNS POLICE DEPARTMENT	719,506	(14,934)	36,893	0	(42,147)	0	0	0	(7,752)	691,566	(30,940)
SUMMIT FIRE DISTRICT	3,875,284	60,662	269,692	32,924	(38,369)	(1,800)	(56,232)	(4,378)	(50,422)	4,087,361	1,576,386
SUN CITY FIRE DISTRICT	10,821,282	0	1,008,694	88,564	(990,053)	(36,690)	0	0	(141,663)	10,750,134	14,430,765
SUN CITY WEST FIRE DISTRICT	8,824,874	24	697,398	105,513	(500,527)	(26,940)	0	(18,090)	(107,303)	8,974,950	7,451,175
SUN LAKES FIRE DISTRICT	7,006,266	146,195	443,477	53,286	(364,009)	(10,790)	0	(7,359)	(83,015)	7,184,051	2,403,288
SUN SITES PEARCE FIRE DISTRICT	0	93,831	84,739	0	0	0	0	0	(1,283)	177,286	0
SUPERIOR POLICE DEPARTMENT	670,287	(5,340)	40,699	0	(58,766)	0	0	0	(7,422)	639,458	187,313
SURPRISE FIRE DEPARTMENT	12,362,418	389,215	775,875	238,203	(180,415)	(2,600)	(556,879)	0	(161,419)	12,864,398	3,916,808
SURPRISE POLICE DEPARTMENT	12,534,449	39,295	1,161,321	0	(559,142)	(12,740)	0	(155,994)	(161,293)	12,845,896	6,024,587
TEMPE FIRE DEPARTMENT	55,723,429	525,114	2,609,998	466,111	(5,294,002)	(200,663)	(696,349)	0	(589,423)	52,544,216	42,318,722
TEMPE POLICE DEPARTMENT	70,876,669	935,591	6,370,949	0	(9,783,910)	(315,983)	(1,323,364)	0	(799,905)	65,960,047	86,370,354
THATCHER POLICE DEPARTMENT	1,763,138	0	159,011	0	(242,456)	(2,220)	0	0	(19,249)	1,658,224	1,893,456
THREE POINTS FIRE DISTRICT	894,690	234,442	104,489	0	(69,679)	(1,800)	0	0	(12,563)	1,149,579	405,801
TOHONO O'ODHAM NATION FIRE DEPT.	2,869,290	0	303,366	0	0	0	0	0	(35,571)	3,137,085	684,859
TOHONO O'ODHAM NATION POLICE DEPT	9,929,880	43,916	588,819	0	(223,461)	(1,970)	0	(28,683)	(106,428)	10,202,073	2,063,372
TOLLESON FIRE DEPARTMENT	3,544,395	286,022	227,913	29,911	(162,542)	(1,650)	0	0	(50,966)	3,873,083	1,137,721
TOLLESON POLICE DEPARTMENT	2,810,615	0	320,655	0	(322,821)	(4,130)	0	0	(35,128)	2,769,191	2,724,730
TOMBSTONE MARSHAL'S DEPARTMENT	471,753	(2,429)	19,212	0	0	0	0	0	(5,843)	482,693	(207,902)

SCHEDULE OF CHANGES IN EMPLOYER RESERVE BALANCES AND UNFUNDED ACTUARIAL ACCRUED LIABILITIES
FISCAL YEAR ENDED JUNE 30, 2012

SYSTEM	2011 BALANCES	RESERVE TRANSFERS	CONTRIB RECEIVED	FIRE TAX RECEIVED	PENSION PAYMENTS	SUBSIDY PAYMENTS	DROP PAYMENT	ENHANCED REFUNDS	DIST. OF EARNINGS	2012 BALANCES	UNFUNDED AAL 2011
TONOHAH VALLEY FIRE DISTRICT	281,858	0	37,021	0	0	0	0	0	(3,863)	315,016	(104,442)
TOWN OF SUPERIOR (FIRE DEPT)	239,894	(14,144)	27,417	0	0	0	0	0	(3,102)	250,065	10,731
TRI-CITY FIRE DISTRICT	960,559	(555)	80,510	3,596	0	0	0	0	(13,377)	1,030,733	111,247
TUBAC FIRE DISTRICT	2,079,529	0	179,675	24,868	(47,225)	0	0	0	(27,022)	2,209,824	714,059
TUCSON AIRPORT AUTHORITY FIRE DPT	4,146,219	111,589	358,757	0	(725,757)	(10,840)	(311,535)	0	(41,029)	3,527,404	5,500,891
TUCSON AIRPORT AUTHORITY POLICE	2,903,363	131,002	447,868	0	(715,363)	(11,475)	(144,614)	0	(33,738)	2,577,043	6,748,378
TUCSON FIRE	157,191,754	385,181	9,868,966	854,688	(23,617,503)	(915,073)	(652,520)	(64,173)	(1,598,510)	141,452,810	175,435,271
TUCSON POLICE	258,456,544	1,954,187	16,812,374	0	(35,823,672)	(1,419,355)	(3,753,830)	(214,589)	(2,602,608)	233,409,051	263,571,074
U OF A CAMPUS POLICE DEPARTMENT	7,463,514	31,104	666,601	0	(803,501)	(27,530)	0	(80,904)	(88,902)	7,160,382	7,324,010
VERDE VALLEY FIRE DISTRICT	3,448,047	0	206,255	33,926	(85,169)	(3,120)	0	0	(42,327)	3,557,612	916,362
WELLTON POLICE	252,743	167,395	52,053	0	(40,832)	0	0	0	(3,898)	427,460	326,127
WHETSTONE FIRE DISTRICT	118,008	(5,551)	24,432	0	0	0	0	0	(1,827)	135,062	11,800
WICKENBURG FIRE DEPARTMENT	365,357	0	38,737	18,511	0	0	0	0	(5,138)	417,467	66,905
WICKENBURG POLICE DEPARTMENT	1,503,297	2,549	188,961	0	(193,656)	(5,126)	0	0	(18,098)	1,477,928	1,677,548
WILCOX POLICE DEPARTMENT	1,371,861	0	122,369	0	(197,441)	(900)	0	(4,217)	(15,111)	1,276,561	1,503,741
WILLIAMS POLICE DEPARTMENT	1,202,638	(126,260)	86,304	0	(106,489)	0	0	0	(11,858)	1,044,335	41,824
WILLIAMSON VALLEY FIRE DISTRICT	129,690	0	23,321	3,510	0	0	0	0	(1,852)	154,669	(78,243)
WINSLOW FIRE DEPARTMENT	4,901,757	195,432	13,922	7,273	(133,223)	(1,950)	0	(43,080)	(46,797)	4,893,334	(3,457,313)
WINSLOW POLICE DEPARTMENT	3,594,638	(18,994)	214,674	0	(257,504)	(4,200)	0	0	(40,902)	3,487,712	1,390,375
WITTMANN FIRE DISTRICT	234,059	0	40,975	8,691	0	0	0	0	(3,569)	280,156	72,275
YAVAPAI CNTY ATTRNY INVESTIGATORS	90,388	0	27,527	0	(68,474)	(1,200)	0	0	(624)	47,616	675,786
YAVAPAI COUNTY SHERIFF'S DEPT.	13,245,104	227,106	1,544,705	0	(1,931,523)	(43,662)	(172,349)	(43,056)	(161,340)	12,664,985	17,290,194
YAVAPAI PRESIDENT TRIBAL POLICE	306,528	0	42,998	0	0	0	0	0	(4,592)	344,934	(149,252)
YOUNGTOWN POLICE DEPARTMENT	863,203	0	30,606	0	(96,292)	(3,120)	0	(45,467)	(9,286)	739,643	401,556
YUMA COUNTY SHERIFF'S DEPARTMENT	10,277,081	33,014	977,565	0	(1,305,713)	(13,605)	0	0	(117,867)	9,850,475	8,642,590
YUMA FIRE DEPARTMENT	20,952,538	0	1,791,924	146,089	(3,117,874)	(67,975)	0	(5,077)	(235,221)	19,464,405	23,812,080
YUMA POLICE DEPARTMENT	31,686,384	443,780	2,129,676	0	(3,880,292)	(51,744)	(217,799)	(89,070)	(341,517)	29,679,417	22,455,675
PUBLIC SAFETY AP OFFSET ACCOUNT	(3,920)	0	0	0	0	0	0	0	3,920	0	0
TOTALS	4,234,014,163	33,864,355	298,641,990	12,187,512	(460,700,737)	(13,513,216)	(46,481,278)	(4,523,917)	(46,551,714)	4,006,937,158	3,569,316,196

OPERATING INFORMATION

SCHEDULE OF CHANGES IN EMPLOYER EARNINGS DISTRIBUTION
FISCAL YEAR ENDED JUNE 30, 2012

SYSTEM	2011 EMPLOYER RESERVE	2012 EMPLOYER RESERVE	2011 MEMBER RESERVE	2012 MEMBER RESERVE	COMBINED RESERVES	MEAN BALANCE	FACTOR	INVESTMENT EARNINGS
AK CHIN INDIAN COMM. FIRE DEPT.	2,596,694	2,710,785	464,621	647,768	6,419,869	1,604,967	0.062%	(28,911)
AK CHIN INDIAN COMM. POLICE DEPT.	1,303,455	1,368,524	310,516	405,465	3,387,960	846,990	0.033%	(15,257)
APACHE COUNTY SHERIFF'S DEPT.	2,475,241	2,358,159	961,773	920,829	6,716,002	1,679,001	0.065%	(30,245)
APACHE JUNCTION FIRE DISTRICT	12,227,821	12,432,182	4,129,447	4,361,563	33,151,014	8,287,754	0.321%	(149,292)
APACHE JUNCTION POLICE DEPARTMENT	8,281,855	7,974,375	2,178,595	2,371,585	20,756,411	5,189,103	0.201%	(93,474)
ARIZONA STATE CAPITOL POLICE	2,438,533	2,010,191	680,540	1,693	5,130,957	1,282,739	0.050%	(23,107)
ARIZONA STATE PARK RANGERS	6,489,222	6,319,717	1,732,090	1,727,871	16,268,901	4,067,225	0.157%	(73,265)
ASU PD PSPRS LOCAL BOARD	11,132,608	10,475,545	2,287,948	2,392,332	26,288,432	6,572,108	0.254%	(118,387)
ATTORNEY GENERAL INVESTIGATORS	4,065,778	3,339,483	873,771	656,324	8,935,355	2,233,839	0.086%	(40,239)
AVONDALE FIRE DEPARTMENT	7,753,312	8,190,361	2,758,320	2,986,652	21,688,644	5,422,161	0.210%	(97,673)
AVONDALE POLICE DEPARTMENT	9,426,126	9,881,894	3,698,731	3,864,914	26,871,665	6,717,916	0.260%	(121,014)
AVRA VALLEY FIRE DISTRICT	1,573,321	1,666,539	419,029	484,324	4,143,213	1,035,803	0.040%	(18,659)
AZ DPT. LIQ. LIC. & CONTROL INVST	2,738,038	2,472,706	598,682	651,010	6,460,436	1,615,109	0.062%	(29,094)
BENSON FIRE DEPARTMENT	229,144	239,101	67,186	73,163	608,594	152,149	0.006%	(2,741)
BENSON POLICE DEPARTMENT	1,207,436	1,184,416	429,971	489,464	3,311,286	827,822	0.032%	(14,912)
BISBEE FIRE DEPARTMENT	1,441,843	999,808	571,043	458,755	3,471,450	867,862	0.034%	(15,633)
BISBEE POLICE DEPARTMENT	1,434,942	1,203,905	519,483	574,220	3,732,550	933,137	0.036%	(16,809)
BLACK CANYON FIRE DISTRICT	313,594	346,802	142,727	170,447	973,571	243,393	0.009%	(4,384)
BUCKEYE FIRE DEPARTMENT	5,406,618	5,995,295	2,506,133	2,910,152	16,818,197	4,204,549	0.163%	(75,739)
BUCKEYE POLICE DEPARTMENT	7,023,218	7,188,480	2,364,449	2,624,457	19,200,604	4,800,151	0.186%	(86,468)
BUCKEYE VALLEY FIRE DISTRICT	2,955,027	3,360,102	1,339,629	1,616,846	9,271,605	2,317,901	0.090%	(41,754)
BUCKSKIN FIRE DISTRICT	1,287,045	1,157,311	350,442	347,496	3,142,294	785,573	0.030%	(14,151)
BULLHEAD CITY FIRE DEPARTMENT	16,694,021	16,743,311	4,061,864	4,299,437	41,798,634	10,449,658	0.404%	(188,236)
BULLHEAD CITY POLICE DEPARTMENT	14,065,777	13,840,734	3,998,649	4,142,781	36,047,941	9,011,985	0.349%	(162,338)
CAMP VERDE FIRE DISTRICT	2,351,725	2,504,564	719,509	817,933	6,393,731	1,598,433	0.062%	(28,794)
CAMP VERDE MARSHALL'S	1,919,724	1,935,580	515,910	582,378	4,953,592	1,238,398	0.048%	(22,308)
CASA GRANDE FIRE DEPARTMENT	7,214,608	7,207,249	2,306,050	2,680,248	19,408,155	4,852,039	0.188%	(87,403)
CASA GRANDE POLICE DEPARTMENT	11,174,050	10,732,895	3,158,074	3,524,649	28,589,668	7,147,417	0.277%	(128,751)
CAVE CREEK MARSHALS	81,573	89,927	34,082	41,187	246,768	61,692	0.002%	(1,111)
CENTRAL AZ. COLLEGE POLICE DEPT.	329,421	339,515	83,733	94,982	847,651	211,913	0.008%	(3,817)

SCHEDULE OF CHANGES IN EMPLOYER EARNINGS DISTRIBUTION
FISCAL YEAR ENDED JUNE 30, 2012

SYSTEM	2011 EMPLOYER RESERVE	2012 EMPLOYER RESERVE	2011 MEMBER RESERVE	2012 MEMBER RESERVE	COMBINED RESERVES	MEAN BALANCE	FACTOR	INVESTMENT EARNINGS
CENTRAL YAVAPAI FIRE DISTRICT	15,625,878	15,102,179	4,493,203	4,452,148	39,673,408	9,918,352	0.384%	(178,665)
CHANDLER FIRE DEPARTMENT	42,361,082	42,011,140	12,109,342	13,317,912	109,799,476	27,449,869	1.062%	(494,471)
CHANDLER POLICE DEPARTMENT	60,789,009	61,600,971	19,403,140	21,234,840	163,027,960	40,756,990	1.577%	(734,180)
CHINO VALLEY FIRE DISTRICT	4,441,164	4,646,538	1,412,718	1,600,179	12,100,599	3,025,150	0.117%	(54,494)
CHINO VALLEY POLICE DEPARTMENT	2,893,582	2,724,539	928,704	840,973	7,387,799	1,846,950	0.071%	(33,270)
CHRISTOPHER-KOHL'S FIRE DISTRICT	191,952	206,005	88,087	75,027	561,071	140,268	0.005%	(2,527)
CITY OF MARICOPA - FIRE	3,816,113	4,291,831	1,879,678	2,272,374	12,259,997	3,064,999	0.119%	(55,212)
CITY OF MARICOPA (POLICE DEPT.)	2,812,561	3,193,258	1,480,895	1,489,495	8,976,209	2,244,052	0.087%	(40,423)
CLARKDALE FIRE DISTRICT	222,906	275,045	128,251	225,784	851,986	212,997	0.008%	(3,837)
CLARKDALE POLICE DEPARTMENT	1,404,698	1,372,947	301,830	226,280	3,305,754	826,439	0.032%	(14,887)
CLIFTON FIRE DEPARTMENT	176,197	148,986	0	0	325,182	81,296	0.003%	(1,464)
CLIFTON POLICE DEPARTMENT	417,424	414,090	56,477	81,492	969,484	242,371	0.009%	(4,366)
COCHISE COUNTY SHERIFF'S DEPT	9,754,005	9,007,220	2,828,964	3,202,644	24,792,833	6,198,208	0.240%	(111,652)
COCONINO COUNTY SHERIFF'S DEPT	8,693,791	7,732,434	1,919,275	2,083,206	20,428,706	5,107,176	0.198%	(91,999)
COOLIDGE FIRE DEPARTMENT	122,413	141,268	53,423	67,142	384,246	96,061	0.004%	(1,730)
COOLIDGE POLICE DEPARTMENT	3,405,123	3,300,140	1,005,682	1,052,857	8,763,802	2,190,951	0.085%	(39,467)
CORONA DE TUCSON FIRE DISTRICT	806,381	929,224	305,268	383,142	2,424,016	606,004	0.023%	(10,916)
COTTONWOOD FIRE DEPARTMENT	2,050,041	2,325,492	832,706	796,757	6,004,996	1,501,249	0.058%	(27,043)
COTTONWOOD POLICE DEPARTMENT	2,640,484	2,673,409	902,052	927,585	7,143,530	1,785,882	0.069%	(32,170)
DAISY MOUNTAIN FIRE DISTRICT	8,408,782	9,124,857	3,867,640	4,345,799	25,747,078	6,436,769	0.249%	(115,949)
DEPARTMENT OF EMER & MILITARY AFF	5,448,748	5,256,911	1,336,920	1,402,888	13,445,467	3,361,367	0.130%	(60,550)
DEPARTMENT OF PUBLIC SAFETY	365,978,010	334,278,111	26,689,164	29,000,877	755,946,160	188,986,540	7.312%	(3,404,326)
DESERT HILLS FIRE DEPARTMENT	521,154	646,815	251,972	340,779	1,760,720	440,180	0.017%	(7,929)
DOUGLAS FIRE DEPARTMENT	3,528,276	3,031,636	781,760	787,391	8,129,064	2,032,266	0.079%	(36,608)
DOUGLAS POLICE DEPARTMENT	5,174,366	4,903,770	1,312,274	1,343,207	12,733,617	3,183,404	0.123%	(57,345)
DREXEL HEIGHTS FIRE DISTRICT	10,290,675	10,332,331	3,149,517	3,418,533	27,191,056	6,797,764	0.263%	(122,452)
EAGAR POLICE DEPARTMENT	1,235,814	1,287,729	381,242	355,153	3,259,938	814,985	0.032%	(14,681)
EL MIRAGE FIRE DEPARTMENT	1,842,315	2,048,540	729,526	789,231	5,409,612	1,352,403	0.052%	(24,362)
EL MIRAGE POLICE DEPARTMENT	3,414,676	3,499,676	1,604,932	1,752,209	10,271,493	2,567,873	0.099%	(46,257)
ELOY FIRE DISTRICT	1,421,821	1,666,787	537,393	687,963	4,313,964	1,078,491	0.042%	(19,428)

OPERATING INFORMATION

SCHEDULE OF CHANGES IN EMPLOYER EARNINGS DISTRIBUTION
FISCAL YEAR ENDED JUNE 30, 2012

SYSTEM	2011 EMPLOYER RESERVE	2012 EMPLOYER RESERVE	2011 MEMBER RESERVE	2012 MEMBER RESERVE	COMBINED RESERVES	MEAN BALANCE	FACTOR	INVESTMENT EARNINGS
ELOY POLICE DEPARTMENT	3,757,312	3,656,818	1,133,693	1,105,131	9,652,954	2,413,239	0.093%	(43,471)
FLAGSTAFF FIRE DEPARTMENT	23,823,581	21,864,569	4,310,187	4,763,031	54,761,368	13,690,342	0.530%	(246,612)
FLAGSTAFF POLICE DEPARTMENT	17,195,199	15,873,626	4,853,404	4,784,262	42,706,491	10,676,623	0.413%	(192,324)
FLORENCE FIRE DEPARTMENT	1,040,796	1,154,422	495,055	601,648	3,291,920	822,980	0.032%	(14,825)
FLORENCE POLICE DEPARTMENT	2,564,651	2,819,286	806,914	697,036	6,887,887	1,721,972	0.067%	(31,019)
FORT MCDOWELL TRIBAL FIRE DEPT.	879,752	967,714	356,902	433,291	2,637,660	659,415	0.026%	(11,878)
FORT MCDOWELL TRIBAL POLICE DEPT.	1,789,481	2,006,964	740,333	870,799	5,407,577	1,351,894	0.052%	(24,352)
FORT MOJAVE MESA FIRE DISTRICT	5,395,129	5,611,929	1,235,132	1,261,613	13,503,804	3,375,951	0.131%	(60,813)
FORT MOJAVE TRIBAL POLICE DEPT.	979,866	1,102,726	376,104	487,401	2,946,097	736,524	0.028%	(13,267)
FREDONIA MARSHALS	385,221	401,512	100,276	114,064	1,001,074	250,268	0.010%	(4,508)
FRY FIRE DISTRICT	5,821,196	5,531,109	1,361,946	1,569,023	14,283,275	3,570,819	0.138%	(64,323)
GAME AND FISH DEPARTMENT	26,198,497	23,378,994	6,070,217	6,345,564	61,993,271	15,498,318	0.600%	(279,180)
GILA COUNTY SHERIFF'S DEPARTMENT	4,792,390	4,668,261	1,337,586	1,256,645	12,054,882	3,013,720	0.117%	(54,288)
GILA RIVER FIRE DEPARTMENT	4,531,271	4,836,259	2,094,021	2,277,581	13,739,131	3,434,783	0.133%	(61,873)
GILA RIVER POLICE DEPARTMENT	6,794,138	7,606,552	2,680,818	3,480,755	20,562,263	5,140,566	0.199%	(92,600)
GILBERT FIRE DEPARTMENT	18,492,807	19,947,982	8,480,165	10,008,743	56,929,697	14,232,424	0.551%	(256,377)
GILBERT POLICE DEPARTMENT	26,914,751	27,901,114	10,428,597	11,709,843	76,954,304	19,238,576	0.744%	(346,556)
GLENDALE FIRE DEPARTMENT	56,559,805	55,736,531	14,230,508	16,093,234	142,620,078	35,655,019	1.380%	(642,275)
GLENDALE POLICE DEPARTMENT	66,601,254	65,022,138	20,344,039	22,116,598	174,084,029	43,521,007	1.684%	(783,970)
GLOBE FIRE DEPARTMENT	2,474,530	2,384,738	725,903	748,672	6,333,842	1,583,461	0.061%	(28,524)
GLOBE POLICE DEPARTMENT	2,694,409	2,508,703	692,153	735,811	6,631,076	1,657,769	0.064%	(29,862)
GOLDEN SHORES FIRE DISTRICT	486,584	526,758	179,717	214,127	1,407,185	351,796	0.014%	(6,337)
GOLDEN VALLEY FIRE DISTRICT	1,970,434	2,022,158	492,411	582,333	5,067,337	1,266,834	0.049%	(22,820)
GOLDER RANCH FIRE DISTRICT	11,834,244	12,749,050	4,318,082	4,887,301	33,788,676	8,447,169	0.327%	(152,164)
GOODYEAR FIRE DEPARTMENT	9,101,277	9,755,416	3,977,166	4,554,581	27,388,440	6,847,110	0.265%	(123,341)
GOODYEAR POLICE DEPARTMENT	10,338,917	10,822,273	3,862,328	4,007,632	29,031,149	7,257,787	0.281%	(130,739)
GRAHAM COUNTY ATTORNEY INVEST.	50,521	50,521	0	0	101,042	25,261	0.001%	(455)
GRAHAM COUNTY SHERIFF'S DEPT.	1,786,915	1,921,762	734,354	761,513	5,204,543	1,301,136	0.050%	(23,438)
GREEN VALLEY FIRE DISTRICT	8,044,731	8,736,928	2,281,771	2,366,262	21,429,692	5,357,423	0.207%	(96,506)
GREENLEE CNTY ATTY INVESTIGATORS	40,024	40,024	0	0	80,047	20,012	0.001%	(360)

SCHEDULE OF CHANGES IN EMPLOYER EARNINGS DISTRIBUTION
FISCAL YEAR ENDED JUNE 30, 2012

SYSTEM	2011 EMPLOYER RESERVE	2012 EMPLOYER RESERVE	2011 MEMBER RESERVE	2012 MEMBER RESERVE	COMBINED RESERVES	MEAN BALANCE	FACTOR	INVESTMENT EARNINGS
GREENLEE COUNTY SHERIFF'S DEPT.	2,175,555	2,153,070	430,385	480,767	5,239,777	1,309,944	0.051%	(23,597)
GROOM CREEK FIRE DISTRICT	266,725	309,490	133,557	156,574	866,346	216,586	0.008%	(3,902)
GUADALUPE FIRE DEPARTMENT	379,985	368,478	214,831	224,886	1,188,179	297,045	0.011%	(5,351)
HARQUAHALA FIRE DISTRICT	556,295	520,970	262,164	234,399	1,573,828	393,457	0.015%	(7,088)
HAYDEN POLICE DEPARTMENT	782,514	788,742	104,128	72,196	1,747,579	436,895	0.017%	(7,870)
HEBER-OVERGAARD FIRE DISTRICT	801,093	895,939	267,179	331,585	2,295,796	573,949	0.022%	(10,339)
HELLSGATE FIRE DISTRICT	759,500	808,264	265,363	292,902	2,126,029	531,507	0.021%	(9,574)
HIGHLANDS FIRE DISTRICT	2,102,557	2,251,083	744,868	888,606	5,987,115	1,496,779	0.058%	(26,962)
HOLBROOK POLICE DEPARTMENT	1,466,987	1,313,103	481,244	481,107	3,742,441	935,610	0.036%	(16,854)
HUACHUCA CITY POLICE DEPARTMENT	0	87,746	0	20,698	108,445	27,111	0.001%	(488)
HUALAPAI INDIAN TRIBE POLICE DEPT	480,257	544,062	211,145	268,018	1,503,483	375,871	0.015%	(6,771)
JEROME POLICE DEPARTMENT	157,671	175,370	48,655	46,127	427,822	106,955	0.004%	(1,927)
KEARNY POLICE DEPARTMENT	966,743	940,267	278,070	301,187	2,486,266	621,567	0.024%	(11,197)
KINGMAN FIRE DEPARTMENT	9,042,363	9,165,799	2,541,571	2,580,053	23,329,786	5,832,446	0.226%	(105,063)
KINGMAN POLICE DEPARTMENT	8,267,989	7,865,787	2,042,695	2,161,021	20,337,492	5,084,373	0.197%	(91,588)
LA PAZ COUNTY ATTY. INVESTIGATORS	194,306	196,417	66,102	67,421	524,246	131,062	0.005%	(2,361)
LA PAZ COUNTY SHERIFF'S DEPT.	4,595,730	4,315,141	1,284,628	1,240,908	11,436,407	2,859,102	0.111%	(51,503)
LAKE HAVASU CITY FIRE DEPARTMENT	15,415,966	14,653,756	3,108,425	3,457,385	36,635,532	9,158,883	0.354%	(164,984)
LAKE HAVASU CITY POLICE DEPT.	13,980,442	13,691,128	4,136,612	4,391,355	36,199,538	9,049,884	0.350%	(163,021)
LAKE MOHAVE RANCHOS FIRE DISTRICT	544,078	736,831	170,640	160,719	1,612,268	403,067	0.016%	(7,261)
LAKESIDE FIRE DISTRICT	1,634,543	1,781,609	645,907	790,239	4,852,298	1,213,075	0.047%	(21,852)
LINDEN FIRE DISTRICT	336,452	383,356	143,841	162,447	1,026,095	256,524	0.010%	(4,621)
MAMMOTH POLICE DEPARTMENT	208,391	207,882	106,465	103,279	626,017	156,504	0.006%	(2,819)
MARANA POLICE DEPARTMENT	8,102,419	8,203,818	2,608,932	2,964,019	21,879,187	5,469,797	0.212%	(98,531)
MARICOPA CNTY ATTY INVESTIGATORS	2,988,260	2,734,323	521,112	589,336	6,833,031	1,708,258	0.066%	(30,772)
MARICOPA COUNTY PARK RANGERS	213,014	39,180	24,132	24,132	300,459	75,115	0.003%	(1,353)
MARICOPA COUNTY SHERIFF'S OFFICE	138,719,216	129,763,462	34,943,463	37,065,357	340,491,498	85,122,875	3.294%	(1,533,369)
MAYER FIRE DISTRICT	1,501,876	1,519,645	431,085	507,708	3,960,314	990,078	0.038%	(17,835)
MESA FIRE DEPARTMENT	117,907,908	112,491,096	27,147,345	28,836,776	286,383,125	71,595,781	2.770%	(1,289,697)
MESA POLICE DEPARTMENT	194,262,182	185,514,761	47,810,574	49,679,295	477,266,812	119,316,703	4.617%	(2,149,322)

OPERATING INFORMATION

SCHEDULE OF CHANGES IN EMPLOYER EARNINGS DISTRIBUTION
FISCAL YEAR ENDED JUNE 30, 2012

SYSTEM	2011 EMPLOYER RESERVE	2012 EMPLOYER RESERVE	2011 MEMBER RESERVE	2012 MEMBER RESERVE	COMBINED RESERVES	MEAN BALANCE	FACTOR	INVESTMENT EARNINGS
MIAMI FIRE DEPARTMENT - GONE	334,217	334,217	0	0	668,435	167,109	0.006%	(3,010)
MIAMI POLICE DEPARTMENT	537,477	505,885	137,589	138,067	1,319,018	329,754	0.013%	(5,940)
MOHAVE COUNTY SHERIFF'S DEPT.	13,465,340	12,858,864	3,319,675	3,612,842	33,256,721	8,314,180	0.322%	(149,768)
MOHAVE VALLEY FIRE DISTRICT	3,347,710	3,533,588	1,077,715	1,244,481	9,203,494	2,300,874	0.089%	(41,447)
MONTEZUMA RIMROCK FIRE DISTRICT	740,165	797,563	276,020	303,172	2,116,920	529,230	0.020%	(9,533)
MOUNT LEMMON FIRE DISTRICT	311,038	337,861	97,995	117,107	864,001	216,000	0.008%	(3,891)
NAU CAMPUS POLICE	2,637,005	2,400,225	585,311	706,713	6,329,254	1,582,313	0.061%	(28,503)
NAVAJO COUNTY ATTY'S INVESTIGATOR	128,493	97,188	0	0	225,681	56,420	0.002%	(1,016)
NAVAJO COUNTY SHERIFF'S DEPT.	4,314,557	4,052,139	919,904	1,091,831	10,378,431	2,594,608	0.100%	(46,738)
NOGALES FIRE DEPARTMENT	5,534,780	5,389,736	1,752,380	1,946,413	14,623,309	3,655,827	0.141%	(65,855)
NOGALES POLICE DEPARTMENT	7,649,945	7,519,114	2,214,150	2,374,751	19,757,961	4,939,490	0.191%	(88,978)
NORTHERN AZ. CONSOLIDATED FD #1	2,178,419	2,302,053	792,919	905,398	6,178,789	1,544,697	0.060%	(27,826)
NORTHWEST FIRE DISTRICT	23,148,452	24,193,899	8,019,039	9,100,789	64,462,179	16,115,545	0.624%	(290,299)
ORACLE FIRE DISTRICT	154,569	190,349	56,201	102,000	503,119	125,780	0.005%	(2,266)
ORO VALLEY POLICE DEPT.	13,072,064	13,260,970	4,499,859	4,962,571	35,795,465	8,948,866	0.346%	(161,201)
PAGE FIRE DEPARTMENT	843,894	883,216	350,040	387,387	2,464,537	616,134	0.024%	(11,099)
PAGE POLICE DEPARTMENT	2,677,568	2,687,981	720,674	764,816	6,851,039	1,712,760	0.066%	(30,853)
PALOMINAS FIRE DISTRICT	187,041	225,059	6,213	52,187	470,501	117,625	0.005%	(2,119)
PARADISE VALLEY POLICE DEPARTMENT	6,143,409	5,287,236	1,702,349	1,734,026	14,867,020	3,716,755	0.144%	(66,952)
PARKER POLICE DEPARTMENT	1,348,408	1,341,605	317,487	393,557	3,401,057	850,264	0.033%	(15,316)
PASCUA YAQUI TRIBE FIRE DEPT.	1,569,609	1,772,033	611,694	722,370	4,675,705	1,168,926	0.045%	(21,057)
PASCUA YAQUI TRIBE POLICE DEPT.	1,858,965	2,283,835	1,024,457	955,239	6,122,496	1,530,624	0.059%	(27,572)
PATAGONIA MARSHALS	563,977	509,076	39,155	43,532	1,155,739	288,935	0.011%	(5,205)
PAYSON FIRE DEPARTMENT	3,451,807	3,425,879	1,028,162	1,128,774	9,034,622	2,258,656	0.087%	(40,687)
PAYSON POLICE DEPARTMENT	3,898,407	3,574,938	1,109,011	1,162,815	9,745,171	2,436,293	0.094%	(43,886)
PEORIA FIRE DEPARTMENT	25,649,839	26,269,269	8,002,089	8,608,128	68,529,326	17,132,331	0.663%	(308,615)
PEORIA POLICE DEPARTMENT	30,962,929	30,945,076	7,802,921	9,034,148	78,745,075	19,686,269	0.762%	(354,620)
PHOENIX FIRE DEPARTMENT	500,309,255	474,466,318	112,346,490	121,947,118	1,209,069,181	302,267,295	11.696%	(5,444,920)
PHOENIX POLICE DEPARTMENT	879,897,715	836,019,181	207,001,294	223,679,091	2,146,597,282	536,649,320	20.764%	(9,666,982)
PICTURE ROCKS FIRE DISTRICT	2,604,735	2,415,782	571,179	605,110	6,196,805	1,549,201	0.060%	(27,907)

OPERATING INFORMATION

SCHEDULE OF CHANGES IN EMPLOYER EARNINGS DISTRIBUTION
FISCAL YEAR ENDED JUNE 30, 2012

SYSTEM	2011 EMPLOYER RESERVE	2012 EMPLOYER RESERVE	2011 MEMBER RESERVE	2012 MEMBER RESERVE	COMBINED RESERVES	MEAN BALANCE	FACTOR	INVESTMENT EARNINGS
PIMA COUNTY ATTORNEY INVESTIGATOR	1,341,445	1,225,026	188,829	185,895	2,941,195	735,299	0.028%	(13,245)
PIMA COUNTY COMM. COLLEGE POLICE	3,367,870	3,263,358	767,094	813,457	8,211,780	2,052,945	0.079%	(36,981)
PIMA COUNTY SHERIFFS DEPARTMENT	116,656,919	111,083,245	13,742,630	15,090,658	256,573,453	64,143,363	2.482%	(1,155,452)
PIMA POLICE DEPARTMENT	231,479	242,597	48,470	57,396	579,942	144,986	0.006%	(2,612)
PINAL COUNTY SHERIFF'S DEPARTMENT	27,470,120	27,217,978	7,656,501	8,518,333	70,862,932	17,715,733	0.685%	(319,124)
PINE-STRAWBERRY FIRE DISTRICT	2,220,450	2,311,144	787,137	885,760	6,204,491	1,551,123	0.060%	(27,941)
PINETOP FIRE DISTRICT	2,307,895	2,426,527	879,109	967,302	6,580,832	1,645,208	0.064%	(29,636)
PINETOP-LAKESIDE POLICE DEPT.	1,445,911	1,196,543	352,268	335,565	3,330,287	832,572	0.032%	(14,998)
PINEWOOD FIRE DISTRICT	1,066,779	1,091,257	368,091	450,961	2,977,088	744,272	0.029%	(13,407)
PRESCOTT FIRE DEPARTMENT	14,006,111	12,951,488	3,411,111	3,340,655	33,709,365	8,427,341	0.326%	(151,807)
PRESCOTT POLICE DEPARTMENT	9,376,119	8,397,782	2,861,380	3,116,336	23,751,616	5,937,904	0.230%	(106,963)
PRESCOTT VALLEY POLICE DEPARTMENT	7,365,237	7,510,684	2,441,406	2,618,722	19,936,048	4,984,012	0.193%	(89,780)
QUARTZSITE FIRE DISTRICT	397,363	459,292	173,473	212,402	1,242,529	310,632	0.012%	(5,596)
QUARTZSITE POLICE DEPARTMENT	1,656,412	1,748,440	597,481	638,204	4,640,537	1,160,134	0.045%	(20,898)
QUEEN CREEK FIRE DEPARTMENT	669,962	770,589	483,246	573,721	2,497,518	624,380	0.024%	(11,247)
QUEEN VALLEY FIRE DISTRICT	67,639	86,326	34,872	46,103	234,939	58,735	0.002%	(1,058)
RINCON VALLEY FIRE DISTRICT	1,575,401	1,791,895	702,655	862,719	4,932,670	1,233,168	0.048%	(22,214)
RIO RICO FIRE DISTRICT	1,325,976	1,526,014	696,038	802,400	4,350,428	1,087,607	0.042%	(19,592)
RIO VERDE FIRE DISTRICT	1,760,870	1,974,388	670,402	791,651	5,197,311	1,299,328	0.050%	(23,406)
SAFFORD POLICE DEPARTMENT	3,001,551	2,917,846	931,828	1,022,546	7,873,770	1,968,443	0.076%	(35,459)
SAHUARITA POLICE DEPARTMENT	3,293,333	3,567,619	1,317,919	1,417,099	9,595,971	2,398,993	0.093%	(43,214)
SALT RIVER PIMA-MARICOPA FIRE	10,197,602	10,879,129	3,319,699	3,823,730	28,220,160	7,055,040	0.273%	(127,087)
SALT RIVER PIMA-MARICOPA POLICE	9,069,387	9,689,363	4,001,493	4,444,545	27,204,788	6,801,197	0.263%	(122,514)
SAN CARLOS TRIBAL POLICE DEPT.	996,343	1,202,576	294,551	401,283	2,894,753	723,688	0.028%	(13,036)
SAN LUIS FIRE DEPARTMENT	1,564,950	1,729,141	619,925	737,839	4,651,855	1,162,964	0.045%	(20,949)
SAN LUIS POLICE DEPARTMENT	2,675,689	2,927,449	1,050,374	991,870	7,645,382	1,911,346	0.074%	(34,430)
SANTA CRUZ COUNTY SHERIFF'S DEPT.	3,632,333	3,612,024	1,368,892	1,448,607	10,061,857	2,515,464	0.097%	(45,313)
SCOTTSDALE FIRE DEPARTMENT	20,453,518	22,484,643	10,776,150	15,328,485	69,042,796	17,260,699	0.668%	(310,927)
SCOTTSDALE POLICE DEPARTMENT	94,915,916	91,694,873	24,395,742	26,704,156	237,710,687	59,427,672	2.299%	(1,070,506)
SEDONA FIRE DISTRICT	9,578,250	9,491,241	3,132,718	3,418,842	25,621,051	6,405,263	0.248%	(115,382)

OPERATING INFORMATION

SCHEDULE OF CHANGES IN EMPLOYER EARNINGS DISTRIBUTION
FISCAL YEAR ENDED JUNE 30, 2012

SYSTEM	2011 EMPLOYER RESERVE	2012 EMPLOYER RESERVE	2011 MEMBER RESERVE	2012 MEMBER RESERVE	COMBINED RESERVES	MEAN BALANCE	FACTOR	INVESTMENT EARNINGS
SEDONA POLICE DEPARTMENT	3,719,419	3,637,243	879,197	942,018	9,177,877	2,294,469	0.089%	(41,332)
SHOW LOW FIRE DISTRICT	2,262,128	2,439,751	1,050,989	1,239,095	6,991,963	1,747,991	0.068%	(31,488)
SHOW LOW POLICE DEPARTMENT	3,891,742	3,952,564	1,265,724	1,347,534	10,457,565	2,614,391	0.101%	(47,095)
SIERRA VISTA FIRE DEPARTMENT	9,560,344	9,127,574	1,935,997	1,978,906	22,602,820	5,650,705	0.219%	(101,789)
SIERRA VISTA POLICE DEPARTMENT	10,502,648	9,830,777	2,187,176	2,497,185	25,017,787	6,254,447	0.242%	(112,665)
SNOWFLAKE POLICE DEPARTMENT	1,203,307	1,231,141	431,617	426,240	3,292,305	823,076	0.032%	(14,827)
SOMERTON FIRE DEPARTMENT	1,288,781	1,334,284	479,363	523,539	3,625,967	906,492	0.035%	(16,329)
SOMERTON POLICE DEPARTMENT	1,834,292	1,881,344	589,904	653,019	4,958,559	1,239,640	0.048%	(22,330)
SONOITA ELGIN FIRE DEPARTMENT	208,140	265,078	78,672	146,432	698,322	174,580	0.007%	(3,145)
SOUTH TUCSON FIRE DEPARTMENT	1,289,279	1,142,527	363,805	329,121	3,124,731	781,183	0.030%	(14,072)
SOUTH TUCSON POLICE DEPARTMENT	284,694	41,542	380,123	418,871	1,125,231	281,308	0.011%	(5,067)
SPRINGVILLE POLICE DEPARTMENT	1,126,003	1,119,595	245,809	280,674	2,772,081	693,020	0.027%	(12,484)
ST. JOHNS POLICE DEPARTMENT	719,506	699,318	154,060	148,453	1,721,337	430,334	0.017%	(7,752)
SUMMIT FIRE DISTRICT	3,875,284	4,137,783	1,524,709	1,658,662	11,196,438	2,799,109	0.108%	(50,422)
SUN CITY FIRE DISTRICT	10,821,282	10,891,797	4,676,535	5,067,339	31,456,952	7,864,238	0.304%	(141,663)
SUN CITY WEST FIRE DISTRICT	8,824,874	9,082,253	2,809,670	3,110,298	23,827,096	5,956,774	0.230%	(107,303)
SUN LAKES FIRE DISTRICT	7,006,266	7,267,066	2,045,440	2,115,113	18,433,885	4,608,471	0.178%	(83,015)
SUN SITES PEARCE FIRE DISTRICT	0	178,570	0	106,410	284,980	71,245	0.003%	(1,283)
SUPERIOR POLICE DEPARTMENT	670,287	646,880	160,748	170,186	1,648,101	412,025	0.016%	(7,422)
SURPRISE FIRE DEPARTMENT	12,362,418	13,025,817	5,052,602	5,402,876	35,843,713	8,960,928	0.347%	(161,419)
SURPRISE POLICE DEPARTMENT	12,534,449	13,007,189	4,902,786	5,371,360	35,815,784	8,953,946	0.346%	(161,293)
TEMPE FIRE DEPARTMENT	55,723,429	53,133,639	10,662,373	11,364,683	130,884,124	32,721,031	1.266%	(589,423)
TEMPE POLICE DEPARTMENT	70,876,669	66,759,952	19,282,692	20,703,141	177,622,454	44,405,614	1.718%	(799,905)
THATCHER POLICE DEPARTMENT	1,763,138	1,677,473	389,108	444,632	4,274,351	1,068,588	0.041%	(19,249)
THREE POINTS FIRE DISTRICT	894,690	1,162,142	358,851	374,005	2,789,687	697,422	0.027%	(12,563)
TOHONO O'ODHAM NATION FIRE DEPT.	2,869,290	3,172,656	823,668	1,033,046	7,898,660	1,974,665	0.076%	(35,571)
TOHONO O'ODHAM NATION POLICE DEPT	9,929,880	10,308,501	1,512,810	1,881,644	23,632,835	5,908,209	0.229%	(106,428)
TOLLESON FIRE DEPARTMENT	3,544,395	3,924,049	1,898,455	1,950,302	11,317,200	2,829,300	0.109%	(50,966)
TOLLESON POLICE DEPARTMENT	2,810,615	2,804,319	1,016,293	1,169,071	7,800,297	1,950,074	0.075%	(35,128)
TOMBSTONE MARSHAL'S DEPARTMENT	471,753	488,536	160,784	176,289	1,297,362	324,340	0.013%	(5,843)

OPERATING INFORMATION

SCHEDULE OF CHANGES IN EMPLOYER EARNINGS DISTRIBUTION
FISCAL YEAR ENDED JUNE 30, 2012

SYSTEM	2011 EMPLOYER RESERVE	2012 EMPLOYER RESERVE	2011 MEMBER RESERVE	2012 MEMBER RESERVE	COMBINED RESERVES	MEAN BALANCE	FACTOR	INVESTMENT EARNINGS
TONOPAH VALLEY FIRE DISTRICT	281,858	318,879	115,006	142,121	857,864	214,466	0.008%	(3,863)
TOWN OF SUPERIOR (FIRE DEPT)	239,894	253,166	94,457	101,197	688,715	172,179	0.007%	(3,102)
TRI-CITY FIRE DISTRICT	960,559	1,044,110	452,725	513,016	2,970,410	742,603	0.029%	(13,377)
TUBAC FIRE DISTRICT	2,079,529	2,236,847	778,508	905,567	6,000,452	1,500,113	0.058%	(27,022)
TUCSON AIRPORT AUTHORITY FIRE DPT	4,146,219	3,568,433	708,323	687,740	9,110,715	2,277,679	0.088%	(41,029)
TUCSON AIRPORT AUTHORITY POLICE	2,903,363	2,610,781	1,004,879	972,702	7,491,725	1,872,931	0.072%	(33,738)
TUCSON FIRE	157,191,754	143,051,320	25,858,202	28,855,196	354,956,472	88,739,118	3.434%	(1,598,510)
TUCSON POLICE	258,456,544	236,011,659	40,257,533	43,195,295	577,921,030	144,480,258	5.590%	(2,602,608)
U OF A CAMPUS POLICE DEPARTMENT	7,463,514	7,249,284	2,393,513	2,634,845	19,741,156	4,935,289	0.191%	(88,902)
VERDE VALLEY FIRE DISTRICT	3,448,047	3,599,940	1,107,118	1,243,864	9,398,969	2,349,742	0.091%	(42,327)
WELLTON POLICE	252,743	431,358	104,923	76,560	865,583	216,396	0.008%	(3,898)
WHEATSTONE FIRE DISTRICT	118,008	136,889	71,730	79,016	405,642	101,411	0.004%	(1,827)
WICKENBURG FIRE DEPARTMENT	365,357	422,605	161,991	190,903	1,140,857	285,214	0.011%	(5,138)
WICKENBURG POLICE DEPARTMENT	1,503,297	1,496,025	471,155	548,175	4,018,651	1,004,663	0.039%	(18,098)
WILLCOX POLICE DEPARTMENT	1,371,861	1,291,672	332,184	359,808	3,355,525	838,881	0.032%	(15,111)
WILLIAMS POLICE DEPARTMENT	1,202,638	1,056,193	202,656	171,538	2,633,025	658,256	0.025%	(11,858)
WILLIAMSON VALLEY FIRE DISTRICT	129,690	156,521	35,356	89,612	411,178	102,795	0.004%	(1,852)
WINSLOW FIRE DEPARTMENT	4,901,757	4,940,130	381,958	167,607	10,391,452	2,597,863	0.101%	(46,797)
WINSLOW POLICE DEPARTMENT	3,594,638	3,528,614	951,324	1,007,852	9,082,428	2,270,607	0.088%	(40,902)
WITTMANN FIRE DISTRICT	234,059	283,725	115,386	159,327	792,498	198,124	0.008%	(3,569)
YAVAPAI CNTY ATTRNY INVESTIGATORS	90,388	48,241	0	0	138,629	34,657	0.001%	(624)
YAVAPAI COUNTY SHERIFF'S DEPT.	13,245,104	12,826,325	4,715,803	5,039,029	35,826,261	8,956,565	0.347%	(161,340)
YAVAPAI PRESCOTT TRIBAL POLICE	306,528	349,526	168,694	194,960	1,019,708	254,927	0.010%	(4,592)
YOUNGTOWN POLICE DEPARTMENT	863,203	748,929	255,596	194,319	2,062,047	515,512	0.020%	(9,286)
YUMA COUNTY SHERIFF'S DEPARTMENT	10,277,081	9,968,341	2,779,474	3,147,901	26,172,797	6,543,199	0.253%	(117,867)
YUMA FIRE DEPARTMENT	20,952,538	19,699,625	5,504,561	6,075,069	52,231,793	13,057,948	0.505%	(235,221)
YUMA POLICE DEPARTMENT	31,686,384	30,020,934	6,922,290	7,205,885	75,835,494	18,958,874	0.734%	(341,517)
PUBLIC SAFETY AP OFFSET ACCOUNT	(3,920)	(3,920)						3,920
TOTALS	4,234,014,163	4,053,488,872	982,628,689	1,067,750,716	10,337,890,281	2,584,472,571	100.000%	(46,551,714)

OPERATING INFORMATION

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 PD PSPRS LOCAL BOARD
 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 MARSHALL'S
 CASA GRANDE FIRE DEPARTMENT
 CASA GRANDE POLICE DEPARTMENT
 CAVE CREEK MARSHALS
 CENTRAL AZ. COLLEGE POLICE DEPT.
 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 - FIRE
 CITY OF MARICOPA (POLICE DEPT.)
 CLARKDALE FIRE DISTRICT
 CLARKDALE POLICE DEPARTMENT

PARTICIPATING EMPLOYERS

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
 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
 HELLSGATE FIRE DISTRICT
 HIGHLANDS FIRE DISTRICT
 HOLBROOK POLICE DEPARTMENT
 HUACHUCA CITY POLICE DEPARTMENT
 HUALAPAI INDIAN TRIBE POLICE DEPT
 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
 MAYER FIRE DISTRICT
 MESA FIRE DEPARTMENT
 MESA POLICE DEPARTMENT

PARTICIPATING EMPLOYERS

MIAMI FIRE DEPARTMENT - GONE
 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
 NORTHERN AZ. CONSOLIDATED FD #1
 NORTHWEST FIRE DISTRICT
 ORACLE FIRE DISTRICT
 ORO VALLEY POLICE DEPT.
 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 DEPT.
 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
 SUN SITES PEARCE 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 DEPT.
 TOHONO O'ODHAM NATION POLICE DEPT
 TOLLESON FIRE DEPARTMENT
 TOLLESON POLICE DEPARTMENT
 TOMBSTONE MARSHAL'S DEPARTMENT
 TONOPAH VALLEY 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
 TUCSON POLICE
 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
 WITTMANN 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

THIS PAGE INTENTIONALLY BLANK