The City of Phoenix Employees' Retirement Plan

COMPONENT OF THE CITY OF PHOENIX, ARIZONA

Comprehensive Annual Financial Report

FOR THE FISCAL YEAR ENDED JUNE 30, 2011

Phoenix
All-America City

All-America City Award years:

2009

1989

1980

1958

1950

Phoenix, Arizona:
Five-Time Winner
All-America City Award

Phoenix Named All-America City

It's official: Phoenix is an All-America City—for the fifth time. The National Civic League chose Phoenix as one of 10 winners of the prestigious, nationwide competition. Phoenix was one of 29 finalists presenting at the 2009 All-America City Awards and the only Arizona winner or finalist for the 60th annual awards.

Communities had to demonstrate their ability to address serious challenges with innovative, grassroots strategies that promote civic engagement and cooperation between the public, private and nonprofit sectors.

A committee of approximately 60 people worked collaboratively on the presentation and award application, including 40 community members and 20 city employees. Phoenix highlighted three challenges with extensive partnerships between neighbors, community groups, nonprofits, universities, businesses and various governments that transformed the city: the newly developed urban education campuses (Arizona State University Downtown Phoenix Campus and Phoenix Biomedical Campus) providing an economic boost, parks and land preservation strategies and the city's innovative library teen spaces.

The results were clear in their benefit to the community:

- Major brick and mortar projects downtown are adding much-needed vibrancy, while creating educational and research opportunities where few existed.

- Massive mountain and desert areas are preserved to protect the environment and provide recreational open space. New and renovated traditional parks give children in all neighborhoods a nearby, safe place to play.

- Teen centers established at all city libraries welcome young people with amenities and an atmosphere not expected from a library.

Phoenix previously won the All-America City Award in 1950, 1958, 1980 and 1989. It is the country's most prestigious community recognition award, honoring communities of all sizes for collaborative projects addressing critical issues.

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

SIXTY-FIFTH ANNUAL
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEARS ENDED
JUNE 30, 2011 and 2010

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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, 2010

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

Linda C. Davidson

President

Jeffrey R. Esser

Executive Director

City of Phoenix
RETIREMENT SYSTEMS

December 12, 2011

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, 2011 and 2010 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 current elected employee Board members with terms of January 1, 2009 to December 31, 2011 are Elizabeth Bissa and David Hensley. During the fiscal year ended June 30, 2011, Cathleen Gleason retired and Corey Williams was selected to complete her term as an employee Board member. Citizen Board Member Linda Reidenbach was reelected by the Board members for a three-year term concurrent with the term of the elected employee Board members. Ray Bladine joined the Board as the Retiree Board Member during the fiscal year ended June 30, 2010. 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.

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, investments and overall administration of the Plans are handled by centralized State Boards. 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, 2011 and 2010.

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, 2010. 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.

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. Because internal controls have inherent limitations and 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 periodically with the Board to review their audit plans and 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

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. During fiscal years 2009-2010 and 2010-2011, the Board reviewed the recommendations and considerations included in the Ennis Knupp review. Some of the changes in Plan operations 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 Board also enhanced the documentation of various governance policies, including Board training requirements.

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. The additional analysis requested by the Board and prepared by Rodwan, was reviewed at the July 28, 2010 Board meeting. Rodwan presented the analysis concerning the demographic and economic assumptions. No assumptions changes were adopted by the Board. The Board will consider possible actuarial assumption changes on an annual basis.

The Pension Reform Task Force and its members were appointed by the Mayor and City Council in January 2011 to work with management, outside consultants and other stakeholders to review and recommend changes to COPERS. Members of the Pension Reform Task Force include the COPERS' Board Chairperson, citizens, an active employee member of COPERS and a COPERS' retiree. I have served as an ex-officio, non-voting member of the Pension Reform Task Force. The Retirement Board received frequent updates regarding the Pension Reform Task Force's activity. Recommendations from the Pension Reform Task Force are expected to be submitted to the City Council within the next few months.

The Board authorized procurement process for security litigation, monitoring and evaluation services was conducted during the 2010-2011 fiscal year. At their January 21, 2011 meeting the Board voted to engage three of the responding firms and contract negotiations were begun with Barroway Topaz Kessler Meltzer & Check, Cohen Milstein Sellers & Toll / Keller Rohrback and Tiffany & Bosco / Labaton Sucharow.

The COPERS administrative office relocated to City Hall in February 2011. This relocation has allowed staff to be more readily accessible to many employee members of the Plan.

The Board authorized procurement process for actuarial and consulting services was conducted during the 2010-2011 fiscal year. At their June 22, 2011 meeting the Board interviewed three finalist firms.

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 $1,443,000. 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 $9,186,000 for the fiscal year ended June 30, 2011. Administrative and investment costs combined represented 0.50% 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, 2011 reflects a funded ratio of 66.7%, 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, 2011 is 20 years. A smoothed market value of assets was used for the June 30, 2011 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, 2011 the net asset value of the COPERS' Plan was $1.824 billion at market value. The fiscal year return for the Plan was 21.33%. The five year annualized return was 3.32%. The actual allocation as of June 30, 2011 was domestic large capitalization ("cap") equities 16.78%, domestic small/mid cap equities 9.26%, international large cap equities 16.44%, international small/mid cap equities 4.11%, core fixed income 24.01%, real estate 9.26%, real return strategy 9.57%, long/short equity 9.43% and cash/cash equivalent 1.14%.

At the July 28, 2010 meeting RV Kuhns and Associates ("Kuhns"), the Board's investment consultant, presented three options to the Board for a core international equity index fund investment. The State Street MSCI ACWI ex US Index Fund was selected for 18% of the Plan's international equity allocation.

Also at the July 2010 meeting the Board accepted a Kuhn's recommendation to rescind the redemption request from the Morgan Stanley Prime Property Fund. Dividends will continue to be received. Additionally it was agreed by the Board the dividend reinvestment program for the JP Morgan Strategic Property Fund would be reinstated.

The results of a search conducted by Kuhn's for an international equity growth manager was presented to the Board at their meeting on August 25, 2010. Based on the search results three mangers were interviewed at the September 22, 2010 meeting. Baillie Gifford was selected to manage this asset class for COPERS. The account was funded on June 20, 2011.

The results of a Kuhn's search for an international equity small cap manager were reviewed by the Board at their November 10, 2010 meeting. Five investment firms were considered with Mondrian Investment Partners ("Mondrian") selected following an interview at the December 15, 2010 meeting. Mondrian was subsequently funded on June 1, 2011.

At their February 16, 2011 meeting the Board undertook its' annual review of the Plan's securities lending program. A comprehensive analysis was presented during the meeting by Kuhns.

The Board received an annual update prepared by Kuhns on the Plan's investment manager fees at their April 27, 2011 meeting.

At the April 27, 2011 meeting the Board received the results of an asset liability study conducted by Kuhns. The results will be used to help guide future asset allocation decisions. The study will be updated as conditions warrant.

Three manager roundtables were conducted during the year facilitating presentations to the Board by all twenty active investment managers. The meetings were held in half day sessions on April 7, 2011, April 21, 2011 and May 5, 2011.

The Board considered and approved contract renewals for five investment managers and one consultant during the year. Those firms were Cramer Rosenthal McGlynn, Western Asset Management, The Boston Company, Eagle Asset Management, GMO and Kuhns and Associates.

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, 2011 were:

Equity Managers:

Baillie Gifford……………………………………………………International Large Cap Growth
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
Mondrian…………………………………………………………International Small Cap
Northern Trust Investments…………………………………Domestic Large Cap Core
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

At their meeting on July 27, 2011 the Board selected Cheiron, Inc. for actuarial and consulting services effective January 1, 2012.

At their August 17, 2011 meeting the Board reviewed a recommendation from Kuhns to make an investment in Real Estate Capital Asia Partners Fund III. A $30 million commitment was approved by the Board.

Kuhns presented two studies to the Board at their August 17, 2011 and September 21, 2011 meetings. The first was a structure study providing potential adjustments to the real return allocation. At the latter meeting an asset allocation study modeling the effects of those potential changes was reviewed. This included the introduction of emerging market debt as a potential new asset class for the Plan and authorization for Kuhns to conduct a search for potential emerging market debt managers.

Kuhns recommended and the Board approved a $20 million commitment to a new non-core real estate investment, Wheelock Street Real Estate Fund LP, at the September 21, 2011 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. This is the second 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 B

Donna Buelow
Retirement Program Administrator

Retirement Board

Elected Board Members

ELIZABETH BISSA
Chairperson Retirement Board

COREY WILLIAMS
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

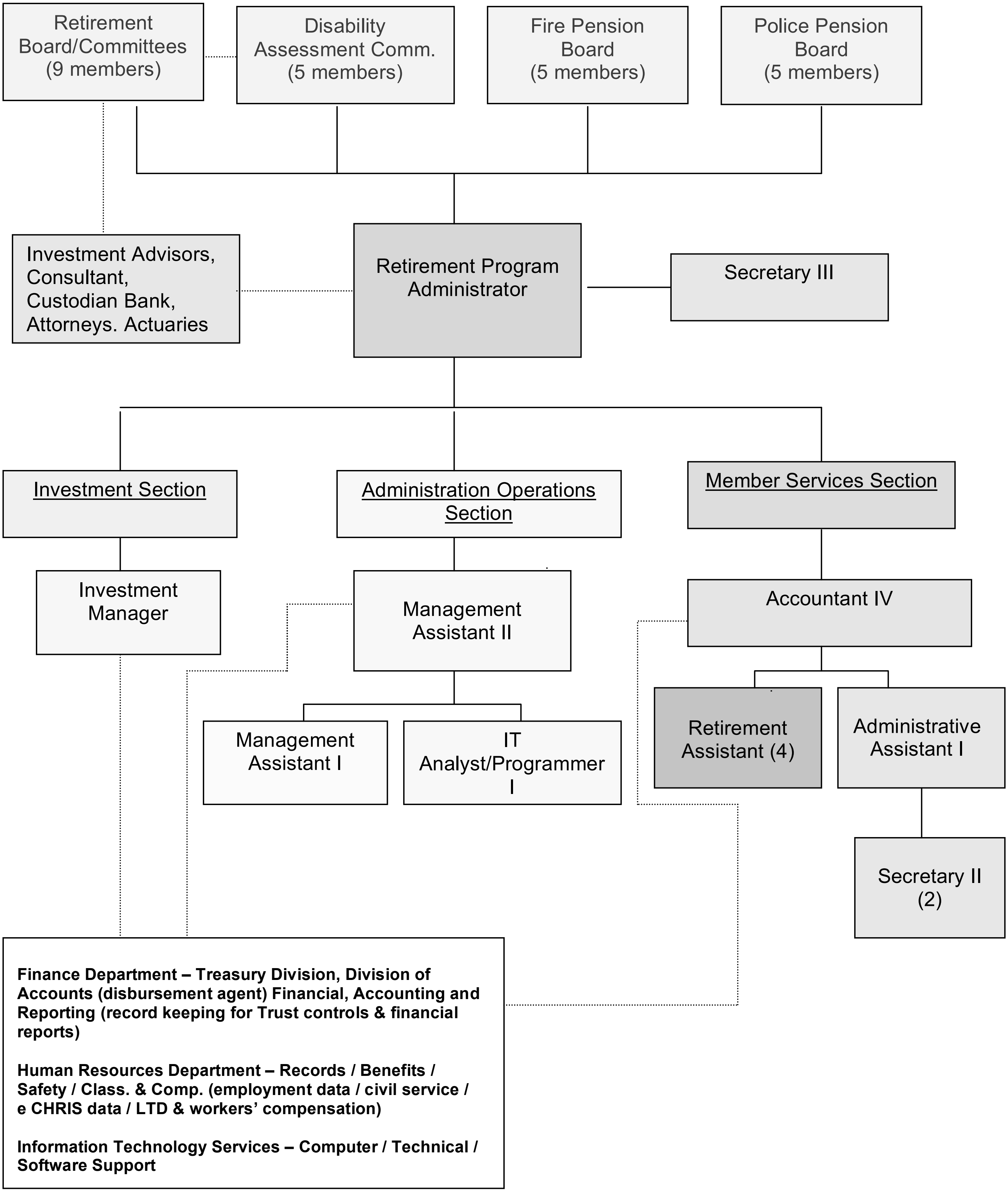
Citizen Board Member

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
Barbara Lang
Corey Williams

Legal Review Committee
Rick Naimark, Chairperson
Elizabeth Bissa
Jeff DeWitt
Linda Reidenbach
Corey Williams

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

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 12, 2011

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, 2011 and 2010. 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, 2011 was 21.3%. The annualized return for the past three and five years was 2.1% and 3.3%, respectively.

As reported by R.V. Kuhns & Associates, the market value of the Plan increased during the fiscal year ended June 30, 2011. However, intermediate and long-term investment returns have been impacted by the difficult market environment and economic downturns experienced beginning 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. During the fiscal year ended June 30, 2011, the Board further diversified the allocation to non-U.S. equities through the selection and funding of an international equity growth manager and an international equity small cap manager. The fixed income and real estate allocations are diversified among many managers. Real estate holdings are further diversified among core, value-added and opportunistic investments, as well as across many geographic locations and property types. In the area of alternative investments, the Board has contracted with two managers who maintain both long and short positions in equities. 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, 2011, Rodwan Consulting Company reports the funded ratio of the plan to be 66.7%, a decrease of 2.6% from the June 30, 2010 funded ratio of 69.3%. The plan sponsor, the City of Phoenix, remains committed to funding the employer's actuarially computed contribution amount, which is 20.15% of member payroll for fiscal year 2012-2013.

Representatives from the City Auditor Department and external auditors under contract with the City Auditor meet annually with the Board to review their audit plans, receive input from the Board and present the results of their audits.

A relatively large number of active members retired during the fiscal year ended June 30, 2011. 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 COPERS administrative office relocated from a satellite building several blocks away to City Hall in February 2011. This relocation has allowed staff to be more readily accessible to many employee members of the Plan.

As Chairperson of the Retirement Board, I was appointed to and have participated in the City's Pension Reform Task Force. The Pension Reform Task Force and its members were appointed by the Mayor and City Council in January 2011 to work with management, outside consultants and other stakeholders to review and recommend changes to COPERS. Other members of the Pension Reform Task Force include citizens, an active employee member of COPERS and a COPERS' retiree. The COPERS Administrator has served as an ex-officio, non-voting member of the Task Force. Recommendations from the Pension Reform Task Force are expected to be submitted to the City Council within the next few months.

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, 2010 and 2009 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
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, 2011 and 2010, 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, 2011 and 2010, 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, 2011 and 2010 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 12, 2011

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, 2011 and 2010. 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, 2011, $1,824,207 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 18.8% from June 30, 2010. 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, 2010 were $1,535,174 compared to $1,409,558 as of June 30, 2009. The increase of 8.9% during 2010 was attributable to higher returns experienced in the financial markets, which impacted COPERS' investment performance.

- COPERS' additions (loss) to Plan assets, as reported in the Statements of Changes in Plan Net Assets on page 25, for the fiscal year ended June 30, 2011 were $440,548 compared to $264,116 for fiscal year ended June 30, 2010 and $(274,820) for fiscal year ended June 30, 2009. The increase for the current year was attributable primarily to gains in investment income. The amount as of June 30, 2011, includes employer and employee contributions of $119,613 and net investment income of $315,936. Fiscal year ended June 30, 2010 and June 30, 2009, employer and employee contributions were $116,481 and $98,157, respectively. The net investment income (loss) was $143,016 and $(375,388), respectively.

- The Statements of Changes in Plan Net Assets report an increase in deductions in Plan assets of 9.4% from the fiscal year ended June 30, 2010. This compares to a 9.7% increase in deductions between June 30, 2010 and June 30, 2009. Deductions for fiscal year ended June 30, 2011 were $151,515 compared to $138,500 for fiscal year ended June 30, 2010 and $126,291 for fiscal year ended June 30, 2009. The increases in deductions as of June 30, 2011 and June 30, 2010 are attributable to increased benefits paid during each year.

- The recent Actuarial Valuation prepared as of June 30, 2011 reports the funded ratio to be 66.7%. The funded ratio for fiscal years June 30, 2010 and June 30, 2009 was 69.3% and 75.3%, respectively. A smoothed market value of assets was used for the June 30, 2011, June 30, 2010 and June 30, 2009 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 (Page 24)
- Statements of Changes in Plan Net Assets (Page 25)
- Notes to the Financial Statements (Page 26)
- Required Supplementary Information (Page 40)
- Additional Supplementary Information (Page 42)

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, 2011 were $1,824,207. This amount represents an increase of 18.8% from Plan Net Assets of $1,535,174 as of June 30, 2010. The Plan Net Assets as of June 30, 2009 were $1,409,558. The return on investments for fiscal years ended June 30, 2011, 2010 and 2009 was 21.33%, 10.32% and (20.40)%, respectively. The investment performance for the fiscal year ended June 30, 2011 was attributable to domestic equity performance of 38.82%, international equity performance of 34.29%, real estate performance of 24.56%, real return performance of 2.43%, fixed income performance of 5.73% and long/short equity performance of 9.53%. 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 fixed income performance of 4.94%.

Table 1: COPERS' Plan Net Assets for June 30, 2011 and 2010 (in thousands)

	2011	2010	Change	% Change
Cash & Cash Equivalents	$ 51,998	$ 58,099	$ (6,101)	(10.5%)
Total Receivables	62,795	53,530	9,265	17.3%
Total Investments	1,990,630	1,746,428	244,202	14.0%
Total Assets	2,105,423	1,858,057	247,366	13.3%
Total Liabilities	281,216	322,883	(41,667)	(12.9%)
COPERS' Net Assets	$ 1,824,207	$ 1,535,174	$ 289,033	18.8%

Table 2: 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%

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, 2011 was $315,936. This compares to net investment income (loss) for June 30, 2010 and June 30, 2009 of $143,016 and $(375,388) respectively. Deductions increased by 9.4% over the prior fiscal year, primarily as a result of increases in pension payments. This compares to a 9.7% increase in deductions from June 30, 2009 to June 30, 2010. Benefit payments for the fiscal years ended June 30, 2011, 2010 and 2009 were $145,922, $133,522 and $121,484, respectively. The increase in benefit payments for the last two fiscal years is due to an increase in the number of retirees.

The summary of COPERS' revenues (additions) and expenses (deductions) for the fiscal years ended June 30, 2011, 2010 and 2009 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, 2011 and June 30, 2010 (in thousands)

	2011	2010	Change	% Change
Additions				
Employer Contributions	$ 90,965	$ 86,241	$ 4,724	5.5 %
Members' Contributions	28,648	30,240	(1,592)	(5.3) %
Inter-System Transfers	4,999	4,619	380	8.2 %
Net Investment Income	314,830	142,076	172,754	121.6 %
Net Securities Lending Income	1,106	940	166	17.7 %
Total	440,548	264,116	176,432	66.8 %
Deductions				
Benefit Payments	145,922	133,522	12,400	9.3 %
Refunds	2,470	2,877	(407)	(14.1) %
Inter-System Transfers	2,872	1,699	1,173	69.0 %
Administrative Expense	251	402	(151)	(37.6) %
Total	151,515	138,500	13,015	9.4 %
Net Change in Assets	289,033	125,616	163,417	130.1 %
Ending Net Assets	$ 1,824,207	$ 1,535,174	$ 289,033	18.8 %

Table 4: 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 %
Adminstrative 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 %

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
200 W. Washington, 10th Floor
Phoenix, AZ 85003
(602) 534-4400
www.phoenix.gov/phxcopers.html

Statements of Plan Net Assets

June 30, 2011 and 2010
(in thousands)

	2011	2010
ASSETS		
Cash and Cash Equivalents (Note 8)	$ 51,998	$ 58,099
Receivables		
Due from the City of Phoenix (Note 12)	352	174
City of Phoenix Contributions	4,652	3,143
Member Contributions	1,384	1,371
Interest and Dividends	2,498	3,215
Unsettled Broker Transactions - Sales	51,666	39,005
Unsettled Broker Transactions - Foreign Exchange Sales	2,206	6,597
Other	37	25
Total Receivables	62,795	53,530
Investments, at Fair Value		
Temporary Investments from Securities Lending Collateral (Note 9)	203,281	238,396
Fixed Income	349,426	458,859
Domestic Equities	1,031,559	686,836
International Equities	406,364	362,337
Total Investments (Note 8)	1,990,630	1,746,428
Total Assets	2,105,423	1,858,057
LIABILITIES		
Payable for Securities Lending Collateral (Note 9)	203,281	238,396
Unsettled Broker Transactions - Purchases	74,256	76,811
Unsettled Broker Transactions - Foreign Exchange Purchases	2,206	6,597
Investment Management Fees Payable	1,461	1,056
Other Payables	12	23
Total Liabilities	281,216	322,883
Commitments and Contingencies (Notes 8, 9 and 13)		
Net Assets Held in Trust for Pension Benefits (Note 3)	$1,824,207	$1,535,174

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, 2011 and 2010

(in thousands)

	2011	2010
ADDITIONS		
Contributions		
City of Phoenix	$ 90,965	$ 86,241
Member	28,648	30,240
Inter-System Transfers (Note 11)	4,999	4,619
Total Contributions (Note 5)	124,612	121,100
Net Investment Income		
From Investing Activities:		
Net Appreciation in		
Fair Value of Investments	282,389	112,128
Interest	14,382	17,201
Dividends	22,494	16,898
Other	720	908
Total Income from Investing Activities	319,985	147,135
Less Investing Activities Expense	(5,155)	(5,059)
Net Income from Investing Activities	314,830	142,076
From Security Lending Activities:		
Security Lending Gross Income	1,833	1,630
Less Security Lending Activity Expenses:		
Agent Fees	(474)	(403)
Broker Rebates	(253)	(287)
Total Security Lending Expenses	(727)	(690)
Net Income from Security Lending Activities	1,106	940
Total Net Investment Income	315,936	143,016
Total Additions	440,548	264,116
DEDUCTIONS		
Benefit Payments	145,922	133,522
Refunds of Contributions	2,470	2,877
Inter-System Transfers (Note 11)	2,872	1,699
Administrative Expenses	251	402
Total Deductions	151,515	138,500
NET INCREASE	289,033	125,616
Net Assets Held in Trust for Pension Benefits (Note 3)		
Beginning of Year	1,535,174	1,409,558
End of Year	$ 1,824,207	$ 1,535,174

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.

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	
	2011	2010
Current retirees, beneficiaries and survivors	5,191	4,931
Alternate payees	103	98
Terminated vested members	680	707
Active members:		
Vested	6,943	6,712
Non-vested	1,626	2,184
Total Members	14,543	14,632

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 4% for fiscal year 2011 (3% for fiscal year 2010) was granted by the Retirement Board to be applied at June 30, 2011 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 (4% in fiscal 2011 and 3% in fiscal 2010). 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, 2011 and 2010 respectively, based on amortized cost for fixed income investments and cost for equity investments (in thousands):

	2011	2010
Employees' Savings	$446,456	$445,141
Pension Accumulation	(39,034)	(32,003)
Pension Reserve	1,344,382	1,227,983
Pension Equalization Reserve	565	543
Convert to Fair Value	71,838	(106,490)
Total Based on Fair Value	$1,824,207	$1,535,174

Note 4 - Administrative Costs

The 2011 Administrative costs of COPERS were $1,443,000. This amount was paid by the City and not recognized in COPERS' financial statements. This compares to the 2010 administrative costs of $1,414,000. 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 $9,186,000 and $9,128,000 for the fiscal years ended June 30, 2011 and 2010, respectively.

Note 5 - Funding Requirement Determinations and Actual Contributions

City of Phoenix contributions for the fiscal year ended June 30, 2011 were $90,965,000 which is equivalent to 16.04% of the estimated annual active member payroll, compared to $86,241,000 or 14.35% for the fiscal year ended June 30, 2010. Member contributions for the fiscal years ended June 30, 2011 and June 30, 2010 were $28,648,000 and $30,240,000 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)

Notes to the Financial Statements
(Continued)

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, 2011 and June 30, 2010 are detailed below (in thousands).

	2011	2010
Actuarial Value of Assets	$1,834,620	$1,868,093
Actuarial Accrued Liability		
Active Members	1,285,705	1,351,016
Retirees and Beneficiaries Currently Receiving Benefits	1,431,877	1,311,929
Terminated Members Not Yet Receiving Benefits	35,327	34,343
Total Actuarial Accrued Liability	2,752,909	2,697,288
Unfunded Actuarial Accrued Liability	($918,289)	($829,195)
Funded Ratio (actuarial value of assets to unfunded actuarial liability)	66.7%	69.3%
Covered Payroll	$ 513,322	$ 550,175

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, 2011	June 30, 2010
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% - 8.8%	5.0% - 8.8%
Cost-of-Living Adjustments	None	None
Factors Affecting Trends	None	None

(1) Includes inflation at 4.5%. Merit and longevity assumptions are age-related rates.

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

The actuarial assumptions employed as of June 30, 2011 and June 30, 2010 includes 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, 2011 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, 2011 were $446,455,872, including interest compounded annually compared to $445,141,268 at June 30, 2010. 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, 2011.

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 26.3% being invested (at fair value) in domestic common stocks as of June 30, 2011. The Board’s present policy allows up to 21% investment (at fair value) in international equity investments. As of June 30, 2011 approximately 20.9% was invested (at fair value) in international equity investments.

Note 8 – Investments (Continued)

A summary of investments at June 30, 2011 and 2010 is as follows (in thousands):

	2011		2010	
	Fair Value	Amortized Cost	Fair Value	Amortized Cost
Temporary Investments from Securities Lending Collateral (Note 9)	$ 203,281	$ 203,281	$ 238,396	$ 238,396
Fixed Income	349,426	344,889	458,859	455,881
Domestic Equities (and other)	1,031,559	977,384	686,836	764,604
International Equities	406,364	393,240	362,337	394,037
	1,990,630	1,918,794	1,746,428	1,852,918
Cash and Cash Equivalents	51,998	51,997	58,099	58,099
Total Investments	$ 2,042,628	$ 1,970,791	$ 1,804,527	$ 1,911,017

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

As of June 30, 2011, the total market value of options held was $6,076,047 and the total market value for swaps was $656,273. On June 30, 2010, the total market value of options held was $(480,142) and the total market value for swaps was $1,482,843.

Note 8 – Investments (Continued)

The following schedule provides the categories of investments as of June 30, 2011 (in thousands):

Investment Categories	Fair Value
Cash	$ 357
Short-Term Investment Fund	51,641
Cash and Cash Equivalents	51,998
Temporary Investments from Securities Lending Collateral	203,281
Fixed Income:	
Derivatives	6,732
U S Treasury Securities	67,933
Government Agencies Securities	5,685
Mortgage Backed Securities-Residential	81,090
Asset Backed Securities	10,383
Corporate Bonds	116,658
Municipal Bonds	8,865
Foreign (USD)	52,080
	349,426
Domestic Equities	659,036
International Equities:	
Commingled Funds	406,364
Commingled Equity Index Fund	168,759
Real Estate Funds	182,746
Commodities:	
Exchange Traded Fund	21,018
Total with Securities Lending Collateral	$ 2,042,628

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, 2011, COPERS did not realize any custodial credit risk for deposits.

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, 2011, 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, 2011, 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 equity investments. The current actual international equity investment allocation is 20.9% of total Plan assets as of June 30, 2011. The fair market value of COPERS' international commingled equity funds managed by Baillie Gifford, Blackrock/iShares, GMO and Mondrian was $378,060,000 as of June 30, 2011. Dollar denominated holdings accounted for 100% of the international equity 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. At June 30, 2011, COPERS' investments included securities issued by the U.S. Treasury or by U.S. Government Agency Securities which carry long-term AAA rating by both Standard & Poor's ("S&P") and Moody's Investors Service rating organizations. Subsequent to June 30, 2011, citing deficits, rating agency S&P downgraded U.S. Treasury Securities and Government Agency Securities from AAA to AA+. Table I on page 36 provides information relating to the credit risk for the fixed income investments in COPERS' as of June 30, 2011.

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.

Note 8 – Investments (Continued)

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.

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		**$ 357**	**$ 357**	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**
Short Term Investment Fund	A1+/P1	50,871	50,871	-	-	-	**-**	**-**
Short Term Investments	AAA	770	770	-	-	-	**-**	**-**
Total Short Term Investments		**51,641**	**51,641**	-	-	-	**-**	**-**
Total Derivatives	Not Rated	**6,732**	**6601**	**(16)**	**(178)**	-	-	**325**
U S Treasury Securities	Not Rated	57,525	4,926	6,662	8,849	9,527	20,957	6,604
U S Treasury Securities	AAA	10,408	1,973	8,435	-	-	-	-
Total U S Treasury Securities		**67,933**	**6,899**	**15,097**	**8,849**	**9,527**	**20,957**	**6,604**
Government Agency	Not Rated	151	69	82	-	-	-	-
Government Agency	AAA	4,390	850	2,678	-	-	74	788
Government Agency	AA	486	-	486	-	-	-	-
Government Agency	A	658	84	574	-	-	-	-
Total Government Agency		**5,685**	**1,003**	**3,820**	**-**	**-**	**74**	**788**
Asset Backed	Not Rated	186	-	-	-	-	-	186
Asset Backed	AAA	7,638	475	714	1,651	-	3	4,795
Asset Backed	AA	402	-	-	185	-	62	155
Asset Backed	A	205	-	-	-	-	-	205
Asset Backed	BBB	262	-	25	57	180	-	-
Asset Backed	BB	216	-	-	-	-	216	-
Asset Backed	CCC	1,433	-	-	-	-	457	976
Asset Backed	CC	41	-	-	-	-	41	-
Total Asset Backed		**10,383**	**475**	**739**	**1,893**	**180**	**779**	**6,317**
Mortgage Backed	Not Rated	21,027	-	150	-	-	-	20,877
Mortgage Backed	AAA	48,955	-	1,123	5,359	642	2,303	39,528
Mortgage Backed	AA	1,399	-	-	-	177	210	1,012
Mortgage Backed	A	2,033	-	-	-	-	386	1,647
Mortgage Backed	BBB	1,200	-	-	-	-	1,125	75
Mortgage Backed	BB	1,989	-	-	-	-	1,518	471
Mortgage Backed	B	1,171	-	-	-	-	578	593
Mortgage Backed	CCC	2,830	-	-	-	-	1,272	1,558
Mortgage Backed	CC	68	-	-	-	-	68	-
Mortgage Backed	C	122	-	-	-	-	122	-
Mortgage Backed	D	296	-	-	-	-	296	-
Total Mortgage Backed		**81,090**	**-**	**1,273**	**5,359**	**819**	**7,878**	**65,761**
Municipal Bonds	Not Rated	545	-	-	-	-	545	-
Municipal Bonds	AAA	1,276	-	-	-	205	180	891
Municipal Bonds	AA	3,403	-	-	-	603	649	2,151
Municipal Bonds	A	3,166	724	175	-	20	487	1,760
Municipal Bonds	BB	475	-	-	-	-	-	475
Total Municipal Bonds		**8,865**	**724**	**175**	-	**828**	**1,861**	**5,277**

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	68,053	34,014	499	32,736	804	-	-
Corporate Bonds	AAA	3,454	2,779	266	-	-	-	409
Corporate Bonds	AA	3,581	1,426	1,027	-	-	-	1,128
Corporate Bonds	A	18,299	7,367	7,168	-	55	260	3,449
Corporate Bonds	BBB	22,186	6,105	12,143	616	157	721	2,444
Corporate Bonds	BB	875	29	56	174	-	485	131
Corporate Bonds	B	9	-	-	-	-	-	9
Corporate Bonds	CCC	201	201	-	-	-	-	-
Total Corporate Bonds		**116,658**	**51,921**	**21,159**	**33,526**	**1,016**	**1,466**	**7,570**
Foreign	Not Rated	26,168	11,208	10,948	3,622	-	-	390
Foreign	AAA	4,608	4,145	463	-	-	-	-
Foreign	AA	3,068	1,367	1,344	-	-	-	357
Foreign	A	9,266	4,688	4,500	-	-	-	78
Foreign	BBB	8,344	2,762	4,945	-	-	38	599
Foreign	BB	626	-	626	-	-	-	-
Total Foreign		**52,080**	**24,170**	**22,826**	**3,622**	**-**	**38**	**1,424**
Total Fixed Income Investments by Maturity Dates		**$ 401,424**	**$ 143,791**	**$ 65,073**	**$ 53,071**	**$ 12,370**	**$ 33,053**	**$ 94,066**

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 2011 and 2010, 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 2011 and 2010, 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 liquidity pool and a duration pool. As of June 30, 2011, the liquidity pool had an average duration of 32 days and an average weighted final maturity of 62 days and the duration pool had an average duration of 36 days and an average weighted final maturity of 484 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, 2011, 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, 2011, were $203,281,071 and $199,461,713, respectively, and as of June 30, 2010, were $238,396,483 and $230,958,609 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 2011 and 2010, 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 2011 and 2010 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 through a warrant or direct deposit.

Until Retirement personnel instruct State Street Bank and Trust to wire funds to the City of Phoenix in reimbursement for the warrants and direct deposits, 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 their meeting on July 27, 2011 the Board selected Cheiron, Inc. for actuarial and consulting services effective January 1, 2012.

At the August 17, 2011 meeting the Board reviewed a recommendation from RV Kuhns to make an investment in Real Estate Capital Asia Partners Fund III. A $30 million commitment was approved by the Board.

The Board took under advisement two studies conducted by RV Kuhns and presented at the August 17, 2011 and September 21, 2011 meetings. The first was a structure study providing potential adjustments to the real return allocation. At the latter meeting an asset allocation study modeling the effects of those potential changes was reviewed. This included the introduction of emerging market debt as a new asset class for the plan and authorization for Kuhns to conduct a search for emerging market debt managers.

RV Kuhns recommended and the Board approved a $20 million commitment to a new non-core real estate investment, Wheelock Street Real Estate Fund LP, at the September 21, 2011 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)
06/30/11		$ 1,834,620	$ 2,752,909	$ 918,289	66.7 %	$ 513,322	178.9 %
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

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
2010-11	2009	$ 90,965	100 %
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

Notes to the Required Supplementary Information

There were no changes in actuarial methods implemented in the June 30, 2011 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, 2011 and 2010

	2011		2010	
	Budget	Actual	Budget	Actual
Personal Services				
Staff Salaries and Benefits	$985,696	$885,626	$984,103	$875,566
Insurance	165,209	158,275	162,778	105,519
Social Security and Medicare	71,391	50,848	66,494	58,126
Retirement Contributions	151,747	151,928	128,533	131,360
Total Personal Services	1,374,043	1,246,677	1,341,908	1,170,571
Professional Services				
Consultants	35	37	618	57
Audit and Accounting	107,781	124,772	70,084	111,986
Computer Services	35,347	33,432	40,783	72,856
Total Professional Services	143,163	158,241	111,485	184,899
Communications				
Printing	13,914	11,437	15,456	10,586
Postage and Mailing	27,704	13,725	29,512	33,276
Travel and Conferences	-	-	4,600	-
Telephone	676	267	610	758
Subscriptions and Memberships	2,000	1,525	2,500	1,414
Total Communications	44,294	26,954	52,678	46,034
Miscellaneous				
Supplies	13,675	8,616	13,675	11,314
Office Furniture	-	-	500	-
Insurance	58	380	68	157
Other	2,547	2,047	2,170	1,478
Total Miscellaneous	16,280	11,043	16,413	12,949
Total Administrative Expenditures and Encumbrances	$1,577,780	$1,442,915	$1,522,484	$1,414,453

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, 2011

Payee	Commissions or Fees	Nature of Services
RV Kuhns & Associates	$224,369	Investment Consultant
State Street Bank	114,965	Master Custodian
Elkins McSherry	10,000	Brokerage Services
Artio Global Investors	453,935	Investment Management
Cadence Capital Management	509,593	Investment Management
Cramer Rosenthal McGlynn	635,643	Investment Management
Dimensional Fund Advisors	326,572	Investment Management
Eagle Asset Management	374,476	Investment Management
J P Morgan Investment Management	525,341	Investment Management
Mondrian	28,024	Investment Management
PIMCO	617,831	Investment Management
Pyramis Global Advisors	579,326	Investment Management
Research Affilliates	116,700	Investment Management
The Boston Company	248,589	Investment Management
Wrightwood Capital	130,951	Investment Management
Western Asset Management Corporation	257,277	Investment Management
Foreign Taxes	1,627	
Total	$5,155,219	

Payee **(1)**	Commissions or Fees	Nature of Services
GMO	$1,043,691	Investment Management
JDM Partners	300,000	Investment Management
K2 Advisors	799,147	Investment Management
Morgan Stanley	580,981	Investment Management
PAAMCO	796,062	Investment Management
RECAP	180,000	Investment Management
TA Associates	80,282	Investment Management
Total	$3,780,163	

Schedule of Payments to Legal, Medical, Actuary and Computer Services
For the Fiscal Year Ended June 30, 2011 (2)

Payee	Fees Paid	Nature of Services
Levi Ray & Shoup	$168,652	Computer Services
MCN	10,048	Medical Services
Rodwan Consulting Company	37,086	Actuarial Services
Yoder & Langford, P.C.	35,248	Legal Services
	$ 251,034	

(1) Fees for these managers 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.

November 10, 2011

Board of Trustees
City of Phoenix Employees' Retirement System
c/o Ms. Donna Buelow
Retirement Program Administrator
200 W. Washington Street, 10th Floor
Phoenix, Arizona 85003

Dear Board Members:

The past year has been marked by generally positive performance of the U.S. economy, but also by turbulent investment markets and elevated price inflation. U.S. Real Gross Domestic Product grew in each of the last four quarters as the economy expanded by 1.6% since June 30, 2010.[1] The economy also added approximately 1,066,000 nonfarm jobs as the unemployment rate declined to 9.2%.[2] Inflation, as measured by the Consumer Price Index, rose 3.6% 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 five years and less, while rising for maturities greater than five years.

The market value of the City of Phoenix Employees' Retirement System (the System) assets increased from $1.532 billion to $1.824 billion in the year ended June 30, 2011. Five years ago, the fund was valued at $1.669 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 30.7%. Broad international equity markets posted similar returns to domestic equities, returning 30.3% (as measured by the MSCI ACW ex US Index). Fixed income securities returned 3.9% (Barclays Capital United States Aggregate Bond Index).

The System's overall investment return over the past year was 21.3%, the System's three-year annualized return was 2.1%, and the System's five-year annualized return was 3.3%.[3] The ten-year annualized return was 4.6%. 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.

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

The System's current investments are diversified. All segments of the U.S. and International equity markets 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, 2011, 26.3% of the System's investments were invested in U.S. equities, 20.9% in non-U.S. equities, 23.1% in fixed income investments, 9.4% in real estate, 9.7% in real return strategies, 9.5% in long/short equity strategies, and 1.2% 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 four 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 calculated by RVK and based upon financial statements prepared by State Street Bank and investment managers. 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, 2011 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 and Value Index, MSCI EAFE Small Cap Index, MSCI ACWI ex US Index, MSCI ACWI ex US Small Cap 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, 2011, the total payments received under SSGM were $31,111.

Investment Services Under Contract (as of June 30, 2011)

EQUITY MANAGERS:

Baillie Gifford Edinburgh Scotland
Kathrin Hamilton

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

Mondrian London England
Paul Ross

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, 2011

		Annualized	
	1-Year	3-Years	5-Years
TOTAL PORTFOLIO:			
COPERS	21.3%	2.1%	3.3%
Target Benchmark	20.7%	1.2%	3.3%
R.V. Kuhns All Pension Plans $1B - $5B median	21.2%	4.5%	5.0%
EQUITY FUNDS:			
Cadence Capital Management	32.7%	0.1%	2.2%
Russell 1000 Growth Index	35.0%	5.0%	5.3%
Cramer Rosenthal McGlynn (1)	42.9%	9.6%	--
Russell 2000 Value Index	31.4%	7.1%	2.2%
Eagle Asset Management	51.3%	13.0%	11.2%
Russell 2000 Growth Index	43.5%	8.4%	5.8%
Baillie Gifford (2)	--	--	--
MSCI ACWI ex US Index	30.3%	0.1%	4.1%
GMO	32.8%	-2.3%	1.6%
Custom Benchmark	30.3%	-1.5%	1.9%
Dimensional Fund Advisors (3)	36.9%	4.4%	--
Russell 1000 Value Index	28.9%	2.3%	1.2%
S&P 500 SSgA SPDR (4)	30.2%	--	--
S&P 500 Index (Cap Wtd)	30.7%	3.3%	2.9%
The Boston Company	42.6%	13.1%	9.7%
Russell Midcap Index	38.5%	6.5%	5.3%
iShares: MSCI EAFE Sm Cap (5)	38.6%	--	--
MSCI EAFE Sm Cap Index (net)	36.4%	3.3%	2.3%
Mondrian Investment Partners (6)	--	--	--
MSCI ACWI ex US SC Index	34.7%	5.9%	6.3%
FIXED INCOME FUNDS:			
Artio (7)	5.6%	--	--
Western Asset Management	6.2%	8.8%	6.7%
PIMCO (8)	5.6%	--	--
Barclays Capital US Aggregate Bond Index	3.9%	6.5%	6.5%
HEDGE FUND OF FUNDS:			
PAAMCO (9)	10.7%	--	--
K2 Advisors (10)	8.3%	--	--
REAL ESTATE FUNDS:			
J P Morgan (11)	18.9%	-6.2%	--
Morgan Stanley (12)	19.5%	-7.3%	--
Wrightwood (13)	17.7%	--	--
TA Associates Realty (14)	15.9%	--	--
RECAP II (15)	49.5%	--	--
JDM Partners (16)	71.4%	--	--
NCREIF ODCE Index	20.5%	-7.7%	.01%
REAL RETURN FUND			
Research Affiliates (17)	2.4%	0.9%	--
CPI + 4% (Long Term)	7.7%	5.1%	6.2%

(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) Baillie Gifford added July 1, 2011 as an International Commingled Equity Fund manager; funds transitioned from Pyramis. Performance figures would not be representative of the benchmark index.

(3) 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.

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

(5) 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.

(6) Mondrian added as an international Small Cap manager July 1, 2011.

(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, 2011

Manager	Style	Management (in thousands)	% of Portfolio
EQUITY FUNDS			
Baillie Gifford	International	$ 145,752	7.92 %
GMO	International	156,783	8.52
Cadence Capital Management	Large Cap Growth	137,688	7.49
Dimensional Fund Advisors	Large Cap Value	134,917	7.33
Cramer Rosenthal McGlynn	Small Cap Value	64,478	3.51
Eagle Asset Management	Small Cap Growth	71,627	3.89
The Boston Company	Mid Cap Value	34,149	1.86
S&P 500 SPDR	Large Cap Core	35,961	1.96
MSCI EAFE Small Cap Index	International	30,906	1.68
Mondrian Investment Partners	International	44,619	2.43
TOTAL EQUITY FUNDS		856,880	46.59
FIXED INCOME FUNDS			
Artio Global Investors	Core Fixed Income	168,645	9.17
PIMCO	Core Fixed Income	168,054	9.14
Western Asset Management	Core Fixed Income	104,843	5.70
COPERS Cash Account	Short Term Income Fund	21,119	1.14
TOTAL FIXED INCOME FUNDS		462,661	25.15
HEDGE FUND OF FUNDS			
K2 Advisors	Hedge Fund of Funds	85,074	4.63
PAAMCO	Hedge Fund of Funds	88,391	4.80
TOTAL HEDGE FUND OF FUNDS		173,465	9.43
REAL ESTATE FUNDS			
JDM Partners	Opportunistic Real Estate	26,336	1.43
RECAP	Opportunistic Real Estate	7,818	0.43
J P Morgan	Core Real Estate	55,273	3.01
Morgan Stanley	Core Real Estate	70,173	3.82
TA Realty Associates	Value Added Real Estate	7,905	0.43
Wrightwood Capital	Value Added Real Estate	2,818	0.14
TOTAL REAL ESTATE FUNDS		170,323	9.26
REAL RETURN FUNDS			
Research Affiliates		176,018	9.57
TOTAL REAL RETURN FUNDS		176,018	9.57
Total Portfolio		$ 1,839,347	100.00 %

List of Largest Assets Held

As of June 30, 2011 (dollars in thousands)

Ten Largest Bond Holdings (Market Value)

Par Value	Description	Interest Rate	Due	Rating	Market Value
$15,841	TSY INFL IX N/B	3.38%	04/15/2032	AAA	$20,957
8,480	US TREASURY	2.38%	05/31/2018	AAA	8,435
6,400	FNMA TBA JUL 30 SINGLE FAM	4.50%	12/01/2099	AAA	6,621
3,100	US TREASURY N/B	2.13%	06/30/2018	AAA	3,077
2,900	GNMA I TBA JUL 30 SINGLE FAM	4.50%	12/01/2099	AAA	3,060
2,580	US TREASURY N/B	4.75%	02/15/2041	AAA	2,742
2,600	US TREASURY N/B	2.13%	12/31/2015	AAA	2,669
2,100	FNMA POOL AL0484	5.50%	05/01/2040	AAA	2,275
2,100	FNMA TBA JUL 30 SINGLE FAM	5.00%	12/01/2099	AAA	2,231
2,100	GNMA II TBA JUL 30	4.50%	12/01/2099	AAA	2,210

Ten Largest Stock Holdings (Market Value)

Shares	Stock	Value
80,854	Conoco Phillips	$6,079
182,440	AT&T Inc	5,730
16,160	Apple Inc	5,424
104,694	Citigroup Inc	4,359
204,929	Pfizer Inc	4,222
216,212	General Electric Co	4,078
96,531	CVS Caremark Corp	3,628
21,140	Intl Business Machines Corp	3,627
317,604	Bank of American Corp	3,481
135,488	Comcast Corp Class A	3,433

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

Schedule of Investment Related Fees
For the Fiscal Year Ended June 30, 2011

	(in thousands)	Fees (1)	Points
Equity Funds			
Ballie Gifford	$ 145,752	$ N/A	N/A
Cadence Capital Management	137,688	509,593	37.01
Cramer Rosenthal McGlynn	64,478	635,643	98.58
Dimensional Fund Advisors	134,917	326,572	24.21
Eagle Asset Management	71,627	374,476	52.28
GMO	156,783	1,043,691	66.57
Mondrian	44,619	28,024	6.28
Pyramis Global Advisors	N/A	579,326	N/A
The Boston Company	34,149	248,589	72.80
S & P 500 SPDR	35,961	N/A	N/A
MSCI EAFE Small Cap Index	30,906	N/A	N/A
TOTAL EQUITY FUNDS	856,880	3,745,914	
Fixed Income Funds			
Artio Global Investors	168,645	453,935	26.92
PIMCO	168,054	617,831	36.76
Western Asset Management	104,843	257,277	24.54
COPERS Cash Account STIF	21,119	N/A	N/A
TOTAL FIXED INCOME FUNDS	462,661	1,329,043	
Hedge Fund of Funds			
PAAMCO	88,391	796,062	90.06
K2 Advisors	85,074	799,147	93.94
TOTAL HEDGE FUND OF FUNDS	173,465	1,595,209	
Real Estate Funds			
JDM Partners	26,336	300,000	113.91
JP Morgan Investment Management	55,273	525,341	95.04
Morgan Stanley	70,173	580,981	82.79
RECAP	7,818	180,000	230.24
TA Realty Associates	7,905	80,282	101.56
Wrightwood Capital	2,818	130,951	464.69
TOTAL REAL ESTATE FUNDS	170,323	1,797,555	
Real Return Funds			
Research Affiliates	176,018	116,700	6.63
TOTAL REAL RETURN FUNDS	176,018	116,700	
Total	$ 1,839,347	$ 8,584,421	
Other Investment Service Fees			
RV Kuhns & Associates (Consultant)		224,369	
State Street Bank (Custodian)		114,965	
Elkins McSherry Brokerage		10,000	
Foreign Taxes		1,627	
TOTAL OTHER INVESTMENT SERVICE FEES		350,961	
Total Investment Related Fees		$ 8,935,382	

(1) Does not represent contractual fee schedule and may include expenses other than management fees.

Investment Summary
As of June 30, 2011

Type of Investment	Market Value (in thousands)	Percent of Total Market Value
Fixed Income:		
Asset Backed	$ 10,383	0.56 %
Corporate Bonds	116,658	6.34
Foreign (USD)	52,080	2.83
Government Agencies Securities	5,685	0.31
Mortgage Backed Securities	81,090	4.41
Municipal Bonds	8,865	0.48
Derivatives	6,732	0.37
US Treasury Securities	67,933	3.69
Total Fixed Income	349,426	18.99
Domestic Equities:		
Commingled Fund	220,516	11.99
Consumer Discretionary	80,533	4.38
Consumer Staples	27,337	1.49
Energy Related	44,634	2.43
Financials	49,266	2.68
Health Care	49,145	2.67
Industrials	66,160	3.60
Information Technology	82,456	4.48
Materials	21,313	1.16
Preferred Stock	2	--
Telecommunication Services	13,553	0.74
Utilities	4,121	0.22
Total Domestic Equities	659,036	35.84
Real Estate:		
Commingled Funds	182,746	9.94
Commingled Equity Index Fund	168,759	9.17
International Equities:		
Commingled Funds	406,364	22.09
Commodities:		
Exchange Traded Funds	21,018	1.14
Cash & Cash Equivalents	51,998	2.83
Total	$1,839,347	100.00 %

Schedule of Commissions
For the Fiscal Year Ended June 30, 2011

Brokerage Firm	Shares Traded	Total Commissions	Commissions Per Share
BAIRD ROBERT W & COMPANY	373,650	$ 12,328	$ 0.0330
BLOOMBERG TRADEBOOK LLC	1,311,435	26,095	0.0199
BNY CONVERGEX	430,371	17,103	0.0397
BURKE & QUICK PARTNERS LLC	362,690	14,185	0.0391
CANTOR FITZGERALD + CO	378,530	10,300	0.0272
CITIGROUP GLOBAL MARKETS INC	350,238	11,687	0.0334
COWEN AND COMPANY, LLC	407,944	14,070	0.0345
CREDIT SUISSE SECURITIES (USA) LLC	694,005	18,119	0.0261
DEUTSCHE BANK SECURITIES INC	595,120	13,279	0.0223
GOLDMAN SACHS + CO	358,912	12,452	0.0347
INSTINET	2,266,679	33,207	0.0146
J.P. MORGAN SECURITIES INC	383,339	11,858	0.0309
JEFFERIES + COMPANY INC	861,689	21,449	0.0249
KNIGHT EQUITY MARKETS L.P.	3,920,399	37,603	0.0096
KNIGHT SECURITIES	981,129	10,172	0.0104
LIQUIDNET INC	966,846	22,402	0.0232
MERRILL LYNCH PROFESSIONAL CLEARING	394,296	14,560	0.0369
MORGAN STANLEY CO INCORPORATED	535,274	11,567	0.0216
PIPER JAFFRAY	318,011	10,260	0.0323
RAFFERTY CAPITAL MARKETS LLC	339,760	13,590	0.0400
RBC CAPITAL MARKETS	957,201	22,858	0.0239
SANFORD C BERNSTEIN CO LLC	349,553	10,887	0.0311
STATE STREET GLOBAL MARKETS	1,960,390	39,208	0.0200
STATE STREET GLOBAL MARKETS LLC	4,752,102	58,998	0.0124
STIFEL NICOLAUS + CO INC	424,605	13,353	0.0314
UBS SECURITIES LLC	628,165	10,233	0.0163
WEEDEN + CO	1,709,792	27,462	0.0161
All Other Brokers (1)	5,920,528	175,862	0.0297
TOTAL	32,932,653	$ 695,147	

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

Actuarial Section

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

RODWAN
consulting
company

October 28, 2011

The Retirement Board
City of Phoenix Employees' Retirement Plan
200 West Washington, 10th Floor
Phoenix, Arizona 85003

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, 2011. 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, 2011 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

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, 2011 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

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
11	8,569	$513,322	$59,904	(3.1) %
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

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

	Added to Rolls			Removed		Rolls End of Year		Average	% Increase
		Annual Pensions							
Year End	No.	New	PEP (a)	No.	Annual Pensions	No.	Annual Pensions	Annual Pensions	in Annual Pensions
11	444	$ 15,251	$ -	184	$ 3,574	5,191	$149,950	$ 28,887	8.4 %
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

(a) Pension Equalization Increase

Solvency Test

	Aggregate Accrued Liabilities for				Portion of Accrued Liabilities Covered by Assets		
	(1)	(2)	(3)				
Valuation Date	Active Member Contributions (in thousands)	Retirees and Beneficiaries (in thousands)	Active Members Employer Portion (in thousands)	Valuation Assets (in thousands)	(1)	(2)	(3)
6/30/2011	$ 446,456	$1,431,877	$ 874,576	$1,834,620	100 %	97 %	- %
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

Analysis of Financial Experience
(dollars in thousands)

	Derivation for Year Ended June 30,				
	2011	2010	2009	2008	2007
(1) UAAL at Start of Year	$829,195	$622,946	$504,950	$ 349,611	$373,605
(2) Normal cost for year	80,099	78,731	83,089	72,806	66,245
(3) Contributions	(119,613)	(116,482)	(98,157)	(95,435)	(88,358)
(4) Assumed Investment Income Accrual on (1), (2) and (3)	64,652	48,228	39,755	27,005	29,004
(5) Expected UAAL Before Changes	854,333	633,424	529,637	353,987	380,496
(6a) Effect of Assumption Changes	-	-	-	-	-
(6b) Effect of Method Changes	-	-	-	74,539	-
(7) Effect of Benefit Changes	-	-	-	-	-
(8) Expected UAAL After Changes	854,333	633,424	529,637	428,526	380,496
(9) Actual UAAL	918,289	829,195	622,946	504,950	349,611
(10) Gain (loss) (8) - (9)	($63,956)	($195,771)	($93,309)	($76,424)	$30,885
(11) As % of AAL at Start of Year	(2.4)%	(7.8)%	(3.9)%	(3.5)%	1.5%

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 4 percent interest rate for June 30, 2011.

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.

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)

	2011	2010	2009	2008	2007
ADDITIONS					
Member Contributions	$28,648	$30,240	$31,774	$31,237	$30,207
Employer Contributions	90,965	86,241	66,383	64,198	58,151
Funds from Other Systems	4,999	4,619	2,411	4,755	4,507
Net Investment Income (Loss)	315,936	143,016	(375,388)	(106,022)	272,051
Total Additions to Plan Net Assets	440,548	264,116	(274,820)	(5,832)	364,916
DEDUCTIONS					
Benefit Payments	145,922	133,522	121,484	109,308	100,366
Refunds of Contributions	2,470	2,877	2,812	2,623	2,770
Funds to Other Systems	2,872	1,699	1,518	2,103	1,798
Administrative Expenses	251	402	477	0	0
Total Deductions from Plan Net Assets	151,515	138,500	126,291	114,034	104,934
CHANGE IN NET ASSETS	$289,033	$125,616	($401,111)	($119,866)	$259,982

	2006	2005	2004	2003	2002
ADDITIONS					
Member Contributions	$27,979	$26,307	$24,783	$26,122	$25,191
Employer Contributions	52,974	43,375	39,564	27,820	28,295
Funds from Other Systems	1,070	963	373	500	1,053
Net Investment Income (Loss)	133,934	120,237	198,641	36,909	(88,483)
Total Additions to Plan Net Assets	215,957	190,882	263,361	91,351	(33,944)
DEDUCTIONS					
Benefit Payments	91,911	83,657	76,949	70,234	64,289
Refunds of Contributions	2,465	2,508	2,272	2,457	3,484
Funds to Other Systems	600	888	600	365	657
Administrative Expenses	0	0	340	155	75
Total Deductions from Plan Net Assets	94,976	87,053	80,161	73,211	68,505
CHANGE IN NET ASSETS	$120,981	$103,829	$183,200	$18,140	($102,449)

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
2010-2011	$126,574	$2,706	$718	$2,774	$10,047	$1,859	$32	$1,210	$145,920
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

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

Refunds

(in thousands)

Fiscal Year	Beneficiaries*	Separation	Total Refunds
2010-2011	$677	$1,793	$2,470
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

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

Schedule of Retired Members by Type of Benefit
June 30, 2011

Monthly Benefit	Number of Retirees	Type of Retirement: Deferred	Normal or Voluntary	Duty Disability	Non-Duty Disability	Survivor Payment	Death Benefit	Alternate Payee
Deferred	680	680						
$1 - $300	75	--	40	1	--	9	14	11
301 - 400	147	--	93	7	--	36	5	6
401 - 500	115	--	66	7	3	27	3	9
501 - 600	137	--	86	6	11	23	6	5
601 - 700	158	--	85	5	12	49	5	2
701 - 800	160	--	82	3	14	35	12	14
801 - 900	162	--	96	4	19	36	6	1
901 - 1,000	166	--	86	3	19	43	8	7
1,001 - 1,100	179	--	110	5	14	33	9	8
1,101 - 1,200	143	--	85	1	17	24	8	8
1,201 - 1,300	149	--	100	1	14	20	5	9
1,301 - 1,400	152	--	108	1	9	24	9	1
1,401 - 1,500	160	--	111	4	6	25	10	4
1,501 - 2,000	656	--	516	12	25	67	22	14
2,001 - 2,500	693	--	605	1	12	58	13	4
2,501 - 3,000	532	--	486	--	6	30	10	--
3,001 - 4,000	735	--	690	--	3	33	9	--
4,001 - 5,000	407	--	395	--	2	9	1	--
Over 5,001	368	--	357	--	--	8	3	--
Totals	5,974	680	4,197	61	186	589	158	103

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	75	35	19	5	--	--	3	13
301 - 400	147	98	23	9	2	5	10	--
401 - 500	115	76	26	6	1	--	6	--
501 - 600	137	76	26	20	3	1	11	--
601 - 700	158	94	32	18	1	6	7	--
701 - 800	160	104	27	16	1	5	7	--
801 - 900	162	85	31	23	4	9	10	--
901 - 1,000	166	105	29	18	7	4	3	--
1,001 - 1,100	179	110	38	15	4	3	9	--
1,101 - 1,200	143	70	42	15	2	8	6	--
1,201 - 1,300	149	75	33	15	7	15	4	--
1,301 - 1,400	152	82	33	16	6	11	4	--
1,401 - 1,500	160	95	23	14	5	16	7	--
1,501 - 2,000	656	285	179	91	23	42	36	--
2,001 - 2,500	693	285	195	87	30	69	27	--
2,501 - 3,000	532	209	145	76	36	43	23	--
3,001 - 4,000	735	297	218	83	31	72	34	--
4,001 - 5,000	407	166	114	46	24	44	13	--
Over 5,001	368	146	118	39	19	29	17	--
Totals	5,294	2,493	1,351	612	206	382	237	13

Deferred	680
Total	5,974

Schedule of Average Benefit Payment Amounts
By Year of Retirement

Last Five Fiscal Years

Retirement Effective Dates	Years of Credited Service					
For Fiscal Years Ending June 30:	5-9	10-14	15-19	20-24	25-29	30+
2011						
Average Monthly Benefit	$573.56	$1,125.30	$1,756.20	$2,780.95	$4,123.71	$4,908.60
Mean Monthly Final Average Compensation	$4,216.52	$4,941.00	$5,243.97	$6,276.18	$7,396.17	$7,417.58
Number of Active Retirees	33	42	35	66	104	84
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
From July 1, 2006 to June 30, 2011						
Average Monthly Benefit	$547.91	$1,066.34	$1,667.88	$2,610.92	$3,682.53	$4,506.70
Mean Monthly Final Average Compensation	$4,068.54	$4,629.31	$5,017.28	$5,879.83	$6,643.84	$6,867.62
Number of Active Retirees	127	134	162	303	445	410

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