The City of Phoenix Employees' Retirement Plan

COMPONENT OF THE CITY OF PHOENIX, ARIZONA

Comprehensive Annual Financial Report

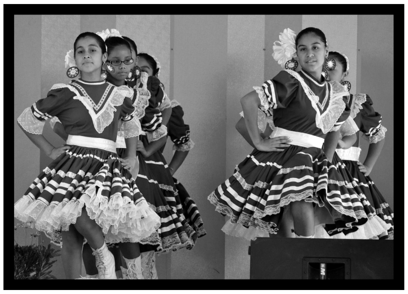
FOR THE FISCAL YEAR ENDED JUNE 30, 2014 AND 2013

Parks and Recreation

Garbage/Recycling Services

Paramedics/Fire Services

Police Protection



Arts and Culture

Library Services

"Outstanding Achievements in Community Service"

Outstanding Achievements in Community Service

Phoenix's 2013-14 Budget demonstrates the city's commitment to the continued restoration and enhancement of important services at the lowest possible cost. It includes enhanced and restored services to the community, further strides with innovation and efficiency, and greater budgetary and financial transparency.

One of our most remarkable achievements is the recent Community Opinion Survey regarding the quality of life in Phoenix. More than nine out of 10 residents, or 93 percent, said Phoenix is a good place to live, the highest rating level in the history of the survey. This is a result of outstanding leadership of the mayor and City Council and the city's excellent employees.

Satisfaction rates for top city services were analyzed, comparing survey results from 2002 to 2012. The outstanding results were that satisfaction rates increased over the last 10 years for 20 out of 26 services such as police protection, enforcing traffic laws, emergency medical services, garbage and recycling, preserving mountains and deserts, and property maintenance standards.

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

SIXTY-EIGHTH ANNUAL

COMPREHENSIVE ANNUAL FINANCIAL REPORT

FOR THE FISCAL YEARS ENDED

JUNE 30, 2014 and 2013

200 West Washington Ave, 10th Floor

Phoenix, Arizona 85003

(602) 534-4400

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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.

Government Finance Officers Association

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, 2013

Executive Director/CEO

Public Pension Coordinating Council

Public Pension Standards Award For Funding and Administration 2014

Presented to

City of Phoenix Employees' Retirement System

In recognition of meeting professional standards for plan funding and administration as set forth in the Public Pension Standards.

Presented by the Public Pension Coordinating Council, a confederation of

National Association of State Retirement Administrators (NASRA)
National Conference on Public Employee Retirement Systems (NCPERS)
National Council on Teacher Retirement (NCTR)

Alan H. Winkle
Program Administrator

City of Phoenix

December 23, 2014

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

I am pleased to submit this 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, 2014 and 2013. 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 on March 12, 2013.

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 the 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 in December 2011. The three elected employee Board members with terms of January 1, 2012 through December 31, 2014 were Elizabeth Bissa, David Hensley and Leslie Scott. Corey Williams joined the Board to finish David Hensley's term upon Mr. Hensley's retirement in December of 2013. Cathleen Gleason was elected by the Board members as the Retiree Board member and John Hedblom was elected by the Board members as the Citizen Board member, both for three-year terms concurrent with the term of the elected employee Board members. The Ex-Officio Board members are: Neal Young, Finance Director; Rick Naimark, Deputy City Manager; Kathleen Gitkin, Interim City Treasurer; and, Cindy Bezaury, Interim 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 EORPA and the APSPRS were created by Arizona State Statutes. EORPA and APSPRS benefit payments, investments and overall administration of the Plans are handled by centralized State Boards, and each of the retirement plans publish separate financial reports. However, 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. The COPERS Retirement Program Administrator serves as the Local Board Secretary for both Boards, and COPERS' staff perform the administrative functions on behalf of those Boards.

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 Fiduciary position and changes in Fiduciary position. 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 18, provides analysis of the financial activities for the fiscal years ended June 30, 2014 and June 30, 2013.

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, 2013. In order to be awarded a Certificate of Achievement, an organization must conform to the highest standards of fiduciary reporting and full disclosure.

INTERNAL CONTROLS

Internal controls are procedures designed to accomplish the following: 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 that these objectives are met. Because the cost of internal controls should not outweigh their benefits, the City's comprehensive framework of internal controls has been designed to provide reasonable, rather than absolute, assurance that the financial statements are free of any material misstatements. Representatives from the City Auditor's Department meet periodically with the Board to review their audit plans and present the results of the audits. Moreover, 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

On May 1, 2014, COPERS entered into a new custodial relationship transitioning 29 investment accounts with an aggregate value of $2.2 billion from State Street Bank to BNY Mellon Bank. The transition was the culmination of a four month project during which COPERS' staff worked closely with BNY Mellon to accomplish the transfer. In addition to achieving a number of operational efficiencies in the area of document management, the annual banking fee was reduced nearly 30%.

COPERS launched a new website on October 8, 2014. Access to the new COPERS website, https://www.phoenix.gov/copers, is now available from the City's official website at phoenix.gov. The new website offers users easy access to pension plan information, the COPERS policy manual and retirement forms.

The new website also features a retirement pension estimator tool developed in partnership with the Human Resources department. This tool allows general city employees with Tier I benefits to calculate their monthly pension based on COPERS eligibility rules if they are within three years of retirement. In the first two weeks after its launch, nearly 5,000 estimates were generated for over 800 employees.

At its September 2013 meeting, the Board approved several changes to its actuarial assumptions to be used for the actuarial valuation as of June 30, 2014. The actuarial assumption changes included reducing the assumed rate of return from 8.0% to 7.5% and reducing the wage inflation assumption from 5.0% to 3.5%.

In 2014 the Board also approved the first Pension Equalization Program ("PEP") increase to retirees' benefits and the first Post Retirement Distribution Benefit (known as the "13th Check") since 2009. The PEP increased retirees' benefits by 1.3% on a permanent basis going forward, effective January 1, 2014. The 13th Check provided retirees a one-time payment of 1% of their annual benefit payment as of June 30, 2014 and was paid on December 1, 2014.

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 $1,557,000. 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 $13,060,000 for the fiscal year ended June 30, 2014. Administrative and investment costs, combined, represented 0.6% 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, 2014, reflects a funded ratio of 58.7%, the difference between the actuarial 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, except that the amortization of the impact of the assumption changes adopted in 2013 is being phased in to the full level percent of payroll amount over four years. The amortization period as of June 30, 2014 is 24 years. A smoothed market value of assets was used for the June 30, 2014 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, 2014, the net asset value of the COPERS' Plan is $2.22 billion. The fiscal year return for the Plan is 15.88%, which is 0.57% better than the benchmark. The five year annualized return is 11.52%.

The Board considered and approved several contracts for investment managers during the year.

PROFESSIONAL SERVICES

The Retirement Board retains professional consultants to prudently discharge its fiduciary responsibility for the proper administration of the Plan. Cheiron provides actuarial services and the corresponding certification. BNY Mellon just replaced State Street Bank as the master custodian. Brokerage trade execution monitoring is compiled by Elkins/McSherry, LLC and reviewed by investment consultant RVK, formerly known as RV Kuhns. RVK also provides investment performance analysis, asset allocation review and investment consulting to the Retirement Board. COPERS' financial statements are audited by Grant Thornton LLP and reviews of operations are performed by the City Auditor's Department.

SUBSEQUENT EVENTS

On November 4, 2014, the Phoenix voters defeated proposition 487, which would have required a number of changes to COPERS. Among the proposed changes was the closure of Tier II to new members (Tier I was closed to new members with the creation of Tier II) and the requirement that all new employees be placed in a defined contribution plan.

ACKNOWLEDGMENTS

The Plan received the Public Pension Standards Award for Funding and Administration. This award was presented by the Public Pension Coordinating 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. This is the fifth year the Plan has applied for and received this award.

The guidance provided by the Retirement Board is greatly appreciated. The preparation of this report is a collaborative effort of many individuals. I would like to acknowledge the hard work of the COPERS' staff, the Finance Department and the Retirement Board. This report is intended to provide important information crucial to the understanding of the pension plan.

Sincerely,

Scott A. Miller
Retirement Program Administrator

Retirement Board



ELIZABETH BISSA
Chairperson, Retirement Board
Elected Board Member

CATHLEEN GLEASON
Vice Chairperson, Retirement Board
Retired Budget and Research Director
City of Phoenix
Retiree Board Member

JOHN HEDBLOM
Citizen Board Member



LIONEL LYONS
Human Resources Director
City of Phoenix
Ex-Officio Board Member

RICK NAIMARK
Deputy City Manager
City of Phoenix
Ex-Officio Board Member

RANDY PIOTROWSKI
Treasurer
City of Phoenix
Ex-Officio Board Member



LESLIE SCOTT
Elected Board Member

COREY WILLIAMS
Elected Board Member

NEAL YOUNG
Chief Financial Officer
City of Phoenix
Ex-Officio Board Member

Retirement Board Committees

Investment Committee

Cathleen Gleason, Chairperson
Elizabeth Bissa
John Hedblom
Randy Piotrowski
Corey Williams

Legal Review Committee

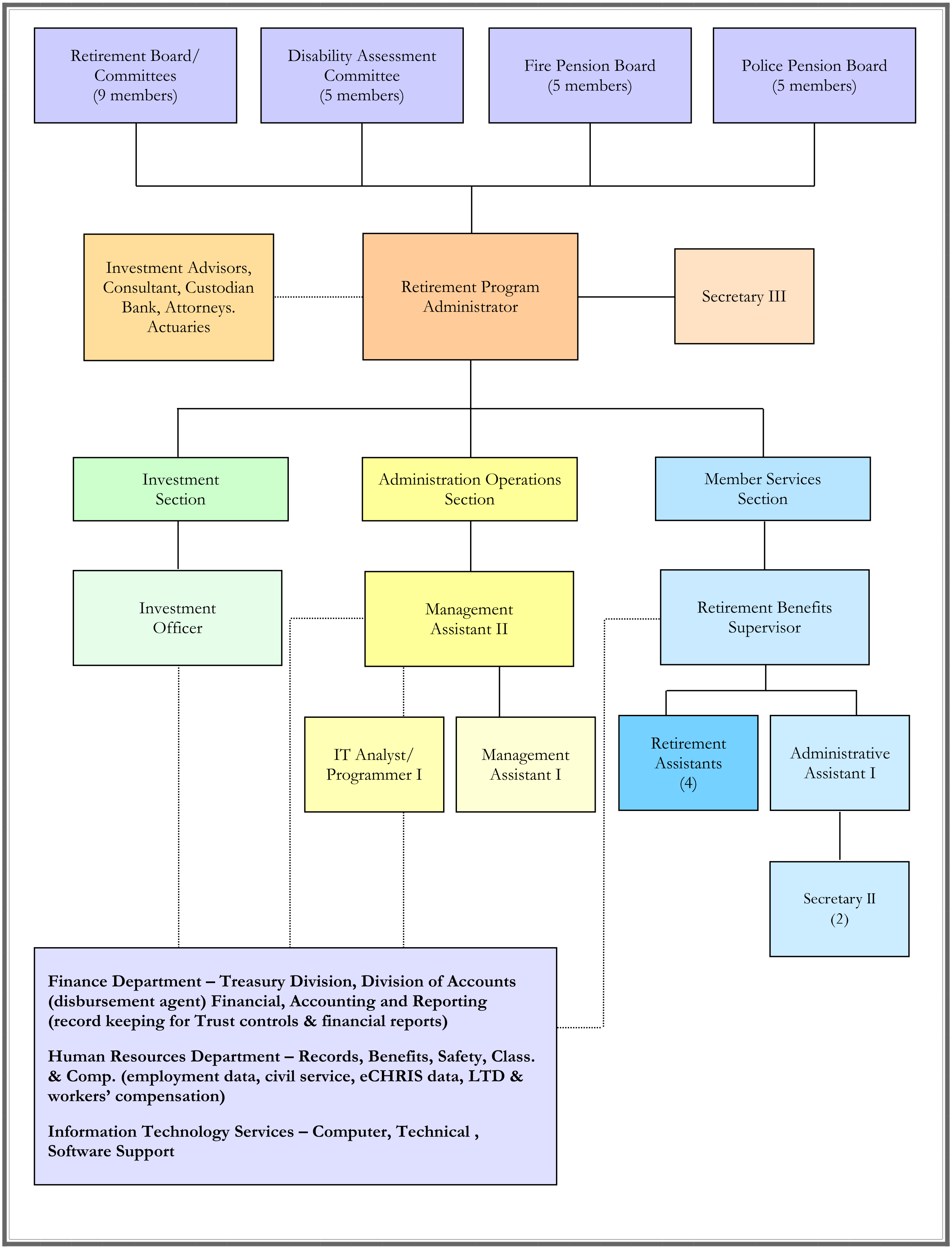
Rick Naimark, Chairperson
Elizabeth Bissa
Randy Piotrowski
Leslie Scott
Neal Young

Charter Amendments/Policies & Procedures Committee

Lionel Lyons, Chairperson
Cathleen Gleason
Leslie Scott
Corey Williams
Neal Young

Disability Assessment Committee

Cindy Bezaury, Chairperson
Stanley Flowers
Robert Jones, M.D.
Amber Williamson
Brenda Schrader


Retirement Board/ Committees (9 members)
Disability Assessment Committee (5 members)
Fire Pension Board (5 members)
Police Pension Board (5 members)
Investment Advisors, Consultant, Custodian Bank, Attorneys. Actuaries
Retirement Program Administrator
Secretary III
Investment Section
Administration Operations Section
Member Services Section
Investment Officer
Management Assistant II
Retirement Benefits Supervisor
IT Analyst/ Programmer I
Management Assistant I
Retirement Assistants (4)
Administrative Assistant I
Secretary II (2)
Finance Department – Treasury Division, Division of Accounts (disbursement agent) Financial, Accounting and Reporting (record keeping for Trust controls & financial reports)
Human Resources Department – Records, Benefits, Safety, Class. & Comp. (employment data, civil service, eCHRIS data, LTD & workers' compensation)
Information Technology Services – Computer, Technical , Software Support

Administrative Staff

Scott A. Miller	Retirement Program Administrator
Sylvia Castillo	Secretary II
Lollita Cordova	Retirement Benefits Supervisor
Greg Fitchet	Investment Officer
Valerie Garcia	Retirement Assistant
Stephen Herbert	IT Analyst Programmer I
Tim Jackson	Retirement Assistant
Anna Martinez	Management Assistant II
Tricia Quiroz	Retirement Assistant
Josie Romero	Retirement Assistant
Maria West	Administrative Assistant I
Paula Whisel	Secretary III
Monica Zavalza	Management Assistant I

Accounting

Neal Young — Finance Director, Finance Department

Treasurer

Randy Piotrowski — City Treasurer, Finance Department

Legal

Daniel L. Brown — City Attorney, Law Department

Actuary

Cheiron — McLean, VA

Auditor

Grant Thornton LLP — Phoenix, AZ
Certified Public Accountants under contract with the City Auditor

Brokerage

Elkins McSherry LLC — New York, NY

Investment Services

Refer to Investment Section, page 50

Legal Services

Cohen Milstein Sellers & Toll, PLLC	Washington, D.C.
Keller Rohrback, L.L.P.	Phoenix, AZ
Kessler Topaz Meltzer & Check, LLP	Radnor, PA
Labaton Sucharow LLP	New York, NY
Tiffany & Bosco, P.A.	Phoenix, AZ

Master Custodian

BNY Mellon — Pittsburgh, Pennsylvania

Medical Advisors

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

City of Phoenix

December 23, 2014

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, 2014 and June 30, 2013. 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 (RVK), provides performance measurement and assists the Board with analysis of investment issues. RVK reports the COPERS' total fund performance for the year ended June 30, 2014 was 15.88%. The annualized return for the past three and five years was 8.81% and 11.52%, respectively.

As reported by RVK, the fair value of the Plan's assets increased from $1.960 billion to $2.220 billion in the fiscal year ended June 30, 2014. The long-term returns of the Plan were negatively impacted by the difficult market environment and economic downturn experienced beginning mid-2007 through early 2009. The plan has now realized all of those losses, however, and experienced a five-year return of 11.52%.

The Board has implemented a diversified portfolio in which all segments of the U.S. and International equity markets are represented. The fixed income and real estate allocations are diversified among several managers. Real estate holdings are further diversified among geographic locations and property types.

The Board's actuarial consultant, Cheiron, Inc. (Cheiron), conducted the annual actuarial valuation that included new actuarial assumptions adopted by the Board during the fiscal year. In the actuarial valuation as of June 30, 2014, Cheiron reports the funded ratio of the plan to be 58.7%, an increase of 2.3% from the June 30, 2013 funded ratio of 56.4%. These numbers differ from the June 30, 2013 funded ratio of 64.2% that was reported last year because the new actuarial assumptions increased the fund's actuarial liability which decreased the funded ratio. The plan sponsor, the City of Phoenix, remains committed to funding the employer's actuarially computed contribution amount.

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 special election was held on March 12, 2013 and voters approved a number of changes impacting the retirement system. The Charter of the City of Phoenix (Charter) was amended to include an additional benefit tier. All new employees hired on and after July 1, 2013 will be placed in Tier II with a higher employee contribution rate, revised retirement eligibility and a modified benefit ratio. The Charter's investment provisions were amended to incorporate a prudent investor standard for the retirement system, replacing security and asset class restrictions with a mandate to prudently manage total fund risk. The Charter was also revised to incorporate the documentation provisions required for tax-qualified governmental retirement plans. Historically, the Board has met its obligation to comply with these requirements through the adoption of Board policies.

The Board and staff have continued their 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, 2013 and June 30, 2012 were once again recognized by the Government Finance Officers Association. These reports are accessible through the COPERS' internet site.

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

Sincerely,

E Bissa

Elizabeth Bissa
Chairperson, Retirement Board

FINANCIAL SECTION

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

Grant Thornton

REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

Grant Thornton LLP
2398 E. Camelback Road, Suite 600
Phoenix, AZ 85016

T 602.474.3400
F 602.474.3421
www.GrantThornton.com

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

We have audited the accompanying financial statements of the City of Phoenix Employees' Retirement System (the "Plan"), which comprise the statements of fiduciary net position as of June 30, 2014 and 2013 and the related statements of changes in fiduciary net position for the years then ended, and the related notes to the financial statements.

Management's responsibility for the financial statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Plan's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Plan's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, information regarding City of Phoenix Employees' Retirement System's statements of fiduciary net position as of June 30, 2014 and 2013, and changes therein for the years then ended, and its financial status as of June 30, 2014 and 2013 and changes therein for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Required supplementary information

Accounting principles generally accepted in the United States of America require that management's discussion and analysis on pages 18 through 22, as well as the schedule of funding progress, schedule of employer contributions, schedule of investment returns, and schedule of change in net pension liability on pages 40 through 41, be presented to supplement the basic financial statements. Such information, although not a required part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. This required supplementary information is the responsibility of management. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America established by the American Institute of Certified Public Accountants. These limited procedures consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary information

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The additional supplemental information listed in the table of contents is presented for purposes of additional analysis and is not a required part of the financial statements. Such supplementary information is the responsibility of the Plan's management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audits of the financial statements and certain additional procedures. These additional procedures included comparing and reconciling the information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Grant Thornton LLP
U.S. member firm of Grant Thornton International Ltd

Other information

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The introductory, investment, actuarial, and statistical sections are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied to the audit of the basic financial statements, and accordingly, we express no opinion on it.

GRANT THORNTON LLP

Phoenix, Arizona
December 23, 2014

Management's Discussion and Analysis (unaudited)

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, 2014 and 2013. The information provided is intended to be considered in conjunction with the Transmittal Letter in the Introductory Section, the Statements provided in the Financial, Investment, Actuarial and Statistical Sections of this Comprehensive Annual Financial Report ("CAFR"), and the Notes to the Financial Statements.

Financial Highlights:
(in thousands)

- As of June 30, 2014, $2,222,242 in Net Position Restricted for Pensions, as identified in the Statements of Fiduciary Net Position on page 23. This amount represents an increase of 13.4% from June 30, 2013. The increase is attributable primarily to gains experienced in the financial markets, which impacted COPERS' investment performance. The Net Position Restricted for Pensions as of June 30, 2013 was $1,959,952 compared to $1,795,690 as of June 30, 2012. The increase of 9.1% during 2013 was attributable to gains experienced in the financial markets, which impacted COPERS' investment performance.

- COPERS' additions to Restricted for Pensions Net Position, as reported in the Statements of Changes in Fiduciary Net Position on page 24, for the fiscal year ended June 30, 2014 was $442,795 compared to $333,242 for fiscal year ended June 30, 2013 and $132,188 for fiscal year ended June 30, 2012. The increase for the current year was attributable primarily to investment gains. The amount for the fiscal year ending June 30, 2014 includes employer and employee contributions of $144,059 and net investment income of $298,576. Fiscal year ended June 30, 2013 and June 30, 2012, employer and employee contributions were $137,832 and $133,822, respectively. The net investment income (gain) was $195,305 and $(5,664) for fiscal years ended June 30, 2014 and June 30, 2013, respectively.

- The Statements of Changes in Fiduciary Net Position report an increase in deductions in Plan net position of 6.8% from the fiscal year ended June 30, 2013. This compares to a 5.1% increase in deductions between June 30, 2013 and June 30, 2012. Deductions for fiscal year ended June 30, 2014 were $180,505 compared to $168,980 for fiscal year ended June 30, 2013 and $160,705 for fiscal year ended June 30, 2012. The increases in deductions as of June 30, 2014 and June 30, 2013 are attributable to an increase in the number of retirees.

- The recent Actuarial Valuation prepared as of June 30, 2014 reported the funded ratio to be 58.7%. The funded ratio for fiscal years June 30, 2013 and June 30, 2012 was 56.4% and 62.2%, respectively. The June 30, 2013 funded ratio changed from 64.2% to 56.4% due to the COPERS' Board approval of assumption changes at the September 19, 2013 Board meeting. A smoothed market value of assets was used for the June 30, 2014, June 30, 2013 and June 30, 2012 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 23 in the Financial Section identify the Net Position Restricted for Pensions, 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 Fiduciary Net Position (Page 23)
- Statements of Changes in Fiduciary Net Position (Page 24)
- Notes to the Financial Statements (Page 25)
- Required Supplementary Information (Page 40)
- Additional Supplementary Information (Page 42)

Statements of Fiduciary Net Position:

These statements identify the receivables, investments, and liabilities of the Plan to arrive at the Net Position 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 Fiduciary Net Position:

The Statements of Changes in Fiduciary Net Position differ from the Statements of Fiduciary Net Position 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 Required Supplementary 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 position provides a measurement tool in assessing the progress and performance of the Plan. COPERS' Net Position Restricted for Pensions as of June 30, 2014 was $2,222,242. This amount represents an increase of 13.4% from Net Position Restricted for Benefits of $1,959,952 as of June 30, 2013. The Net Position Restricted for Pensions as of June 30, 2012 was $1,795,690. The Net Position Restricted for Pensions held Cash & Cash Equivalents as of June 30, 2014 as $27,036 compared to $23,854 for June 30, 2013 resulting in an increase of $3,182. Cash & Cash Equivalents will fluctuate due to timing of investments managed by the individual fund managers. Uninvested cash will be held in Cash & Cash Equivalents and may change at any point in time. The Net Position Restricted for Pensions held Total Liabilities as of June 30, 2014 of $168,769 compared to $211,924 for June 30, 2013 and was attributable to a decrease in securities lending collateral. The return on investments for fiscal years ended June 30, 2014, 2013 and 2012 was 15.88%, 11.35% and (0.18%), respectively. The investment performance for the fiscal year ended June 30, 2014 was attributable to domestic equity performance of 24.07%, international equity performance of 23.49%, real estate performance of 12.66%, real return performance of 8.36%, fixed income performance of 5.06% and long/short equity performance of 10.08%. The investment performance for the fiscal year ended June 30, 2013 was attributable to domestic equity performance of 25.11%, international equity performance of 14.19%, real estate performance of 13.02%, real return performance of (0.13%), fixed income performance of 0.43% and long/short equity performance of 11.58%. The investment performance for the fiscal year ended June 30, 2012 was attributable to domestic equity performance of (3.6%), international equity performance of (12.11%), real estate performance of 14.86%, real return performance of 1.57%, fixed income performance of 8.31% and long/short equity performance of (2.18%).

Table 1: COPERS' Fiduciary Net Position for Benefits for June 30, 2014 and 2013 (in thousands)

	2014	2013	Change	% Change
Cash & Cash Equivalents	$ 27,036	$ 23,854	$ 3,182	13.3%
Total Receivables	117,296	82,523	34,773	42.1
Total Investments	2,246,679	2,065,499	181,180	8.8
Total Assets	2,391,011	2,171,876	219,135	10.1
Total Liabilities	168,769	211,924	(43,155)	(20.4)
COPERS' Net Position	$ 2,222,242	$ 1,959,952	$ 262,290	13.4%

Table 2: COPERS' Fiduciary Net Position for Benefits for June 30, 2013 and 2012 (in thousands)

	2013	2012	Change	% Change
Cash & Cash Equivalents	$ 23,854	$ 28,403	$ (4,549)	(16.0)%
Total Receivables	82,523	52,614	29,909	56.8
Total Investments	2,065,499	1,881,931	183,568	9.8
Total Assets	2,171,876	1,962,948	208,928	10.6
Total Liabilities	211,924	167,258	44,666	26.7
COPERS' Net Position	$ 1,959,952	$ 1,795,690	$ 164,262	9.1%

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 included 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, 2014 was $298,576. This compares to net investment income for June 30, 2013 and June 30, 2012 of $195,305 and $(5,664) respectively. Employer contributions increased during the fiscal year due to the increase in the actuarial required contribution to $115,244 for the fiscal year ended June 30, 2014 compared to $110,094 for the fiscal year ended June 30, 2013. Deductions increased by 6.8% over the prior fiscal year, primarily a result of increases in benefit payments and the number of retirees. This compares to a 5.1% increase in deductions from June 30, 2012 to June 30, 2013. Benefit payments for the fiscal years ended June 30, 2014, 2013 and 2012 were $177,447, $165,521 and $156,679, 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, 2014, 2013 and 2012 are provided in Table 3 and Table 4:

Table 3: Additions and Deductions to/from Fiduciary Net Position for the fiscal years ended June 30, 2014 and June 30, 2013 (in thousands)

	2014	2013	Change	% Change
Additions				
Employer Contributions	$ 115,244	$ 110,094	$ 5,150	4.7%
Members' Contributions	28,815	27,738	1,077	3.9
Inter-System Transfers	160	105	55	52.4
Investment Income	298,121	194,902	103,219	53.0
Net Securities Lending Income	455	403	52	12.9
Total	442,795	333,242	109,553	32.9
Deductions				
Benefit Payments	177,447	165,521	11,926	7.2
Refunds	2,192	2,464	(272)	(11.0)
Inter-System Transfers	238	606	(368)	(60.7)
Administrative Expense	628	389	239	61.4
Total	180,505	168,980	11,525	6.8
Change in Net Position Restricted for Pensions	262,290	164,262	98,028	59.7
Ending Net Position Restricted for Pensions	$ 2,222,242	$ 1,959,952	$ 262,290	13.4%

Table 4: Additions and Deductions to/from Fiduciary Net Position for the fiscal years ended June 30, 2013 and June 30, 2012 (in thousands)

	2013	2012	Change	% Change
Additions				
Employer Contributions	$ 110,094	$ 105,682	$ 4,412	4.2%
Members' Contributions	27,738	28,140	(402)	(1.4)
Inter-System Transfers	105	4,030	(3,925)	(97.4)
Net Investment Income	194,902	(6,352)	201,254	*
Net Securities Lending Income	403	688	(285)	(41.4)
Total	333,242	132,188	201,054	152.1
Deductions				
Benefit Payments	165,521	156,679	8,842	5.6
Refunds	2,464	2,333	131	5.6
Inter-System Transfers	606	1,365	(759)	(55.6)
Administrative Expense	389	328	61	18.6
Total	168,980	160,705	8,275	5.1
Change in Position Restricted for Pensions	164,262	(28,517)	192,779	(676.0)
Ending Net Position Restricted for Pensions	$ 1,959,952	$ 1,795,690	$ 164,262	9.15%

*not meaningful

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/copers

Statements of Fiduciary Net Position
June 30, 2014 and 2013

(in thousands)

	2014	2013
ASSETS		
Cash and Cash Equivalents	$ 27,036	$ 23,854
Receivables		
Due from the City of Phoenix	471	323
City of Phoenix Contributions	2,733	1,696
Member Contributions	598	492
Interest and Dividends	1,727	1,796
Unsettled Broker Transactions - Sales	89,047	38,958
Unsettled Broker Transactions - Foreign Exchange Sales	21,658	39,252
Other	1,062	6
Total Receivables	117,296	82,523
Investments, at Fair Value		
Temporary Investments from Securities Lending Collateral	83,874	96,526
Fixed Income	497,987	380,973
Domestic Equities	588,564	528,779
Global Commingled	354,409	--
International Equities Commingled	312,804	425,636
Hedge Funds	150,258	250,776
Real Estate	258,783	382,809*
Total Investments	2,246,679	2,065,499
Total Assets	2,391,011	2,171,876
Deferred Outflows of Resources		
Total deferred outflows of resources	--	--
LIABILITIES		
Payable for Securities Lending Collateral	83,874	96,526
Unsettled Broker Transactions - Purchases	61,575	74,667
Unsettled Broker Transactions - Foreign Exchange Purchases	21,369	39,252
Investment Management Fees Payable	1,903	1,370
Other Payables	48	109
Total Liabilities	168,769	211,924
Deferred InFlows of Resources		
Total deferred inflows of resources	--	--
Commitments and Contingencies		
Net Position Restricted for Pensions	$ 2,222,242	$ 1,959,952

* Real Estate was included under Domestic Equities and Other for the June 30, 2013 published CAFR, but reported separately for the June 30, 2014 publication.

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

Statements of Changes in Fiduciary Net Position
For the Fiscal Years Ended June 30, 2014 and 2013

(in thousands)

		2014		2013
ADDITIONS				
Contributions				
City of Phoenix	$	115,244	$	110,094
Member		28,815		27,738
Inter-System Transfers		160		105
Total Contributions		144,219		137,937
Net Investment Income				
From Investing Activities:				
Net Appreciation in Fair Value of Investments		270,665		169,729
Interest		5,964		8,302
Dividends		27,971		21,471
Other		(494)		583
Total Income from Investing Activities		304,106		200,085
Less Investing Activities Expense		(5,985)		(5,183)
Net Income from Investing Activities		298,121		194,902
From Security Lending Activities:				
Security Lending Gross Income		633		612
Less Security Lending Activity Expenses:				
Agent Fees		(195)		(173)
Broker Rebates/Collateral Management Fees		17		(36)
Total Security Lending Expenses		(178)		(209)
Net Income from Security Lending Activities		455		403
Total Net Investment Income		298,576		195,305
Total Additions		442,795		333,242
DEDUCTIONS				
Benefit Payments		177,447		165,521
Refunds of Contributions		2,192		2,464
Inter-System Transfers		238		606
Administrative Expense		628		389
Total Deductions		180,505		168,980
NET INCREASE IN NET POSITION		262,290		164,262
Net Position Restricted for Pensions				
Beginning of Year		1,959,952		1,795,690
End of Year	$	2,222,242	$	1,959,952

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

Note 1 - Summary of Significant Accounting Policies

The City of Phoenix Employees' Retirement Plan ("COPERS" or the "Plan") is a defined benefit single-employer public employees' retirement system for the City of Phoenix ("City") 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 the Charter of the City of Phoenix (Chapter XXIV, Article II, Employees' Retirement Law of 1953) ("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 position 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 at time of purchase. 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

COPERS' 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. All full-time classified civil service employees and full-time appointive officials of the City with the exception of sworn police and fire fighters 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 and can be amended or repealed only by a vote of the people. There are no provisions for termination of COPERS. Voters approved changes to the City of Phoenix retirement system at a Special Election held on March 12, 2013. New employees hired on or after July 1, 2013 were placed in Tier II. The employee contribution rate for Tier II is based on 50% of the actuarially determined rate necessary to fully fund the Annual Required Contribution.

d. Membership Data

	June 30	
	2014	2013
Current retirees, beneficiaries and survivors	6,155	5,703
Alternate payees	135	121
Terminated vested members	816	788
Active members:		
Tier I	7,421	8,090
Tier II	310	0
Total Members	14, 837	14,702

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 plus 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 for Tier I employees and 87 for Tier II employees. The benefit for Tier I employees 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 0.5% thereafter. The benefit for Tier II employees is based on 2.1% of final average compensation multiplied by years of service credit for those with less than 20 years, 2.15% for 20-24.9 years, 2.2% for 25-29.9 years and 2.3% 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%.

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 8% for fiscal year 2014 (3% for fiscal year 2013) was granted by the Retirement Board to be applied at June 30, 2014 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.

j. New Accounting Pronouncements

GASB Statement No. 67, **Financial Reporting for Pension Plans**. This Statement replaces the requirements of Statement No. 25, *Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans,* as well as the requirements of Statement No. 50, *Pension Disclosures*, as they relate to pension plans. The requirements of Statement 67 are effective for financial statements for periods beginning after June 15, 2013.

GASB Statement No. 68, **Accounting and Financial Reporting for Pensions** replaces Statement No. 27 for employer reporting. COPERS has implemented Statement for its June 30, 2014 year end reporting. The City of Phoenix, as the Employer plan sponsor, will implement Statement 68 for its June 30, 2015 year end reporting. The objective of these Statements is to improve financial reporting by state and local governmental pension plans.

GASB Statement No. 70, **Accounting and Financial Reporting for Nonexchange Financial Guarantees**. This Statement establishes accounting and financial reporting standards for situations where a state or local government, as a guarantor, agrees to indemnify a third-party obligation holder under specified conditions (i.e., nonexchange financial guarantees). The issuer of the guaranteed obligation can be a legally separate entity or individual, including a blended or discretely presented component unit. Guidance is provided for situations where a state or local government extends or receives a nonexchange financial guarantee. The requirements of this Statement are effective for financial statements for reporting periods beginning after June 15, 2013. COPERS has implemented this Statement for its June 30, 2014 year end reporting. There is no significant impact to the financial statements.

Note 3 – Net Position 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, a member hired before July 1, 2013 is required to contribute 5% of his/her covered compensation; a member hired after this date is required to contribute 50% of the actuarially determined rate, while the City contributes the other 50%. 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 (8% in fiscal 2014 and 3% in fiscal 2013). Transfers are made from the Employees' Savings Account to the Pension Reserve Account when a member retires or becomes eligible for disability benefits.

- 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. The Pension Accumulation Account may carry a negative balance as the City contribution rate includes a component for the unfunded actuarial liability (UAL). 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 at 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% (per Charter) 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, 2014 and 2013 respectively, based on amortized cost for fixed income investments and cost for equity investments (in thousands):

	2014	2013
Employees' Savings	$ 462,492	$ 450,256
Pension Accumulation	(411,165)	(109,982)
Pension Reserve	1,811,979	1,509,965
Pension Equalization Reserve	23,578	594
Convert to Fair Value	335,358	109,119
Total Based on Fair Value	$ 2,222,242	$ 1,959,952

Note 4 - Administrative Costs and Investment Fees

The 2014 administrative costs paid by the City and not recognized in COPERS' financial statements were $1,557,000. This compares to the 2013 administrative costs of $1,610,000. Investment-related costs are paid directly from Plan assets. The COPERS' Board approves the payment from Plan assets of certain fees including from Plan assets which consist of contributions and investment income for legal, medical, actuarial and computer services. The investment and administrative costs from Plan assets were $13,060,000 and $10,305,000 for the fiscal years ended June 30, 2014 and 2013, respectively. Fund Manager fees charged to the Plan for investments for actively managed funds are deducted from income earned and are not separately reflected. Consequently, Fund Manager fees are reflected as a reduction of investment return for such investments.

Note 5 - Funding Requirement Determinations and Actual Contributions

City of Phoenix contributions for the fiscal year ended June 30, 2014 were $115,244,000 which is equivalent to 22.24% of the estimated annual active member payroll, compared to $110,094,000 or 20.15% for the fiscal year ended June 30, 2013. Member contributions for the fiscal years ended June 30, 2014 and June 30, 2013 were $28,815,000 and $27,738,000, respectively, which represents the Tier I employee contribution rate of 5% and effective July 1, 2013, the Tier II employee contribution rate of 13.62%.

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 actuarial costs over a selected period of future years. (See Note 6)

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

Unfunded actuarial liabilities are determined annually by the consulting actuary. The unfunded actuarial liability as of June 30, 2014 and June 30, 2013 are detailed below (in thousands).

	2014	2013[1]	2013[2]
Actuarial Value of Assets	$ 2,120,700	$ 1,962,533	$ 1,961,939
Actuarial Liability			
Active Members	1,459,048	1,546,115	1,409,121
Retirees and Beneficiaries Currently Receiving Benefits	2,099,274	1,881,123	1,603,011
Terminated Members Not Yet Receiving Benefits	56,461	52,209	43,475
Total Actuarial Liability	3,614,784	3,479,447	3,055,607
Unfunded Actuarial Liability	$ (1,494,084)	$ (1,516,914)	$ (1,093,668)
Funded Ratio (actuarial value of assets to unfunded actuarial liability)	58.7%	56.4%	64.2%
Covered Payroll	$ 509,267	$ 508,032	$ 508,032
UAL (as a percentage of covered payroll)	293.4%	298.6%	215.3%

1. Revised actuarial values after assumption changes were adopted by the Board in September 2013.
2. Prior to assumption changes adopted by the Board in September 2013.

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

The schedule of funding progress, presented as Required Supplementary Information (RSI) following the notes to the financial statements, presents multi-year trend information about whether the actuarial values of the plan assets are increasing or decreasing over time relative to the actuarial 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:

Description	**Methods/Assumptions**	
Valuation Date	**June 30, 2014**	**June 30, 2013 (b)**
Actuarial Cost Method	Individual Entry Age	Individual Entry Age
Amortization Method	Level Percentage of Payroll, Open	Level Percentage of Payroll, Open
Remaining Amortization Period	25-Years, Closed with 4-Year Phase In	20 Years
Asset Valuation Method	4-Year Smoothed Market Value	4-Year Smoothed Market Value
Actuarial Assumptions		
Investment Rate of Return	7.5%	8.0%
Projected Salary Increases (a)	3.5% - 7.3%	5.0% - 8.8%
Cost-of-Living Adjustments	1.5%	None
Factors Affecting Trends:		
	None	None

(a) Includes inflation at 3.5%. Merit and longevity assumptions are age-related rates.
(b) Methods/Assumptions prior to Board changes of September 2013.

The actuarial assumptions employed as of June 30, 2014 and June 30, 2013 includes the following:

1) Salary Scale – Projected salary increases of 3.0% per year compounded annually attributable to inflation, with another 0.5% to competition and productivity. Additional projected salary increases ranging from 0.0% to 3.8% 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, 2014 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.

<u>Funding Status and Funding Progress</u>

The COPERS' Board set the long-term expected rate of return on pension plan investments in its September 2013 meeting. Considerations used by the Board to select this assumption included the median and distribution of expected investment returns based on RVK's capital market assumptions, the relative inflation assumptions used in the actuarial valuation and in RVK's capital market assumptions, and differences in the time horizons used in RVK's capital market assumptions and that typically used for an actuarial valuation.

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

The target allocation and best estimates of arithmetic real rates of return for each major asset class based on RVK's capital market assumptions are summarized in the following table:

Asset Class	Target Allocation	10-Year Expected Real Return Rate of Return
Broad US Equity	18%	4.80%
Board International Equity	16	6.05
Intermediate Duration Fixed Income	20	1.50
Emerging Markets Debt Hard	5	2.75
Core Real Estate	7	4.50
Non-Core Real Estate	8	7.50
Diversified Hedge Funds	15	4.25
Private Equity	3	8.50
Diversified Inflation Strategies	8	3.50

Actual returns may be lower due to volatility of returns. The long-term expected rate of return based in RVK's capital market assumptions with a 3.0% inflation assumption is 7.36%.

Discount Rate

The discount rate used to measure the total pension liability was 7.5%. The projection of cash flows used to determine the discount rate assumed that Tier I member contributions remain at 5.0% of payroll, Tier II member contributions are set equal to half of the total actuarially determined contribution rate, and City contributions will be made at rates equal to the difference between the actuarially determined contribution rates and the member rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the Net Position Liability to Changes in the Discount Rate

The table below presents the net pension liability of the Plan calculated using the discount rate of 7.5%, as well as what the net pension liability would be if it were calculated using the discount rate that is 1.0% lower (6.5%) or 1.0% higher (8.5%) than the current rate at June 30, 2014. Changes in the discount rate affect the measurement of the TPL (Total Pension Liability). Lower discount rates produce a higher TPL and higher discount rates produce a lower TPL. Because the discount rate does not affect the measurement of assets, the percentage change in the NPL can be very significant for a relatively small change in the discount rate. A 1% decrease in the discount rate increases the TPL by approximately 12% and increases the NPL (Net Pension Liability) by approximately 31%. A 1% increase in the discount rate decreases the TPL by approximately 10% and decreases the NPL by approximately 26%. The table below shows the sensitivity of the NPL to the discount rate.

Sensitivity of Net Pension Liability to Changes in Discount Rate
(in thousands)

	1% Decrease 6.5%	Discount Rate 7.5%	1% Increase 8.5%
Total Pension Liability	$ 4,043,923	$ 3,614,784	$ 3,252,342
Plan Fiduciary Net Position	2,222,242	2,222,242	2,222,242
Net Pension Liability	$ 1,821,681	$ 1,392,543	$ 1,030,101
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	55.0%	61.5%	68.3%

Note 7 - Funding Policy

As a condition of employment, Tier I members are required to contribute 5% and Tier II members, for fiscal year 2014-2015, are required to contribute 14.8% of their salary to COPERS as provided in Chapter XXIV, Section 27, of the City Charter. Present members' accumulated contributions at June 30, 2014 were $462,492,152, including interest compounded annually, compared to $450,256,426 at June 30, 2013, and are included in the Employee Savings Account as discussed on page 28. 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 by the City to the Plan are actuarially determined. The unfunded actuarial liability adopted by the COPERS Board in September 2013 is amortized over a 25-year period as a level percentage of payroll with a four year phase-in to the full amortization rate.

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 Board's present policy has resulted in approximately 27.0% at fair value being invested in domestic common stocks as of June 30, 2014 or 22.0% at cost. The City Charter does not contain any limitations on the percent invested in international equities. The Board's present policy has a target of 22% investment (at fair value) in international equity investments. As of June 30, 2014 approximately 22.3% was invested (at fair value) in international equity investments.

A summary of investments at June 30, 2014 and 2013 is as follows (in thousands):

	2014		2013	
	Fair Value	Amortized Cost	Fair Value	Amortized Cost
Temporary Investments from Securities Lending Collateral (Note 9)	$ 83,874	$ 83,874	$ 96,526	96,526
Fixed Income	497,987	472,835	380,973	386,699
Domestic Equities	588,564	452,015	528,779	473,188
Hedge Funds	150,258	95,000	250,776	219,200
Global Commingled	354,409	338,198	--	--
International Equities Commingled	312,804	252,679	425,636	428,311
Real Estate	258,783	216,720	382,809*	352,455*
Total Investments	2,246,679	1,911,321	2,065,499	1,956,379
Cash and Cash Equivalents	27,036	27,036	23,854	23,853
Total	$ 2,273,715	$ 1,938,357	$ 2,089,353	$ 1,980,232

* Real Estate was included under Domestic Equities and Other for the June 30, 2013 published CAFR, but reported separately for the June 30, 2014 publication.

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

As of June 30, 2014, the total market value of futures held was ($56,331) and the total market value for swaps was ($378,465). On June 30, 2013, the total market value of futures held was $12,121,920 and the total market value for swaps was $856,403.

Notes to the Financial Statements
(Continued)

Note 8 – Investments (Continued)

The following schedule provides the categories of investments at June 30, 2014 and 2013 (in thousands):

Investment Categories	2014 Fair Value	2013 Fair Value
Cash	$ 14	$ (12)
Short-Term Investment Fund	27,022	23,866
Cash and Cash Equivalents	27,036	23,854
Temporary Investments from Securities Lending Collateral	83,874	96,526
Fixed Income:		
Futures	(56)	12,122*
SWAPS	(379)	856*
U S Government Guaranteed Securities	93,562	60,545
Government Agencies Securities	2,980	6,763
Mortgage Backed Securities-Residential	77,095	86,775
Asset Backed Securities	3,929	8,033
Municipal Bonds	5,611	10,919
Corporate Bonds	41,339	81,300
Corporate Bonds Commingled	3,684	--
Commingled Fixed Income	151,568	--
Foreign	100,860	--
Foreign Commingled	17,794	113,660
	497,987	380,973
Domestic Equities	447,649	528,779
Global Commingled	354,409	--
International Equities:		
Commingled Funds	312,804	425,636
Commingled Equity Index Fund	140,915	144,046
Hedge Funds	150,258	250,776
Real Estate Funds	258,783	231,941
Commodities:		
Exchange Traded Fund	--	6,822
Total with Securities Lending Collateral	$ 2,273,715	$ 2,089,353

*The June 30, 2013 Futures of $12,122 and SWAPS of $856 were reported as Derivatives to total the amount of $12,978.

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, 2014, COPERS did not realize any custodial credit risk for deposits.

Note 8 – Investments (Continued)

Annual Money-weighted Rate of Return

Rate of Return for the year ended June 30, 2014, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was 15.42%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

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, 2014 and 2013, 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 5% 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, 2014 and 2013, COPERS did not have any investments with any one issuer in excess of 5%.

Foreign Currency Risk

Foreign currency risk is the risk that changes in exchange rates may adversely affect the fair value of an investment or a deposit. COPERS' investment policy includes a target of 22% of the Plan's total assets in international equity investments. The current actual international equity investment allocation is 22.3% of total Plan assets as of June 30, 2014. The fair value of COPERS' international commingled equity funds at June 30, 2014 was $312,804,000, managed by Baillie Gifford, MSCI ACW Ex US Index and Mondrian, all of which was exposed to foreign currency risk. The fair value of COPERS' international commingled equity funds at June 30, 2013 was $425,636,000, of which $353,612,000 managed by Baillie Gifford, GMO and Mondrian was exposed to foreign currency risk.

Dollar denominated holdings and non-dollar denominated holdings accounted for 94.8% and 5.2%, respectively, of the foreign fixed income investments at June 30, 2014. Dollar denominated holdings and non-dollar denominated holdings accounted for 89.1% and 10.9%, respectively, of the foreign fixed income investments at June 30, 2013.

Foreign Currency Exposure June 30, 2014 and 2013

Currency	Fixed Income Currency Contracts 2014	Fixed Income Currency Contracts 2013
Australian Dollar	$ --	$ 438
Brazilian Real	170	8,330
British Pound	1,058	1,342
Canadian Dollar	--	3,215
Euro	6,155	3,272
Indian Rupee	332	--
Japanese Yen	2,342	8,094
Mexican Peso	1,975	1,072
Philippine Peso	--	427
Totals	$ 12,032	$ 26,190

Note 8 – Investments (Continued)

Commitments

In connection with the purchase of various non-core real estate investments, COPERS had commitments totaling $147,000,000 as of June 30, 2014 and $97,000,000 as of June 30, 2013. Remaining unfunded commitments for real estate were $60,116,965 as of June 30, 2014 and $35,194,270 as of June 30, 2013. COPERS is not in any redemption queues. All non-core real estate is self-liquidating.

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 four managers responsible for fixed income investments. Aberdeen/Artio Global Investors, MFS Institutional Advisors, PIMCO and Western Asset Management Company ("Western") are active bond managers. As part of their portfolio, Western may enter into futures, options, and swaps contracts for hedging purposes and/or as a part of the overall portfolio strategy and will be incidental to its securities trading activities for the account. Table I on page 33 provides information relating to the credit risk for COPERS' fixed income investments as of June 30, 2014 and 2013.

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 Aberdeen/Artio Global Investors specifies a weighted average duration of +/- two years 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. The investment management agreement with PIMCO requires a weighted average duration of +/- two years of the Barclays Capital US Aggregate Index and MFS Heritage Trust specifies a weighted average duration of +/- seven years of the JPMorgan Emerging Markets Bond Index.

Information about the interest rate risk exposure of COPERS is provided in Table I on page 33. 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)

		2014		2013	
	Credit Quality Ratings	Fair Value	Weighted Average Maturity (Years)	2013 Fair Value	Weighted Average Maturity (Years)
Total Derivatives	**Not Rated**	**$ (435)**	**33.340**	**$ 12,978**	0.058
U.S. Government Guaranteed Securities	Not Rated	489	20.363	60,545	9.014
U.S. Government Guaranteed Securities	AAA	93,073	6.089	--	--
Total U. S. Government Guaranteed Securities		**93,562**		**60,545**	
Government Agency	Not Rated	--	--	2,044	5.044
Government Agency	AA	2,980	7.718	4,171	9.805
Government Agency	A	--	--	512	6.279
Government Agency	BBB	--	--	36	26.551
Total Government Agency		**2,980**		**6,763**	
Mortgage Backed	Not Rated	56,204	27.004	11,917	38.083
Mortgage Backed	AAA	9,533	26.942	12,030	30.280
Mortgage Backed	AA	2,106	9.431	54,940	59.199
Mortgage Backed	A	1,126	27.787	1,612	28.984
Mortgage Backed	BBB	1,803	23.062	875	23.721
Mortgage Backed	BB	780	22.997	553	22.923
Mortgage Backed	B	1,041	27.114	2,004	24.244
Mortgage Backed	CCC	3,252	24.306	2,392	21.919
Mortgage Backed	CC	109	21.334	--	--
Mortgage Backed	C	--	--	302	34.090
Mortgage Backed	D	1,141	25.264	150	22.612
Total Mortgage Backed		**77,095**		**86,775**	
Asset Backed	AAA	24	3.898	3,798	6.071
Asset Backed	AA	2,380	12.375	2,426	12.304
Asset Backed	A	467	29.195	481	29.582
Asset Backed	BBB	--	-	126	9.579
Asset Backed	BB	78	3.890	--	--
Asset Backed	B	196	21.167	365	21.176
Asset Backed	CCC	784	27.372	837	31.069
Total Asset Backed		**$ 3,929**		**$ 8,033**	

Note 8 – Investments (Continued)

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

		2014		2013	
	Credit Quality Ratings	Fair Value	Weighted Average Maturity (Years)	2013 Fair Value	Weighted Average Maturity (Years)
Municipal Bonds	Not Rated	801	25.490	--	--
Municipal Bonds	AAA	$ --	--	$ 1,155	16.674
Municipal Bonds	AA	2,335	26.273	5,964	25.228
Municipal Bonds	A	1,964	25.442	3,272	28.045
Municipal Bonds	B	511	32.942	528	33.942
Total Municipal Bonds		**5,611**		**10,919**	
Corporate Bonds	Not Rated	325	1.118	42,862	9.659
Corporate Bonds	AAA	1,841	22.544	1,373	17.181
Corporate Bonds	AA	1,775	14.376	3,445	5.203
Corporate Bonds	A	15,163	9.370	11,795	9.549
Corporate Bonds	BBB	14,603	10.718	19,935	7.810
Corporate Bonds	BB	5,739	9.330	1,848	13.688
Corporate Bonds	B	1,725	26.046	42	7.260
Corporate Bonds	CCC	168	15.578	--	--
Total Corporate Bonds		**41,339**		**81,300**	
Corporate Bonds Commingled	Not Rated	3,684	2.880	--	--
Total Corporate Bonds		**3,684**		**--**	
Foreign	Not Rated	2,843	5.554	88,388	9.997
Foreign	AAA	278	45.912	5,494	3.033
Foreign	AA	1,701	8.486	3,133	2.238
Foreign	A	3,225	10.698	5,520	3.786
Foreign	BBB	7,185	10.891	9,099	5.607
Foreign	BB	1,493	4.948	41	3.660
Foreign	B	851	4.262	1,985	6.212
Foreign	CCC	218	9.570	--	--
Total Foreign		**17,794**		**113,660**	
Fixed Income Commingled	Not Rated	151,568	7.020	--	--
Total Fixed Income Commingled		**151,568**		**--**	
Foreign Commingled	Not Rated	100,860	11.130	--	--
Total Foreign Commingled		**100,860**		**--**	
Total Fixed Income Investments by Maturity Date		$ **497,987**		$ **380,973**	

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. The COPERS Securities Lending Program was transitioned from State Street to BNY Mellon effective May 1, 2014.

During 2014 and 2013, 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.

During 2014 and 2013, 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. The collateral pool had a weighted average maturity (WAM) of 50 days and a weighted average life (WAL) of 79 days. Because the loans were terminable at will, their duration did not generally match the duration of the investments made with cash collateral. The collateral held and the market value of securities on loan for COPERS as of June 30, 2014 were $83,874,150 and $81,769,267, respectively, and as of June 30, 2013 were $96,526,478 and $94,225,018, respectively.

Note 10 – Risk and Uncertainties

COPERS invests 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 fiduciary net position. 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, Sections 38-730 and 38-922 as amended, 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. Effective July 2011, ASRS changed the method of retirement service credit transfers between COPERS and ASRS. Previously, retirement service credits (time) would be transferred between systems without possible service reduction or member cost. Beginning July 2011, retirement service credit transfers are based on an actuarial present value (APV) methodology to the extent the prior retirement system is funded on a market value basis. With this calculation, for the member to receive all of their service credits they may have to pay for a portion of the service or accept a reduced transfer of service credits.

Under the provisions of Arizona Revised Statutes, Section 38-923 and 38-924 as amended in 2006, an active or inactive member of COPERS or the ASPRS 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.

Note 12 – Interfund Balances

On the Statement of Fiduciary Net Position, 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 the custodian bank 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 pending litigation matters. While the final outcomes cannot be determined at this time, management is of the opinion that the final obligations, 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

On November 4, 2014, the Phoenix voters defeated proposition 487, which would have required a number of changes to COPERS. Among the proposed changes was the closure of Tier II to new members (Tier I was closed to new members with the creation of Tier II) and the requirement that all new employees be placed in a defined contribution plan.

Required Supplementary Information

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

Actuarial Valuation Date		(1) Actuarial Value of Assets	(2) Actuarial Liability (AL) Entry Age	(3) Unfunded AL (2)-(1)	(4) Funded Ratio (1)/(2)	(5) Annual Covered Payroll	(6) Unfunded AL as a Percentage of Covered Payroll (3)/(5)
06/30/14	(a)	$ 2,120,700	$ 3,614,784	$ 1,494,084	58.7%	$ 509,267	293.4%
06/30/13	(a)	1,962,533	3,479,447	1,516,914	56.4	508,032	215.3
06/30/12		1,827,528	2,939,374	1,111,845	62.2	506,017	219.7
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

Analysis of the dollar amounts of actuarial value of assets, actuarial liability, or unfunded actuarial liability in isolation can be misleading. Expressing the actuarial value of assets as a percentage of the actuarial 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 liability and annual covered payroll are both affected by inflation. Usually, expressing the unfunded actuarial 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.

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

Fiscal Year	Actuarial Determined Contribution	Contributions In Relation To The Actuarially Determined Contributions	Percent Contributed	Contribution Deficiency (Excess)	Covered Employee Payroll	Contributions As A Percentage Of Covered Employee Payroll
2013-14	$ 114,757 (a)	$ 114,757 (a)	100%	$ --	$ 509,567	22.5%
2012-13	110,094	110,094	100	--	508,032	21.7
2011-12	105,682	105,682	100	--	506,017	20.9
2010-11	90,965	90,965	100	--	513,322	17.7
2009-10	86,241	86,241	100	--	550,175	15.7
2008-09	66,383	66,383	100	--	539,468	12.3
2007-08	64,198	64,198	100	--	566,512	11.3
2006-07	58,151	58,151	100	--	535,079	10.9
2005-06	52,974	52,974	100	--	497,105	10.7
2004-05	43,375	43,375	100	--	467,998	9.3

(a) City contributions for the FYE 2014 had been estimated to be $125 million based on the 2012 valuation, including an expected payroll of $564 million for the FYE 2014 and no Tier II members.

Schedule of Investment Returns
For Year Ended June 30, 2014

	2014
Annual money-weighted rate of return, net of investment expenses	15.42%

Note: Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

Required Supplementary Information
(Continued)

Change in Net Pension Liability
(in thousands)

	Total Pension Liability (TPL) (a)	Plan Fiduciary Net Position (FNP) (b)	Net Pension Liability (NPL) (a) - (b)
Balances at 6/30/2013	$ 3,479,447	$ 1,965,622	$ 1,513,825
Changes for the Year:			
Service Cost	78,331	--	78,331
Interest	257,219	--	257,219
Changes of Benefits	--	--	--
Changes of Assumptions	--	--	--
Differences Between Expected and Actual	(20,336)	--	(20,336)
Contributions - Employer	--	110,629	(110,629)
Contributions - Member	--	27,760	(27,760)
Net Investment Income	--	298,736	(298,736)
Benefit Payments	(179,877)	(179,877)	--
Administrative	--	(628)	628
Net Changes	135,337	256,620	(121,283)
Balances at 6/30/2014	3,614,784	2,222,242	1,392,542

The schedules of Required Supplementary Information generally start with one year of information as of the implementation of GASB 67, but eventually will need to build up to 10 years of information. The schedule above shows changes in the Net Pension Liability (NPL) as required by GASB. The impact of gains or losses and assumption changes on the Total Pension Liability (TPL) are recognized in expense over the average expected remaining service life of all active and inactive members of the System. As of the measurement date, this recognition period was 5 years. During the measurement year, there was an experience gain of approximately $20.3 million. Approximately $4.1 million of that gain is recognized in the current year and an identical amount will be recognized in each of the next four years, resulting in a deferred inflow of resources of approximately $16.2 million.

Notes to the Required Supplementary Information

In September 2013, the COPERS Board adopted new assumptions and methods, based upon the recommendations from the current actuary, Cheiron, for the purpose of determining contributions and to meet the GASB 67 implementation requirements to be applied to the financial reporting for the fiscal year ending June 30, 2014.

The September 2013 adopted changes are the following:

1. Discount rate was lowered to 7.5% based on the expected return on assets.
2. Salary increase rate was changed for price inflation to 3.00%, real wage growth to 0.50% and wage inflation to 3.5%.
3. Pension Equalization Reserve (PER) was valued for future benefits payable through the PER as a 1.5% annual compound cost-of-living adjustment (COLA).
4. Amortization method for the unfunded actuarial liability (UAL) was amortized over a 25-year period as a level percentage of payroll with a four year phase-in to the full amortization rate. Future gains and losses are amortized over closed 20-year periods as a level percentage of payroll from the valuation date in which they are first recognized. For Tier I, members contribute 5% of pay and the City contributes the remainder of the total contribution rate. For the Tier II, the members and the City each pay half of the total contribution rate.
5. The administrative expense assumption was added. In prior years, the discount rate was assumed to be net of administrative expenses.

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:

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 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 Investment Expenses For the Fiscal Years Ended June 30, 2014 and 2013

Payee	Fees 2014	Fees 2013	Nature of Services
RV Kuhns & Associates	$ 193,249	$ 189,625	Investment Consultant
State Street Bank	124,267	136,082	Master Custodian
BNY Mellon Bank	31,462	--	Master Custodian (eff. 5/1/2014)
Elkins McSherry	10,000	10,000	Brokerage Services
Aberdeen/Artio Global Investors	310,957	455,532	Investment Management
Cadence Capital	499,238	476,761	Investment Management
Cramer Rosenthal McGlynn	552,235	456,647	Investment Management
Dimensional	--	255,153	Investment Management
Eagle Asset	344,524	288,423	Investment Management
GMO	4,770	--	Investment Management
J P Morgan	791,376	683,795	Investment Management
MFS	468,335	214,821	Investment Management
Mondrian	438,295	378,898	Investment Management
MSCI ACWI ex US Index Fund	69,775	87,269	Investment Management
Northwood Trust	277,799	--	Investment Management
PIMCO Total Return	463,521	488,631	Investment Management
Research Affiliates	103,535	286,669	Investment Management
Robeco Investment Management	548,161	89,130	Investment Management
S&P 500	36,683	--	Investment Management
TA Associates	--	39,977	Investment Management
The Boston Company	380,077	305,082	Investment Management
Western Asset	222,747	247,104	Investment Management
Wrightwood Capital	16,858	44,978	Investment Management
Foreign Taxes	13,074	17,833	
Total	$ 5,900,938	$ 5,152,410	

Payee (1)	Fees 2014	Fees 2013	Nature of Services
Baillie Gifford	$ 421,758	$ 369,991	Investment Management
GMO	1,201,745	1,104,481	Investment Management
JDM Partners	250,116	258,543	Investment Management
K2 Advisors	933,315	888,859	Investment Management
Morgan Stanley	652,866	693,383	Investment Management
PAAMCO	1,080,838	474,713	Investment Management
PIMCO All Asset	785,353	--	Investment Management
RECAP II	77,314	141,303	Investment Management
RECAP III	450,000	317,120	Investment Management
TA Associates	142,932	155,196	Investment Management
Wheelock I	204,193	300,000	Investment Management
Wheelock II	334,726	--	Investment Management
Wrightwood Capital	40,132	60,283	Investment Management
Total	$ 6,575,288	$ 4,763,872	

Schedule of Administrative Expenses For the Fiscal Years Ended June 30, 2014 and 2013

Payee	Fees Paid 2014	Fees Paid 2013	Nature of Services
Cheiron, Inc	$ 242,574	$ 88,863	Actuarial Services
City of Phoenix Law Department	136,095	33,162	Legal Services
Dr. Laura Don	1,938	2,688	Medical Services
Dr. Paul Geimer	--	1,590	Medical Services
Levi Ray & Shoup	197,968	231,903	Computer Services
MCN	5,205	10,055	Medical Services
Yoder & Langford, P.C.	--	20,370	Legal Services
Total	$ 583,780	$ 388,631	

(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 Fiduciary Net Position. The fees are a component of the overall performance of the investment.

Additional Supplementary Information
(Continued)

Schedule of Administrative Expenditures and Encumbrances (Non-GAAP Budgetary Basis) Paid by the City of Phoenix for the Fiscal Years Ended June 30, 2014 and 2013

	2014		2013	
	Original Budget	Plan Actual	Original Budget	Plan Actual
Personal Services				
Staff Salaries and Benefits	$ 1,068,876	969,008	$ 1,053,276	1,015,849
Insurance	185,647	172,864	188,874	176,521
Social Security and Medicare	75,206	63,714	72,008	67,779
Retirement Contributions	234,740	205,889	201,808	212,855
Total Personal Services	1,564,469	1,411,475	1,515,966	1,473,004
Professional Services				
Consultants	85	238	85	20
Audit and Accounting	128,934	105,524	101,954	102,729
Total Professional Services	129,019	105,762	102,039	102,749
Communications				
Printing	12,600	8,935	9,305	8,493
Postage and Mailing	16,081	13,487	20,596	10,858
Telephone	580	993	853	1,135
Subscriptions and Memberships	2,000	1,370	2,000	1,750
Total Communications	31,261	24,785	32,754	22,236
Miscellaneous				
Supplies	21,000	7,595	13,675	10,757
Insurance	0	0	69	69
Computer Equipment	0	0	0	0
Other	2,840	7,820	2,680	1,106
Total Miscellaneous	23,840	15,415	16,424	11,932
Total Administrative Expenditures and Encumbrances	$ 1,748,589	1,557,437	$ 1,667,183	1,609,921

Note: Administrative expenditures of COPERS are budgeted and paid by the City of Phoenix. The COPERS' Board approves the payment of fees for legal, medical and actuarial from Plan assets not included in amounts above.

INVESTMENT SECTION

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

December 5, 2014

RVK

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

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New York, New York 10119
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Dear Board Members,

The past year has been marked by general improvement of the U.S. economy, as well as positive performance in the equity markets and slightly elevated price inflation. U.S. Real Gross Domestic Product grew in three of the last four quarters as the economy expanded by 2.6% since June 30, 2013.[1] The economy also added approximately 2,479,000 nonfarm jobs as the unemployment rate declined to 6.1%.[2] Inflation, as measured by the Consumer Price Index, rose 2.1% during the year. The Federal Reserve kept target short-term interest rates at a range of 0.00 – 0.25% over the course of the fiscal year. During the same time frame, Treasury yields rose across their range of maturities from three years to ten years, while declining slightly for maturities one year and less, as well as greater than 10 years.

The fair value of the City of Phoenix Employees' Retirement System (the System) assets increased from $1.959 billion to $2.220 billion in the year ended June 30, 2014. Five years ago, the fund was valued at $1.406 billion.

The past year through June 30, 2014 exhibited generally strong equity markets with both U.S. and international equities ending the year positive. In the United States, the S&P 500 Index returned 24.6%. Broad international equity markets followed domestic equities during the past year, returning 22.3% (as measured by the MSCI All Country World ex U.S. Index). The past year was also favorable to fixed income markets as the Barclays U.S. Aggregate Bond Index returned 4.4%.

The System's investment return over the past year was 15.9%, the System's three-year annualized return was 8.8%, and the System's five-year annualized return was 11.5%. The ten-year annualized return was

[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.

rvkuhns.com

6.0%.[3] The long-term fund return results were negatively impacted by the difficult market environment and economic downturn experienced during 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 7.5%, which represents the System's long-term return goal.

The System's current investments are well 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 four investment managers (U.S and non-U.S.). 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 one manager that holds both long and short positions in equities, as well as a diversified fund of hedge funds manager. As of June 30, 2014, 27.0% of the System's investments were invested in U.S. equities, 22.3% in non-U.S. equities, 21.3% in fixed income investments (U.S and non-U.S.), 11.7% in real estate, 7.8% in real return strategies, 3.5% in long/short equity strategies, 6.1% in absolute return strategies, and 0.4% in cash equivalents.[4] The System is currently in the process of moving towards the strategic long-term target allocation approved by the Board during the 2014 Fiscal Year.

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. Most recently the Board has approved the inclusion of absolute return strategies and private equity investments within the target asset allocation, in addition to previously approved investments in real estate, emerging markets equities, real return strategies, and international small-capitalization equities during the past several years. Recently, the System has also implemented further diversification of the fixed income, and real estate portfolios. 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 RVK. These evaluations include analysis of the investment management firms and the custodial bank that serve the System.

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[3] Total Fund performance is gross of fees.

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

The System's assets are held in custody at Bank of New York ("BNY") Mellon (representing a recent custody transition from State Street Bank as of May 1, 2014). Fair values and performance referenced above are calculated by RVK and based upon financial statements prepared by State Street Bank, BNY Mellon, and investment managers. The statements are, to the best of our knowledge, reliable and accurate. Investment performance is calculated using a time-weighted rate of return methodology (gross of fees) based upon fair values and cash flows.

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.

Sincerely,

Rebecca Gratsinger, CFA

Chief Executive Officer

RVK, Inc.

Outline of Investment Policies and Objectives
Adopted July, 1990 and subsequently amended

1. COPERS' asset allocation targets (at fair value) as of June 30, 2014 were 16.5% large cap domestic equities, 6.5% small/mid cap domestic equities, 19.4% international large cap equities, 2.6% international small/mid cap equities, 20.0% domestic fixed income, 15.0% real estate, 5.0% emerging market debt, 5.0% real return and 10.0% 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% over time. The actuarial assumed rate of return is 7.5%, decreased from 8%. The new rate became effective following the Retirement Board approval at the September 19, 2013 meeting.

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, 2014, the total payments received from the directed brokerage commission program under SSGM were $9,155.

Investment Services Under Contract (as of June 30, 2014)

Equity Managers		
Baillie Gifford	**Kathrin Hamilton**	Edinburgh, Scotland
Cadence Capital Management	**Mike Skillman**	Boston, MA
Cramer Rosenthal McGlynn	**Serra Sonmez**	New York, NY
Eagle Asset Management	**Clay Lindsey**	St. Petersburg, FL
GMO	**Wendy Malaspina**	Berkeley, CA
Mondrian	**Paul Ross**	Philadelphia, PA
Robeco Investment Management	**William Supple**	Boston, MA
SSgA MSCI ACWI ex US Index Fund	**Megan Hart**	San Francisco, CA
SSgA S & P 500 Index	**Megan Hart**	San Francisco, CA
The Boston Company	**Jerry Navarette**	Boston, MA

Hedge Fund Managers		
K2 Advisors	**Martha Corneck**	Stamford, CT
PAAMCO	**Jim Meehan**	Irvine, CA

Transition Managers		
Northern Trust Transition Management	**Grant Johnsey**	Chicago, IL
Russell Implementation Services, Inc	**Steve Cauble**	Seattle, WA
State Street Global Markets	**James Doherty**	Irvine, CA

Fixed Income Managers		
Aberdeen/Artio Global Investors	**Teri Smith**	New York, NY
MFS Institutional Advisors	**Carolyn Lucey**	Boston, MA
PIMCO	**Matt Clark**	Newport Beach, CA
Western Asset Management	**Sue Signori**	Pasadena, CA

Real Estate Managers		
JDM Partners	**Mel Shultz**	Phoenix, AZ
J.P. Morgan	**John Faust**	San Francisco, CA
Morgan Stanley Real Estate Advisor	**Candice Todd**	Atlanta, GA
Northwood Real Estate Partners	**Jennifer Davis**	New York, NY
RECAP	**Kong Thien Choo**	Singapore
TA Realty Associates	**Tom Landry**	Boston, MA
Wheelock Street Partners	**Lawrence Settanni**	Greenwich, CT
Wrightwood Capital	**Henry Bieber**	Chicago, IL

Real Return Managers		
Research Affiliates LLC	**Jeff Wilson**	Newport Beach, CA

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

Schedule of Investment Results
For the Fiscal Years Ended June 30, 2014

	1-Year	Annualized 3-Years	Annualized 5-Years
TOTAL PORTFOLIO:			
COPERS	15.88%	8.81%	11.52%
Target Benchmark	15.31	8.99	11.15
R.V. Kuhns All Pension Plans $1B - $5B median	16.90	10.04	13.09
EQUITY FUNDS:			
Baillie Gifford (1)	21.10	8.13	--
MSCI ACWI Ex US Index	22.27	6.21	11.59
Cadence Capital Management	25.52	12.99	16.76
Russell 1000 Growth Index	26.92	16.26	19.24
Cramer Rosenthal McGlynn	22.69	12.17	18.49
Russell 2000 Value Index	22.54	14.65	19.88
Eagle Asset Management	19.78	12.52	22.33
Russell 2000 Growth Index	24.73	14.49	20.50
GMO (2)	--	--	--
MSCI ACWI	23.58	10.85	14.88
Mondrian Investment Partners (3)	21.66	9.43	--
MSCI EAFE Small Cap Index	30.01	9.15	15.72
Robeco Investment Management (4)	22.79	--	--
Russell 1000 Value Index	23.81	16.92	19.23
SSgA S&P 500 Index SPDR (5)	24.62	--	--
S&P 500 Index (Cap Wtd)	24.61	16.59	18.83
SSgA MSCI ACWI Ex US Index (6)	22.10	--	--
MSCI ACWI Ex US Index	22.27	6.21	11.59
The Boston Company	29.14	17.52	23.77
Russell Midcap Index	26.85	16.09	22.07
FIXED INCOME FUNDS:			
Aberdeen/Artio (7)	5.22	4.38	--
Barclays Capital US Aggregate Bond Index	4.38	3.67	4.85
MFS Heritage Trust (8)	10.10	--	--
JPMorgan EMBI Global Dvf'd TR Index	11.63	7.41	10.33
Western Asset Management	7.54	5.84	8.56
Barclays Capital US Aggregate Bond Index	4.38	3.67	4.85
PIMCO Total Return (9)	3.71	4.06	--
HEDGE FUND OF FUNDS:			
K2 Advisors	10.79	6.57	5.65
PAAMCO (10)	--	--	--
BNY Mellon STIF 12 (CF)	2.61	2.08	2.23
REAL ESTATE FUNDS:			
J P Morgan	14.08	13.46	10.37
JDM Partners (11)	(1.05)	4.18	--
Morgan Stanley	14.76	15.50	11.70
Northwood RE (12)	--	--	--
RECAP II (13)	6.46	8.96	--
RECAP III (14)	22.81	--	--
TA Associates Realty (15)	16.73	13.10	--
Wheelock (16)	34.98	--	--
Wrightwood	17.38	17.92	13.99
NCREIF ODCE Index	12.75	12.45	10.00
REAL RETURN FUND			
PIMCO All Asset (17)	--	--	--
All Asset Custom Index	9.74	6.26	8.47

Schedule of Investment Results
(Continued)

(1) 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.

(2) GMO has been an international equity manager but the investments within GMO were restructured effective October 1, 2013 and performance figures of the restructured investments would not be representative of the benchmark.

(3) Mondrian added as an international Small Cap manager July 1, 2011. Performance figures would not be representative of the benchmark index.

(4) Robeco Investment Management was added as a domestic large cap value manager on May 1, 2013. Funds transitioned from Dimensional Fund Advisors. Performance figures would not be representative of the benchmark index.

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

(6) MSCI ACWI Ex US was added as an international equity manager effective July 29, 2011. Funding came from the termination of MSCI EAFE Small Cap Exchange. Performance figures would not be representative of the benchmark index.

(7) Aberdeen/Artio added as a 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) MFS Heritage Trust added as a core plus fixed income manager effective February 1, 2013. Performance figures would not be representative of the benchmark index.

(9) PIMCO added as a 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.

(10) PAAMCO added as a hedge fund of funds manager effective January 2, 2009. PAAMCO transitioned mandates from Long/Short Equity to Absolute Return as of January 1, 2014. Performance figures would not be representative of the benchmark index.

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

(12) Northwood was added as an opportunistic real estate manager on February 1, 2014. Performance figures would not be representative of the benchmark index.

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

(14) RECAP III was added as an opportunistic real estate manager of February 13, 2012. Performance figures would not be representative of the benchmark index.

(15) 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.

(16) Wheelock was added as an opportunistic real estate manager of May 24, 2012. Performance figures would not be representative of the benchmark index.

(17) PIMCO All Asset added as a real return manager on December 1, 2013. 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. Non core real estate performance is calculated as an IRR.

Asset Allocation by Manager
As of June 30, 2014

Manager	Style	Management (in thousands)	% of Portfolio
CASH AND CASH EQUIVALENTS FUNDS			
Cadence Capital Management	Large Cap Growth	$ 2,371	0.11%
COPERS Cash Account	Short Term Income Fund	8,549	0.39
PIMCO Total Return	Core Plus Fixed Income	522	0.02
Cramer Rosenthal McGlynn	Small Cap Value	2,534	0.12
Eagle Asset Management	Small Cap Growth	163	0.01
Robeco Investment Management	Large Cap Value	3,887	0.18
The Boston Company	Mid Cap Value	1,340	0.06
Western Asset Management	Core Plus Fixed Income	7,670	0.35
TOTAL EQUITY FUNDS		27,036	1.24
DOMESTIC EQUITIES FUNDS			
Cadence Capital Management	Large Cap Growth	130,758	5.97
Cramer Rosenthal McGlynn	Small Cap Value	62,474	2.85
Eagle Asset Management	Small Cap Growth	65,784	3.00
Robeco Investment Management	Large Cap Value	133,444	6.09
S&P 500 Index	Large Cap Core	140,915	6.44
The Boston Company	Mid Cap Value	55,189	2.52
TOTAL DOMESTIC EQUITY FUNDS		588,564	26.87
FIXED INCOME FUNDS			
Aberdeen/Artio Global Investors	Core Plus Fixed Income	151,568	6.92
PIMCO Total Return	Core Plus Fixed Income	174,544	7.97
MFS Emerging Markets Debt	Emerging Markets Debt	96,100	4.39
Western Asset Management	Core Plus Fixed Income	75,775	3.46
TOTAL FIXED INCOME		497,987	22.74
GLOBAL COMMINGLED FUNDS			
GMO	International	182,183	8.32
PIMCO All Asset Custom Index	International	172,226	7.86
TOTAL GLOBAL COMMINGLED		$ 354,409	16.18%

Asset Allocation by Manager
As of June 30, 2014 (Continued)

Manager	Style	Management (in thousands)	% of Portfolio
INTERNATIONAL EQUITIES FUNDS COMMINGLED			
Baillie Gifford	International	$ 175,375	8.01%
Mondrian Investment Partners	International	62,407	2.85
MSCI ACWI ex US Index Fund	International	75,022	3.43
TOTAL INTERNATIONAL EQUITIES COMMINGLED		312,804	14.29
REAL ESTATE FUNDS			
JDM Partners	Non-Core Real Estate	32,762	1.50
J P Morgan Investment Management	Core Real Estate	82,702	3.78
Morgan Stanley	Core Real Estate	79,092	3.61
Northwood RE	Non-Core Real Estate	6,476	0.30
RECAP II	Non-Core Real Estate	6,446	0.29
RECAP III	Non-Core Real Estate	19,882	0.91
TA Realty Associates	Non-Core Real Estate	8,289	0.38
Wheelock	Non-Core Real Estate	20,253	0.92
Wrightwood Capital	Non-Core Real Estate	2,881	0.13
TOTAL REAL ESTATE		258,783	11.82
HEDGE FUNDS			
K2 Advisors	Hedge Fund of Funds	15,536	0.71
PAAMCO	Hedge Fund of Funds	134,722	6.15
TOTAL HEDGE FUNDS		150,258	6.86
Total Portfolio		$ 2,189,841	100.00%
Securities Lending		83,874	
TOTAL INVESTMENTS		$ 2,273,715	

List of Largest Assets Held
As of June 30, 2014 (dollars in thousands)

Ten Largest Bond Holdings (Fair Value)

Par Value	Description	Interest Rate	Due	Rating	Fair Value
$ 20,900	US Treasury N/B	1.50%	08/31/2018	AA+	$ 21,009
19,200	US Treasury N/B	1.37	09/30/2018	AA+	19,176
16,400	US Treasury N/B	1.75	05/15/2022	AA+	15,786
10,000	FNMA SF MTG	3.50	08/01/2044	AA+	10,262
7,600	US Treasury N/B	0.87	01/31/2017	AA+	7,633
6,100	US Treasury N/B	1.62	08/15/2022	AA+	5,791
3,800	US Treasury N/B	2.75	02/15/2024	AA+	3,886
3,000	FNMA SF MTG	3.50	07/01/2044	AA+	3,088
2,800	US Treasury N/B	2.00	09/30/2020	AA+	2,805
2,700	US Treasury N/B	2.00	11/30/2020	AA+	2,698

Ten Largest Stock Holdings (Fair Value)

Shares	Stock	Fair Value
69,440	Apple Inc	6,453
60,114	Exxon Mobil Corp	6,052
102,964	Wells Fargo + CO	5,412
40,322	Berkshire Hathaway Inc CL B	5,103
74,633	JP Morgan Chase + CO	4,300
101,306	Microsoft Corp	4,224
131,823	Pfizer Inc	3,913
78,788	Citigroup Inc	3,711
44,633	Capital One Financial Corp	3,687
34,728	Johnson & Johnson	3,633

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

Schedule of Investment Related Fees
For the Fiscal Year Ended June 30, 2014

Manager	Management (in thousands)	Fees (1)
CASH AND CASH EQUIVALENTS FUNDS		
Cadence Capital Management	$ 2,371	$ --
COPERS Cash Account	8,549	--
PIMCO Total Return	522	--
Cramer Rosenthal McGlynn	2,534	--
Eagle Asset Management	163	--
Robeco Investment Management	3,887	--
The Boston Company	1,340	--
Western Asset Management	7,670	--
TOTAL EQUITY FUNDS	27,036	--
DOMESTIC EQUITIES FUNDS		
Cadence Capital Management	130,758	499,238
Cramer Rosenthal McGlynn	62,474	552,235
Eagle Asset Management	65,784	344,524
Robeco Investment Management	133,444	548,161
S&P 500 Index	140,915	36,683
The Boston Company	55,189	380,077
TOTAL DOMESTIC EQUITY FUNDS	588,564	2,360,918
FIXED INCOME FUNDS		
Aberdeen/Artio Global Investors	151,568	310,957
PIMCO Total Return	174,544	463,521
MFS Emerging Markets Debt	96,100	468,335
Western Asset Management	75,775	222,747
TOTAL FIXED INCOME	497,987	1,465,560
GLOBAL COMMINGLED FUNDS		
GMO	182,183	1,206,515
PIMCO All Asset Custom Index	172,226	785,353
TOTAL GLOBAL COMMINGLED	354,409	1,991,868

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

Schedule of Investment Related Fees
For the Fiscal Year Ended June 30, 2014 (Continued)

Manager	Management (in thousands)	Fees (1)
INTERNATIONAL EQUITIES FUNDS		
Baillie Gifford	175,375	421,758
Mondrian Investment Partners	62,407	438,295
MSCI ACWI ex US Index Fund	75,022	69,775
TOTAL INTERNATIONAL EQUITIES	312,804	929,828
REAL ESTATE FUNDS		
JDM Partners	32,762	250,116
J P Morgan Investment Management	82,702	791,376
Morgan Stanley	79,092	652,866
Northwood RE	6,476	277,799
RECAP II	6,446	77,314
RECAP III	19,882	450,000
TA Realty Associates	8,289	142,932
Wheelock	20,253	538,919
Wrightwood Capital	2,881	56,990
TOTAL REAL ESTATE	258,783	3,238,312
HEDGE FUNDS		
K2 Advisors	15,536	933,315
PAAMCO	134,722	1,080,838
TOTAL HEDGE FUNDS	150,258	2,014,153
REAL RETURN FUNDS		
Research Affiliates	--	103,535
TOTAL REAL RETURN FUNDS	--	103,535
Total before Securities Lending	$ 2,189,841	12,104,174
Securities Lending (2)	83,874	
TOTAL	$ 2,273,715	12,104,174
Other Investment Service Fees		
RV Kuhns & Associates (Consultant)		193,249
State Street Bank (Custodian)		124,267
BNY Mellon (Custodian eff. 5/1/2014)		31,462
Elkins McSherry Brokerage		10,000
Foreign Taxes		13,074
TOTAL OTHER INVESTMENT SERVICE FEES		372,052
TOTAL INVESTMENT RELATED FEES		$ 12,476,226

(1) Does not represent contractual fee schedule and may include expenses other than management fees.
(2) No separate billing for the securities lending program, the fees are netted from the securities lending income.

Investment Summary
As of June 30, 2014

Type of Investment	Fair Value (in thousands)	Percent of Total Fair Value
Fixed Income:		
Asset Backed	$ 3,929	0.18%
Corporate Bond	41,339	1.89
Corporate Bonds Commingled	3,684	0.17
Foreign Bond	17,794	0.81
Foreign Bonds Commingled	100,860	4.61
Mortgage Backed	77,095	3.52
Municipal Bonds	5,611	0.26
Commingled Fixed Income	151,568	6.92
US Government Guaranteed	93,562	4.27
Government Agency	2,980	0.14
Derivatives	(435)	(0.02)
Total Fixed Income	497,987	22.74
Domestic Equities:		
Commingled	140,915	6.43
Consumer Discretionary	69,746	3.18
Consumer Staples	7,085	0.32
Energy Related	34,764	1.59
Financials	84,241	3.85
Health Care	63,124	2.88
Industrials	78,915	3.60
Information Technology	87,844	4.01
Utilities	6,315	0.29
Energy	9,889	0.45
Materials	5,726	0.26
Total Domestic Equities	588,564	26.88
Real Estate:		
Commingled Funds	161,794	7.39
Private Equity	35,644	1.63
Limited Partnership	61,345	2.80
Total Real Estate	258,783	11.82
Hedge Funds:		
Hedge Funds	150,258	6.86
International Equities:		
Asset Backed	312,804	14.28
Global Commingled:		
Global Commingled	354,409	16.18
Cash and Cash Equivalents:		
Cash & Cash Equivalents	27,036	1.23
Total before Securities Lending	$ 2,189,841	100.00%
Securities Lending	83,874	
Total Investments	$ 2,273,715	

Schedule of Commissions
For the Fiscal Year Ended June 30, 2014

Brokerage Firm	Number of Shares Traded	Total Commissions	Commissions Per Share
Knight Equity Markers L.P.	5,102,685	$ 51,111.34	$ 0.0100
Goldman Sachs + Co	784,528	19,887.23	0.0253
State Street Global Markets	724,607	17,351.06	0.0239
Credit Suisse Securities (USA) LLC	758,325	16,287.27	0.0215
J.P. Morgan Securities Inc.	910,952	15,895.17	0.0174
Sandford Cbernstein Co LLC	532,679	14,858.18	0.0279
Morgan Stanley Co Incorporated	308,140	10,974.71	0.0356
Merrill Lynch Pierce Fenner + Smith Inc	406,347	10,445.11	0.0257
All Other Brokers (1)	7,675,328	210,808.02	0.0275
Total	**17,203,591**	**$ 367,618.09**	

(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.

December 11, 2014

VIA ELECTRONIC MAIL

Board of Retirement
City of Phoenix Employees' Retirement System
200 W. Washington St., 10th Floor
Phoenix, Arizona 85003

Dear Members of the Board:

The purpose of this letter is to provide the certification for the Actuarial Section of the Comprehensive Annual Financial Report (CAFR) for the City of Phoenix Employees' Retirement System (COPERS) with respect to pension benefits.

Actuarial Valuation Used for Funding Purposes

Actuarial valuations are performed annually, and the most recent actuarial valuation was performed as of June 30, 2014. Please refer to that report for additional information related to the funding of COPERS.

We prepared the following schedules for inclusion in the Actuarial Section of the CAFR based on the June 30, 2014, actuarial valuation (all historical information prior to the June 30, 2012, actuarial valuation shown in these schedules is based on information reported by the prior actuary, Rodwan Consulting Company):

- Summary of Actuarial Assumptions and Methods;
- Schedule of Active Member Valuation Data;
- Schedule of Retirees and Beneficiaries Added to and Removed from Rolls;
- Analysis of Financial Experience;
- Solvency Test;
- Schedule of Funding Progress; and
- Summary of Plan Benefits.

In addition, we prepared the following schedules for inclusion in the Statistical Section of the CAFR:

- Schedule of Retired Members by Type of Benefit, and
- Schedule of Retired Members by Benefit Option.

The Board of Retirement is responsible for establishing and maintaining the contribution policy for COPERS. The actuarial methods and assumptions used in the actuarial valuation are adopted by the Board of Retirement with advice from the actuary. The actuarial cost method and the actuarial assumptions used for funding purposes are the same as those used for financial reporting purposes.

Actuarial Valuation Used for Financial Reporting Purposes

For financial reporting purposes, the Total Pension Liability as of the beginning of the year is based on the actuarial valuation as of June 30, 2013, reflecting the assumption changes adopted by the Board in September 2013. The end-of-year Total Pension Liability is based on the actuarial valuation as of June 30, 2014. Please refer to *Section VI, Accounting and Financial Reporting Under GASB 67 and 68,* of the June 30, 2014, actuarial valuation report for additional information related to the financial reporting of COPERS.

We prepared the following schedules for inclusion in the Financial Section of the CAFR based on Section VI of the June 30, 2014, actuarial valuation report:

- Change in Net Pension Liability;
- Sensitivity of Net Pension Liability to Changes in Discount Rate;
- Schedule of Changes in Net Pension Liability and Related Ratios; and
- Notes to the Schedule of Employer Contributions.

Reliance on the Information Provided by the System and Compliance with ASOPs and GAAP

The schedules named above are the only schedules we prepared for the CAFR. In preparing our valuations and the schedules for the CAFR, we relied on information (some oral and some written) supplied by COPERS. This information includes, but is not limited to, the plan provisions, employee data, and financial information. We performed an informal examination of the obvious characteristics of the data for reasonableness and consistency in accordance with Actuarial Standard of Practice No. 23.

Future actuarial measurements may differ significantly from the current measurements due to such factors as the following: plan experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; and, changes in plan provisions or applicable law.

The funded ratios shown in the Actuarial Section are for the purpose of assessing contribution amounts for an ongoing plan. The funded ratios shown in the Financial Section are in accordance with the requirements of GASB Statement No. 67. Neither of these funded ratio measures is appropriate for assessing the sufficiency of plan assets to cover the estimated cost of settling the plan's benefit obligations.

CHEIRON

Board of Retirement
December 11, 2014
Page 3

To the best of our knowledge, this letter and the schedules named above have been prepared in accordance with generally recognized and accepted actuarial principles and practices that are consistent with the Code of Professional Conduct and applicable Actuarial Standards of Practice set out by the Actuarial Standards Board. The schedules provided for financial reporting purposes have been prepared in accordance with our understanding of generally accepted accounting principles as promulgated by the GASB. Furthermore, as credentialed actuaries, we meet the Qualification Standards of the American Academy of Actuaries to render the opinion contained in this letter and these exhibits. This letter does not address any contractual or legal issues. We are not attorneys and our firm does not provide any legal services or advice.

This letter and the schedules named above were prepared for COPERS for the purposes described herein. This letter and the schedules named above are not intended to benefit any third party, and Cheiron assumes no duty or liability to any such party.

Sincerely,
Cheiron

William R. Hallmark

William R. Hallmark, ASA, FCA, EA, MAAA
Consulting Actuary

Elizabeth A. Wiley, FSA, FCA, EA, MAAA
Consulting Actuary

Enclosures

CHEIRON

Supporting Schedules

Summary of Actuarial Assumptions and Methods

The City of Phoenix Employees' Retirement Board adopts actuarial assumptions and methods which are recommended by the COPERS' actuary. The Board adopted new methods and assumptions in September 2013. The demographic assumptions were adopted by the Board based on the experience study covering the period from July 1, 2004 through June 30, 2009. The next experience study will be completed before the June 30, 2015 actuarial valuation.

Actuarial Cost Method

The entry age (EA) actuarial cost method was used for active employees, whereby the normal cost is computed as the level annual percentage of pay required to fund the retirement benefits between each member's date of entry and assumed retirement. The actuarial liability is the difference between the present value of future benefits and the present value of future normal cost. Or, equivalently, it is the accumulation of normal costs for all periods prior to the valuation date. The normal cost and actuarial liability are calculated on an individual basis. The sum of the individual amounts is the normal cost and actuarial liability for the System.

Funding Method

The unfunded actuarial liability (UAL) is the difference between the actuarial liability and the actuarial value of assets. The UAL is amortized over periods in accordance with the following amortization methods.

- The UAL as of June 30, 2013, developed prior to implementing the September 2013 assumption changes, is amortized over a closed 25-year period as a level percentage of payroll.
- The impact of the September 2013 assumption changes on the UAL is amortized over a closed 25-year period as a level percentage of payroll with a four-year phase-in to the full amortization rate. The phase-in is calculated by multiplying the first year amortization payment by 25%. For the second year, the amortization schedule is recalculated reflecting the 25% payment in the first year and the remaining 24-year period and the calculated amortization payment is then multiplied by 50%. The process is repeated until the full amortization payment is made beginning in the fourth year of the 25-year period.
- Future gains and losses are amortized over closed 20-year periods as a level percentage of payroll from the valuation date in which they are first recognized. However, gains will not be amortized over a shorter period than the remaining period on the amortization of the 2013 UAL.

The total contribution rate is the sum of the normal cost rate (including assumed administrative expenses) and the UAL rate. The normal cost rate is determined by dividing the total normal cost determined under the actuarial cost method by the payroll expected for members active on the valuation date. The UAL rate is determined by dividing the UAL payments determined under the amortization method described above by the total expected payroll for the year (including members active on the valuation date and new entrants expected to replace active members who are expected to leave employment). These rates are determined for the fiscal year immediately following the valuation date, but are applied one year later without adjustment.

For Tier I, members contribute 5% of pay and the City contributes the remainder of the total contribution rate. For Tier II, the members and the City each pay half of the total contribution rate.

Asset Valuation Method for Actuarial Purposes

A smoothed market value of assets was used for the June 30, 2014 valuation. This method, which is unchanged from last year, spreads the difference between the actual and expected investment return over four years. For purposes of determining contribution rates, an actuarial value of assets is used that dampens the volatility in market values that occur because of the fluctuations in market conditions. Use of an asset smoothing method reduces the volatility of contribution rates and is consistent with the long-term process of funding a pension plan.

The actuarial value of assets is calculated by recognizing the deviation of actual investment returns compared to the expected return on the actuarial value of assets over a four-year period. The dollar amount of expected return on the actuarial value of assets is determined using the actual contributions and benefit payments during the year. Any difference between this amount and the actual net investment earnings is considered a gain or loss.

Supporting Schedules (continued)

Summary of Actuarial Assumptions and Methods

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

Discount Rate

7.5% annually, compounded annually. Considering other financial assumptions, the 7.5% 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. The discount rate of 7.5% is based on the expected return on assets. For stochastic projections, a standard deviation of 10.5% is assumed. Adopted September 2013.

Active Member Total Payroll

Individual salary increases are composed of a price inflation component, a real wage growth component and a merit or longevity component that varies by age. In September 2013, the Board adopted a reduced price inflation component.

Component	Adopted September 2013
Price Inflation	3.00%
Real Wage Growth	0.50%
Wage Inflation	3.50%

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. The next experience study will be completed before the June 30, 2015 actuarial valuation and will cover the period of July 1, 2009 through June 30, 2014.

Changes Since Last Valuation

The administrative expense assumption was added. In prior years, the discount rate was assumed to be net of administrative expenses.

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 September 2013. For sample ages, the following table describes annual increase percents:

Age	Merit or Longevity	Price Inflation	Real World Growth	Total
20	3.8%	3.0%	0.5%	7.3%
25	3.1	3.0	0.5	6.6
30	2.7	3.0	0.5	6.2
35	2.4	3.0	0.5	5.9
40	2.2	3.0	0.5	5.7
45	1.6	3.0	0.5	5.1
50	1.1	3.0	0.5	4.6
55	0.6	3.0	0.5	4.1
60	0.1	3.0	0.5	3.6
65	0.0	3.0	0.5	3.5

Decrement Assumptions

Mortality

The mortality table used was the RP 2000 Mortality Table Combined Healthy. While there is no explicit adjustment to the table to reflect expected future mortality improvements, the latest experience study (2009) showed actual to expected ratios of 113% for males and 119% for females, indicating some margin for future mortality improvements. Adopted November 17, 2005. These rates were first used for the June 30, 2006 valuation.

Rates of Mortality for Active and Retired Healthy and Disabled Lives at Selected Ages

Age	Male	Female
25	0.0376%	0.0207%
30	0.0444	0.0264
35	0.0773	0.0475
40	0.1079	0.0706
45	0.1508	0.1124
50	0.2138	0.1676
55	0.3624	0.2717
60	0.6747	0.5055
65	1.2737	0.9706
70	2.2206	1.6742
75	3.7834	2.8106
80	6.4368	4.5879
85	11.0757	7.7446
90	18.3408	13.1682
95	26.7491	19.4509

Supporting Schedules (Continued)

Summary of Actuarial Assumptions and Methods (continued)

Retirement

Rates of retirement are based on age according to the following table. Tier I rates were adopted November 17, 2005 and first used for the June 30, 2006 valuation. Tier II rates were adopted October 17, 2013 and first used for the June 30, 2013 valuation.

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

All Tier I and Tier II (except Rule of 87)		Tier II (Rule of 87)	
Retirement Age	Percent Retiring	Retirement Age	Percent Retiring
50 - 54	25%	50 - 54	35%
55	35	55	35
56 - 60	25	56 - 60	35
61	20	61	30
62	35	62	50
63	30	63	40
64	25	64	35
65	45	65	60
66 - 69	30	66 - 69	40
70+	100	70+	100

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:

Rates of Separation

Age	Years of Service	Termination
All	0	20.0 %
All	1	18.0
All	2	12.0
All	3	9.0
All	4	8.0
25	5 +	7.0
30	5 +	6.0
35	5 +	5.0
40	5 +	3.0
45	5 +	3.0
50	5 +	2.5
55	5 +	2.5
60	5 +	2.5
65	5 +	2.5

Summary of Actuarial Assumptions and Methods (continued)

Actuarial Valuation Data - Active Members

Valuation Year	Number of Members	Annual Payroll (in thousands)	Average Pay	% Increase/(Decrease) in Average Pay
2014	7,731	$ 509,267	65,874	4.9%
2013	8,090	508,032	62,798	3.3
2012	8,325	506,017	60,783	1.5
2011	8,569	513,322	59,904	(3.1)
2010	8,896	550,175	61,845	6.8
2009	9,317	539,468	57,901	(1.6)
2008	9,624	566,512	58,865	5.2
2007	9,564	535,079	55,947	4.2
2006	9,260	497,105	53,683	3.6
2005	9,036	467,998	51,793	4.2

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

	Added to Rolls			Removed		Rolls End of Year			
		Annual Pensions							
Year End	No.	New	PER (a)	No.	Annual Pensions	No.	Annual Pensions	Average Annual Pensions	% Increase in Annual Pensions
2014	597	$ 20,138	$ 1,810	145	$ 3,232	6,155	$ 187,559	$ 30,473	11.1%
2013	426	12,574	--	201	3,996	5,703	168,843	29,606	5.4
2012	448	14,488	--	161	4,174	5,478	160,294	29,256	6.9
2011	444	15,251	--	184	3,574	5,191	149,950	28,887	8.4
2010	432	15,139	120	170	3,206	4,931	138,273	28,042	9.5
2009	426	14,195	1,594	174	3,002	4,669	126,220	27,034	11.3
2008	348	10,935	2,874	148	2,732	4,417	113,433	25,681	10.8
2007	290	8,205	1,519	142	2,165	4,217	102,356	24,272	8.0
2006	309	9,247	1,976	147	2,144	4,069	94,797	23,297	9.0
2005	314	7,795	1,159	150	2,554	3,907	85,718	21,940	8.1

(a) Pension Equalization Increases

Supporting Schedules (Continued)

Solvency Test
(in thousands)

	Aggregate Accrued Liabilities for:				Portion of Accrued Liabilities Covered by Net Assets Available for Benefits		
Valuation Date	(1) Active Member Contributions	(2) Retirees and Beneficiaries	(3) Active Members Employer Portion	Net Assets Available for Benefits	(1)	(2)	(3)
6/30/2014	$ 393,754	$ 2,099,274	$ 1,121,756	$ 2,120,700	100%	82%	--%
6/30/2013 (a)	396,583	1,881,123	1,201,741	1,962,533	100	83	--
6/30/2012	443,964	1,525,152	970,258	1,827,528	100	91	--
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

(a) Revised actuarial values after assumption changes were adopted by the Board in September 2013.

Analysis of Financial Experience
(in thousands)

	Derivation for Year Ended June 30,				
	2014	2013 (a)	2012	2011	2010
(1) UAL at Start of Year	$ 1,516,915	1,111,845	$ 918,289	$ 829,195	$ 622,946
(2) Normal cost for year	78,331	71,828	77,366	80,099	78,731
(3) Contributions for year	(153,885)	(143,502)	(133,822)	(119,613)	(116,482)
(4) Assumed Investment Income Accrual on (1), (2) and (3)	110, 987	86,136	71,248	64,652	48,228
(5) Expected UAL Before Changes	1,552, 347	1,126,307	933,081	854,333	633,424
(6) Effect of Assumption Changes	--	423,247	--	--	--
(7) Effect of Method Changes	--	--	--	--	--
(8) Effect of Benefit Changes	--	--	--	--	--
(9) Expected UAL After Changes	1,552,347	1,549,554	933,081	854,333	633,424
(10) Actual UAL	1,494,084	1,516,915	1,111,845	918,289	829,195
(11) Gain (loss) (9) - (10)	$ 58,263	32,639	$ (178,764)	$ (63,956)	$ (195,771)
(12) As % of AL at Start of Year	1.7%	1.1%	(6.5%)	(2.4%)	(7.8%)

UAL means unfunded actuarial liability
AL means actuarial liability

(a) Revised actuarial values after assumption changes were adopted by the Board in September 2013.

Summary of Plan Provisions

Purpose

COPERS is a defined benefit pension plan 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, a resident of the City of Phoenix, has at least five years experience in retirement administration, and is not employed by the City, and is not 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 7 of this report.

Members of the COPERS' Plan are full-time employees of the City of Phoenix, not including police officers or firefighters who are covered by another retirement system to which the City contributes. Members who were hired before July 1, 2013, as well as members who join the City after July 1, 2013, who were members of Arizona State Retirement System (ASRS) prior to July 1, 2011 and did not withdraw their contributions, are Tier I members. Members hired into employment with the City on or after July 1, 2013, who are not Tier I members are Tier II members.

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, on October 31, 2013, the City Council eliminated certain compensation elements from the calculation of pensionable earnings from the FAC calculation. The change was effective for middle managers and executives, effective January 1, 2014. In addition, a vacation "snapshot" of unused vacation time was implemented on December 31, 2013 for middle managers and executives and June 30, 2014 for all other General City employees.

Voluntary Retirement

An active member may retire with Tier I 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).

Tier I benefits are calculated as unused sick leave service multiplied by 2% of FAC (Final Average Compensation) plus 2% of FAC times credited service up to 32.5 years plus 1% of FAC times service in excess of 32.5 years plus 0.5% of FAC times service in excess of 35.5 years. Minimum monthly pension is $250 ($500 if the member has 15 or more years of service).

An active member may retire with Tier II 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 87 (Rule of 87).

Summary of Plan Provisions (Continued)

Voluntary Retirement (continued)

Tier II benefits are calculated as unused sick leave multiplied by 2% of FAC plus FAC times credited service times the corresponding accrual rate:

Years of Service	Accrual Rate
0 < Service ≤ 20	2.10%
20 < Service ≤ 25	2.15%
25 < Service ≤ 30	2.20%
Service >30	2.30%

Credited Service

Credited service is determined based on Section 14 of Chapter XXIV of the Phoenix City Charter as well as COPERS administrative policy number 43. In no case is more than a year of service credited to any member for all service rendered in any calendar year. The amount of service credited to members varies by Tier, as detailed below.

Tier I
A member is credited with a month of service for each calendar month in which the member performs at least 10 days of City service. A member is credited with a year of service for any calendar year in which the member has at least 10 months of credited service. If a member has less than 10 months of credited service for any calendar year, they are credited for the actual number of months.

Tier II
A member is credited with a month of service for each calendar month in which the member performs at least 20 days of City service. A member is credited with a year of service for any calendar year in which the member has at least 12 months of credited service. If a member has less than 12 months of credited service for any calendar year, they are credited for the actual number of months.

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. This revision was adopted on May 21, 2008, after legal and actuarial reviews, was implemented effective October 1, 2008.

Summary of Plan Provisions (Continued)

Pension Allowance

The normal retirement benefit is payable monthly for the lifetime of a member. The annual amount equals 2% of FAC times credited service up to 32.5 years, plus 1% of FAC times service in excess of 32.5 years to 35.5 years, plus 0.5 % 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% 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 returns 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% (per Charter) 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.

Summary of Plan Provisions (Continued)

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% 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% 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, a member hired prior to July 1, 2013 is required to contribute 5% of his covered compensation. Members hired on July 1, 2013 or after are required to contribute 50% of the actuarially determined rate. 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 members’ contribution 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 an 8% interest rate for June 30, 2014.

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

Summary of Plan Provisions (Continued)

Employer Contributions

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

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

STATISTICAL SECTION

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

Statistical Section

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

Schedule of Changes in Fiduciary Net Position

This schedule provides the additions and deductions to the plan for the past ten years. The change in net position 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 Fiduciary Net Position for the past ten years.

Schedule of Benefit Expenses by Type

This schedule provides the benefit expenses of the plan by type for the past 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 Fiduciary Net Position 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 Fiduciary Net Position

Last Ten Fiscal Years

(in thousands)

	2014	2013	2012	2011	2010
ADDITIONS					
Member Contributions	$ 28,815	$ 27,738	$ 28, 140	$ 28, 648	$ 30, 240
Employer Contributions	115, 244	110,094	105,682	90,965	86,241
Inter-System Transfers	160	105	4,030	4,999	4,619
Net Investment Income (Loss)	298, 576	195,305	(5,664)	315,936	143,016
Total Additions to Fiduciary Net Position	442, 795	333,242	132,188	440,548	264,116
DEDUCTIONS					
Benefit Payments	177,447	165,521	156,679	145,922	133,522
Refunds of Contributions	2,192	2,464	2,333	2,470	2,877
Inter-System Transfers	238	606	1,365	2,872	1,699
Administrative Expenses	628	389	328	251	402
Total Deductions from Fiduciary Net Position	180, 505	168,980	160,705	151,515	138,500
CHANGE IN NET POSITION	$ 262,290	$ 164,262	$ (28,517)	$ 289,033	$ 125,616

	2009	2008	2007	2006	2005
ADDITIONS					
Member Contributions	$ 31,774	$ 31,237	$ 30,207	$ 27,979	$ 26,307
Employer Contributions	66,383	64,198	58,151	52,974	43,375
Inter-System Transfers	2,411	4,755	4,507	1,070	963
Net Investment Income (Loss)	(375,388)	(106,022)	272,051	133,934	120,237
Total Additions to Fiduciary Net Position	(274,820)	(5,832)	364,916	215,957	190,882
DEDUCTIONS					
Benefit Payments	121,484	109,308	100,366	91,911	83,657
Refunds of Contributions	2,812	2,623	2,770	2,465	2,508
Inter-System Transfers	1,518	2,103	1,798	600	888
Administrative Expenses	477	--	--	--	--
Total Deductions from Fiduciary Net Position	126,291	114,034	104,934	94,976	87,053
CHANGE IN NET POSITION	$ (401,111)	$ (119,866)	$ 259,982	$ 120,981	$ 103,829

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.

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
2013-2014	$	154, 661	$ 2,916	$ 711	$ 2,898	$ 12,157	$ 2,373	$ 32	$ 1,699	$ 177,447
2012-2013		143,969	2,812	702	2,880	11,581	2,158	31	1,387	165,520
2011-2012		136,223	2,793	700	2,882	10,792	1,997	36	1,257	156,680
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

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

Refunds
(in thousands)

Fiscal Year	Beneficiaries	Separation	Total Refunds
2013-2014	$ 515	$ 1,677	$ 2,192
2012-2013	821	1,644	2,465
2011-2012	437	1,896	2,332
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

Schedule of Retired Members by Type of Benefit

June 30, 2014

Monthly Benefit	Number of Retirees	Type of Retirement: Deferred	Normal or Voluntary	Duty Disability	Non-Duty Disability	Survivor Payment	Death Benefit	Alternate Payee
Deferred	816	816	--	--	--	--	--	--
$1 - 300	88	--	51	1	--	11	13	12
301 – 400	147	--	93	6	2	35	3	8
401 – 500	136	--	86	10	4	26	2	8
501 – 600	137	--	84	5	8	29	5	6
601 – 700	167	--	91	3	12	47	6	8
701 – 800	173	--	92	4	14	38	12	13
801 – 900	181	--	111	6	21	33	7	3
901 – 1,000	169	--	87	3	15	46	7	11
1,001 – 1,100	185	--	110	3	12	41	10	9
1,101 – 1,200	178	--	116	1	15	28	6	12
1,201 – 1,300	165	--	109	2	15	26	6	7
1,301 – 1,400	177	--	122	--	11	28	9	7
1,401 – 1,500	171	--	129	2	4	23	8	5
1,501 – 2,000	763	--	602	15	27	78	26	15
2,001 – 2,500	801	--	697	1	15	72	11	5
2,501 – 3,000	669	--	611	--	7	37	11	3
3,001 – 4,000	934	--	877	--	3	42	11	1
4,001 – 5,000	531	--	513	--	2	14	2	--
Over 5,001	518	--	499	--	--	14	3	2
Totals	7,106	816	5,080	62	187	668	158	135

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	88	44	21	7	--	--	3	13
301 – 400	147	94	30	8	2	3	10	--
401 – 500	136	84	38	7	--	1	6	--
501 – 600	137	78	23	19	3	1	13	--
601 – 700	167	105	30	18	2	3	9	--
701 – 800	173	107	31	18	3	5	9	--
801 – 900	181	94	35	25	5	11	11	--
901 – 1,000	169	110	27	17	6	4	5	--
1,001 – 1,100	185	122	36	16	3	4	4	--
1,101 – 1,200	178	90	59	12	2	9	6	--
1,201 – 1,300	165	82	42	24	4	8	5	--
1,301 – 1,400	177	93	43	12	8	14	7	--
1,401 – 1,500	171	101	32	17	3	16	2	--
1,501 – 2,000	763	333	215	94	31	50	40	--
2,001 – 2,500	801	343	242	94	27	67	28	--
2,501 – 3,000	669	281	165	89	40	63	31	--
3,001 – 4,000	934	361	292	108	34	92	47	--
4,001 – 5,000	531	197	162	67	29	57	19	--
Over 5,001	518	207	169	54	21	44	23	--
Totals	6,290	2,926	1,692	706	223	452	278	13
Deferred	816							
Total	7,106							

Schedule of Average Benefit Payment Amounts
By Year of Retirement

Last Five Fiscal Years

Retirement Effective Dates For Fiscal Years Ending June 30:	Years of Credited Service 5-9	 10-14	 15-19	 20-24	 25-29	 30+
2014						
Average Monthly Benefit	$ 627.98	$ 1,171.08	$ 2,093.01	$ 2,620.92	$ 3,963.91	$ 4,471.11
Mean Monthly Final Average Compensation	$ 4,149.40	$ 4,891.54	$ 6,133.52	$ 5,746.43	$ 6,986.39	$ 6,578.83
Number of Active Retirees	31	43	47	82	148	58
2013						
Average Monthly Benefit	$ 559.68	$ 1,260.13	$ 1,907.01	$ 2,599.91	$ 3,748.72	$ 4,933.05
Mean Monthly Final Average Compensation	$ 4,273.41	$ 5,221.78	$ 5,509.08	$ 5,821.48	$ 6,697.39	$ 7,417.31
Number of Active Retirees	41	41	28	54	94	48
2012						
Average Monthly Benefit	$ 572.10	$ 1,082.46	$ 1,761.17	$ 2,793.32	$ 3,620.34	$ 4,805.13
Mean Monthly Final Average Compensation	$ 4,353.18	$ 4,633.71	$ 5,268.80	$ 6,176.80	$ 6,574.75	$ 7,449.58
Number of Active Retirees	30	35	32	64	118	62
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
From July 1, 2009 to June 30, 2014						
Average Monthly Benefit	$ 577.914	$ 1,150.36	$ 1,862.64	$ 2,675.86	$ 3,877.59	$ 4,734.98
Mean Monthly Final Average Compensation	$ 4,261.57	$ 4,884.51	$ 5,494.58	$ 5,989.48	$ 6,935.18	$ 7,168.68
Number of Active Retirees	165	185	179	332	567	355

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City of Phoenix