CITY OF PHOENIX
EMPLOYEES' RETIREMENT PLAN
(A Component Unit of the City of Phoenix, Arizona)

SIXTY-FOURTH ANNUAL
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEARS ENDED
JUNE 30, 2010 and 2009

101 S. Central Avenue, Suite 600
Phoenix, Arizona 85004
(602) 534-4400
FAX (602) 495-2008

Prepared by:
City of Phoenix
Employees' Retirement System
and
City of Phoenix
Finance Department

Table of Contents

Introductory Section

Financial Section

Investment Section

Table of Contents (Continued)

Actuarial Section

Statistical Section

Introductory Section

The **Introductory Section** contains the Certificate of Achievement for Excellence in Financial Reporting, the letter of transmittal, the Retirement Board structure, the administrative organization, and the Chairperson's Report.

Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Phoenix Employees' Retirement Plan Arizona

For its Comprehensive Annual Financial Report for the Fiscal Year Ended June 30, 2009

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.

GOVERNMENT FINANCE OFFICERS ASSOCIATION OF THE UNITED STATES AND CANADA CORPORATION SEAL CHICAGO

President

Jeffrey R. Emer

Executive Director

City of Phoenix
RETIREMENT SYSTEMS

December 9, 2010

Chairperson and Members of the Retirement Board
City of Phoenix Employees' Retirement Plan:

The Comprehensive Annual Financial Report ("CAFR") of the City of Phoenix Employees' Retirement Plan ("COPERS" or the "Plan") as of and for the years ended June 30, 2010 and 2009 is hereby submitted. This report consists of the Introductory, Financial, Investment, Actuarial and Statistical sections.

The Plan is governed by the City of Phoenix Employees' Retirement Law of 1953 (Chapter XXIV of the City of Phoenix Charter). This law has been revised over the years, with the latest amendment approved by the City voters September 9, 2003.

COPERS was created to provide retirement, survivor and disability benefits to the City of Phoenix general employees. COPERS is a qualified retirement plan under the Internal Revenue Code. The City of Phoenix Employees' Retirement Board (the "Board") is trustee of the Plan.

Elections are held every three years for the members of the Plan to elect three employee Retirement Board members. The last election was held December 2008. The three elected employee Board members with terms of January 1, 2009 to December 31, 2011 are Elizabeth Bissa, Cathleen Gleason and David Hensley. Retiree Board Member Kerry Wangberg was elected by the Board members and Citizen Board Member Linda Reidenbach was reelected by the Board members for three-year terms concurrent with the term of the elected employee board members. The Ex-Officio Board members are Jeff DeWitt, Finance Director; Barbara Lang, City Treasurer; Rick Naimark, Deputy City Manager; and Janet Smith, Human Resources Director. During the fiscal year ended June 30, 2010, Kerry Wangberg resigned as Retiree Board Member and Ray Bladine was elected to serve on the Board.

The Mayor and City Council are covered by the Elected Officials Retirement Plan of Arizona ("EORPA"). Sworn police and fire employees are covered by the Arizona Public Safety Personnel Retirement System ("APSPRS"). The administration of the system and responsibility for making the APSPRS provisions effective for each employer are vested in Local Boards. For the City of Phoenix, this responsibility rests with the City of Phoenix Fire Pension Board and the City of Phoenix Police Pension Board. EORPA and APSPRS benefit payments and investments are handled by a centralized State Board. The EORPA and the APSPRS were created by Arizona State Statutes. These retirement plans publish separate financial reports.

FINANCIAL INFORMATION

Responsibility for accuracy of the data, completeness, and fairness of the presentation of the CAFR, including all disclosures, rests with the Retirement Board. The Plan's record-keeping, financial statement and investment control responsibilities have been performed by the City's Finance Department. To the best of our knowledge and belief, this report is accurate in all material respects and is reported in a manner designed to present fairly the Plan net assets and changes in Plan net assets. All disclosures necessary to enable the reader to gain an understanding of the Plan's financial activities have been included. The Management's Discussion and Analysis, which begins on page 19, provides analysis of the financial activities for the fiscal years ended June 30, 2010 and 2009.

The Government Finance Officers Association of the United States and Canada ("GFOA") awarded a Certificate of Achievement for Excellence in Financial Reporting to COPERS for its comprehensive annual financial report for the fiscal year ended June 30, 2009. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

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

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INTERNAL CONTROLS

Internal controls are procedures designed to protect assets from loss, theft or misuse; to check the accuracy and reliability of accounting data; to promote operational efficiency; and to encourage compliance with managerial policies. The Board and the City of Phoenix (the "City") management are responsible for establishing a system of internal controls designed to provide reasonable assurance these objectives are met. To help assure the adequacy of the City's (including COPERS') system of internal controls, an Audit Committee consisting of three members of the City Council, the City Manager and other top City officials provide direction to the City Auditor's Department in carrying out an extensive internal audit program, as well as providing a liaison with the City's (including COPERS') independent auditors. Representatives from the City Auditor's Department meet with the Board to present the results of the audits. Also, representatives from the independent auditors meet annually with the Board to review their audit plans and receive input from the Board. The City also maintains budgetary controls designed to ensure compliance with legal provisions of the annual budget adopted by the City Council.

This report has been prepared in conformance with the principles of governmental accounting and reporting as set forth by the Governmental Accounting Standards Board. Transactions of COPERS are reported on the accrual basis of accounting. Revenues are recorded when earned, without regard to the date of collection and expenses are recorded when incurred. The City's internal accounting and audit controls are designed to provide for the accuracy, reliability and integrity of all financial records.

MAJOR INITIATIVES INVOLVING PLAN ADMINISTRATION

During the fiscal year ended June 30, 2010, the Board continued to diversify the investment of plan assets through the adoption of various reallocations among investment styles, asset classes and investment managers.

Milliman, Inc. ("Milliman") completed, during the 2007-2008 fiscal year, an audit to review the methods and assumptions used for the June 30, 2007 actuarial valuation. Milliman presented the final results of the audit at the August 27, 2008 Retirement Board meeting. After review of the recommendations and considerations, the Board implemented several method changes in the June 30, 2008 actuarial valuation. The Board reviewed other recommendations and considerations during the fiscal year ended June 30, 2010.

Consulting firm Ennis Knupp and Associates ("Ennis Knupp"), in a joint project between the Board and the City Auditor's Department, conducted a comprehensive review of the COPERS' investment program and other current practices, policies and procedures. The scope of the work for this review included legal authority, governance, investment strategy, investment manager selection and evaluations and investment performance reporting process. The report was presented to the Board at the August 19, 2009 meeting. Ennis Knupp concluded:

> "We are pleased to report that, in our opinion, COPERS is fundamentally sound in the areas that we reviewed. We were favorably impressed by the dedication and insight of the Board, caliber of the COPERS' and City Auditor Department's staffs, the level of sophistication in operations, and the focus on maintaining excellence in the areas covered by this review. We did not discover any material shortcomings, and the System's sound governance structure and investment program reflect positively on the COPERS Board and staff."

During fiscal year 2009-2010, the Board began their review of the recommendations and considerations included in the Ennis Knupp review. Some of the changes in Plan operations and governance resulting from these reviews included enhanced policy documentation of the securities lending, proxy voting, securities litigation and brokerage and directed commission programs. The Board also adopted an enhanced Investment Policy Statement and the quarterly performance reports were expanded to include more risk/return and annual return exhibits.

The Plan's actuary, Rodwan Consulting Company ("Rodwan"), prepared an experience study for the period of July 1, 2004 through June 30, 2009. The report was presented to the Board on March 24, 2010. The Board requested Rodwan prepare additional information regarding the demographic and economic assumptions for review at a future meeting.

During the 2009-2010 fiscal year, the COPERS' staff provided assistance to members affected by the City's budget reduction process. In addition to involvement with all employees who retired through these processes, COPERS provided assistance to those who voluntarily left City employment or were faced with demotions and lay-offs.
The Board authorized the initiation of procurement processes for actuarial services and security litigation and evaluation services during the 2009-2010 fiscal year. A request for proposals for security litigation and evaluation

services was issued during the 2009-2010 fiscal year. The selection process will be completed during the 2010-2011 fiscal year. The procurement process for actuarial services will begin during the 2010-2011 fiscal year.
During the 2009-2010 fiscal year, the COPERS' staff and consultants presented the new board member orientation for Retiree Board member Ray Bladine.

ADMINISTRATIVE BUDGET

The City provides an annual budgetary allocation to pay for the general administration of COPERS. The cost paid by the City for COPERS' administration was $1,414,000. Most investment-related expenses, such as investment custody costs, investment manager fees, and consultant fees are paid directly from the Plan's assets. Certain administrative fees for legal, medical, actuarial and computer services are also paid directly from Plan assets. The investment and administrative costs amounted to $9,128,000 for the fiscal year ended June 30, 2010. Administrative and investment costs combined represented 0.57% of total Plan assets.

FUNDING STATUS AND PROGRESS

Fund balances are derived from net assets and are accumulated to meet current and future obligations to retirees and beneficiaries. COPERS' funding objective is to meet these obligations through contributions, which remain approximately level as a percent of member payroll. The actuarial valuation as of June 30, 2010 reflects a funded ratio of 69.3%, the difference between the funding value of assets and the actuarially calculated pension liability. The unfunded actuarial accrued liability will be amortized as a level percent of payroll over future years. The amortization period as of June 30, 2010 is 20 years. A smoothed market value of assets was used for the June 30, 2010 valuation. This method spreads the difference between the actual and expected investment return over four years. A detailed discussion of the funding of COPERS is provided in the Actuarial Section of this report.

INVESTMENT ACTIVITIES

As of June 30, 2010 the net asset value of the COPERS' Plan was $1.535 billion at market value. The fiscal year return for the Plan was 10.32%. The five year annualized return was 1.13%. The actual allocation as of June 30, 2010 was domestic large capitalization ("cap") equities 16.46%, domestic small/mid cap equities 10.36%, international large cap equities 15.88%, international small/mid cap equities 4.20%, core fixed income 24.60%, real estate 8.86%, real return strategy 9.65%, long/short equity 9.29% and cash/cash equivalent 0.70%.

At the August 19, 2009 meeting, the Board voted to accept a recommendation from its investment consultant, R.V. Kuhns & Associates ("Kuhns"), to expand the number of domestic fixed income managers from two to three. Kuhns was authorized by the Board to conduct a search for the additional manager. The finalists were chosen by the Board at their September 23, 2009 meeting. On November 4, 2009, the Board interviewed three fixed income managers and approved contract negotiations with Artio Global Investors ("Artio"). The Board also adopted an optimal allocation among the three managers, as recommended by Kuhns. Artio was funded on June 12, 2010.

Also, at the August 19, 2009 meeting, after consultation with Kuhns, the Board reestablished the quarterly rebalancing process, which had been suspended in November 2008. The Board also adopted a plan for the transition of assets and adopted asset class benchmarks. During October 2009, as approved by the Board at the August 19, 2009 meeting, COPERS' staff transitioned $66 million from domestic equity and real estate managers to international and long/short equity managers as part of the phased progression toward the target allocations.

At the October 28, 2009 meeting, the Board considered recommendations from Kuhns to forego an October 2008 commitment to AREA Real Estate Opportunity Fund VI and invest in JDM Partners Opportunity Fund I. The Board interviewed the principals of JDM Partners and accepted the Kuhns recommendations.

At the January 27, 2010 meeting, after consideration of organizational changes and a recommendation from Kuhns, the Board dismissed fixed income manager Wells Capital Management. The Board interviewed and selected Pacific Investment Management Company ("PIMCO") to manage a portion of the Plan's fixed income allocation at the February 17, 2010 meeting. During the months of April 2010 and May 2010 the restructuring of the fixed income holdings, approved by the Board at its January 27, 2010 meeting was completed with the assistance of Russell Implementation Services.

Kuhns provided the Board with a recommendation at the March 24, 2010 meeting not to proceed with the renewal of an agreement with Northern Trust due to contracting issues. The Board accepted this recommendation as well as one to move the assets from the Northern Trust S&P 500 Index Fund to the S&P 500 SPDR exchange traded fund.

At their March 24, 2010 meeting, Kuhns presented the Board with information on three possible trading cost analysis vendors. This review was conducted due to a fee change implemented by the Plan's custodian, State Street Bank. Elkins McSherry LLC was chosen to conduct the analysis on a quarterly basis.

Board members attended three manager roundtable sessions which included presentations from all 20 active investment managers. The roundtables were held in half day sessions on April 1, 15 and 29, 2010.

The Board considered and accepted a recommendation from Kuhns at the April 23, 2010 meeting to terminate an international small capitalization mandate with AXA/Rosenberg. The Board also decided to place the assets in the iShares MSCI EAFE Small Cap Index exchange traded fund pending the completion of a search by Kuhns for a replacement manager.

The Board considered a structure analysis of the Plan's international equity holdings presented on May 19, 2010 by Kuhns. The Board adopted several changes within the international equity allocation, including a change in the benchmark for managers whose focus is developed international markets and the international equity composite. The new structure included the use of a passive index fund for a portion of the allocation for the developed international markets and an allocation to international small cap equities. The Board directed Kuhns to conduct searches to identify potential new managers for the developed growth and small cap mandates.

After consideration of the investment managers' performance, fees and suitability in the portfolio the Board approved contract renewals for Dimensional Fund Advisors, Research Affiliates, Morgan Stanley and J.P. Morgan.

During the fiscal year real estate capital calls, including those from Real Estate Capital Asia Partners and TA Associates, were funded.

With the assistance of Kuhns, during the fiscal year the Board reviewed several Plan components and processes including the securities lending program, monitoring of class action activity, manager fee assessment and manager organizational changes.

PROFESSIONAL SERVICES

The Retirement Board retains professional consultants to prudently discharge its fiduciary responsibility for the proper administration of the Plan. Rodwan Consulting Company provides actuarial services and the corresponding certification. State Street Bank serves as the master custodian. Brokerage trade execution monitoring is compiled by Elkins/McSherry, LLC and reviewed by investment consultant Kuhns. COPERS' financial statements are audited by Clifton Gunderson LLP and a review of operations is performed by the City Auditor's Department. Investment performance analysis, asset allocation review and investment consulting is provided by R.V. Kuhns & Associates, Inc. Legal services are provided by Kutak Rock, LLP, and Yoder & Langford. P.C. and the City Attorney's Office.

COPERS' investment managers and styles as of June 30, 2010 were:

Equity Managers:

Cadence Capital Management……………………………….…Domestic Large Cap Growth
Cramer Rosenthal McGlynn………………………………………Domestic Small Cap Value
Dimensional Fund Advisors………………………………….…….Domestic Large Cap Value
Eagle Asset Management...Domestic Small Cap Growth
Grantham, Mayo & Van Otterloo………………………………..….International Large Cap
Northern Trust Investments…………………………………………Domestic Large Cap Core
Pyramis Global Advisors……………………………………….………International Large Cap
The Boston Company…………………………………………..……Domestic Mid Cap Value

Fixed Income Managers:

Artio Global Investors…………………………………..….Domestic Core Plus Fixed Income
PIMCO.…………………………………..……………….Domestic Core Plus Fixed Income
Western Asset Management Company…………………Domestic Core Plus Fixed Income

Hedge Fund Managers:
Pacific Alternative Asset Management Company
K2 Advisors

Real Estate Managers:
JDM Partners
J.P. Morgan
Morgan Stanley
Real Estate Capital Asia Partners
TA Associates
Wrightwood Capital

Real Return Manager:
Research Affiliates

SUBSEQUENT EVENTS AND ACKNOWLEDGMENTS

The Board continued the review of the items included in the Ennis Knupp report.

At the July 28, 2010 meeting Kuhns presented three possible funds for the passive broad international equity allocation. The Board selected an index fund managed by State Street.

Also, at the July 28, 2010 meeting the Board approved a proposal from Kuhns to revise the management of the cash flow of the core real estate holdings to maintain the appropriate exposure to core real estate, as previous adopted by the Board.

The additional analysis requested by the Board following the presentation of the experience study for the period of July 1, 2004 through June 30, 2009, prepared by Rodwan, was reviewed at the July 28, 2010 Board meeting. Rodwan presented the analysis concerning the demographic and economic assumptions.

On August 18, 2010, the Board considered the results of a search conducted by Kuhns for an international developed growth equity manager. The Board selected three finalists to be interviewed on September 22, 2010. Baillie Gifford was selected to fulfill this mandate at the September 22, 2010 meeting.

On November 10, 2010, the Board considered the results of a search conducted by Kuhns for an international small capitalization equity manager. The Board selected finalists to be interviewed at a future Board meeting.

The Plan received the Public Pension Standards Award for Funding and Administration. This award was presented by the Public Pension Coordination Council, a confederation of the National Association of State Retirement Administrators, the National Conference on Public Employee Retirement Systems and the National Council on Teacher Retirement. The Public Pension Standards are intended to reflect minimum expectations for public retirement system management and administration. The Public Pension Standards serve as a benchmark by which all defined benefit public plans should be measured. This is the first year the Plan has applied for and received this award.

The preparation of this report reflects the combined efforts of COPERS' staff, the Finance Department and others who have worked diligently in the successful operation of COPERS. This report is intended to provide information as a means for making management decisions, complying with statutory provisions and demonstrating responsible stewardship for the assets of the Plan. The direction and support extended by the Retirement Board and committee members is greatly appreciated.

Respectfully Submitted,

Donna Buelow
Retirement Program Administrator

Retirement Board

Elected Board Members

ELIZABETH BISSA
Chairperson Retirement Board

CATHLEEN GLEASON
Board Member

DAVID HENSLEY
Board Member

Ex-Officio Board Members

BARBARA LANG
Treasurer
City of Phoenix

RICK NAIMARK
Deputy City Manager
City of Phoenix
Chairperson Legal
Review Committee

JANET SMITH
Human Resources Director
City of Phoenix
Chairperson Charter
Amendments Policies &
Procedures Committee

JEFF DEWITT
Finance Director
City of Phoenix

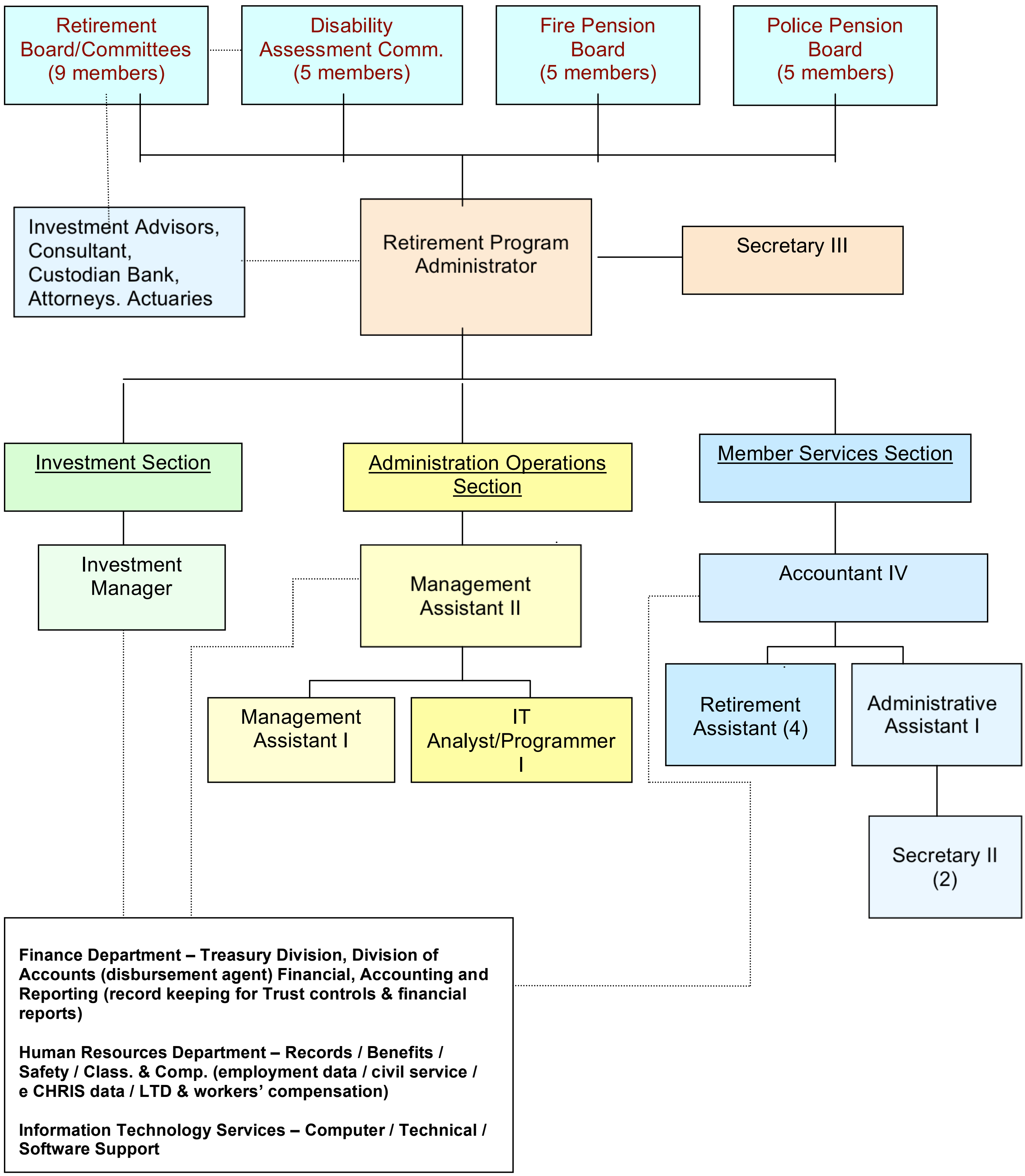
Citizen Board Member

LINDA REIDENBACH
Principal Financial Analyst
Salt River Project (SRP)
Vice Chairperson Retirement Board
Chairperson Investment Committee

Retiree Board Member

RAY BLADINE
Retired Deputy City Manager
City of Phoenix

Administrative Organization



ADMINISTRATIVE STAFF (current)

Donna Buelow
Retirement Program Administrator

Josie Armenta
Retirement Assistant

John Buchanan
Retirement Assistant

Lollita Cordova
Management Assistant I

Greg Fitchet
Investment Manager

Stephen Herbert
IT Analyst Programmer

Tim Jackson
Retirement Assistant

Terri Jimenez
Administrative Assistant I

Anna Martinez
Management Assistant II

Tricia Moreno
Secretary II

Adrianna Rodriguez
Secretary II

Michael Teeselink
Retirement Assistant

Jackie Temple
Accountant IV

Paula Whisel
Secretary III

RETIREMENT BOARD COMMITTEES

Investment Committee
Linda Reidenbach, Chairperson
Ray Bladine
Jeff DeWitt
David Hensley
Barbara Lang

Charter Amendments/Policies & Procedures
Janet Smith, Chairperson
Ray Bladine
David Hensley
Cathleen Gleason
Barbara Lang

Legal Review Committee
Rick Naimark, Chairperson
Elizabeth Bissa
Jeff DeWitt
Cathleen Gleason
Linda Reidenbach

Disability Assessment Committee
Donna Buelow, Chairperson
Amber Cole
Kathy Haggerty
Robert Jones, M.D.
Cindy Prejs

ACCOUNTING
Finance Department
Jeff DeWitt, Finance Director

TREASURER
Finance Department
Barbara Lang, City Treasurer

LEGAL
Law Department
Gary Verburg, City Attorney

CONSULTING SERVICES

Actuary
Rodwan Consulting Company
Royal Oak, MI

Actuarial Audit
Milliman, Inc
Omaha, NE

Auditor
Clifton Gunderson LLP
Phoenix, AZ
Certified Public Accountants under contract with the City Auditor

Independent Consulting
Ennis Knupp & Associates
Chicago, IL

Medical Advisors (per case basis)
Several physicians and clinics used for evaluation of disability applicants on a “per case” basis

Master Custodian
State Street Bank
Alameda, CA

Brokerage Transaction Measurement Service
Elkins/McSherry, LLC
New York, NY

Investment Services
Refer to the Investment Section, page 50

Legal Services
Kutak Rock LLP
Scottsdale, AZ

Yoder & Langford, P.C.
Phoenix, AZ

City of Phoenix
RETIREMENT SYSTEMS

December 9, 2010

To COPERS' Members and Retirees:

On behalf of the Retirement Board, it is my pleasure to present the City of Phoenix Employees' Retirement System ("COPERS") Comprehensive Annual Financial Report ("CAFR") for the fiscal years ended June 30, 2010 and 2009. This annual report contains information regarding the COPERS' administration, financial statements, investments, actuarial and statistical data.

The Board's investment consultant, R.V. Kuhns & Associates, provides performance measurement and assists the Board with analysis of investment issues. R.V. Kuhns & Associates reports the COPERS' total fund performance for the year ended June 30, 2010 was 10.3%. The annualized return for the past three and five years was -5.9% and 1.1%, respectively.

As reported by the Board's Investment Consultant, R.V. Kuhns & Associates, the market value of the Plan increased during the fiscal year ended June 30, 2010. However, longer-term investment returns have been impacted by the negative market environment from mid-2007 through early 2009. The Board has implemented a diversified portfolio, including allocations to all segments of the U.S. equity markets and exposure to non-U.S. equities. The fixed income and real estate allocations are diversified among many managers, with real estate holdings in the core, value-added and opportunistic sectors. In the area of alternative investments, the Board has contracted with two managers focused on long and short equity positions. The real return strategy was implemented in an effort to respond to inflation and to provide returns uncorrelated to major markets.

The Board's actuarial consultant, Rodwan Consulting Company, conducts annual actuarial valuations and periodic experience studies. In the actuarial valuation as of June 30, 2010, Rodwan Consulting Company reports the funded ratio of the plan to be 69.3%, a decrease of 6.0% from the 2009 valuation of 75.3%. The plan sponsor, the City of Phoenix, remains committed to funding the employer's actuarially computed contribution amount, which is 18.18% of member payroll for fiscal year 2011-2012.

During fiscal year 2008-2009 and fiscal year 2009-2010, EnnisKnupp + Associates, Inc. ("EnnisKnupp"), having been retained by the City Auditor Department and the COPERS' Board, conducted a comprehensive review of the COPERS' investment program and other current practices, policies and procedures. The high level objective of the review was to determine whether COPERS is operating in the most effective and efficient manner to achieve the best results with the least risk to the System's membership and the City. The review was presented to the Board on August 19, 2009 and EnnisKnupp concluded:

> "We are pleased to report that, in our opinion, COPERS is fundamentally sound in the areas that we reviewed. We were favorably impressed by the dedication and insight of the Board, caliber of the COPERS' and City Auditor Department's staffs, the level of sophistication in operations, and the focus on maintaining excellence in the areas covered by this review. We did not discover any material shortcomings, and the System's sound governance structure and investment program reflect positively on the COPERS' Board and staff."

The review contained recommendations and considerations for the Board's evaluation. Beginning shortly after the presentation of the review, the Board evaluated each of the recommendations and considerations. These evaluations were inclusive and deliberative. The Board took action on many of the items and scheduled future periodic reviews of other items where there was no immediate action. The governance and operations of the Plan have been strengthened by the issuance of the comprehensive review and the Board's evaluation of the recommendations and considerations.

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An unprecedented number of active members retired during the fiscal year ended June 30, 2010. COPERS' staff assisted each employee during the retirement process. Staff also conducted numerous counseling and educational outreach activities in coordination with the City's Human Resources Department. Staff distributed annual member statements to active members and utilized COPERS' internet site to distribute various documents and information.

The Board and staff have also continued effective communication with the Plan's retirees, which included a presentation for the City of Phoenix Retirees Association members.

The CAFR and the Popular Annual Financial Report ("PAFR") for the fiscal years ended June 30, 2009 and 2008 were again recognized by the Government Finance Officers Association. These reports are accessible through COPERS' internet site.

The COPERS' Board continues to focus on fulfilling our fiduciary obligation to all stakeholders; employees, retirees, the City of Phoenix and its taxpayers. Please contact the Retirement Office with any questions or comments.

Sincerely,

Elizabeth Bissa

Elizabeth Bissa
Chairperson, Retirement Board

Financial Section

The **Financial Section** contains the opinion of the independent auditors, management's discussion and analysis, the audited financial statements, notes to the financial statements, and relevant supplemental information.

Clifton Gunderson LLP
Certified Public Accountants & Consultants

Independent Auditor's Report

To The Honorable Mayor and
Members of the City Council
City of Phoenix Employees'
Retirement System Retirement Board:

We have audited the accompanying statements of plan net assets of the City of Phoenix Employees' Retirement System (the "Plan") as of June 30, 2010 and 2009, and the related statements of changes in plan net assets for the years then ended. These financial statements are the responsibility of the Plan's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. 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 audits provide 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 City of Phoenix Employees' Retirement System as of June 30, 2010 and 2009, and the changes in its net assets for the years then ended in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis and required supplementary information on pages 19 through 23 and 40 through 41 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audits were conducted for the purpose of forming an opinion on the Plan's basic financial statements. The additional supplementary information on pages 42 and 43 in the financial section for the years ended June 30, 2010 and 2009 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audits of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

The introductory section, the investment section, the actuarial section and the 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.

Clifton Gunderson LLP

Phoenix, Arizona
December 9, 2010

Management's Discussion and Analysis

Dear Members and Retirees:

The City of Phoenix Employees' Retirement System ("COPERS" or the "Plan") is pleased to provide the following analysis of the financial activities for the fiscal years ended June 30, 2010 and 2009. The information provided is intended to be considered in conjunction with the Transmittal Letter in the Introductory Section, the Statements provided in the Financial Section of this Comprehensive Annual Financial Report ("CAFR"), and the Notes to the Financial Statements.

Financial Highlights:
(in thousands)

- As of June 30, 2010, $1,535,174 in Plan Net Assets are held in Trust for the payment of pension benefits, as identified in the Statements of Plan Net Assets on page 24. This amount represents an increase of 8.9% from June 30, 2009. The increase is attributable primarily to gains experienced in the financial markets, which impacted COPERS' investment performance. The Plan Net Assets as of June 30, 2009 were $1,409,558 compared to $1,810,669 as of June 30, 2008. The decrease of 22.2% during 2009 was attributable to lower returns experienced in the financial markets, which impacted COPERS' investment performance.

- COPERS' additions (reductions) to Plan assets, as reported in the Statements of Changes in Plan Net Assets on page 25, for the fiscal year ended June 30, 2010 were $264,116 compared to $(274,820) for fiscal year ended June 30, 2009 and $(5,832) for fiscal year ended June 30, 2008. The increase for the current year was attributable primarily to gains in investment income. The amount as of June 30, 2010, includes employer and employee contributions of $116,481 and net investment income of $143,016. Fiscal year ended June 30, 2009 and June 30, 2008, employer and employee contributions were $98,157 and $95,435 respectively. The net investment income (loss) was $(375,388) and $(106,022) respectively.

- The Statements of Changes in Plan Net Assets report an increase in deductions in Plan assets of 9.7% from the fiscal year ended June 30, 2009. This compares to a 10.7% increase in deductions between June 30, 2009 and June 30, 2008. Deductions for fiscal year ended June 30, 2010 were $138,500 compared to $126,291 for fiscal year ended June 30, 2009 and $114,034 for fiscal year ended June 30, 2008. The increases in deductions as of June 30, 2010 and June 30, 2009 are attributable to increased benefits paid during each year.

- The recent Actuarial Valuation prepared as of June 30, 2010 reports the funded ratio to be 69.3%. The funded ratio for fiscal years June 30, 2009 and June 30, 2008 was 75.3% and 79.1%, respectively. A smoothed market value of assets was used for the June 30, 2010, June 30, 2009 and June 30, 2008 valuations. This method spreads the difference between the actual and expected investment return over four years.

Using This Annual Report:

This report is prepared to provide information as a means for making management decisions, complying with statutory provisions, and demonstrating the responsible stewardship of the assets of the Plan. The financial statements starting on page 24 in the Financial Section identify the Net Assets Held in Trust for Pension Benefits, and provide a comparison of the current fiscal year to the prior year.

Overview of Financial Statements:

The Financial Section includes the following:

Statements of Plan Net Assets:

These statements identify the receivables, investments, and liabilities of the Plan to arrive at the Net Assets Held in Trust for Pension Benefits payable to retirees and survivors. The current year information is provided in comparison to the previous year to assist the reader in evaluating the progress of the Plan.

Statements of Changes in Plan Net Assets:

The Statements of Changes in Plan Net Assets differ from the Statements of Plan Net Assets by providing the reader with the Plan's additions and deductions for the current year and the previous year. The statements provide the net increases or decreases realized during the years.

Notes to the Financial Statements:

The Notes to the Financial Statements are an integral part of the financial statements. The information provides the reader with a better understanding of the data presented in the financial statements to further evaluate the financial condition and operations of the Plan.

Required Supplementary Information (RSI):

The RSI provides the Plan's funding progress for the last eight years and the funding ratio to identify the Plan's ability to meet its current and future benefit obligations. The Schedule of Employer Contributions for the last ten years includes the City's required dollar amount of contributions made to the Plan. The Notes to the Schedules of Trend Information provide additional information regarding actuarial assumptions and factors affecting trends.

Additional Supplementary Information:

The Additional Supplementary Information includes Administrative Expenditures and Encumbrances for the current and previous year in operating COPERS. The administrative expenditures are paid by the City of Phoenix and are not recognized in the COPERS' financial statements. The Schedules of Investment Expenses provide the reader with the cost to the Plan for managing and monitoring the Plan's assets.

Financial Analysis
(in thousands)

The evaluation of the Plan's net assets provides a measurement tool in assessing the progress and performance of the Plan. COPERS' Plan Net Assets as of June 30, 2010 were $1,535,174. This amount represents an increase of 8.9% from Plan Net Assets of $1,409,558 as of June 30, 2009. The Plan Net Assets as of June 30, 2008 were $1,810,669. The increase in Plan Net Assets for the current year is as a result of net gains from investing activities. The return on investments for fiscal years ended June 30, 2010, 2009 and 2008 was 10.32%, (20.40)% and (5.14)%, respectively. The investment performance for the fiscal year ended June 30, 2010 was attributable to domestic equity performance of 19.56%, international equity performance of 6.33%, real estate performance of (6.51)%, real return performance of 5.6%, fixed income performance of 15.92% and long/short equity performance of 2.32%. The investment performance for the fiscal year ended June 30, 2009 was attributable to domestic equity performance of (27.95)%, international equity performance of (33.37)%, real estate performance of (27.93)%, real return performance of (4.97)% and 4.94% for fixed income. The investment performance for the fiscal year ended June 30, 2008 was attributable to domestic equity performance of (12.6)%, international equity performance of (7.83)%, real estate performance of 7.95%, real return performance of 1.64% and fixed income performance of 4.35%.

Table 1: COPERS' Plan Net Assets for June 30, 2010 and 2009 (in thousands)

	2010	2009	Change	% Change
Cash & Cash Equivalents	$ 58,099	$ 66,109	$ (8,010)	(12.1%)
Total Receivables	53,530	72,755	(19,225)	(26.4%)
Total Investments	1,746,428	1,577,639	168,789	10.7%
Total Assets	1,858,057	1,716,503	141,554	8.2%
Total Liabilities	322,883	306,945	15,938	5.2%
COPERS' Net Assets	$ 1,535,174	$ 1,409,558	$ 125,616	8.9%

Table 2: COPERS' Plan Net Assets for June 30, 2009 and 2008 (in thousands)

	2009	2008	Change	% Change
Cash & Cash Equivalents	$ 66,109	$ 115,292	$ (49,183)	(42.7%)
Total Receivables	72,755	117,837	(45,082)	(38.3%)
Total Investments	1,577,639	2,133,814	(556,175)	(26.1%)
Total Assets	1,716,503	2,366,943	(650,440)	(27.5%)
Total Liabilities	306,945	556,274	(249,329)	(44.8%)
COPERS' Net Assets	$ 1,409,558	$ 1,810,669	$ (401,111)	(22.2%)

Reserves:

COPERS' maintains five accounts to hold reserves for benefit payments. Additions to the reserves come from contributions (employer and member) and investment income. Distributions from the reserves include monthly pension benefits and increases to eligible pensions under the Pension Equalization Program and the "13th Check." A schedule of reserve account balances is in Note 3 to the Financial Statements.

COPERS' Activities:
(in thousands)

COPERS' provides retirement pensions, survivor benefits, member contribution refunds, and disability benefits to qualified members and their beneficiaries. These benefits are financed through employer and member contributions and income from COPERS' investments.

Net investment income, which includes net appreciation and depreciation in fair value of investments, bond interest, dividend income, net securities lending income and investment expenses for the fiscal year ended June 30, 2010 was $143,016. This compares to net investment income for June 30, 2009 and June 30, 2008 of $(375,388) and $(106,222) respectively. Deductions increased by 9.7% over the prior fiscal year, primarily as a result of increases in pension payments. This compares to a 10.7% increase in deductions from June 30, 2008 to June 30, 2009. Benefit payments for the fiscal years ended June 30, 2010, 2009 and 2008 were $133,522, $121,484 and $109,308, respectively. The increase in benefit payments for the last two fiscal years is due to an increase in the number of retirees and permanent pension adjustments paid to eligible retirees under the Pension Equalization Program in 2009 (refer to page 69 for more information on the Pension Equalization Program).

The summary of COPERS' revenues (additions) and expenses (deductions) for the fiscal years ended June 30, 2010, 2009 and 2008 are provided in Table 3 and Table 4 below:

Table 3: Additions and Deductions to/from Plan Net Assets for the fiscal years ended June 30, 2010 and June 30, 2009 (in thousands)

	2010	2009	Change	% Change
Additions				
Employer Contributions	$ 86,241	$ 66,383	$ 19,858	29.9 %
Members' Contributions	30,240	31,774	(1,534)	(4.8) %
Inter-System Transfers	4,619	2,411	2,208	91.6 %
Net Investment Income (Loss)	142,076	(377,624)	519,700	137.6 %
Net Securities Lending Income	940	2,236	(1,296)	(58.0) %
Total	264,116	(274,820)	538,936	196.1 %
Deductions				
Benefit Payments	133,522	121,484	12,038	9.9 %
Refunds	2,877	2,812	65	2.3 %
Inter-System Transfers	1,699	1,518	181	11.9 %
Administrative Expense	402	477	(75)	(15.7) %
Total	138,500	126,291	12,209	9.7 %
Net Change in Assets	125,616	(401,111)	526,727	131.3 %
Ending Net Assets	$ 1,535,174	$ 1,409,558	$ 125,616	8.9 %

Table 4: Additions and Deductions to/from Plan Net Assets for the fiscal years ended June 30, 2009 and June 30, 2008 (in thousands)

	2009	2008	Change	% Change
Additions				
Employer Contributions	$ 66,383	$ 64,198	$ 2,185	3.4 %
Members' Contributions	31,774	31,237	537	1.7 %
Inter-System Transfers	2,411	4,755	(2,344)	(49.3) %
Net Investment Income	(377,624)	(107,931)	(269,693)	(249.9) %
Net Securities Lending Income	2,236	1,909	327	17.1 %
Total	(274,820)	(5,832)	(268,988)	(4,612.3) %
Deductions				
Benefit Payments	121,484	109,308	12,176	11.1 %
Refunds	2,812	2,623	189	7.2 %
Inter-System Transfers	1,518	2,103	(585)	(27.8) %
Adminstrative Expense	477	--	477	--
Total	126,291	114,034	12,257	10.7 %
Net Change in Assets	(401,111)	(119,866)	(281,245)	(234.6) %
Ending Net Assets	$ 1,409,558	$ 1,810,669	$ (401,111)	(22.2) %

Requests for Information:

This report is prepared to provide the Retirement Board, members, retirees and citizens with an overview of the plan, to assess COPERS' financial position and to show accountability for funds received. Questions regarding the information provided in this financial report or requests for additional information may be addressed to:

COPERS
101 S. Central Avenue, Suite 600
Phoenix, AZ 85004
(602) 534-4400
www.phoenix.gov/phxcopers.html

Statements of Plan Net Assets

June 30, 2010 and 2009
(in thousands)

	2010	2009
ASSETS		
Cash and Cash Equivalents (Note 8)	$ 58,099	$ 66,109
Receivables		
Due from the City of Phoenix (Note 12)	174	730
City of Phoenix Contributions	3,143	2,635
Member Contributions	1,371	1,396
Interest and Dividends	3,215	3,287
Unsettled Broker Transactions - Sales	39,005	64,653
Unsettled Broker Transactions - Foreign Exchange Sales	6,597	--
Other	25	54
Total Receivables	53,530	72,755
Investments, at Fair Value		
Temporary Investments from Securities Lending Collateral (Note 9)	238,396	216,738
Fixed Income	458,859	389,506
Domestic Equities	686,836	505,937
International Equities	362,337	465,458
Total Investments (Note 8)	1,746,428	1,577,639
Total Assets	1,858,057	1,716,503
LIABILITIES		
Payable for Securities Lending Collateral (Note 9)	238,396	216,738
Unsettled Broker Transactions - Purchases	76,811	88,386
Unsettled Broker Transactions - Foreign Exchange Purchases	6,597	--
Investment Management Fees Payable	1,056	1,718
Other Payables	23	103
Total Liabilities	322,883	306,945
Commitments and Contingencies (Notes 8, 9 and 13)		
Net Assets Held in Trust for Pension Benefits (Note 3)	$1,535,174	$1,409,558

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

Statements of Changes in Plan Net Assets

For the Fiscal Years Ended June 30, 2010 and 2009
(in thousands)

ADDITIONS	2010	2009
Contributions		
City of Phoenix	$ 86,241	$ 66,383
Member	30,240	31,774
Inter-System Transfers (Note 11)	4,619	2,411
Total Contributions (Note 5)	121,100	100,568
Net Investment Income		
From Investing Activities:		
Net Appreciation/(Depreciation) in Fair Value of Investments	112,128	(416,560)
Interest	17,201	21,134
Dividends	16,898	23,278
Other	908	384
Total Income/(Loss) from Investing Activities	147,135	(371,764)
Less Investing Activities Expense	(5,059)	(5,860)
Net Income/(Loss) from Investing Activities	142,076	(377,624)
From Security Lending Activities:		
Security Lending Gross Income	1,630	5,508
Less Security Lending Activity Expenses:		
Agent Fees	(403)	(959)
Broker Rebates	(287)	(2,313)
Total Security Lending Expenses	(690)	(3,272)
Net Income from Security Lending Activities	940	2,236
Total Net Investment Income/(Loss)	143,016	(375,388)
Total Additions/(Loss)	264,116	(274,820)
DEDUCTIONS		
Benefit Payments	133,522	121,484
Refunds of Contributions	2,877	2,812
Inter-System Transfers (Note 11)	1,699	1,518
Administrative Expenses	402	477
Total Deductions	138,500	126,291
NET INCREASE/(DECREASE)	125,616	(401,111)
Net Assets Held in Trust for Pension Benefits (Note 3)		
Beginning of Year	1,409,558	1,810,669
End of Year	$ 1,535,174	$ 1,409,558

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

Note 1 - Summary of Significant Accounting Policies

COPERS' is a defined benefit single-employer public employees' retirement system for the City's general municipal employees. The accounting policies of COPERS conform to accounting principles generally accepted in the United States of America ("GAAP") as applicable to governmental retirement plans.

a. Reporting Entity

COPERS' prepares and distributes separate financial statements as required by Charter. Its financial statements are also included as a component unit of the City reporting entity due to the significance of COPERS' operational and financial relationships with the City. The City is the only non-employee contributor to the pension plan. Not all employees of the City are covered under COPERS. Police officers and firefighters are covered under the Arizona Public Safety Personnel Retirement System ("APSPRS") and elected officials under the Elected Officials Retirement Plan of Arizona ("EORPA"). APSPRS and EORPA were established by Arizona State Statute and are administered by an independent Board of Trustees. The City's involvement with these plans is limited to the administration of benefits for APSPRS through the City of Phoenix Fire and Police Local Boards and making the required annual contributions.

b. Basis of Accounting

COPERS' financial statements are prepared using the accrual basis of accounting using the economic resources measurement focus. Employee contributions are recognized as revenues in the period in which employee services are performed and the contributions are therefore earned. Employer contributions are recognized at the same time, as the City is formally committed to contributing the actuarially determined amount each year. Benefit payments received each month by retirees are recognized as an expense of the prior month, and refunds are recognized as expenses when due and payable, in accordance with the terms of the plan.

c. Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make a number of estimates and assumptions that affect the reported amounts of net assets held in trust for pension benefits and changes therein. Actual results could differ from those estimates.

d. Investments

Equity securities and fixed-income securities are reported at fair value (Note 8). Interest and dividend income is recognized on the accrual basis as earned. Purchases and sales of investments are recorded on a trade-date basis. Cash equivalents are determined by using a maturity of no more than 90 days. The fair value of an investment is the amount that the Plan could reasonably expect to receive for it in a current sale between a willing buyer and a willing seller. The fair values of investments are generally based on published market prices and quotations obtained from major investment firms. For alternative investments where no readily ascertainable market value exists, the Plan's custodian, in consultation with the Plan investment managers, determines fair values for the individual investments.

e. New Accounting Pronouncement

COPERS implemented GASB Statement No. 53 "Accounting and Financial Reporting for Derivative Instruments" with the June 30, 2010 annual financial report. There were no adjustments to the financial statements as a result of implementation as it only impacted the financial note disclosure.

Note 2 - Description of Plan

a. Purpose

The City of Phoenix Employees' Retirement Plan (“COPERS” or the “Plan”) is a single-employer, defined benefit pension plan established by the City Charter. Its purpose is to provide retirement, disability retirement and survivor benefits for its members. Members are full-time employees on a work schedule which consists of the number of full-time hours per week designated for the class of employment for the employee’s classification and which work schedule is intended to be continuous over a period of twelve months at the aforementioned full-time hours per week. All full-time classified civil service employees and full-time appointive officials of the City of Phoenix, (“City”) with the exception of sworn police and firefighters, are required, as a condition of employment, to contribute to COPERS.

b. Administration

The general administration, management and operation of COPERS are vested in a nine-member Retirement Board consisting of three elected employee members, four statutory members, a citizen member and a retiree member. The Retirement Board appoints the Retirement Program Administrator, a civil service position, and contracts investment counsel and other services necessary to properly administer the Plan.

c. Plan Amendment and Termination

COPERS is administered in accordance with the Charter of the City of Phoenix (Chapter XXIV, Article II, Employees' Retirement Law of 1953) and can be amended or repealed only by a vote of the people. There are no provisions for termination of COPERS.

d. Membership Data

	June 30	
	2010	2009
Current retirees, beneficiaries and survivors	4,931	4,669
Alternate payees	98	94
Terminated vested members	707	748
Active members:		
Vested	6,712	6,685
Non-vested	2,184	2,632
Total Members	14,632	14,828

e. Pension Benefits

Benefits are calculated on the basis of a given rate, final average salary and service credit. Members are eligible for retirement benefits at age 60 with ten or more years of service credit; age 62 with five or more years of service credit; or where age and service credits equal 80. The benefit is based on 2% of final average compensation multiplied by the first 32.5 years of service credit, 1% in excess of 32.5 years to 35.5 years, and .5% thereafter. A deferred pension is available at age 62 for members who have five or more years of service credit at time of separation and leave their accumulated contributions in COPERS.

A supplemental post-retirement payment and a permanent benefit increase (under the Pension Equalization Program), may be provided to retirees if sufficient reserves are available at the end of the fiscal year. The reserve is funded if the five-year average investment return exceeds 8 percent.

Note 2 - Description of Plan (Continued)

f. Disability Benefits

A member who becomes permanently disabled for the performance of duty is eligible for a disability benefit if the disability is 1) by reason of a personal injury or disease and the member has ten or more years of service credit, or 2) due to on-the-job injuries, regardless of service credit.

g. Survivor Benefits

Dependents of deceased members may qualify for survivor benefits if the deceased member had ten or more years of service credit, or if the member's death was in the line of duty with the City and compensable under the Workmen's Compensation Act of the State of Arizona. Chapter XXIV, Section 25 of the Charter of the City of Phoenix, specifies the dependents and conditions under which they qualify for survivor benefits.

h. Refunds

Upon separation from employment, a member or beneficiary not entitled to a pension may withdraw the member's contribution plus applicable interest. An interest rate of 3% for fiscal year 2010 (2% for fiscal year 2009) was granted by the Retirement Board to be applied at June 30, 2010 to the members' mean account balances during the fiscal year. The acceptance of a refund cancels the individual's rights and benefits in COPERS. Employer contributions to COPERS are not refundable.

i. Tax Exempt Status of Member Contributions

COPERS' has received a favorable letter of determination of qualification from the Internal Revenue Service under Section 401(a) of the Internal Revenue Code. Continued tax-exempt status of COPERS is contingent on future operations remaining in compliance with Section 401(a).

Under Internal Revenue Code Section 414(h)(2) and Revenue Ruling 81-36, effective January 1, 1985 the City of Phoenix authorized that a portion of its contributions be earmarked as being made by the members of COPERS, and "picked up" that portion of the designated active member contributions. The portion of COPERS' contribution that is picked up by the City of Phoenix is treated as an employer contribution for federal and state income tax purposes and excluded from the member's gross income until distributed by COPERS.

Note 3 – Net Assets Held in Trust for Pension Benefits

Various accounts have been established to hold the reserves for benefit payments:

- The **Income Account** is used to account for COPERS' investment income and loss, including net appreciation or depreciation in fair value and miscellaneous income. At year-end, the Income Account is closed to the Employees' Savings Account, the Pension Accumulation Account, the Pension Reserve Account and the Pension Equalization Reserve Account, which results in no fund balance in the Income Account.

- The **Employees' Savings Account** is used to account for member contributions, member refunds, and the member portion of investment income. As a condition of employment, each member is required to contribute 5 percent of his/her covered compensation. Accumulated contributions receive regular interest that is computed at the end of each fiscal year on the mean balance in the members' accounts during the year. The rate of interest is established each year by the Board (3 percent in fiscal 2010 and 2 percent in fiscal 2009). Transfers are made from the Employees' Savings Account to the Pension Reserve Account when a member retires or becomes eligible for disability benefits.

Note 3 – Net Assets Held in Trust for Pension Benefits (Continued)

- The **Pension Accumulation Account** is used to account for employer contributions and for a portion of investment income. The Charter requires the City to contribute an amount that is determined annually by COPERS' retained actuaries. Contributions are based upon a level percentage of payroll funding principle so that the contribution rates do not fluctuate significantly over time. This contribution is over and above the member contributions made by the City. Transfers are made from the Pension Accumulation Account to the Pension Reserve Account when a member retires or becomes eligible for disability benefits.

- The **Pension Reserve Account** is used to account for distributions to retirees and the balance receives regular interest that is computed the end of each fiscal year on the mean balance during the year. The rate of interest is the actuarial assumed rate.

- The **Pension Equalization Reserve Account** is used for funding increases to eligible pensions under the Pension Equalization Program and the "13th Check." The Pension Equalization Program was established on October 1, 1991, when voters of the City of Phoenix approved an amendment to the City Charter, allowing pension adjustments to be paid to retired members of COPERS. These adjustments are to be made exclusively from COPERS' investment earnings in excess of 8% over the preceding 5-year period, and may not exceed the Phoenix area Consumer Price Index (CPI). This amendment was effective January 1, 1992, and will benefit only retirees who, as of January 1 of each year, have received at least 36 pension payments.

Following are the fiscal year-end reserve balances as of June 30, 2010 and 2009 respectively, based on amortized cost for fixed income investments and cost for equity investments (in thousands):

	2010	2009
Employees' Savings	$445,141	$446,039
Pension Accumulation	(32,003)	37,356
Pension Reserve	1,227,983	1,110,507
Pension Equalization Reserve	543	1,693
Convert to Fair Value	(106,490)	(186,037)
Total Based on Fair Value	$1,535,174	$1,409,558

Note 4 - Administrative Costs

The 2010 Administrative costs of COPERS were $1,414,000. This amount was paid by the City and not recognized in COPERS' financial statements. This compares to the 2009 administrative costs of $1,241,000. Investment-related costs are paid directly from Plan assets. As of October 22, 2008, the COPERS' Board approved the payment of certain fees for legal, medical, actuarial and computer services from Plan assets. The investment and administrative costs from Plan assets were $9,128,000 and $8,510,000 for the fiscal years ended June 30, 2010 and 2009, respectively.

Note 5 - Funding Requirement Determinations and Actual Contributions

City of Phoenix contributions for the fiscal year ended June 30, 2010 were $86,241,000 which is equivalent to 14.35% of the estimated annual active member payroll, compared to $66,383,000 (11.78%) for the fiscal year ended June 30, 2009. Member contributions for the fiscal years ended June 30, 2010 and June 30, 2009 were $30,240,000 and $31,774,000 respectively, which represent the required 5% of covered compensation as a condition of employment.

Employer contributions are actuarially determined amounts, which together with member contributions, are sufficient to cover both (i) normal costs of the plan, and (ii) financing of unfunded accrued actuarial costs over a selected period of future years. (See Note 6)

Note 6 – Funded Status and Funding Progress (as of most recent valuation)

Unfunded actuarial accrued liabilities are determined annually by the consulting actuary. The unfunded actuarial accrued liability as of June 30, 2010 and June 30, 2009 are detailed below (in thousands).

	2010	2009
Actuarial Value of Assets	$1,868,093	$1,895,148
Actuarial Accrued Liability		
Active Members	1,351,016	1,290,003
Retirees and Beneficiaries Currently Receiving Benefits	1,311,929	1,193,391
Terminated Members Not Yet Receiving Benefits	34,343	34,700
Total Actuarial Accrued Liability	2,697,288	2,518,094
Unfunded Actuarial Accrued Liability	($829,195)	($622,946)
Funded Ratio (actuarial value of assets to unfunded actuarial liability)	69.3%	75.3%
Covered Payroll	$ 550,175	$ 539,468

The schedule of funding progress, presented as Required Supplementary Information (RSI) following the notes to the financial statements, presents multiyear trend information about whether the actuarial values of the plan are increasing or decreasing over time relative to the actuarial accrued liability for benefits.

Actuarial present values are determined by a consulting actuary applying actuarial assumptions to reflect the time value of money (through discounts for interest) and the probability of payment (by means of decrements, such as for death, disability, withdrawal or retirement) between the valuation date and the expected date of payment.

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

Valuation Date:	June 30, 2010	June 30, 2009
Actuarial Cost Method	Individual Entry Age	Individual Entry Age
Amortization Method	Level Percent Open	Level Percent Open
Remaining Amortization Period	20 Years	20 Years
Asset Valuation Method	4-Year Smoothed Market Value	4-Year Smoothed Market Value
Actuarial Assumptions:		
Investment Rate of Return	8.0%	8.0%
Projected Salary Increases (1)	5.0%	5.0%
Cost-of-Living Adjustments	None	None
Factors Affecting Trends	None	None

(1) Includes inflation at 4.5%

Note 6 – Funded Status and Funding Progress (as of most recent valuation) (Continued)

The actuarial assumptions employed as of June 30, 2010 and June 30, 2009 include the following:

1) Salary Scale – Projected salary increases of 4.5% per year compounded annually attributable to inflation, with another 0.5% to competition and productivity. Additional projected salary increases ranging from 0% to 4.0% per year, depending on age, attributable to merit and longevity.

2) Multiple Decrement Tables:

   a) Death - For determination of member, retiree and beneficiary mortality, the RP 2000 Healthy Annuitants Mortality Table.

   b) Disability - Based upon COPERS' experience.

   c) Withdrawal - Based upon COPERS' experience, measures the probability of members terminating employment for reasons other than retirement, death or disability.

3) Smoothed Funding – A smoothed market value of assets was used for the June 30, 2010 valuation. This method, which is unchanged from last year, spreads the difference between the actual and expected investment return over four years.

The foregoing actuarial assumptions are based on the presumption that COPERS will continue as presently chartered. If COPERS is amended, different actuarial assumptions and other factors might be applicable in determining actuarial present values.

Note 7 - Funding Policy

As a condition of employment, members are required to contribute 5% of their salary to COPERS as provided in Chapter XXIV, Section 27, of the City Charter. Present members' accumulated contributions at June 30, 2010 were $445,141,268, including interest compounded annually compared to $446,039,323 at June 30, 2009. The City's funding policy is designed to provide annual contributions to COPERS in amounts that are estimated to remain a constant percentage of members' compensation each year, such that, when combined with members' contributions, all active member benefits will be fully funded as earned. Contributions to the Plan are actuarially determined. The unfunded actuarial accrued liability in excess of applicable value of assets is amortized as a level percent of payroll over 20 years from June 30, 2010.

Note 8 - Investments

COPERS is authorized to invest in common stocks, obligations of the U.S. Treasury, its agencies and instrumentalities, money market accounts, certificates of deposit, the State Treasurer's investment pool, obligations issued or guaranteed by any state or political subdivision thereof, which are rated in the highest short-term or second highest long-term category, and investment grade corporate bonds, debentures, notes and other evidences of indebtedness which are not in default as to principal or interest and are issued or guaranteed by a solvent U.S. corporation. COPERS is also authorized to invest in “Investment Derivative Instruments” which include swaps, forwards, options on swaps, and options on forwards.

The City Charter allows up to a 60% investment (at cost) in domestic common stocks. The Board's present policy has resulted in approximately 41% being invested (at cost) in domestic common stocks as of June 30, 2010. The Board’s present policy allows up to 21% investment (at fair value) in international equities. As of June 30, 2010 approximately 20% was invested (at fair value) in international equities.

Note 8 – Investments (Continued)

A summary of investments at June 30, 2010 and 2009 is as follows (in thousands):

	2010		2009	
	Amortized Cost	Fair Value	Amortized Cost	Fair Value
Temporary Investments from Securities Lending Collateral (Note 9)	$ 238,396	$ 238,396	$ 216,738	$ 216,738
Fixed Income	455,881	458,859	411,437	389,506
Domestic Equities	764,604	686,836	612,226	505,937
International Equities	394,037	362,337	523,276	465,458
	1,852,918	1,746,428	1,763,677	1,577,639
Cash and Cash Equivalents	58,099	58,099	66,109	66,109
Total Investments	$ 1,911,017	$ 1,804,527	$ 1,829,786	$ 1,643,748

COPERS' investments are managed by professional fund managers and are held by a plan custodian who is COPERS' agent.

As of June 30, 2010, the total market value of options held was $(480,142) and the total market value for swaps was $1,482,843. On June 30, 2009, the total market value of options held was $(79,850) and the total market value for swaps was $1,320,914.

Note 8 – Investments (Continued)

The following schedule provides the categories of investments as of June 30, 2010 (in thousands):

Investment Categories	Fair Value
Cash	$ 3
Short-Term Investment Fund	58,096
Cash and Cash Equivalents	58,099
Temporary Investments from Securities Lending Collateral	238,396
Fixed Income:	
Derivatives	1,003
U S Government Guaranteed Securities	227,184
Government Agencies Securities	3,495
Mortgage Backed Securities-Residential	89,799
Asset Backed Securities	10,801
Corporate Bonds	97,740
Municipal Bonds	2,087
Foreign (USD)	26,750
	458,859
Domestic Equities	541,812
International Equities:	
Commingled Funds	362,337
Real Estate Funds	135,755
Commodities:	
Exchange Traded Fund	9,269
Total with Securities Lending Collateral	$ 1,804,527

Custodial Credit Risk – Deposits

Custodial credit risk for deposits is the risk that in the event of a depository institution failure, a government will not be able to recover deposits or collateral held by an outside party. As of June 30, 2010, COPERS did not realize any custodial credit risk for deposits. COPERS' policy requires all deposits to be insured and to be held in COPERS' name.

Note 8 – Investments (Continued)

Custodial Credit Risk – Investments

Custodial credit risk for investments is the risk that in the event of a failure of a counterparty to a transaction, a government will not be able to recover the value of investment or collateral securities that are in the possession of an outside party. As of June 30, 2010, COPERS did not realize any custodial credit risk for investments or securities lending arrangements. Note 9 on page 38, provides detailed information regarding securities lending. COPERS' policy requires all investments to be collateralized and registered in COPERS' or its nominee(s) name.

Concentration of Credit Risk

Concentration of Credit Risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. COPERS' investment policy does not allow for an investment in any one issuer that is in excess of five percent of COPERS' total investments which includes futures, options and swaps, except investments issued or explicitly guaranteed by the U.S. government. As of June 30, 2010, COPERS did not have any investments with any one issuer in excess of five percent.

Foreign Currency Risk

Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment or a deposit. COPERS' investment policy includes a target of 21% of the Plan's total assets in international investments. The current actual international investment allocation is 20.07% of total Plan assets as of June 30, 2010. The fair market value of COPERS' international commingled equity funds managed by Pyramis Global Advisors, GMO and Blackrock/iShares was $307,433,250 as of June 30, 2010. Dollar denominated holdings accounted for 100% of the international investments.

Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. COPERS' investment policy permits purchasing any security that is included in the Barclays Capital US Aggregate Index and relies on the methodology used by Barclays Capital to determine if a security is investment grade. For fixed income securities and their futures or options derivatives, emphasis will be on high-quality securities.

COPERS' currently has three managers responsible for fixed income investments. Artio Capital Management, PIMCO and Western Asset Management Company (Western) are active bond managers. As part of their portfolio, Western may enter into futures, options, and swaps contracts for hedging purposes and/or as a part of the overall portfolio strategy and will be incidental to its securities trading activities for the account. Table I on page 36 provides information relating to the credit risk for the fixed income investments in COPERS' as of June 30, 2010.

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates adversely affect the fair value of an investment. Typically, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in interest rates. COPERS' investment services agreement with Western Asset Management Company directs them to maintain an average weighted duration of portfolio security holdings including futures and options positions within ±20% of the Barclays Capital US Aggregate Index. COPERS' investment management agreement with Artio Global Management specifies a weighted average duration of +/- one year of the Barclays Capital US Aggregate Index. The investment management agreement with PIMCO requires a weighted average duration of +/- two years of the Barclays Capital US Aggregate Index. Information about the interest rate risk exposure of COPERS is provided in Table I on page 36. COPERS' assets include several collateralized mortgage obligations and mortgage backed securities, which could be considered as highly sensitive to interest rate changes, depending upon the exercise of prepayment options.

Note 8 – Investments (Continued)

COPERS' investment policy permits the following investments, which include investments that are considered to be highly sensitive to interest rate changes due to long maturities, prepayment options, coupon multipliers, reset dates and similar terms:

- Obligations issued or guaranteed by the U.S. Federal Government, U.S. Federal Agencies or U.S. government-sponsored corporations and agencies.
- Obligations of U.S. and non-U.S. corporations such as mortgage bonds, convertible and non-convertible notes and debentures.
- Mortgage-backed and asset-backed securities, swaps, forwards, options on swaps, options on forwards
- Obligations denominated in U.S. dollars of international agencies, supranational entities and foreign governments (or their subdivisions or agencies).
- Securities defined under Rule 144A and Commercial paper defined under Section 4(2) of the Securities Act of 1933.
- Bank Loans, TBA Securities and Mortgage Dollar Rolls.
- General obligation bonds, revenue bonds, improvement district bonds, or other evidences of indebtedness of any state of the United States, or any of the counties or incorporated cities, towns and duly organized school districts in the State of Arizona which are not in default as to principal and interest.

Note 8 – Investments (Continued)

Table I: Credit Rating and Maturity for COPERS' Fixed Income Investments (in thousands)

	Credit Quality Ratings	Fair Value	Remaining Maturity 0 - 5 Years	6 - 10 Years	11 - 15 Years	16 - 20 Years	21 - 25 Years	Over 25 Years
Total Cash		**$ 3**	**$ 3**	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**
Short Term Investments	Not Rated	48,636	48,636	-	-	-	-	-
Short Term Investments	AAA	9,460	9,460	-	-	-	-	-
Total Short Term Investments		**58,096**	**58,096**	-	-	-	-	-
Total Derivatives	Not Rated	**1,003**	**859**	**(150)**	**(190)**	-	-	**484**
U S Government Guaranteed	Not Rated	24,504	9,495	-	6,568	8,441	-	-
U S Government Guaranteed	AAA	202,680	111,320	30,240	2,509	16,747	27,366	14,498
Total U S Government		**227,184**	**120,815**	**30,240**	**9,077**	**25,188**	**27,366**	**14,498**
Government Agency	AAA	110	67	43	-	-	-	-
Government Agency	BBB	3,385	991	1,500	-	-	-	894
Total Government Agency		**3,495**	**1,058**	**1,543**	**-**	**-**	**-**	**894**
Asset Backed	Not Rated	631	-	-	-	3	-	628
Asset Backed	AAA	7,482	3,184	246	1,660	-	-	2,392
Asset Backed	AA	102	-	-	-	-	-	102
Asset Backed	BBB	318	-	23	58	-	237	-
Asset Backed	BB	374	-	-	-	-	374	-
Asset Backed	B	1,142	-	-	-	-	-	1,142
Asset Backed	CCC	224	-	-	-	-	-	224
Asset Backed	CC	145	-	-	-	-	-	145
Asset Backed	D	383	-	-	-	-	-	383
Total Asset Backed		**10,801**	**3,184**	**269**	**1,718**	**3**	**611**	**5,016**
Mortgage Backed	Not Rated	1,751	-	-	-	-	-	1,751
Mortgage Backed	AAA	70,424	-	-	898	409	5,779	63,338
Mortgage Backed	AA	1,348	-	-	-	-	-	1,348
Mortgage Backed	A	3,980	-	-	-	-	544	3,436
Mortgage Backed	BBB	1,525	-	-	-	-	343	1,182
Mortgage Backed	BB	979	-	-	-	-	-	979
Mortgage Backed	B	3,835	-	-	-	-	-	3,835
Mortgage Backed	CCC	5,465	-	-	-	-	-	5,465
Mortgage Backed	CC	492	-	-	-	-	-	492
Total Mortgage Backed		**89,799**	**-**	**-**	**898**	**409**	**6,666**	**81,826**
Municipal Bonds	AA	1,210	-	-	-	203	403	604
Municipal Bonds	A	877	690	-	-	-	-	187
Total Municipal Bonds		**2,087**	**690**	-	-	**203**	**403**	**791**

Notes to the Financial Statements
(Continued)

Note 8 – Investments (Continued)

Table I: Credit Rating and Maturity for COPERS' Fixed Income Investments (in thousands) (Continued)

	Credit Quality Ratings	Fair Value	Remaining Maturity 0 - 5 Years	6 - 10 Years	11 - 15 Years	16 - 20 Years	21 - 25 Years	Over 25 Years
Corporate Bonds	Not Rated	43,953	9,550	1	33,717	244	441	-
Corporate Bonds	AAA	2,143	1,386	744	-	-	-	13
Corporate Bonds	AA	5,839	1,766	2,331	-	-	-	1,742
Corporate Bonds	A	26,350	10,128	12,953	-	55	22	3,192
Corporate Bonds	BBB	18,662	2,456	10,861	811	86	1,240	3,208
Corporate Bonds	BB	539	68	63	-	-	215	193
Corporate Bonds	B	51	51	-	-	-	-	-
Corporate Bonds	CCC	203	51	-	14	-	138	-
Total Corporate Bonds		**97,740**	**25,456**	**26,953**	**34,542**	**385**	**2,056**	**8,348**
Foreign	Not Rated	2,786	1,311	-	1,475	-	-	-
Foreign	AAA	5,637	5,532	105	-	-	-	-
Foreign	AA	5,036	3,078	1,254	-	-	-	704
Foreign	A	5,836	1,429	3,156	700	-	-	551
Foreign	BBB	7,311	4,342	2,440	-	-	73	456
Foreign	D	144	144	-	-	-	-	-
Total Foreign		**26,750**	**15,836**	**6,955**	**2,175**	**-**	**73**	**1,711**
Total Fixed Income Investments by Maturity Dates		**$ 516,958**	**$ 225,996**	**$ 65,813**	**$ 48,220**	**$ 26,188**	**$ 37,175**	**$ 113,566**

Note 9 – Securities Lending Program

State statutes and City Charter do not prohibit COPERS from participating in securities lending transactions, and COPERS has, via a Securities Lending Authorization Agreement effective March 5, 2002, authorized State Street Bank and Trust Company ("State Street") to lend its securities to broker-dealers and banks pursuant to a form of loan agreement. The Agreement was amended effective November 16, 2006 directing State Street Bank and Trust to invest cash collateral in the Funds for Short-Term Investment – Quality D, replacing the requirement to invest in the Quality A Fund.

During 2010 and 2009, State Street lent, on behalf of COPERS, certain securities held by State Street as custodian and received cash (United States and foreign currency), securities issued or guaranteed by the United States government and irrevocable letters of credit as collateral. State Street did not have the ability to pledge or sell collateral securities delivered absent a borrower default. Borrowers were required to deliver collateral for each loan equal to: (i) in the case of loaned securities denominated in United States dollars or whose primary trading market was located in the United States or sovereign debt issued by foreign governments, 100% of the market value of the loaned securities; and (ii) in the case of loaned securities not denominated in United States dollars or whose primary trading market was not located in the United States, 105% of the market value of the loaned securities.

COPERS did not impose any restrictions during the fiscal year on the amount of the loans that State Street made on its behalf and State Street indemnified COPERS by agreeing to purchase replacement securities or return cash collateral in the event borrower failed to return the loaned security or pay distributions thereon. There were no such failures by any borrowers. Moreover, there were no losses during the fiscal year resulting from a default of the borrowers or State Street.

During 2010 and 2009, COPERS and the borrowers maintained the right to terminate all securities lending transactions on demand. The cash collateral received on each loan was invested, together with the cash collateral of other qualified tax-exempt plan lenders, in a collective investment pool. As of June 30, 2010, such investment pool had an average duration of 30 days and an average weighted maturity of 244 days. Because the loans were terminable at will, their duration did not generally match the duration of the investments made with cash collateral. On June 30, 2010, COPERS had no credit risk exposure to borrowers. The collateral held, and the market value of securities on loan for COPERS as of June 30, 2010, were $238,396,483 and $230,958,609, respectively, and as of June 30, 2009, were $216,738,450 and $211,419,466 respectively.

Note 10 – Risk and Uncertainties

COPERS invest in various investment securities. Investment securities are exposed to various risks such as interest rate, market and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and such changes could materially affect the amounts reported in the statements of changes in plan assets. Because the values of individual investments fluctuate with market conditions, the amount of investment gains or losses that COPERS will recognize in its future financial statements cannot be determined.

Note 11 – Funds To/From Other Systems

Under the provisions of Arizona Revised Statutes, Section ARS 38-730 as amended in 1992, transfers between COPERS and the Arizona State Retirement System ("ASRS") are allowed when the City hires an employee who was formerly covered by ASRS, or a COPERS member who separates from City of Phoenix employment goes to work for an entity that covers its employees under ASRS. The amount of the transfers, in and out of COPERS during 2010 and 2009, was equal to the present value of the employees' then-vested benefits.

Note 11 – Funds To/From Other Systems (Continued)

Under the provisions of Arizona Revised Statutes, Section ARS 38-923 and 38-924 as amended in 2006, an active or inactive member of COPERS or the Public Safety Personnel Retirement System ("PSPRS") who becomes a member of the other retirement system may transfer service credits from the member's prior retirement system to the member's current retirement system. The amount of the transfers from COPERS during 2010 and 2009 was equal to the member's account.

Note 12 – Interfund Balances

On the Statement of Plan Net Assets, the liability if any, due to the City of Phoenix, results from the fact that COPERS does not have a local bank account. The City of Phoenix Payroll Section issues both Retirement pension warrants and employee retirement contribution refund warrants from the City's bank account.

Until Retirement personnel instruct State Street Bank and Trust to wire funds to the City of Phoenix in reimbursement for the warrants, the Retirement Plan is in debt to the City. Also, City employees previously employed by government entities may purchase prior service credits. The dollar amount of these purchases is deposited in the City's bank account, to be later transferred to the Plan's custodian. Until the transfer is made, the City is in debt to the Retirement Plan.

Note 13 – Contingent Liabilities

COPERS is a party in a pending litigation matter. While the final outcome cannot be determined at this time, management is of the opinion that the final obligation, if any, for these legal actions will not have a material adverse effect on COPERS' financial position or change in net assets.

Note 14 – Subsequent Events

At the July 28, 2010 meeting, Kuhns presented three possible funds for the passive broad international equity allocation. The Board selected an index fund managed by State Street.

Also, at the July 28, 2010 meeting, the Board approved a proposal from Kuhns to revise the management of the cash flow of the core real estate holdings to maintain the appropriate exposure to core real estate, as previous adopted by the Board.

The additional analysis requested by the Board following the presentation of the experience study for the period of July 1, 2004 through June 30, 2009, prepared by Rodwan, was reviewed at the July 28, 2010 Board meeting. Rodwan presented the analysis concerning the demographic and economic assumptions.

On August 18, 2010, the Board considered the results of a search conducted by Kuhns for an international developed growth equity manager. The Board selected three finalists to be interviewed on September 22, 2010. Baillie Gifford was selected to fulfill this mandate at the September 22, 2010 meeting.

On November 10, 2010, the Board considered the results of a search conducted by Kuhns for an international small capitalization equity manager. The Board selected finalists to be interviewed at a future Board meeting.

Required Supplementary Information

Schedule of Funding Progress
Last Eight Fiscal Years
(in thousands)

Actuarial Valuation Date		(1) Actuarial Value of Assets	(2) Actuarial Accrued Liability (AAL) Entry Age	(3) Unfunded AAL (2)-(1)	(4) Funded Ratio (1)/(2)	(5) Annual Covered Payroll	(6) Unfunded AAL as a Percentage of Covered Payroll (3)/(5)
06/30/10		$ 1,868,093	$ 2,697,288	$ 829,195	69.3 %	$ 550,175	150.7 %
06/30/09		1,895,148	2,518,094	622,946	75.3	539,468	115.5
06/30/08	(a)	1,908,414	2,413,365	504,951	79.1	566,512	89.1
06/30/07		1,816,508	2,166,119	349,611	83.9	535,079	65.3
06/30/06	(a)	1,626,741	2,000,346	373,605	81.3	497,105	75.2
06/30/05		1,511,553	1,795,514	283,961	84.2	467,998	60.7
06/30/04		1,417,774	1,684,795	267,021	84.2	445,345	60.0
06/30/03		1,330,584	1,504,125	173,541	88.5	416,472	41.7

Analysis of the dollar amounts of actuarial value of assets, actuarial accrued liability, or unfunded actuarial accrued liability in isolation can be misleading. Expressing the actuarial value of assets as a percentage of the actuarial accrued liability provides one indication of the Plan's funded status on a going-concern basis. Analysis of this percentage over time indicates whether the Plan is becoming financially stronger or weaker. Generally, the greater this percentage, the stronger the Plan. The unfunded actuarial accrued liability and annual covered payroll are both affected by inflation. Usually, expressing the unfunded actuarial accrued liability as a percentage of annual covered payroll approximately adjusts for the effects of inflation and aids analysis of the progress being made in accumulating sufficient assets to pay benefits when due. Generally, the smaller this percentage the stronger the Plan.

(a) After changes in benefit provisions, actuarial assumptions and/or actuarial cost methods.

Schedule of Employer Contributions
Last Ten Fiscal Years
(in thousands)

Fiscal Year	Valuation Date	Annual Required Contribution	Percent Contributed
2009-10	2008	$ 86,241	100 %
2008-09	2007	66,383	100
2007-08	2006	64,198	100
2006-07	2005	58,151	100
2005-06	2004	52,974	100
2004-05	2003	43,375	100
2003-04	2002	39,564	100
2002-03	2001	27,820	100
2001-02	2000	28,295	100
2000-01	1999	22,329	100

Required Supplementary Information (Continued)

Notes to the Required Supplementary Information

There were no changes in actuarial methods implemented in the June 30, 2010 annual valuation.

The following changes in methods were made pursuant to the recommendations in the actuarial audit of the June 30, 2007 annual valuation and implemented in the June 30, 2008 annual valuation:

- The Normal Cost contribution rate was calculated to be consistent with contributions that are paid throughout the year, not at the beginning of the year.

- The calculation of the projected final average compensation and years of service at retirement was changed to mid-year, consistent with the timing regarding the applications of the assumptions.

Additional Supplementary Information

Schedule of Administrative Expenditures and Encumbrances (Non-GAAP Budgetary Basis)
Paid by the City of Phoenix for the Fiscal Years Ended June 30, 2010 and 2009

	2010		2009	
	Budget	Actual	Budget	Actual
Personal Services				
Staff Salaries and Benefits	$984,103	$875,566	$913,295	$798,653
Insurance	162,778	105,519	137,770	105,902
Social Security and Medicare	66,494	58,126	64,140	52,857
Retirement Contributions	128,533	131,360	99,362	91,753
Total Personal Services	1,341,908	1,170,571	1,214,567	1,049,165
Professional Services				
Consultants	618	57	103,160	14,628
Audit and Accounting	70,084	111,986	69,072	50,489
Medical Advisors	-	-	25,000	17,087
Computer Services	40,783	72,856	208,776	36,473
Total Professional Services	111,485	184,899	406,008	118,677
Communications				
Printing	15,456	10,586	14,843	17,694
Postage and Mailing	29,512	33,276	28,316	35,152
Travel and Conferences	4,600	-	4,600	-
Telephone	610	758	290	767
Subscriptions and Memberships	2,500	1,414	2,500	2,571
Total Communications	52,678	46,034	50,549	56,184
Miscellaneous				
Supplies	13,675	11,314	13,675	12,872
Office Furniture	500	-	500	-
Insurance	68	157	83	433
Computer Equipment	-	-	3,257	3,076
Other	2,170	1,478	1,834	499
Total Miscellaneous	16,413	12,949	19,349	16,880
Total Administrative Expenditures and Encumbrances	$1,522,484	$1,414,453	$1,690,473	$1,240,906

Note: Administrative expenditures of COPERS are budgeted and paid by the City of Phoenix. As of October 22, 2008, the COPERS' Board approved the payment of fees for legal, medical, actuarial, and computer services from plan assets not included in amounts above.

Additional Supplementary Information (Continued)

Schedule of Investment Expenses
For the Fiscal Year Ended June 30, 2010

Payee	Commissions or Fees	Nature of Services
RV Kuhns & Associates	$179,349	Investment Consultant
State Street Bank	112,210	Master Custodian
Artio Global Investors	45,162	Investment Management
AXA Rosenberg	427,763	Investment Management
Cadence Capital Management	480,551	Investment Management
Cramer Rosenthal McGlynn	625,487	Investment Management
Dimensional Fund Advisors	322,653	Investment Management
Eagle Asset Management	376,210	Investment Management
GMO (1)	793,746	Investment Management
JDM Partners (1)	300,000	Investment Management
J P Morgan Investment Management	546,718	Investment Management
K2 Advisors (1)	663,262	Investment Management
Morgan Stanley (1)	600,544	Investment Management
Northern Trust Investments	78,382	Investment Management
PAAMCO (1)	643,430	Investment Management
PIMCO	42,397	Investment Management
Pyramis Global Advisors	538,417	Investment Management
RECAP	425,873	Investment Management
Research Affilliates	482,687	Investment Management
TA Associates (1)	110,691	Investment Management
The Boston Company	272,770	Investment Management
Wells Capital Management	313,881	Investment Management
Western Asset Management Corporation	362,272	Investment Management
Wrightwood Capital (1)	135,514	Investment Management
Foreign Taxes	14,603	
Total	$8,894,572	

Schedule of Payments to Legal, Medical, Actuary, Computer, Investment Audit and Brokerage Services
For the Fiscal Year Ended June 30, 2010 (2)

Payee	Fees Paid	Nature of Services
Elkins McSherry	$ 5,000	Brokerage Services
Kutak Rock LLP	679	Legal Services
Levi Ray & Shoup	172,267	Computer Services
MCN	8,935	Medical Services
Rodwan Consulting Company	28,798	Actuarial Services
Yoder & Langford, P.C.	17,041	Legal Services
	$ 232,720	

(1) Because GMO, JDM Partners, K2 Advisors, Morgan Stanley, PAAMCO, TA Associates, and Wrightwood Capital fees are not paid separately as are fees to the other fund managers, they are not included in the investment expenses reported in the Statements of Changes in Net Assets. The fees are a component of the overall performance of the investment.

(2) As of October 22, 2008, the COPERS' Board approved the payment of fees for legal, medical, actuarial and computer services from plan assets.

Investment Section

The **Investment Section** contains the Plan’s report on investment activity, its investment policies, schedules of investment results and related information.

RVKuhns
& ASSOCIATES, INC.

October 1, 2010

Board of Trustees
City of Phoenix Employees' Retirement System
c/o Ms. Donna Buelow
Retirement Program Administrator
101 South Central Avenue, Suite 600
Phoenix, Arizona 85005

Dear Board Members:

The past year has been marked by mixed performance of the U.S. economy along with turbulent investment markets and mild price inflation. U.S. Real Gross Domestic Product grew in each of the last four quarters as the economy expanded by 3.0% since June 30, 2009.[1] The economy, however, lost approximately 221,000 nonfarm jobs as the unemployment rate of 9.5% ended where it started the 2009-10 fiscal year.[2] Inflation, as measured by the Consumer Price Index, rose 1.1% during the year. The Federal Reserve kept target short-term interest rates at a range of 0.00 – 0.25% over the course of the fiscal year, and Treasury yields declined across their range of maturities.

The market value of the City of Phoenix Employees' Retirement System (the System) assets increased from $1.406 billion to $1.532 billion in the year ended June 30, 2010. Five years ago, the fund was valued at $1.556 billion.

The past year was favorable for domestic and international equities, as well as fixed income securities. In the United States, the S&P 500 Index returned 14.4%. International developed equity markets trailed domestic equities, returning 6.4% (as measured by the MSCI EAFE Index). Fixed income securities returned 9.5% (Barclays Capital United States Aggregate Bond Index).

The System's overall investment return over the past year was 10.3%, the System's three-year annualized return was -5.9%, and the System's five-year annualized return was 1.1%.[3] The ten-year annualized return was 2.4%. The intermediate and long-term fund return results were negatively impacted by the difficult market environment and economic downturn experienced beginning mid-2007 through early 2009. We are hopeful that, with improved investment results since that time, the long-term returns will improve. The System's current actuarial assumed rate of return is 8.0%, which represents the System's long-term return goal.

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[1] Based on data provided by the U.S. Department of Commerce, Bureau of Economic Analysis. Data for second quarter 2010 are preliminary.
[2] Based on data provided by the U.S. Department of Labor.
[3] Total Fund performance is gross of fees.

111 SW Naito Parkway Portland, OR 97204-3512 503.221.4200 www.rvkuhns.com
Portland Seattle New York Chicago

The System's current investments are diversified. All segments of the U.S. equity market are represented in the portfolio, and the fixed income portfolio is well diversified between three investment managers. The System has a well diversified real estate portfolio through its two core real estate managers and multiple value-added and opportunistic real estate investments. In an effort to respond to inflation and to provide a return that is uncorrelated to major markets, the plan utilizes a real return strategy. Additional exposure to alternative investments within the portfolio includes two managers that maintain both long and short positions in equities. As of June 30, 2010, 16.5% of the System's investments were invested in large-capitalization U.S. equities, 10.4% in small- and mid-capitalization U.S. equities, 20.1% in non-U.S. equities, 24.6% in fixed income investments, 8.9% in real estate, 9.7% in real return strategies, 9.3% in long/short equity strategies, and 0.7% in cash equivalents.[4] This investment allocation is consistent with policy guidelines.

We believe that the recent course undertaken by the Board to diversify the System's investments into several new asset classes will enhance future portfolio returns while reducing risk or volatility in returns. Over the past three years, the Board has approved the inclusion of several new asset classes to the portfolio, including real estate, emerging markets equities, a real return strategy, and international small-capitalization equities. Recently, the System has implemented further diversification of the fixed income and real estate portfolios and added long/short equities as a new diversifying asset class. We are confident that the Board's decisions in this respect will preserve and enhance the System's ability to meet its long-term goals.

The System's investment policies, goals, and objectives, as well as the performance of its assets and transaction costs are regularly monitored by the Board and by R.V. Kuhns & Associates. These evaluations include analysis of the investment management firms and the custodial bank that serve the System.

The System's assets are held in custody at State Street Bank. Market values and returns referenced above are based upon financial statements prepared by State Street Bank. The statements are, to the best of our knowledge, reliable and accurate.

An uncertain market environment demands careful attention and thoughtful treatment of the assets entrusted to the Board's care by the System's employee participants. We expect the Board's continued high standard of care for these assets and commitment to diversification to allow the System to meet its long-term goals and objectives.

Most sincerely,

Rebecca Gratsinger, CFA
Chief Executive Officer

[4] Allocation shown may not sum up to 100% exactly due to rounding.

Outline of Investment Policies and Objectives

Adopted July, 1990 and subsequently amended

1. COPERS' asset allocation targets (at fair value) as of June 30, 2010 were 16% large cap domestic equities, 9% small/mid cap domestic equities, 21% international equities, 19% domestic fixed income, 15% real estate,10% real return and 10% long/short equity.

2. Each asset class will be broadly diversified to be similar to the market for the asset class. The market for stocks shall be represented by the Russell 1000 Value and Growth Indices, the Russell Mid Cap Index, the Russell 2000 Growth Index, MSCI EAFE Index, S & P/Citigroup EMI World Ex US Index and the S & P 500 Index. The market for bonds shall be represented by the Barclays Capital US Aggregate Bond Index and the Barclays Capital US Govt/Credit Int. Term Bond Index. The market for real estate shall be represented by the NCREIF ODCE Property Index.

3. Multiple managers will be employed. Allocations among the managers will be controlled by the Trustees to maintain both diversification and policy guidelines.

4. Investments will conform to the Phoenix City Charter, Chapter 24, Article II, Section 34 (See note 8). All other investments are prohibited.

5. COPERS' main investment objective is to achieve a rate of return that exceeds inflation by at least 3 percent over time. The actuarial assumed rate of return is 8%.

Directed Brokerage Commissions

A directed commissions program was established by COPERS' Board on July 31, 1991. Becker, Burke Associates ("BBA") provided the directed commissions program through December 31, 2003. As of January 1, 2004 State Street Global Markets, LLC ("SSGM") became the provider of the commission recapture program. SSGM has agreed to allocate to the fund 80% of commissions for US trades executed with a network of brokers and 100% (above the "execution only" rate) for US trades directly with SSGM's Trading Desk, identified and designated by investment managers as "directed." Under this program, COPERS equity managers are requested to execute trades to achieve best execution of fund transactions and to use best efforts to place trades with SSGM. For the fiscal year ended June 30, 2010, the total payments received under SSGM were $69,467.

Investment Services Under Contract (as of June 30, 2010)

EQUITY MANAGERS:

Cadence Capital Management Boston, MA
Steve Shaw

Cramer Rosenthal McGlynn New York, NY
Chris Barnett

Dimensional Fund Advisors Santa Monica, CA
John Gray

Eagle Asset Management St. Petersburg, FL
Clay Lindsey

GMO Boston, MA
Wendy Malaspina

Northern Trust Investments Chicago, IL
Richard Clark

Pyramis Global Advisors Trust Co. Boston, MA
Paul Cahill

The Boston Company Boston, MA
Jerry Navarette

MSCI EAFE Small Cap Index ETF
BlackRock/iShares

S & P 500 SPDR
State Street Global Markets, Boston, MA
Chris Scharver

HEDGE FUND MANAGERS:

PAAMCO Irvine, CA
Jim Meehan

K2 Advisors Stamford, CT
Joe Hernandez

TRANSITION MANAGERS:

Northern Trust Transition Management Chicago, IL
Grant Johnsey

Russell Implementation Services, Inc Seattle, WA
Steve Cauble

FIXED INCOME MANAGERS:

Artio Global Investors Los Angeles, CA
Kristina Surkova

PIMCO Newport Beach, CA
Matt Clark

Western Asset Management Pasadena, CA
Joseph Carieri

REAL ESTATE MANAGERS:

JDM Partners Phoenix, AZ
Mel Shultz

J.P. Morgan Chase & Co. New York, NY
Ann Cole

Morgan Stanley Real Estate Advisor New York, NY
David Morrison

RECAP Singapore
Suchad Chiaranussati

TA Realty Associates Boston, MA
Tom Landry

Wrightwood Capital Chicago, IL
David Friedman

REAL RETURN MANAGER:

Research Affiliates LLC Pasadena, CA
John West

INVESTMENT CONSULTANT

R. V. Kuhns & Associates, Inc. Portland, OR
Rebecca Gratsinger

Schedule of Investment Results
For the Fiscal Years Ended June 30, 2010

		Annualized	
	1-Year	3-Years	5-Years
TOTAL PORTFOLIO:			
COPERS	10.3%	-5.9%	1.1%
Target Benchmark	8.6%	-6.3%	1.0%
R.V. Kuhns All Pension Plans $1B - $5B median	14.2%	-3.5%	3.2%
EQUITY FUNDS:			
Cadence Capital Management	13.4%	-10.3%	-1.4%
Russell 1000 Growth Index	13.6%	-6.9%	0.4%
Cramer Rosenthal McGlynn (1)	15.8%	--	--
Russell 2000 Value Index	25.1%	-9.9%	-0.5%
Eagle Asset Management	27.1%	-4.5%	5.2%
Russell 2000 Growth Index	17.9%	-7.5%	1.1%
Pyramis Global Advisors (2)	6.7%	-11.7%	--
MSCI EAFE Index	6.4%	-12.9%	1.4%
GMO (3)	1.8%	-14.0%	--
MSCI EAFE Index	6.4%	-12.9%	1.4%
Dimensional Fund Advisors (4)	21.6%	-14.6%	--
Russell 1000 Value Index	16.9%	-12.3%	-1.6%
S&P 500 SSgA SPDR (5)	--	--	--
S&P 500 Index (Cap Wtd)	14.4%	-9.8%	-0.8%
The Boston Company	25.5%	-3.0%	4.7%
Russell Midcap Index	25.1%	-8.2%	1.2%
ishares: MSCI EAFE Sm Cap (6)	--	--	--
MSCI EAFE Sm Cap Index (net)	12.3%	-13.1%	1.1%
FIXED INCOME FUNDS:			
Artio (7)	--	--	--
Western Asset Management	19.8%	6.9%	5.2%
PIMCO (8)	--	--	--
Barclays Capital US Aggregate Bond Index	9.5%	7.6%	5.5%
HEDGE FUND OF FUNDS:			
PAAMCO (9)	4.0%	--	--
K2 Advisors (10)	0.5%	--	--
REAL ESTATE FUNDS:			
J P Morgan (11)	-5.7%	-8.8%	--
Morgan Stanley (12)	-5.8%	-10.8%	--
Wrightwood (13)	--	--	--
TA Associates Realty (14)	--	--	--
RECAP II (15)	--	--	--
JDM Partners (16)	--	--	--
NCREIF ODCE Index	-6.0%	-11.0%	-0.2%
REAL RETURN FUND			
Research Affiliates (17)	-5.6%	0.6%	--
CPI + 4% (Long Term)	5.1%	5.6%	6.4%

(1) Cramer Rosenthal McGlynn was added as a domestic small cap value manager on February 1, 2008. Funds transitioned from Boston Co, Eagle, Cadence, GMO and Pyramis. Performance figures would not be representative of the benchmark index.

(2) Pyramis Global Advisors added July 1, 2005 as an International Commingled Equity Fund manager; funds transitioned from The Bank of Ireland. Performance figures would not be representative of the benchmark index. Fidelity Management & Trust changed its name to Pyramis Global Advisors effective October 1, 2006.

(3) GMO added July 1, 2005 as an International Commingled Equity Fund manager; funds transitioned from The Bank of Ireland. Performance figures would not be representative of the benchmark index.

(4) Dimensional Fund Advisors was added as a large cap value manager on April 1, 2007. Funds transitioned from MacKay Shields. Performance figures would not be representative of the benchmark index.

(5) S&P 500 SSqA SPDR was added on May 1, 2010. Performance figures would not be representative of the benchmark index.

(6) MSCI EAFE small cap exchange traded fund was added as a small/mid cap international equity manager effective May 1, 2010. Funding came from the termination of AXA/Rosenberg. Performance figures would not be representative of the benchmark index.

(7) Artio added as core plus fixed income manager effective July 1, 2010; funds transitioned from Western Asset Management and Wells Capital. Performance figures would not be representative of the benchmark index.

(8) PIMCO added as core plus fixed income manager effective July 1, 2010; funds transitioned from Western Asset Management and Wells Capital. Performance figures would not be representative of the benchmark index.

(9) PAAMCO added as a hedge fund of funds manager effective January 2, 2009. Performance figures would not be representative of the benchmark index.

(10) K2 Advisors added as a hedge fund of funds manager effective June 1, 2009. Performance figures would not be representative of the benchmark index.

(11) JP Morgan added as a real estate manager on May 1, 2007. Performance figures would not be representative of the benchmark index.

(12) Morgan Stanley added as a real estate manager on December 1, 2006. Performance figures would not be representative of the benchmark index.

(13) Wrightwood Capital added as a value added real estate manager on January 8, 2009. Performance figures would not be representative of the benchmark index.

(14) TA Associates Realty added as a value added real estate manager on October 1, 2009. Performance figures would not be representative of the benchmark index.

(15) RECAP II was added as an opportunistic real estate manager of January 8, 2009. Performance figures would not be representative of the benchmark index.

(16) JDM Partners was added as an opportunistic real estate manager on February 1, 2010. Performance figures would not be representative of the benchmark index.

(17) Research Affiliates added as a real return manager on June 6, 2007. Performance figures would not be representative of the benchmark index.

The calculations above were prepared by COPERS' consultant, using a time-weighted rate of return, based on market value.

Asset Allocation by Manager
As of June 30, 2010

Manager	Style	Management (in thousands)	% of Portfolio
EQUITY FUNDS			
Pyramis Global Advisors	International	$ 124,462	7.95 %
GMO	International	118,660	7.58
Cadence Capital Management	Large Cap Growth	111,093	7.09
Dimensional Fund Advisors	Large Cap Value	113,438	7.24
Cramer Rosenthal McGlynn	Small Cap Value	59,483	3.80
Eagle Asset Management	Small Cap Growth	65,999	4.21
The Boston Company	Mid Cap Value	33,811	2.16
S&P 500 SPDR	Large Cap Core	27,636	1.76
MSCI EAFE Small Cap Index	International	64,311	4.11
TOTAL EQUITY FUNDS		718,893	45.90
FIXED INCOME FUNDS			
Artio Global Investors	Core Fixed Income	153,619	9.81
Northern Trust	Core Fixed Income	1,744	.11
PIMCO	Core Fixed Income	164,749	10.52
Wells Capital Management	Core Fixed Income	13	--
Western Asset Management	Core Fixed Income	90,871	5.80
COPERS Cash Account	Short Term Income Fund	10,667	.68
TOTAL FIXED INCOME FUNDS		421,663	26.92
HEDGE FUND OF FUNDS			
K2 Advisors	Hedge Fund of Funds	69,552	4.44
PAAMCO	Hedge Fund of Funds	72,703	4.64
TOTAL HEDGE FUND OF FUNDS		142,255	9.08
REAL ESTATE FUNDS			
JDM Partners	Opportunistic Real Estate	16,000	1.02
RECAP	Opportunistic Real Estate	5,167	.33
J P Morgan	Core Real Estate	48,197	3.08
Morgan Stanley	Core Real Estate	61,602	3.93
TA Realty Associates	Value Added Real Estate	3,600	.23
Wrightwood Capital	Value Added Real Estate	1,190	.09
TOTAL REAL ESTATE FUNDS		135,756	8.68
REAL RETURN FUNDS			
Research Affiliates		147,564	9.42
TOTAL REAL RETURN FUNDS		147,564	9.42
Total Portfolio		$ 1,566,131	100.00 %

List of Largest Assets Held

As of June 30, 2010 (dollars in thousands)

Ten Largest Bond Holdings (Market Value)

Par Value	Description	Interest Rate	Due	Rating	Market Value
$41,650	WI Treasury N/B	2.50%	04/30/2015	AAA	$43,131
31,600	United States Treasury N/B	2.50%	03/31/2015	AAA	32,746
17,624	Unites States Treasury Bonds	3.38%	04/15/2032	AAA	22,946
11,265	United States Treasury Bonds	3.88%	04/15/2029	AAA	15,117
13,000	FNMA TBA Jul 30 Single Family	4.50%	12/01/2099	AAA	13,473
11,160	United States Treasury N/B	1.00%	04/30/2012	AAA	11,244
10,237	WI Treasury Sec	1.38%	03/15/2013	AAA	10,370
9,050	United States Treasury N/B	3.63%	02/15/2020	AAA	9,562
8,470	United States Treasury N/B	4.63%	02/14/2040	AAA	9,521
5,117	WI Treasury N/B	2.38%	02/28/2015	AAA	5,274

Ten Largest Stock Holdings (Market Value)

Shares	Stock	Market Value
91,954	Conoco Phillips	$4,514
182,440	AT&T Inc	4,413
297,258	Bank of America Corp	4,272
290,026	General Electric Co	4,182
235,204	Comcast Corp	4,085
15,960	Apple Inc	4,014
97,240	Metlife Inc	3,672
137,880	Microsoft Corp	3,173
64,351	Thermo Fisher Scientific Inc	3,156
55,478	Prudential Financial Inc	2,977

A complete list of portfolio holdings is available at COPERS’ office.

Schedule of Investment Related Fees

For the Fiscal Year Ended June 30, 2010

	Assets Under Management as of June 30, 2010 (in thousands)	Fees (1)	Basis Points
Equity Funds			
AXA Rosenberg	$ -	$427,763	N/A
Cadence Capital Management	111,093	480,551	43.2
Cramer Rosenthal McGlynn	59,483	625,487	105.1
Dimensional Fund Advisors	113,438	322,653	28.4
Eagle Asset Management	65,999	376,210	57.0
Pyramis Global Advisors	124,462	538,417	43.2
GMO	118,660	793,746	66.8
The Boston Company	33,811	272,770	80.6
S & P 500 SPDR	27,636	N/A	N/A
MSCI EAFE Small Cap Index	64,311	N/A	N/A
TOTAL EQUITY FUNDS	718,893	3,837,597	
Fixed Income Funds			
Artio Global Investors	153,619	45,162	2.94
Northern Trust Investments	1,744	78,382	449.4
PIMCO	164,749	42,397	2.57
Wells Capital Management	13	313,881	N/A
Western Asset Management	90,871	362,272	39.8
COPERS Cash Account STIF	10,667	N/A	N/A
TOTAL FIXED INCOME FUNDS	421,663	842,094	
Hedge Fund of Funds			
PAAMCO	72,703	643,430	88.5
K2 Advisors	69,552	663,262	95.3
TOTAL HEDGE FUND OF FUNDS	142,255	1,306,692	
Real Estate Funds			
JDM Partners	16,000	300,000	187.5
JP Morgan Investment Management	48,197	546,718	113.4
Morgan Stanley	61,602	600,544	97.4
RECAP	5,167	425,873	824.2
TA Realty Associates	3,600	110,691	307.4
Wrightwood Capital	1,190	135,514	1,138.7
TOTAL REAL ESTATE FUNDS	135,756	2,119,340	
Real Return Funds			
Research Affiliates	147,564	482,687	32.7
TOTAL REAL RETURN FUNDS	147,564	482,687	
Total	$ 1,566,131	$ 8,588,410	
Other Investment Service Fees			
RV Kuhns & Associates (Consultant)		179,349	
State Street Bank (Custodian)		112,210	
Foreign Taxes		14,603	
TOTAL OTHER INVESTMENT SERVICE FEES		$306,162	
Total Investment Related Fees		$8,894,572	

(1) Does not represent contractual fee schedule and may include expenses other than managemer

Investment Summary
As of June 30, 2010

Type of Investment	Market Value (in thousands)	Percent of Total Market Value
Fixed Income:		
Asset Backed	$ 10,801	0.69 %
Corporate Bonds	97,740	6.24
Foreign (USD)	26,750	1.71
Government Agencies Securities	3,495	0.22
Mortgage Backed Securities	89,799	5.73
Municipal Bonds	2,087	0.13
Derivatives	1,003	0.06
US Government Guaranteed Securities	227,184	14.51
Total Fixed Income	458,859	29.29
Domestic Equities:		
Commingled Fund	162,959	10.40
Consumer Discretionary	67,111	4.29
Consumer Staples	24,459	1.56
Convertibles	48	--
Energy Related	29,468	1.88
Financials	55,132	3.52
Health Care	43,558	2.78
Industrials	60,690	3.88
Information Technology	65,233	4.17
Materials	15,946	1.02
Telecommunication Services	12,250	0.78
Utilities	4,958	0.32
Total Domestic Equities	541,812	34.60
Real Estate:		
Commingled Funds	135,755	8.67
International Equities:		
Commingled Funds	362,337	23.14
Commodities:		
Exchange Traded Funds	9,269	0.59
Cash & Cash Equivalents	58,099	3.71
Total	$1,566,131	100.00 %

Schedule of Commissions
For the Fiscal Year Ended June 30, 2009

Brokerage Firm	Number of Shares Traded	Total Commissions	Commissions Per Share
BARCLAYS CAPITAL LE	460,094	13,280	0.0289
BNY CONVERGEX	730,450	27,677	0.0379
COWEN AND COMPANY, LLC	299,270	10,731	0.0359
ISI GROUP INC	572,935	11,763	0.0205
KEEFE BRUYETTE + WOODS INC	551,430	12,545	0.0228
LIQUIDNET INC	1,090,158	27,809	0.0255
MACQUARIE SECURITIES (USA) INC	410,510	14,613	0.0356
MERRILL LYNCH PROFESSIONAL	487,870	18,926	0.0388
RAFFERITY CAPITAL MARKETS, LLC	505,650	18,432	0.0365
STATE STREET GLOBAL MARKETS, LLC	7,348,958	150,785	0.0205
STIFEL NICOLAUS + CO	824,995	13,668	0.0166
THOMAS WEISEL PARTNERS LLC	442,880	13,552	0.0306
WEEDEN + CO.	1,295,366	28,853	0.0223
All Other Brokers (1)	6,376,227	191,930	
TOTAL	21,396,793	$ 554,564	

(1) Includes brokers with total commissions less than $10,000 each

<u>Actuarial Section</u>

The **Actuarial Section** contains the actuary's certification letter, supporting schedules prepared by the actuary, and a summary of plan provisions.

RODWAN
consulting company

November 8, 2010

The Retirement Board
City of Phoenix Employees' Retirement Plan
101 South Central Avenue, Suite 600
Phoenix, Arizona 85004

The purpose of the annual actuarial valuation of the City of Phoenix Employees' Retirement Plan is to compute the liabilities of the Plan and the contributions which will satisfy its funding objective. The funding objective is to establish and receive contributions, expressed as percents of active member payroll, which will remain approximately level from year to year and will not have to be increased for future generations of citizens.

The most recent actuarial valuation was made as of June 30, 2010. The actuarial valuation develops a contribution rate to finance the normal cost and to amortize any unfunded actuarial accrued liability over 20 years in accordance with the Plan's funding objective. The actuarial assumptions and methods are in accordance with Governmental Accounting Standards Board Statement No. 25. We believe the assumptions and methods used in the valuation produce results which are reasonable.

Data for the valuation was provided by the Retirement Program Administrator and was reviewed by us for internal completeness and reasonableness. A smoothed market value which spreads the difference between the actual and assumed rate of return over 4 years was used for the valuation.

The actuary prepared the following supporting schedules for the Comprehensive Annual Financial Report: Schedule of Funding Progress (Financial Section), Schedule of Employer Contributions (Financial Section), Summary of Actuarial Methods and Assumptions (Financial and Actuarial Sections), Actuarial Valuation Data (Actuarial Section), Schedule of Retirees and Beneficiaries Added and Removed from Rolls (Actuarial Section), Solvency Test (Actuarial Section), and Analysis of Financial Experience (Actuarial Section).

On the basis of the June 30, 2010 valuation, it is our opinion that the liabilities of the Retirement Plan are being funded as incurred in accordance with sound actuarial principles.

Respectfully submitted

Sandra W Rodwan

Sandra W. Rodwan
Member, American Academy of Actuaries

Actuarial Consultants 2310 E. Eleven Mile Road Royal Oak, Michigan 48067 Tel: (248) 399-8760 Fax: (248) 399-8790

Supporting Schedules

Summary of Actuarial Assumptions and Methods

The City of Phoenix Employees' Retirement Board adopts actuarial assumptions and methods which are recommended by COPERS' actuary.

Method Changes

The following changes in methods were made pursuant to the recommendations in the actuarial audit of the June 30, 2007 annual valuation: 1) The Normal Cost contribution rate was calculated to be consistent with contributions that are paid throughout the year, not at the beginning of the year. 2) The calculation of projected final average compensation and years of service at retirement was changed to mid-year, consistent with the timing regarding the applications of the assumptions.

Funding Method

The Individual Entry-Age Normal Actuarial Cost method is used in the actuarial valuation. This cost method was adopted effective June 30, 1991. The unfunded actuarial accrued liability was amortized as a level percent of payroll over 20 years and added to the computed normal cost.

Asset Valuation Method for Actuarial Purposes

A smoothed market value of assets was used for the June 30, 2010 valuation. This method, which is unchanged from last year, spreads the difference between the actual and expected investment return over four years.

Valuation Data

The data with respect to persons now covered and present assets were furnished by COPERS' administrative staff. Data is examined for general reasonableness and year-to-year consistency, but is not audited by the actuary. COPERS' fiscal year coincides with the City's fiscal year (July 1 to June 30).

Economic Assumptions

Investment Return

8.0% annually, compounded annually. Considering other financial assumptions, the 8.0% rate translates to an assumed real rate of return of 3.5% over inflation and 3.0% over across-the-board salary increases. The real rate of return is the rate of investment return over the inflation rate. Adopted 1991.

Active Member Total Payroll

Increasing 5.0% annually, compounded annually, comprised of 4.5% inflation and 0.5% competition/productivity. In effect, this assumes no change in the number of active members. Adopted 2000.

Experience Study

COPERS' actuary conducts an experience study every five years to determine if any adjustments in actuarial assumptions are necessary. This report reflects the assumption changes adopted by the Board November 17, 2005, following the experience study for the period of July 1, 1999 through June 30, 2004. An experience study was conducted for the period of July 1, 2004 through June 30, 2009. No assumption changes have been adopted following the experience study.

Summary of Actuarial Assumptions and Methods (Continued)

Individual Member Pay Increases

A member's pay is assumed to increase each year, in accordance with a table consisting of a percent increase for each age. Adopted June 28, 2000. For sample ages, the following table describes annual increase percents:

Age	Merit and Longevity	Base	Competition/ Productivity	Total
20	3.8 %	4.5 %	0.5 %	8.8 %
25	3.1	4.5	0.5	8.1
30	2.7	4.5	0.5	7.7
35	2.4	4.5	0.5	7.4
40	2.2	4.5	0.5	7.2
45	1.6	4.5	0.5	6.6
50	1.1	4.5	0.5	6.1
55	0.6	4.5	0.5	5.6
60	0.1	4.5	0.5	5.1
65	0.0	4.5	0.5	5.0

Decrement Assumptions

Mortality

The mortality table used was the RP 2000 Mortality Table Combined Healthy. Adopted November 17, 2005. These rates were first used for the June 30, 2006 valuation.

Retirement

Sample probabilities of retirement with an unreduced age and service pension are shown below. Adopted November 17, 2005. These rates were first used for the June 30, 2006 valuation.

Percent of Active Members Retiring Within Year Following Attainment of Indicated Retirement Age

Retirement Age	Percent Retiring	Retirement Age	Percent Retiring
50	25		
51	25	61	20
52	25	62	35
53	25	63	30
54	25	64	25
55	35	65	45
56	25	66	30
57	25	67	30
58	25	68	30
59	25	69	30
60	25	70	100

Supporting Schedules (Continued)

Summary of Actuarial Assumptions and Methods (Continued)

Turnover

Adopted November 17, 2005. These rates were first used for the June 30, 2006 valuation. Rates of separation from employment for reasons other than age and service retirement, death or disability are:

Sample Ages	Years of Service	% of Active Members Separating Within Next Year
All	0	20.0 %
All	1	18.0
All	2	12.0
All	3	9.0
All	4	8.0
25	5 & Over	7.0
30	5 & Over	6.0
35	5 & Over	5.0
40	5 & Over	3.0
45	5 & Over	3.0
50	5 & Over	2.5
55	5 & Over	2.5
60	5 & Over	2.5
65	5 & Over	2.5

Actuarial Valuation Data - Active Members

Valuation Year	Number	Annual Payroll (in thousands)	Average Pay	% Increase Average Pay
10	8,896	$550,175	$61,845	6.8 %
09	9,317	539,468	57,901	(1.6)
08	9,624	566,512	58,865	5.2
07	9,564	535,079	55,947	4.2
06	9,260	497,105	53,683	3.6
05	9,036	467,998	51,793	4.2
04	8,960	445,348	49,698	6.7
03	8,943	416,472	46,570	3.6
02	9,000	404,414	44,935	4.3
01	8,748	376,913	43,086	0.9

Supporting Schedules (Continued)

Schedule of Retirees and Beneficiaries Added To and Removed From Rolls
(dollars in thousands)

Year End	Added to Rolls No.	Added to Rolls Annual Pensions New	Added to Rolls Annual Pensions PEP (a)	Removed No.	Removed Annual Pensions	Rolls End of Year No.	Rolls End of Year Annual Pensions	Average Annual Pensions	% Increase in Annual Pensions
10	432	$15,139	$120	170	$3,206	4,931	$138,273	$28,042	9.5 %
09	426	14,195	1,594	174	3,002	4,669	126,220	27,034	11.3
08	348	10,935	2,874	148	2,732	4,417	113,433	25,681	10.8
07	290	8,205	1,519	142	2,165	4,217	102,356	24,272	8.0
06	309	9,247	1,976	147	2,144	4,069	94,797	23,297	9.0
05	314	7,795	1,159	150	2,554	3,907	85,718	21,940	8.1
04	296	7,610	1,727	145	2,122	3,743	79,318	21,191	9.1
03	259	6,720	1,066	124	1,935	3,592	72,221	20,106	8.8
02	264	5,999	1,786	135	1,689	3,457	66,370	19,199	10.1
01	240	6,665	1,559	83	831	3,328	60,274	18,111	14.0

(a) Pension Equalization Increase

Solvency Test

Valuation Date	Aggregate Accrued Liabilities for: (1) Active Member Contributions (in thousands)	(2) Retirees and Beneficiaries (in thousands)	(3) Active Members Employer Portion (in thousands)	Valuation Assets (in thousands)	Portion of Accrued Liabilities Covered by Assets (1)	(2)	(3)
6/30/2010	$445,141	$1,311,929	$940,217	$1,868,093	100 %	100 %	12 %
6/30/2009	446,039	1,193,391	878,664	1,895,148	100	100	29
6/30/2008	433,742	1,066,886	912,737	1,908,414	100	100	45
6/30/2007	403,819	964,006	798,294	1,816,508	100	100	56
6/30/2006	374,091	892,123	734,131	1,626,741	100	100	49
6/30/2005	354,438	798,414	642,663	1,511,553	100	100	56
6/30/2004	334,535	737,684	612,577	1,417,774	100	100	56
6/30/2003	317,582	659,634	526,909	1,330,584	100	100	67
6/30/2002	305,480	605,227	479,566	1,273,731	100	100	76
6/30/2001	278,179	549,592	431,792	1,291,338	100	100	100

Supporting Schedules (Continued)

Analysis of Financial Experience
(dollars in thousands)

	Derivation for Year Ended June 30,				
	2010	2009	2008	2007	2006
(1) UAAL at Start of Year	$622,946	$504,950	$349,611	$373,605	$283,961
(2) Normal cost for year	78,731	83,089	72,806	66,245	64,510
(3) Contributions	(116,482)	(98,157)	(95,435)	(88,358)	(80,952)
(4) Assumed Investment Income Accrual on (1), (2) and (3)	48,228	39,755	27,005	29,004	22,059
(5) Expected UAAL Before Changes	633,424	529,637	353,987	380,496	289,578
(6a) Effect of Assumption Changes	-	-	-	-	49,051
(6b) Effect of Method Changes	-	-	74,539	-	-
(7) Effect of Benefit Changes	-	-	-	-	-
(8) Expected UAAL After Changes	633,424	529,637	428,526	380,496	338,629
(9) Actual UAAL	829,195	622,946	504,950	349,611	373,605
(10) Gain (loss) (8) - (9)	($195,771)	($93,309)	($76,424)	$30,885	($34,976)
(11) As % of AAL at Start of Year	(7.8)%	(3.9)%	(3.5)%	1.5%	(1.9)%

UAAL means unfunded actuarial accrued liability
AAL means actuarial accrued liability

The entire cost of the pension increases created by the Pension Equalization Program is funded by a separate reserve, established from investment earnings in excess of the assumed rate on retired life reserves; no increase in the unfunded accrued liability is created.

Summary of Plan Provisions

Purpose

COPERS is a defined benefit pension plan, was created under and is governed by the Charter of the City of Phoenix to provide retirement, survivor and disability benefits to the City of Phoenix general employees. COPERS is a qualified plan under the Internal Revenue Code.

Administration

The Charter provides that the administration, management and operation of COPERS be vested in a nine-member Retirement Board. The Board has the responsibility of administering the Charter provisions and bears a fiduciary obligation to the City, the taxpayers and the municipal employees and retirees who are the Plan's beneficiaries.

Three of the Board members are elected from and by the active employee members of COPERS, and must have at least ten years of credited service. Four members are statutory, consisting of the City Manager or his delegate, the City Treasurer, the Finance Director and department head to be selected by the City Manager. The eighth Board member is a citizen, who is a resident of the City of Phoenix has at least five years experience in retirement administration, and is not employed by the City or a COPERS' retiree. The ninth board member is a COPERS' retiree and is elected by the employee Board members. A listing of the current Retirement Board is included on page 8 of this report.

Voluntary Retirement

An active member may retire with benefits if he or she ("he") meets the eligibility requirements of:

- age 60 with 10 or more years of credited service,
- age 62 with 5 or more years of credited service, or
- an age which added to his or her ("his") years of credited service equals 80 (Rule of 80).

Final Average Compensation

Final Average Compensation ("FAC") is the average of a member's monthly pay during the 36 consecutive months of credited service producing the highest monthly average contained within the 120 consecutive months of credited service immediately preceding retirement. For most members, this is the last three years of employment. Pursuant to City management and Board action, FAC includes vacation payout, Deferred Compensation ("DCP") fringe and travel/communication allowance. Inclusion of travel allowance in FAC was effective July 1995 and the DCP fringe inclusion is retroactive to the inception of the program in 1986. Inclusion of the sick leave payout in the calculation of final average compensation began July 1, 1996. Beginning in fiscal year 1997, salary adjustments for certain employees (referred to as reimbursement of contributions), are included in the calculation of final average compensation.

Credited Service

A member's unused sick leave shall be added to his credited service upon retirement. COPERS' service credit and benefit calculations must be consistent with the Charter and Board-adopted policies.

Summary of Plan Provisions (Continued)

Purchase of Public Service Credits

On January 28, 1998, the COPERS' Board, after review of legal and actuarial considerations, adopted a program permitting COPERS' members to purchase in-state and out-of-state public service credits, along with non-intervening military service credits, towards their retirement. The basic requirements for this program are contained in Board Policy. Effective January 1, 2007, the Board revised the service purchase program. The cost of eligible service shall be based on the full actuarial cost of providing benefits for the period of service being purchased. Members are eligible to purchase service credits upon membership with COPERS. Military purchases are limited to a maximum of five years. The Board policy revision to the service purchase program is to allow active members to purchase previous City of Phoenix job-share and City of Phoenix full-time temporary employment service, adopted on May 21, 2008, after legal and actuarial reviews, was implemented effective October 1, 2008.

Pension Allowance

The normal retirement benefit is payable monthly for the lifetime of a member. The annual amount equals 2 percent of FAC times credited service up to 32.5 years, plus 1 percent of FAC times service in excess of 32.5 years to 35.5 years, plus 1/2 of 1 percent of FAC times service in excess of 35.5 years. Effective January 2, 2000, the minimum monthly retirement benefit is $500 per month for retirees with 15 years or more of service and $250 per month for retirees with less than 15 years.

Deferred Retirement

If a member leaves COPERS' covered employment before age 60, but after completing five or more years of credited service, he becomes eligible for a deferred pension, provided he lives to age 62 and does not withdraw his accumulated contributions.

Disability Retirement

- **Non-Duty**

  A member with ten or more years of credited service, who becomes totally and permanently disabled for duty in the employ of the City from other than duty connected causes, is eligible for a non-duty disability benefit computed in the same manner as a pension allowance, based upon his service and average salary at the time of disability.

- **Duty**

  A member who becomes totally and permanently disabled for duty in the employ of the City, as a result of a duty-related injury or disease, is eligible for a duty disability benefit computed in the same manner as a pension allowance, regardless of length of service. There is a 15% (of FAC) minimum benefit payable.

  Upon termination of the workmen's compensation period, if any, the member shall be given service credit and the disability pension shall be recomputed to include such additional credited service.

- **Disability Assessment Committee Examinations**

  The City Charter provides for a Disability Assessment Committee ("DAC") consisting of five members: the Personnel Safety Administrator; the Executive Secretary to the Board; two employee members appointed by the Board; and one citizen member appointed by the Board who is a resident of Maricopa County, not employed by the City or receiving benefits from the plan and has at least five years experience in a responsible position in the health care field. The DAC determines eligibility for disability benefits under the Charter. Each person alleging a condition of disability or the continuance of such condition shall be required to undergo any medical examinations required by the DAC, but not more than twice annually or after age 60.

Summary of Plan Provisions (Continued)

Survivor Benefits

Dependents of deceased members may qualify for survivor benefits if (1) the deceased member had ten or more years of credited service or (2) the member's death was the result of causes arising out of and in the course of his employment with the City, and is compensable under the Workmen's Compensation Act of the State of Arizona.

If the member had less than ten years of credited service and died as a result of causes arising out of and in the course of his employment, his credited service shall be increased to ten years.

A deceased member's spouse will be paid a benefit equivalent to Option A Standard, 100 percent Joint and Survivor, calculated as if the member had retired the day preceding the date of his death, notwithstanding that he might not have attained age 60. Benefits cease upon death of the survivor.

The voters of the City of Phoenix approved a change to the Charter on September 7, 1999 to increase surviving child pension benefits. Effective January 1, 2000, a deceased member's unmarried child or children under age 18 shall receive a benefit of $200 per month, regardless of the number of children. The benefit shall cease upon adoption, marriage, death or upon attainment of age 18.

Post-Retirement Distribution (13th Check)

Each year, based upon a predetermined formula and investment return, a distribution amount (known as the "13th Check") for each eligible retiree and beneficiary may be payable in the form of a supplemental one-time payment, provided an adequate balance in the Pension Equalization Reserve exists. This payment must be made prior to the seventh month after the end of the fiscal year. A minimum 1% of annual pension, for the 13th Check, was established by an amendment to the City Charter, adopted by City of Phoenix voters October 3, 1995.

Pension Equalization Program

A provision for permanent pension adjustments, based on Plan performance was established, effective January 1, 1992. On the basis of COPERS' five-year average rate of return, reported by the Plan's consultant, earnings in excess of 8 percent will be transferred to a Pension Equalization Reserve. The Plan's actuary will determine what percentage pension increase should be applied to eligible retirees who, on January 1, have received 36 pension payments. This permanent increase to the gross pension, under said formula, shall not exceed the Consumer Price Index as calculated by the U.S. Department of Labor, Bureau of Labor Statistics ("Phoenix-Mesa, AZ" for all Urban Consumers).

Optional Forms of Payment

When a COPERS' member makes application for retirement, his benefits are calculated in four optional forms, and he selects the one that best fits his retirement needs. The election of an optional form of payment is made prior to the receipt of the first benefit check. Otherwise, such election is irrevocable. Married members must select Option A Standard unless the spouse signs a consent form authorizing a different option. The four options are as follows:

- **Straight Life Option**

  This is the highest payment available to a retiree; however, upon the death of the retiree, monthly payments cease. If the retiree had not received an amount equal to at least his accumulated contributions (inclusive of regular interest to date of retirement) before his death, a refund of the balance of his account is made to his designated beneficiary. The City of Phoenix Charter was amended on September 7, 1999, to establish a minimum pension benefit of $500 for retirees with 15 years or more of service and $250 for retirees with less than 15 years.

Optional Forms of Payment (Continued)

- **Option A**

  This is a continuing survivor option that allows the retiree to receive less than the Straight Life Option, with the provision that the designated survivor will receive 100 percent of the retiree's reduced benefit for the remainder of his lifetime.

  > **Standard:** Under this option, should the designated survivor die prior to the retiree, the pension paid the retiree will remain the same.
  >
  > **Pop-Up:** This form of Option A is available to all retirees and provides that, should the designated survivor die before the retiree, the reduced pension paid the retiree shall be increased to equal the Straight Life Option for the remainder of the retiree's life. The selection of this form of Option A generally provides an amount less than that available under the Option A Standard.

- **Option B**

  This option is also a continuing survivor option similar to Option A above, except that the percentage is changed. Under Option B, the retiree would receive less than the Straight Life Option (more than under Option A) with the designated survivor receiving 50 percent of the retiree's benefit for the remainder of his lifetime.

  > **Standard:** Under this option, should the designated survivor die prior to the retiree, the pension paid the retiree will remain the same.
  >
  > **Pop-Up:** This form of Option B is available to all retirees and provides that, should the designated survivor die before the retiree, the reduced pension paid the retiree shall be increased to equal the Straight Life Option for the remainder of the retiree's life. The selection of this option generally provides an amount less than that available under the Option B Standard.

- **Option C**

  The final of the four options is referred to as a "ten-year certain and life" form. As with the other options, the benefit is payable for the lifetime of the retiree but with the added provision that if the retiree lives less than 10 years after retirement, COPERS will make additional monthly payments to the designated survivor, not to exceed 120 monthly payments (between the retiree and the survivor). Monthly payments cease upon the primary retiree's death if he lives more than 10 years.

Member Contributions

As a condition of employment, each member is required to contribute 5 percent of his covered compensation. The City, however, established a qualified employee "pick-up" plan [under Internal Revenue Code Section 414(h)] effective January 1, 1985. Under this plan, the City pays the required 5 percent on behalf of the members on a pre-tax basis.

Accumulated contributions also include regular interest that is computed at the end of each fiscal year on the mean balance in the member's account during the year. The rate of interest is established each year by the Board. The Board adopted a 3 percent interest rate for June 30, 2010.

If a member leaves covered City employment for reasons other than retirement, his accumulated contributions may be refunded to him. If a member dies prior to accruing ten or more years of credited service and not as a result of causes arising out of and in the course of his employment, his accumulated contributions are refunded to his designated beneficiary.

Summary of Plan Provisions (Continued)

Employer Contributions

The Charter requires the City to contribute an amount that is determined annually by COPERS' retained actuary. Contributions are based upon level percentage of projected payroll funding principles, so that the contribution rates do not fluctuate significantly over time. This contribution is over and above the member contributions made by the City. The Schedule of Employer Contributions for the Last Ten Fiscal Years is located on page 40 of this report.

It is noted this summary of plan provisions has been written to furnish the members of COPERS and other readers with general information about the Plan. Since it is a summary, all of the requirements of the Plan are not covered. Details of all benefits can be obtained from Chapter XXIV of the City Charter, which is available in COPERS' Office. **Although every effort has been made to accurately summarize the benefits under the Plan, the provisions of Chapter XXIV shall prevail in the unlikely event of discrepancies.**

Statistical Section

The **Statistical Section** provides financial and demographic data pertaining to COPERS.

Statistical Section

The purpose of the statistical section is to provide the reader with data, which is considered to be pertinent to the financial and economic condition of the retirement plan. Each schedule is defined below with an explanation of the schedule and an identification of the source of the data.

Schedule of Changes in Net Assets

This schedule provides the additions and deductions to the plan for the past ten years. The change in net assets is provided to illustrate whether or not sufficient resources are available in the current fiscal year to cover plan benefits. This schedule is developed using the Statements of Changes in Plan Net Assets for the past ten years.

Schedule of Benefit Expenses by Type

This schedule provides the benefit expenses of the plan by type for the last ten years. COPERS' benefits include payments for service retirements, disability benefits, death in service benefits, child benefits, payment to alternate payees and survivor benefits. This schedule is developed using reports from the City's accounting system. The expenses can be found in COPERS' Statements of Changes in Plan Net Assets for the past ten years.

Schedule of Retired Members by Type of Benefit

This schedule provides the number of retired members by type of benefit. COPERS plan benefits include payments for deferred benefits, normal retirement benefits, disability benefits, survivor benefits, death benefits and payments to alternate payees. The schedule is developed using COPERS' database.

Schedule of Average Benefit Payment Amounts

This schedule provides the average benefit payments per years of credited service. This information is provided to illustrate the changes in benefit payment amounts as the amount of service earned increases. This schedule is developed using COPERS' database.

Schedule of Changes in Net Assets

Last Ten Fiscal Years

(dollars in thousands)

	2010	2009	2008	2007	2006
ADDITIONS					
Member Contributions	$30,240	$31,774	$31,237	$30,207	$27,979
Employer Contributions	86,241	66,383	64,198	58,151	52,974
Funds from Other Systems	4,619	2,411	4,755	4,507	1,070
Net Investment Income (Loss)	143,016	(375,388)	(106,022)	272,051	133,934
Total Additions to Plan Net Assets	264,116	(274,820)	(5,832)	364,916	215,957
DEDUCTIONS					
Benefit Payments	133,522	121,484	109,308	100,366	91,911
Refunds of Contributions	2,877	2,812	2,623	2,770	2,465
Funds to Other Systems	1,699	1,518	2,103	1,798	600
Administrative Expenses	402	477	0	0	0
Total Deductions from Plan Net Assets	138,500	126,291	114,034	104,934	94,976
CHANGE IN NET ASSETS	$125,616	($401,111)	($119,866)	$259,982	$120,981

	2005	2004	2003	2002	2001
ADDITIONS					
Member Contributions	$26,307	$24,783	$26,122	$25,191	$22,942
Employer Contributions	43,375	39,564	27,820	28,295	22,329
Funds from Other Systems	963	373	500	1,053	359
Net Investment Income (Loss)	120,237	198,641	36,909	(88,483)	(22,405)
Total Additions to Plan Net Assets	190,882	263,361	91,351	(33,944)	23,225
DEDUCTIONS					
Benefit Payments	83,657	76,949	70,234	64,289	57,806
Refunds of Contributions	2,508	2,272	2,457	3,484	3,364
Funds to Other Systems	888	600	365	657	211
Administrative Expenses	0	340	155	75	0
Total Deductions from Plan Net Assets	87,053	80,161	73,211	68,505	61,381
CHANGE IN NET ASSETS	$103,829	$183,200	$18,140	($102,449)	($38,156)

Note: Administrative expenses of COPERS are paid by the City of Phoenix. As of October 22, 2008, the COPERS' Board approved the payment of certain fees for legal, medical, actuarial and computer services from Plan assets. The $340,000 for fiscal year 2003-2004 represents computer services for COPERS' new computer system, which was authorized by the Retirement Board and was not included in the City's budget. The $155,000 for fiscal year 2002-2003 represents computer services and due diligence for COPERS' new computer system, which was authorized by the Retirement Board and was not included in the City's budget. The $75,000 for fiscal year 2001-2002 represents expenses incurred for an organizational study of COPERS' office, which was authorized by the Retirement Board and was not included in the City's budget.

Schedule of Benefit Expenses by Type

Last Ten Fiscal Years

Retirement and Survivor Benefits

(in thousands)

Fiscal Year	Age & Service Benefits Retirees	Death In Service	Disability Benefits Retirees Duty	Disability Benefits Retirees Non-Duty	Survivors	Deferred	Child	Alternate Payee	Total Benefits
2009-2010	$115,115	$2,672	$707	$2,650	$9,633	$1,651	$32	$1,062	$133,522
2008-2009	104,189	2,795	716	2,541	8,819	1,444	33	947	121,484
2007-2008	93,116	2,583	690	2,398	8,413	1,287	39	782	109,308
2006-2007	85,252	2,509	668	2,202	7,799	1,208	39	681	100,358
2005-2006	77,829	2,414	626	2,029	7,319	1,033	49	611	91,910
2004-2005 *	73,703	2,366	597	1,958	7,094	--	--	--	85,718
2003-2004 *	68,192	2,281	577	1,864	6,404	--	--	--	79,318
2002-2003 *	61,925	1,877	549	1,614	6,256	--	--	--	72,221
2001-2002 *	56,822	2,015	466	1,656	5,411	--	--	--	66,370
2000-2001 *	51,373	1,894	465	1,501	5,041	--	--	--	60,274

*Amounts shown are annualized amounts based on the June 30th payroll.

Refunds

(in thousands)

Fiscal Year	Beneficiaries*	Separation	Total Refunds
2009-2010	$963	$1,914	$2,877
2008-2009	618	2,194	2,812
2007-2008	149	2,474	2,623
2006-2007	376	2,394	2,770
2005-2006	347	2,118	2,465
2004-2005	228	2,280	2,508
2003-2004	216	2,056	2,272
2002-2003	391	2,066	2,457
2001-2002	464	3,020	3,484
2000-2001	151	3,213	3,364

* Lump sum payment to beneficiaries upon member's death.

Schedule of Retired Members by Type of Benefit
June 30, 2010

Monthly Benefit	Number of Retirees	Type of Retirement: Deferred	Normal or Voluntary	Duty Disability	Non-Duty Disability	Survivor Payment	Death Benefit	Alternate Payee
Deferred	707	707						
$1 - $300	68	--	35	1	--	8	12	12
301 - 400	149	--	91	7	--	37	7	7
401 - 500	116	--	63	7	3	31	3	9
501 - 600	131	--	79	5	10	25	6	6
601 - 700	168	--	88	5	11	57	5	2
701 - 800	154	--	81	3	14	33	10	13
801 - 900	155	--	92	5	17	34	6	1
901 - 1,000	162	--	83	3	18	44	8	6
1,001 - 1,100	169	--	103	5	14	32	9	6
1,101 - 1,200	140	--	87	1	16	23	8	5
1,201 - 1,300	146	--	97	1	14	19	5	10
1,301 - 1,400	150	--	108	1	8	23	9	1
1,401 - 1,500	155	--	108	4	7	22	10	4
1,501 - 2,000	646	--	511	12	25	64	21	13
2,001 - 2,500	663	--	583	1	11	54	11	3
2,501 - 3,000	500	--	455	--	5	30	10	--
3,001 - 4,000	683	--	646	--	2	28	7	--
4,001 - 5,000	367	--	355	--	2	9	1	--
Over 5,001	305	--	294	--	--	8	3	--
Totals	5,734	707	3,959	61	177	581	151	98

Monthly Benefit	Total	Option Selected: Life	Option A Standard	Option A Pop-Up	Option B Standard	Option B Pop-Up	Option C	Child Benefit
$1 - $300	68	33	16	4	--	--	3	12
301 - 400	149	100	23	9	2	5	10	--
401 - 500	116	76	24	6	1	--	9	--
501 - 600	131	75	21	20	3	2	10	--
601 - 700	168	103	33	19	1	6	6	--
701 - 800	154	97	27	16	2	5	7	--
801 - 900	155	80	29	24	4	8	10	--
901 - 1,000	162	99	30	18	7	4	4	--
1,001 - 1,100	169	100	38	15	5	3	8	--
1,101 - 1,200	140	67	40	17	2	8	6	--
1,201 - 1,300	146	74	31	16	7	14	4	--
1,301 - 1,400	150	83	31	15	6	11	4	--
1,401 - 1,500	155	92	22	14	4	14	9	--
1,501 - 2,000	646	281	176	87	24	41	37	--
2,001 - 2,500	663	266	189	84	30	68	26	--
2,501 - 3,000	500	193	140	67	35	44	21	--
3,001 - 4,000	683	272	201	78	30	70	32	--
4,001 - 5,000	367	146	102	44	21	41	13	--
Over 5,001	305	122	92	35	16	24	16	--
Totals	5,027	2,359	1,265	588	200	368	235	12

Deferred	707
Total	5,734

Schedule of Average Benefit Payment Amounts
By Year of Retirement

Last Five Fiscal Years

Retirement Effective Dates For Fiscal Years Ending June 30:	Years of Credited Service 5-9	10-14	15-19	20-24	25-29	30+
2010						
Average Monthly Benefit	$556.25	$1,112.81	$1,795.80	$2,584.18	$3,931.29	$4,556.99
Mean Monthly Final Average Compensation	$4,315.32	$4,734.51	$5,317.53	$5,926.53	$7,021.19	$6,980.08
Number of Active Retirees	30	24	37	66	103	103
2009						
Average Monthly Benefit	$595.09	$1,141.51	$1,714.34	$2,654.99	$3,604.90	$4,514.93
Mean Monthly Final Average Compensation	$4,223.79	$4,792.32	$5,219.21	$5,874.84	$6,522.92	$6,947.19
Number of Active Retirees	29	25	38	70	99	96
2008						
Average Monthly Benefit	$557.91	$943.83	$1,471.82	$2,688.20	$3,503.85	$4,356.59
Mean Monthly Final Average Compensation	$3,867.12	$4,301.83	$4,522.21	$6,016.25	$6,504.98	$6,669.55
Number of Active Retirees	17	29	23	57	72	78
2007						
Average Monthly Benefit	$456.74	$1,008.27	$1,601.26	$2,346.30	$3,248.89	$4,196.41
Mean Monthly Final Average Compensation	$3,719.97	$4,376.90	$4,783.46	$5,305.36	$5,773.94	$6,323.68
Number of Active Retirees	18	14	29	44	67	49
2006						
Average Monthly Benefit	$736.79	$859.23	$1,441.88	$2,144.98	$2,907.38	$4,647.01
Mean Monthly Final Average Compensation	$3,578.06	$3,667.90	$4,560.91	$5,270.84	$5,682.46	$8,548.57
Number of Active Retirees	16	23	36	48	56	75
From July 1, 2005 to June 30, 2010						
Average Monthly Benefit	$580.56	$1,013.13	$1,605.02	$2,483.73	$3,439.26	$4,454.39
Mean Monthly Final Average Compensation	$3,940.85	$4,374.69	$4,880.66	$5,678.76	$6,301.10	$7,093.81
Number of Active Retirees	110	115	163	285	397	401