TUCSON SUPPLEMENTAL RETIREMENT SYSTEM
(A Component Unit of the City of Tucson, Arizona)

Comprehensive Annual Financial Report
For Fiscal Year Ended
JUNE 30, 2011

Issued by the City of Tucson, Human Resources Department, Retirement Division

CITY OF

FOUNDED 1775

TUCSON

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INTRODUCTORY SECTION

Certificate of Achievement for Excellence in Financial Reporting

Presented to

Tucson Supplemental Retirement System, Arizona

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2010

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

Linda C. Davison

President

Jeffrey R. Esser

Executive Director

CITY OF TUCSON

October 25, 2011

Chairman and Members of the Retirement Board
Tucson Supplemental Retirement System

The Comprehensive Annual Financial Report (CAFR) of the Tucson Supplemental Retirement System ("TSRS" or the "System") for the year ended June 30, 2011, is herewith submitted. Responsibility for both the accuracy of the data and the completeness and fairness of the presentation rests with the management of TSRS. A narrative introduction to financial statement highlights, overview and analysis for FY 2011 can be found in the Management's Discussion and Analysis beginning on page 3 of the Financial Section.

The Tucson Supplemental Retirement System was established in 1953 to provide a monthly retirement supplement to social security benefits and to the personal retirement savings of its members. The benefits provided to members are supported by payroll contributions made by active members, City contributions and investment returns from retirement system asset portfolio. The financial crisis and economic recession of 2008-2010, combined with a decade of cumulative investment returns approaching zero, has detrimentally impacted the plan's key measurement of financial health, referred to as the funded ratio. In the plan year ended 2000, this ratio (assets to liabilities) stood at 103.7%. With the latest valuation completed for June 30, 2011, the funded ratio has fallen to 67.3%. Since 2008, the Board has expressed significant concerns over the financial stability of the plan; because a rapid recovery to pre-recession asset values are not expected to occur anytime soon, and future projections have indicated positive recovery will not begin until June 30, 2013, when the funded ratio is projected to be at 59.5%.

The Board's principal commitment must be to maintain fiscal stability for the plan, so that benefits already earned by current active members working to become eligible and those already retired will be paid as promised. To that end, the Board has expended great effort investigating avenues and alternatives available to preserve an attractive, high-quality retirement benefit program, but at a cost that the City can sustain over the long-term.

During this fiscal year, on December 16, 2010, the Tucson Supplemental Retirement System (TSRS) Board of Trustees recommended adding a new benefit tier for eligible employees hired after June 30, 2011. The Board recommended adding this new tier after conducting a fiscal sustainability analysis that considered current plan design and investment returns; more than 25 different plan designs; conducting a parallel audit of actuarial valuation data and assumptions; and assessing the legal landscape associated with changing benefits for incumbent employees. On June 21st, 2011, a new Tier II benefit program was approved by Mayor and Council for all employees hired after June 30, 2011.

The new Tier II benefit is designed to achieve long-term fiscal sustainability for the plan by offering a less costly retirement benefit to members, thereby reducing contributions required for members of the plan and the Plan sponsor. Implementation of Tier II will not affect benefit payments to retirees or benefit formulas and eligibility rules applied to employees hired prior to July 1, 2011.

Pension benefits for current employees and retirees are unaffected by these changes as earned pension benefits are protected by law and cannot be revoked or reduced. Current members of TSRS hired after June 30, 2006 will continue to pay 40% of the contribution rate recommended for FY 2012, or 11.62% of active member covered payroll.

Future employees – those hired by the City on or after July 1, 2011 – will be offered the Tier II plan, which is a modification of benefits provided to current employees in the following ways: age 60 is the minimum age required for retirement eligibility; in addition, 85 points are required for eligibility (for members hired prior to July 1, 2011, 80 points are required with no minimum age); normal retirement age is 65 (currently this is age 62); and reducing the pension benefit factor to 2.00% per year of credited service (current members are credited with a 2.25% benefit for each year of service). In addition, the pension calculation for the Tier II plan will exclude service credits and average final pay associated with the members accrued unused sick and vacation leave pay at retirement and be based upon a 60 month average (the sick leave and vacation leave elements are included for employees hired prior to July 1, 2011, and the average pay is calculated on a 36 month average). The contribution rate for tier II members will remain as it has been since for any active members hired after July 1, 2006; which is 40% of the contribution rate as determined for the year by the system actuary.

Active members of TSRS hired prior to July 1, 2011 become eligible for normal retirement upon the earlier of (1) reaching the age of 62, or (2) when a combination of the employee's age and years of creditable service including accrued and unused sick leave and vacation leave equal the sum of 80. For members hired after June 30, 2009, a minimum of five years accrued service is required to retire at age 62. Early service retirement benefits are also available for members who attain the age of 55 with 20 or more years of creditable service.

Record keeping is the responsibility of the Human Resource Department, Employee Benefits and Retirement Section. Financial statements and investment control responsibilities of TSRS have been performed by the Accounting and Treasury Divisions of the City's Finance Department. TSRS uses the accrual basis of accounting. This CAFR was prepared to conform with the principles of governmental accounting and reporting set forth by the Governmental Accounting Standards Board (GASB). Internal accounting controls provide reliable financial records for preparation of financial statements, and provide reasonable, but not absolute, assurance regarding the safeguarding of assets against loss from unauthorized use or disposition.

Budgetary Controls

Annually, the budget for the System must be approved by the Board of Trustees. The budget is also included in the City of Tucson annual budget which is recommended by the City Manager for adoption by the Mayor and Council.

Provisions of the Tucson City Code require unanimous approval of all System expenses by the Board of Trustees. Quarterly, the Board of Trustees reviews the financial report and expenses listing and ratifies all expenses.

Contributions to the System are based on principles of level-cost financing with current service financed as a level percent of payroll on a current basis and prior service amortized as a level percent of payroll over a fixed period of fifteen years.

Major Initiatives

During the fiscal year ended June 30, 2011, the TSRS Board of Trustees recommended changes to Article III, Chapter 22 of the Tucson City Code as described in some detail above. As experienced in previous years, budget shortfalls continue to be the norm due to the economic recession which has required the City to continue furlough pay policies across the board to all employees to balance the budget. The policy for FY 2011 required all active members to forego 9 days or 72 hours of annual pay; causing active members to lose 3.5% of their normal annual service credit hours.

Funding Status

Analysis of the funding progress for TSRS measures the net assets available for benefits against the actuarial accrued liability to arrive at the plan's percent funded ratio. As of June 30, 2011, the system's funded ratio decreased from the prior year 71.0% level to 67.3% on an actuarial valuation basis, and on a market basis, improved from 56.8% to 64.6%. The actuarial accrued liability increased from $904,480,336 to $928,608,791; resulting in an increase of 2.67%; the actuarial value of assets allocated to funding and available for benefits decreased by 2.67% from $641,718,551 to $642,664,880. The unfunded actuarial accrued liability increased by $41,282,126 the current plan year. Elements associated with the change in accrued liability include experience gains attributable to pay increases of $12,397,869 and gains from retiree mortality of $2,299,106. Offsetting those gains were losses from investment experience of $37,800,287; retirement incidence of $10,872,163; new entrants of $540,295; employee turnover, pre-retirement mortality, data and other factors of $6,766,356. From time to time, one or more assumptions are modified to reflect experience trends following an actuarial investigation of actual system experience. The post-retirement mortality assumption change was the second year of a five year phase-in adopted from the system's most recent five year experience study.

Investment Activities

The Board of Trustees (the "Board") reviews manager reports and schedules investment manager meetings throughout the year to review performance, economic outlook, and investment strategy. The Treasury Division staff monitors the investment portfolios and provides monthly reports to the Board regarding target and actual allocation levels and any unusual investment activities.

Net investment gain amounted to $106,114,437. The net investment gain or loss is comprised of bond interest, dividend income, real estate income, security lending income, investment expenses and realized and unrealized gains and losses on securities. The rate of return for the total fund for the year was 23.19%. For the last five years, the System has had an annualized return of 3.98%.

TSRS asset allocation targets are 46% U.S. equities, 15% foreign equities, 8% real estate, 26% fixed income and 5% infrastructure. These percentages reflect the current diversification posture as of June 30, 2011 and represent the board's prudent judgment in the pursuit of maximum returns at acceptable levels of risk.

In July, 2010 the transition of assets from TCW Value Opportunities to Champlain Investment Partners (Champlain) was completed. Champlain began managing an asset allocation of $25 million with a designated mid cap core equity strategy mandate. Due to significant underperformance, the Board decided to terminate the BlackRock Alpha Tilts enhanced index account and move the existing balance of $26.6 million back to the BlackRock Russell Value Index account effective October, 2010 Funding continued for three previously hired limited partnership real estate and infrastructure managers. As of June 30, 2011, funding was completed for the LaSalle Income and Growth Fund IV (real estate) account and the Macquarie European Infrastructure Fund III account. The SteelRiver Infrastructure Fund North America account was a little over 64% funded as of June 30, 2011.

In accordance with investment policy, the System's asset classes were rebalanced throughout the fiscal year. Due to ongoing liquidity requirements needed to pay retiree pensions, $29.95 million was moved out of various asset classes, in monthly increments, to the City's investment pool account. This amount was utilized throughout the fiscal year to make up the shortfall between pension contributions and distributions. This movement of funds had a "self-balancing" effect between equities, fixed income, real estate and infrastructure which helped to keep those asset classes within their target allocation percentage ranges.

Hewitt ennisknupp (formally Hewitt Investment Group) continues as investment consultant to the System and BNY Mellon continues to serve as master custodian.

Professional Services

The Retirement Board retains money managers and other professionals to prudently discharge its fiduciary responsibility for the proper administration of the System. Opinions of the independent auditors and the actuary are included in this report. The professionals retained by the Board are listed on page viii of this report.

Acknowledgments

This report is intended to provide information as a means for making management decisions, complying with statutory provisions, and demonstrating responsible stewardship for assets of the System. The preparation of this report reflects the combined efforts of all TSRS staff, the City of Tucson Finance Department, and others that have worked diligently to assure the successful operation of TSRS. Special words of appreciation are due to: Vivian Newsheller, Principal Accountant, Allan Bentkowski, CPA, Investment Manager, Doris Rentschler, Lead Analyst and Michael Jesse, Analyst. Finally, gratitude is given to our Administrative Assistant Claire Beaubien who bears the headaches and privileges associated with gathering all the contributions by staff in preparing this report for submission requiring many hours to complete. The direction and support extended by the Board of Trustees is also greatly appreciated.

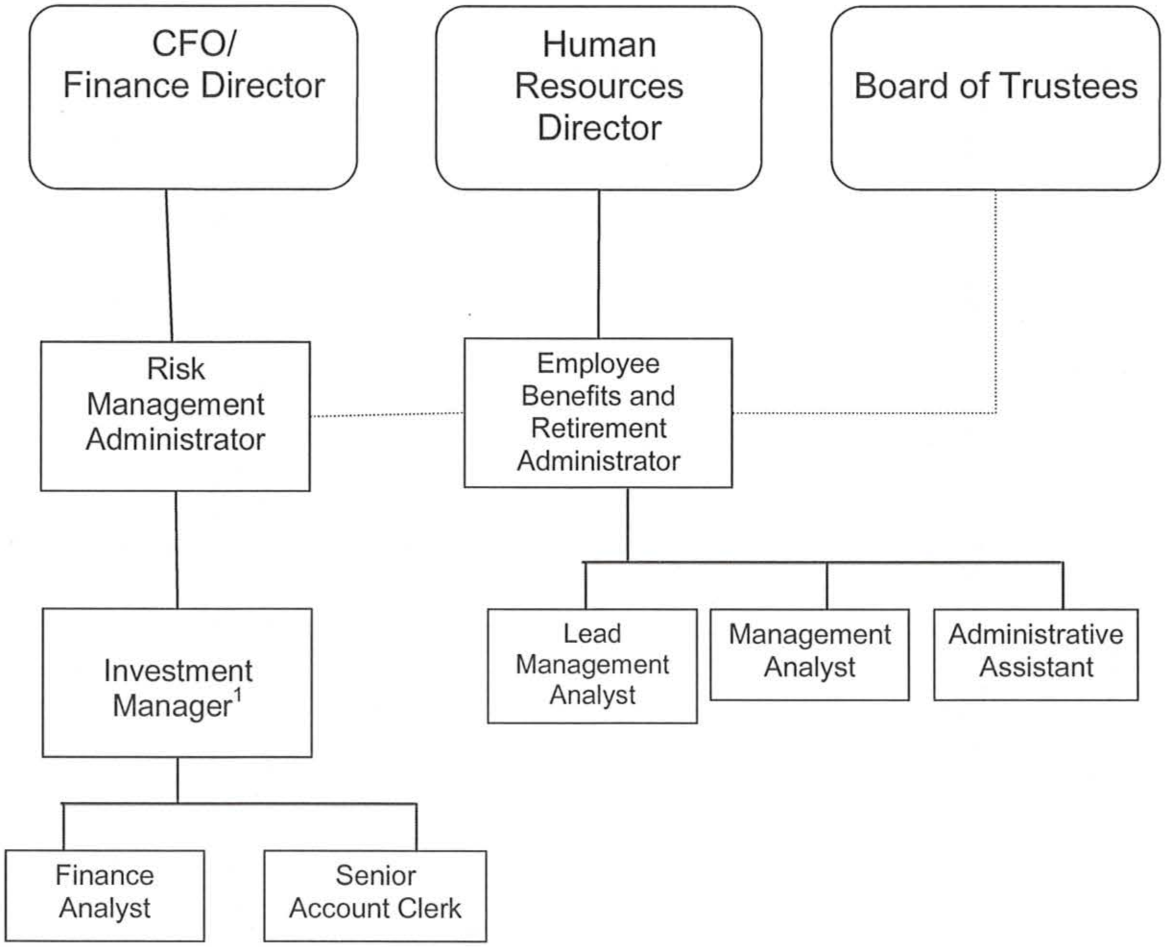
The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the Tucson Supplemental Retirement System for its comprehensive annual financial report for the fiscal year ended June 30, 2010. This was the 15th consecutive year that the Tucson Supplemental Retirement System has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

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

Respectfully submitted,

Michael A. Hermanson, CPA
Employee Benefits and Plan Administrator

Organization Chart



[1]A listing of the external investment managers for the System can be found on page viii.

Administrative Organization

BOARD OF TRUSTEES
Brian Bjorndahl
Chairman

Kevin Larson
City Manager's Appointee

Kelly Gottschalk
CFO/Finance Director

Cindy Bezaury
Human Resources Director

Walter "Brandy" Kadous
Employee Representative

Gage Andrews
Employee Representative

Jean Wilkins
Retiree Representative

FINANCE
RISK MANAGEMENT STAFF
Joel Peterson
Risk Management Administrator

TREASURY DIVISION STAFF
Allan Bentkowski, CPA
Investment Manager

Finance Analyst (Vacant)

Deborah Gagnier-Campbell
Sr. Account Clerk

HUMAN RESOURCES
EMPLOYEE BENEFITS AND
RETIREMENT STAFF

Michael A. Hermanson, CPA
Employee Benefits & Retirement Administrator

Doris Rentschler, CFP
Lead Finance Analyst

Michael Jesse,
Finance Analyst

Claire Beaubien, CPS
Administrative Assistant

ACCOUNTING
Vivian Newsheller
Principal Accountant

LEGAL
David Deibel
Principal Assistant City Attorney

ACTUARY
Gabriel, Roeder, Smith & Company
Denver, CO

AUDITOR
Heinfeld, Meech & Company, P.C.
Tucson, AZ

INVESTMENT MANAGERS
Alliance Capital Management Corporation
New York, NY

BlackRock Institutional Trust Company, N.A.
San Francisco, CA

Causeway Capital Management
Los Angeles, CA

Friess Associates, LLC
Greenville, DE

Pyramis Global Advisors
Smithfield, RI

JP Morgan Asset Management
San Francisco, CA

Artio Investment Management LLC
New York, NY

LaSalle Investment Management
Chicago, IL

Pacific Investment Management Company
Newport Beach, CA

Champlain Investment Partners
Burlington, VT

Macquarie Capital (USA), Inc.
New York, NY

SteelRiver Infrastructure
New York, NY

INVESTMENT CONSULTANT
Hewitt ennisknupp
Lincolnshire, IL

CUSTODIAN BANK
BNY Mellon
New York, NY

CITY OF

FOUNDED 1775

TUCSON

FINANCIAL SECTION

HEINFELD, MEECH & CO., P.C.
CERTIFIED PUBLIC ACCOUNTANTS

Heinfeld, Meech & Co. 25th Anniversary 1986-2011

INDEPENDENT AUDITORS' REPORT

The Board of Trustees
Tucson Supplemental Retirement System:

We have audited the accompanying financial statements of the Tucson Supplemental Retirement System (the System), a component unit of the City of Tucson, Arizona, as of and for the year ended June 30, 2011, which collectively comprise the System's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the System's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Tucson Supplemental Retirement System, as of June 30, 2011, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 25, 2011, on our consideration of the Tucson Supplemental Retirement System's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 7 and the schedule of funding and progress and schedule of employer contributions on pages 23 and 24 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise TSRS's financial statements as a whole. The Introductory Section, Supporting Schedules of the Financial Section, Investment Section, Actuarial Section and Statistical Section are presented for purposes of additional analysis and are not a required part of the financial statements. The Supporting Schedules in the Financial Section are the responsibility of management and were derived from and relate 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 audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole. The Introductory Section, Investment Section, Actuarial Section and Statistical Section have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Heinfeld, Meech & Co., P.C.

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

October 25, 2011

MANAGEMENT'S DISCUSSION AND ANALYSIS

We are pleased to provide this overview and analysis of the financial activities of the Tucson Supplemental Retirement System (TSRS) for the plan year ended June 30, 2011. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our Letter of Transmittal, which begins on page ii of this report.

Financial Highlights

- The net assets of TSRS as of the close of the plan year ending June 30, 2011 are $599,711,812 (net assets held in Trust for Pension Benefits). All of the net assets are available to meet TSRS's ongoing obligations to plan participants and their beneficiaries.

- TSRS's increase for this plan year in total net assets held in trust for pension benefits were $85,590,291, or 16.65%, primarily as a result of increases in the market value of the System's assets.

- TSRS's funding objective is to establish and receive contributions, which will remain approximately level from year to year and thereby minimize inter-generational cost transfers. As of June 30, 2011, the date of our last actuarial valuation, the funded ratio for TSRS was approximately 67.3% on an actuarial basis, 64.6% using the market value basis.

- Revenues (Additions to Plan Net Assets) for the year were $149,846,048, which includes member and employer contributions plus transfers from other systems and contributions from other sources totaling $3,518,142, Investment earnings income of $12,120,137 and a net gain in fair value of investments of $106,114,437 reduced further by Investment Expenses of $3,906,668.

- Expenses (Deductions from Plan Net Assets) decreased from $55,381,608 in the prior year to $64,255,757 or approximately 16.0%. The net increase in deductions resulted from an increase in pension benefits of $6,547,341, increased refunds and transfers of $2,270,788 and decreased administrative expenses of $56,020; bringing the total increase in expenses to $8,874,149.

Overview of the Financial Statements

The following discussion and analysis are intended to serve as an introduction to TSRS's financial statements, which are comprised of these components:

1. Statement of Plan Assets
2. Statement of Changes in Plan Net Assets
3. Notes to the Financial Statements

Please note, however, that this report also contains other supplementary information in addition to the basic financial statements themselves, including details of the system's investments, actuarial analysis, and various statistical information found in sections under those names.

The Statement of Plan Net Assets is a snapshot of account balances at year-end. It indicates the assets available for future payments to retirees and any current liabilities that are owed at this time.

The Statement of Changes in Plan Net Assets, on the other hand, provides a view of current year additions to and deductions from the plan.

Both statements comply with applicable Governmental Accounting Standards Board (GASB) Statements. These pronouncements require certain disclosures and require state and local governments to report using the full accrual method of accounting. TSRS complies with all material requirements of these pronouncements.

The Statement of Plan Net Assets and the Statement of Changes in Plan Net Assets report information about TSRS's activities. These statements include all assets and liabilities, using the full accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses were taken into account regardless of when cash is received or paid. All investment gains and losses are shown at trade date, not settlement date. In addition, both realized and unrealized gains and losses are shown on investments, and all capital assets (fixed assets) are depreciated over their useful lives.

These two statements report TSRS's net assets held in trust for pension benefits (net assets) – the difference between assets and liabilities – is one way to measure the system's financial position. Over time, increases and decreases in TSRS's net assets are one indicator of whether its financial condition is improving or deteriorating. (See TSRS's financial statements on pages 8 and 9 of this report).

Notes to the Financial Statements provide additional information that is essential to a full understanding of the data provided in the financial statements. (See Notes to Financial Statements on pages 10-23 of this report).

Other information In addition to the financial statements and accompanying notes, this report presents certain required supplementary information concerning TSRS's progress in funding its obligations to provide pension benefits to members (See Required Supplementary Information on page 23 and 24 of this report).

The schedules of administrative expenses, investment manager fees and other investment expenses, and payments to consultants are presented immediately following the required supplementary information on pensions. (See Supporting Schedules on page 25 of this report.)

<u>*Financial Analysis*</u>

As previously noted, net assets may serve over time as a useful indication of TSRS's financial position (see table on page 5). The total assets of TSRS exceeded its liabilities at the close of the plan year ended June 30, 2011. Currently $599,711,812 in net assets are held in trust for ongoing obligations to plan participants and their beneficiaries.

Assets		6/30/11		6/30/10	% change
Cash, Cash Equivalents and Receivables	$	26,803,597	$	21,422,648	25.1%
Investments		602,060,371		532,745,082	13.0%
Securities Lending Cash Collateral		37,410,180		36,617,146	2.2%
Capital Assets, Net		62,978		89,527	-29.7%
Total Assets	**$**	**666,337,126**	**$**	**590,874,403**	**12.8%**
Liabilities					
Accounts Payable and Other Payables	$	5,256,413	$	1,157,230	354.2%
Due to Securities Lending Borrowers		37,410,180		36,617,146	2.2%
Due to Brokers		23,958,721		38,978,506	-38.5%
Total Liabilities	**$**	**66,625,314**	**$**	**76,752,882**	**-13.2%**
Total Net Assets	**$**	**599,711,812**	**$**	**514,121,521**	**16.6%**

As of June 30, 2011, $599,711,812 in Plan Net Assets were held in Trust for the payment of pension benefits, as identified in the Statement of Plan Assets on page 8. This amount represents an increase of 16.6% from June 30, 2010. The increase is attributable primarily to investment gains experienced in the financial markets, which impacted TSRS' investment performance.

Additions to Plan Net Assets

Additions to Net Assets - TSRS		6/30/11		6/30/10	% change
Employer Contributions	$	23,432,916	$	23,260,609	0.7%
Employee Contributions		7,562,294		8,041,748	-6.0%
Purchase of Service Credit		3,772,923		1,556,832	142.3%
Transfers and contributions from other sources		750,009		1,702,656	-56.0%
Investment and securities lending income		114,327,901		50,301,956	-127.3%
Total Additions	**$**	**149,846,043**	**$**	**84,863,801**	**-76.6%**

Employer contributions increased by $172,307; or 0.7% and employee contributions decreased by $479,454 or about -6.0%. The increase in the employer contribution rate was offset by decreases in covered payroll. A total of $3,772,923 was received from employees purchasing service credits, which was $2,216,091; or 142.3% more than the prior fiscal year. Increased purchases were primarily related to employees purchasing service to take advantage of the End of Service Program and to qualify for the higher retiree health insurance subsidy ending at 12/31/2010. Transfers from other systems dropped from the prior year by 56% or $952,647. Net investment income for the current year increased by $64,025,945, or 127.3% from the prior year, caused by rebounding portfolio values in the domestic and international financial markets severely depressed in the prior year.

Deductions from Plan Net Assets

The principal purpose for which the System was created was to provide supplemental retirement annuities, survivor benefits, and total and permanent disability benefits to qualified members and their beneficiaries. The costs of such programs include recurring benefit payments as designated by the System, refunds of contributions to terminated employees, the cost of administering the System and expenses incurred in the investment of the System's assets.

Total Deductions for fiscal year 2011 were $64,255,757, representing an increase of 16% from fiscal year 2010 expenses. The largest contributors to the increase in deductions for this year were attributed to member account transfers to other retirement systems of $2,030,522, or 226.1% higher than FY 2010 and an increase in the amount of payments to new retirees of $6,547,341, or 12.7%.

Deductions from Net Assets		**06/30/11**		**06/30/10**	**% change**
Retirement Benefits	$	58,247,882	$	51,700,541	12.7%
Refund of Contributions		2,350,625		2,110,360	11.4%
Transfers to Other Systems		2,928,607		898,085	226.1%
Administrative Expenses		728,641		672,622	8.3%
Total Deductions	$	64,255,757	$	55,381,608	16.0%
Net Increase/(Decrease) in Plan Assets	**$**	**85,590,292**	**$**	**29,482,193**	**190.3%**

Reserves

The system places an amount into a separate Reserve for Employee Contributions for all amounts contributed by members. Deductions are made from this account when the member retires, transfers balances to other retirement systems, or when a member terminates employment and requests a refund. As of the plan year ended June 30, 2011, the balance in this reserve account increased by $21,175,901 to $119,049,097.

Upon retirement, the system places an amount in Reserves for Retirement Benefits equivalent to the present value of the actuarial benefit selected by the member. When the present value is determined, amounts are added to this reserve from amounts in the Reserve for Employee Contributions and from the Unreserved Net Assets balance to fully fund the expected liability. During the plan year ended June 30, 2011, this reserve account balance increased by $12,015,054 to $537,215,286.

The impact of gains recognized during the plan year ended June 30, 2011 affects the amount remaining in the Unreserved Net Assets. Employer funding is added to the Unreserved Net Assets balance. At retirement, amounts needed to fully fund retirement benefits are transferred from the Unreserved Net Assets to the Reserves for Retirement Benefits. As a result of the change in market values of the system's assets during the current year, the Unreserved Net Assets increased by $94,751,138 to a negative balance of $56,552,571.

TSRS's Fiduciary Responsibilities

TSRS's Board of Trustees and management staff are fiduciaries of the pension trust fund. Under the City of Tucson Code the assets can only be used for the exclusive benefit of plan participants and their beneficiaries.

Requests for Information

This financial report is designed to provide the Retirement Board of Trustees, our membership, taxpayers, investment managers and other interested parties with a general overview of TSRS's finances and to account for the money it receives. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to:

Tucson Supplemental Retirement System
Attention: TSRS Plan Administrator
City Hall, 5th floor - Retirement Office
255 West Alameda Street
Tucson, Arizona 85701

Tucson Supplemental Retirement System
Statement of Plan Net Assets
Year Ended June 30, 2011

Assets		
Cash Deposits/Pooled Investments	$	6,484,650
Receivables:		
Accounts Receivable		
Employer Contributions Receivable (Note 3)		14,423
Employee Contributions (Note 3)		767,596
Due From Brokers		17,699,066
Interest and Dividends		1,583,253
Total Receivables		20,318,946
Investments, at Fair Value (Notes 4, 5, and 6):		
Short Term Investments		7,229,764
Securities Lending Cash Collateral		37,410,180
U.S. Treasuries, Agencies & Other Governmental Bonds		94,866,767
Corporate Bonds & Other Fixed Income Instruments		47,865,057
U.S. Corporate Stocks		276,930,546
International Fixed Income		16,033,171
International Equity		89,114,754
Real Estate		34,906,326
Infrastructure Investments		35,113,987
Total Investments, at Fair Value		639,470,552
Capital Assets, Net of Accumulated Depreciation		62,978
Total Assets		666,337,126
Liabilities		
Accounts Payable		5,246,053
Accrued Wages Payable		9,523
Due to Securities Lending Borrowers (Note 5)		37,410,180
Due to Brokers		23,958,721
Refundable Deposits		837
Total Liabilities		66,625,314
Net Assets Held in Trust for Pension Benefits	$	599,711,812

See Accompanying Notes to Financial Statements

Tucson Supplemental Retirement System
Statement of Changes in Plan Net Assets
Year Ended June 30, 2011

Additions	
Contributions (Note 3:)	
City	$ 23,432,916
Employee	7,562,294
Purchase of Service	3,772,923
Contributions from Other Sources	50,000
Transfers from Other Systems	700,009
Total Contributions	35,518,142
Investment Income:	
Net Gain(Loss) in Fair	
Value of Investments	106,114,437
Interest	6,361,246
Dividends	5,589,052
Securities Lending Income (Note 5)	124,158
Miscellaneous Income	45,681
	118,234,574
Less Investment Expenses:	
Securities Lending Fees	35,027
Investment Services	3,871,641
Total Investment Expense	3,906,668
Net Investment Gain(Loss)	114,327,906
Total Additions	149,846,048
Deductions	
Benefits	58,247,882
Refunds	2,350,625
Transfers to Other Systems	2,928,607
Administrative Expenses	728,643
Total Deductions	64,255,757
Net Increase (Decrease) in Plan Net Assets	85,590,291
Net Assets Held in Trust for Pension Benefits	
July 1, 2010	514,121,521
June 30, 2011	$ 599,711,812

See Accompanying Notes to Financial Statements

Tucson Supplemental Retirement System
Notes to Financial Statements
Year Ended June 30, 2011

1. DESCRIPTION OF THE PLAN

A. *Authorization, Purpose, and Administration of the System* - The Tucson Supplemental Retirement System (the "System" or "TSRS") is a single-employer defined benefit plan for City of Tucson ("City") employees. It was established in the City Charter to provide its members with a supplement to the retirement and disability benefits of the social security system. The System is governed by a seven member Board of Trustees: a chairman who is appointed by the Mayor and Council, the City's directors of human resources and of finance, two members elected by the membership of the System, a retired member elected by the System's retirees, and one member appointed by the City Manager. Benefit provisions and changes in benefits or funding are recommended by the Board of Trustees and must be approved by Mayor and Council.

B. *Plan Membership* - The System covers substantially all City of Tucson, Arizona, employees, except for appointed officials and staff who may elect not to join, and commissioned police and fire personnel and elected officials, who are covered under other plans. Employees participate in the System immediately upon beginning employment with the City. Employee membership data as of June 30, 2011 is as follows:

Active plan participants:	
Vested	2,051
Nonvested	577
Total active plan participants	2,628
Current retirees and beneficiaries	2,709
Terminated vested participants	208

C. *Plan Benefits*

1. *Retirement Benefits* - Any employee hired prior to July 1, 2009, who has attained the earlier of age 62, or a combination of the employee's age and years of creditable service equaling the sum of 80, is entitled to receive monthly retirement benefits calculated at 2.25% of average final monthly compensation multiplied by the number of years of creditable service. Employees hired after July 1, 2009 receive the same benefit, but are required to have a minimum of five years accrued service. Average final monthly compensation is defined as the highest compensation of 36 successive months during the 120 months immediately preceding retirement. Accrued unused sick leave and vacation leave at the final salary is substituted for an equal number of hours at the beginning of the 36 month period.

1. DESCRIPTION OF THE PLAN (Continued)

An employee who retires after attaining age 55 with 20 or more years of creditable service is entitled to early retirement benefits reduced to the actuarial equivalent of the amount to which the employee would have been entitled upon attaining normal retirement.

An employee is always fully vested in his/her individual contributions. Upon termination of employment for reasons other than retirement, employees having five or more years of creditable service (terminated vested participants) may leave their contributions in the System and begin drawing a retirement allowance when they reach either their normal retirement date or early retirement date.

2. *Disability Benefits* - Employees with ten or more years of creditable service, who are not yet eligible to retire and who have a total and permanent disability may apply for disability retirement.

3. *Death Benefits* - The beneficiary of an employee who pre-selected a retirement option and died while eligible to retire, shall receive a benefit based upon the selected option if the member has made such an election by June 30, 2009.

The spousal beneficiary of an employee who died while eligible to receive benefits but who had not pre-selected a benefit option by June 30, 2009, may choose to receive a benefit equal to a 100% joint and survivor annuity based on the member's years of credited service and average final monthly compensation at the time of the member's death, or may elect to receive a lump sum payment of twice the members account balance plus interest, measured on the date of death.

The named beneficiary of an employee who is other than the spouse of the employee who died while eligible to receive benefits but who had not pre-selected a benefit option by June 30, 2009, may choose to receive a benefit equal to a 15 year term certain benefit to the named beneficiary, or the beneficiary may elect to receive a lump sum payment of twice the members account balance plus interest, measured on the date of death.

Multiple designated beneficiaries of an employee who died while eligible to receive benefits but who had not pre-selected a benefit option by June 30, 2009, receive a lump sum payment of twice the members account balance plus interest, measured on the date of death.

The beneficiary of an employee who was not eligible for any retirement benefits, but had more than five years of creditable service, may receive a lump sum payment of twice the member account balance plus interest, measured on the date of death.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND DISCUSSION OF PLAN ASSETS

A. ***Reporting Entity*** - Due to the extent of the System's financial and operational relationship with the City of Tucson, the System is considered a component unit of the City's financial reporting entity and is included in its Comprehensive Annual Financial Report as a pension trust fund.

B. ***Basis of Accounting*** - The System's financial statements are prepared using the accrual basis of accounting using the economic resources measurement focus. Employee and employer contributions are recognized when due, pursuant to formal commitments. Benefits and refunds are recognized when due and payable in accordance with the plan provisions.

C. ***Investments*** -Investments are reported at fair value. Securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates. The fair value of real estate investments is based on independent appraisals. Investments that do not have an established market are reported at estimated fair value.

The cost of common stock sold is determined on the average cost method. Realized and unrealized gains or losses are reflected in revenues.

At June 30, 2011, there were no individual investments, other than those issued or guaranteed by the United States government that represented 5 percent or more of plan net assets.

D. ***Deposits*** - In accordance with the City Charter and state statutes, the System is authorized to deposit money in certificates of deposit and interest-bearing accounts provided that deposits in excess of the insured amount are collateralized. State statutes require collateral pledged for deposits to be held in the System's name by a bank other than the pledging bank or by the pledging bank's trust department.

E. ***Capital Assets*** – Capital assets of the System currently include moveable equipment items and the capitalized cost of pension administration software, stated at historical cost net of accumulated depreciation. The straight-line method of depreciation for capitalized equipment and software is used over an estimated useful life of 6 years. The capitalization threshold is $5,000.

F. ***Benefit Changes*** – The TSRS Board of Trustees shall determine, pursuant to its formal policy and in its discretion whether the System shall fund an annual supplemental post retirement benefit payment to retired members and beneficiaries.

G. ***Administrative Costs*** - All costs of administering the plan are financed by the employer and member contributions made, based upon recommended contribution rates in effect for the year, applied on active member covered payroll.

3. CONTRIBUTIONS AND RESERVES

A. *Funding Requirements*

1. *Employee Contributions* - Currently, employee contributions are 5% of regular salary and are made through payroll deductions for employees hired prior to July 1, 2006. Employees hired after June 30, 2006 are paying an amount equal to 40% of the annual required contribution rate. For this fiscal year, the rate for new employees was 9.428%. A reserve is

established for contributions and earnings allocations, less amounts transferred to the reserve for retirement benefits which includes retirement and disability and amounts reserved for terminated employees. If an employee leaves covered employment before attaining five years service credit, the accumulated contributions plus interest are refunded to the employee or his designated beneficiary. There are no long-term contracts for employee contributions to the System.

2. *Employer Contributions* - The City contributes the remaining amounts necessary to finance employee participation in the System and to fund the costs of administering the System. Employer contributions are determined by the system actuary, based on a level percentage of payroll method. There are no long-term contracts for employer contributions to the plan System.

B. Net Assets

Two general types of net asset reserves are maintained within the System. The Reserve for Employee Contributions contains the employee contributions for all contributing members of the System, plus allocated interest earnings. At the time an employee retires or defers retirement, the actuarial value of the individual's retirement benefits is transferred to the Reserve for Retirement Benefits, which is decreased by payments to retirees and increased by interest earnings. The reserves are fully funded.

Earnings of the System are allocated semi-annually (at June 30 and December 31) to the reserves which comprise net assets. At the year ended June 30, 2011, allocations were based on rates of return of 6.00% per annum. Any unallocated earnings remain in unreserved net assets.

The net assets at June 30, 2011, consisted of the following components:

Reserved for employee contributions	$	119,049,097
Reserved for retirement benefits		537,215,286
Unreserved net assets		-151,303,709
Net Assets	$	599,711,812

4. INVESTMENTS

The pension fund is governed by a Board of Trustees. The Board of Trustees is required by City Code in making investment decisions, to exercise the judgment and care under the circumstances then prevailing which persons of ordinary prudence, discretion and intelligence exercise in management of their own affairs, not in regard to speculation, but in regard to the permanent disposition of their funds, considering the probable income there from, as well as the probable safety of the capital. Investments of the System are held separately from those of other City funds by investment custodians. Quoted market prices have been used to value investments as of June 30, 2011. Investments that do not have an established market exchange are reported at estimated fair value. Estimated fair value for real estate and infrastructure investments are established by third party appraisers.

The System's investments at June 30, 2011 are listed below. These investments are either held by the System or its agent in the System's name and are either insured, registered or collateralized. A portion of these investments is subject to credit risk (including custodial credit risk and concentrations of credit risk), interest rate risk and/or foreign currency risk. The Government Accounting Standards Board (GASB) Statement 40 requires the System to disclose such risks which are all discussed in the sections that follow.

All System investments are reflected in the following schedule with the exception of amounts held in the City's investment pool account. The City maintains an investment pool account for City funds. Bi-weekly contributions for the Tucson Supplemental Retirement System are held in the City's investment pool account and are used to pay recurring expenditures. The $6,484,650 of cash and deposits in the City's investment pool account are invested in money market funds consisting of U.S. Treasuries and agencies and separately held issues of federal agency and U.S. corporate bonds with ratings no lower than A2 as reported by Moody's.

Investments		**Fair Value**
U.S. Issues not on Securities Loan:		
U.S. Treasuries, Agencies & Other Government Bonds	$	93,537,891
Corporate Bonds & Other Fixed Income Instruments		40,345,452
Equities		252,713,652
Non-U.S. Issues not on Securities Loan:		
International Bonds		15,503,578
International Equities		86,439,257
Subtotal		488,539,830
Investments Held by Broker-Dealers Under Securities Loans with Cash Collateral:		
U.S. Treasuries, Agencies & Other Governmental Bonds		1,328,876
Corporate Bonds & Other Fixed Income Instruments		7,519,604
U.S. Equity		24,216,894
International Bonds		529,593
International Equities		2,675,497
Subtotal		36,270,464
Securities Lending Short-Term Collateral Investment Pool		37,410,180
Money Market Funds/Short-Term Investments		7,154,764
Real Estate Funds		34,906,326
Infrastructure Funds		35,113,987
Subtotal		114,585,257
Total Deposits and Investments	$	639,395,551

A. **Credit Risk –** As defined by GASB Statement 40, credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. Associated with credit risk is concentration of credit risk and custodial credit risk. Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for investments is the risk that, in the event of the failure of the 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.

The System presently maintains one internally managed and one externally managed fixed income (bond) account, which are exposed to some form of credit risk. The investment policy guidelines for securities purchased for the internally managed fixed income account are as follows:

- With the exception of securities issued by or guaranteed by the U.S. Treasury or U.S. Government agencies and instrumentalities, the maximum position in a single issuer's securities should not exceed 5% of the portfolio's assets at current market value
- Exposure to corporate bonds should be limited to 50% of the portfolio
- The investment manager is expected to maintain a weighted average bond portfolio quality rating of at least "AA"
- Securities, at the time of purchase, shall be rated no lower than "A3" by Moody's and "A-" by Standard & Poor's

The TSRS Board has given the external fixed income manager discretion to invest in a broad array of public and private asset classes, instruments and investment vehicles in order to meet or exceed the agreed upon investment return benchmark. However, the following specific investment policy guidelines pertain to the external fixed income manager:

- The maximum position in a single issuer (excluding obligations of U.S. Government and its Agencies) should not exceed 5% of the portfolio's assets at current market value
- The portfolio should maintain an average quality of at least "A"
- Money market instruments must be rated in one of the two highest categories by a nationally recognized rating agency
- The minimum rating of individual issues should be CCC as rated by Moody's, Standard & Poor's or Fitch
- Should an issue be downgraded below the minimum, the manager will determine the appropriate action to be taken

The System currently does not have a policy regarding custodial credit risk for deposits or investments as defined in the Credit Risk section above. As of June 30, 2011 the System was exposed to custodial credit risk for deposits in the amount of $193 and custodial credit risk for investments of $792,000.

The System had the following credit risk structure as of June 30, 2011:

Credit Risk Structure

Credit Risk Structure

Investment Type	Holdings	Average Credit Rating	Fair Value	Percent of Grand Total
Cash and Cash Equivalents:				
Cash & Short Term Investment Fund	2	AAA	$ 7,034,864	
U.S. Treasury - Less than 1 Year	1	AAA	119,900	
Sub Total	3		7,154,764	4.31%
U.S. Treasury Notes & Bonds:	4	AAA	2,272,083	1.37%
U.S. Agency & Other Governmental Obligations:				
U.S. Agency Bonds	57	AAA	75,139,682	
Municipal Bonds	18	AA3	17,455,002	
Sub Total	75		92,594,684	55.81%
Corporate & Other Fixed Income Instruments:				
Collateralized Mortgage Obligations (CMO)	4	B3	854,778	
Fixed Income Swaps & Options	50	A1	(249,077) (2)	
Banks & Finance	24	A2	19,289,066	
Industrials	2	A3	2,615,630	
Utilities	6	A3	6,216,106	
Other Corporate Issues	16	BAA1	18,180,842	
Convertible Securities	2	BAA3	780,650	
Futures Contracts	8	N/R	177,062	
Sub Total	112		47,865,057	28.85%
International Bonds:	54	A2	16,033,171	9.66%
Grand Total	248		$ 165,919,759	100%

Footnotes
(1) Per Moody's Credit Rating Organization
(2) A negative value in any of the instruments noted above is the result of netting long and short positions against each other. This strategy is utilized as a means to mitigate interest rate risk from holding long positions in mortgages and / or corporate bonds

B. Interest Rate Risk – As defined by the Government Accounting standards Board (GASB) in Statement 40, interest rate risk is the risk that changes in interest rates will adversely affect the fair value of investments. For fixed income securities, there is an inverse relationship between the change in interest rates and their fair value. For example, in a rising interest rate environment the value of fixed income securities will tend to fall by varying degrees depending on the length of their maturities. In general, the value of fixed income securities with a longer duration will tend to decrease more than shorter duration securities in a rising interest rate environment.

The System's investment policy regarding interest rate risk for the internally managed fixed income account is to limit duration to within two years (plus or minus) of the investment performance benchmark: the Barclays Capital (BC) Government/Credit Bond Index. For the externally managed fixed income account, the investment policy is to limit duration to within 30% of the custom benchmark which is defined as 70% BC Mortgage Index, 15% BC Credit Index, 15% BC High Yield Index.

The System had the following maturity structure as of June 30, 2011:

Maturity Structure

	Investment Maturities (in Years)				
Investment Type	**Less Than 1**	**1 - 5**	**6 - 10**	**More Than 10**	**Total Fair Value**
Cash & Short Term Investment Fund	$ 7,034,864	$ -	$ -	$ -	$ 7,034,864
U.S. Treasury Issues	119,900	1,631,492	640,591	-	2,391,983
U.S. Agency & Other Governmental Obligations	-	16,398,736	7,482,385	68,713,563	92,594,684
Corporate & Other Fixed Income Instruments	202,703	21,085,552	16,705,381	9,871,421	47,865,057
International Bonds	3,175,328	7,449,377	3,237,716	2,170,750	16,033,171
Total	$ 10,532,795	$ 46,565,157	$ 28,066,073	$ 80,755,734	$ 165,919,759

Average Modified Duration:

Internal Account	**6.08**	yrs
External Account	**6.88**	yrs

B. **Foreign Currency Risk** – As defined by the Governmental Accounting Standards Board (GASB) in Statement 40, foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment or a deposit.

The TSRS Board has given the System's international equity managers discretion to invest in a broad array of common and preferred stocks, convertibles and warrants of companies headquartered outside of the United States in order to meet or exceed their agreed upon investment return benchmarks. However, the following specific investment policy guidelines pertain to these managers:

- Investments in any single country market should not exceed more than 4 times the weight of the country in the benchmark index or 50% of portfolio assets, whichever is lower

- If a country has a greater than 50% weight in the index, the maximum exposure to that country in the portfolio may be as high as its weight in the index

- No more than 30% of each manager's portfolio should be invested in "emerging markets" (i.e., markets that are not included in the Morgan Stanley Capital International Europe, Australia and Far East Index)

- Managers are permitted to enter into hedging strategies, including cross-currency hedges, using forward currency exchange contracts and currency options

- Derivatives should not be used for the purpose of speculation or for leveraging the portfolio

The TSRS fund had the following foreign currency risk exposure as of June 30, 2011:

Foreign Currency Risk Exposure

Currency		Fair Value (1)	Percent of Total
Australian Dollar	$	6,132	0.001%
Brazil Real		14,703	0.002%
British Pound Sterling		8,536,651	1.429%
Canadian Dollar		149,809	0.025%
Chinese Yuan Renminbi		2,116,766	0.354%
Euro Currency Unit		38,991,252	6.528%
Hong Kong Dollar		1,427,313	0.239%
Japanese Yen		7,117,697	1.192%
Mexican New Peso		97,783	0.016%
New Taiwan Dollar		(2,004) (2)	0.000%
Norwegian Krone		270,952	0.045%
Singapore Dollar		1,043,964	0.175%
South Korean Won		2,699,316	0.452%
Swedish Krona		554,062	0.093%
Swiss Franc		4,870,122	0.815%
U.S. Dollar		529,404,235	88.633%
TOTAL	$	597,298,753	100%

Footnotes:

(1) Over 50% of the total fair value is held in equity securities.

(2) A negative currency position is obtained by accepting an obligation to deliver the designated currency to a counterparty at a specified date in the future. This position is favorable for portfolio returns if the currency depreciates in value versus the U.S. dollar over the period of the contract.

5. SECURITIES LENDING

The Board of Trustees for the Tucson Supplemental Retirement System permits the custodian bank, BNY Mellon, to lend securities to broker-dealers and other entities. Each loan is executed with a simultaneous agreement to return the collateral for the same securities in the future. The custodian bank lends U.S. securities for collateral initially valued at 102% of the fair value of the securities plus any accrued interest. Non-U.S. securities are loaned for collateral initially valued at 105% of the fair value of the securities plus any accrued interest. Collateral is marked-to-market daily. As of June 30, 2011, the carrying amount and fair value of securities on loan was $36,270,464. If the fair value of the pledged collateral falls below the specified levels, additional collateral is required to be pledged by the close of the next business day.

In the event of a borrower's default, the custodian bank is obligated to indemnify the lender if, and to the extent that, the fair value of the collateral is insufficient to replace the loaned securities. BNY Mellon's responsibilities include performing appropriate borrower and collateral investment credit analysis, demanding adequate types and levels of collateral, and complying with applicable Department of Labor and Federal Financial Institutions Examination Council regulations covering securities lending.

Although the average term of the security loans is one week, each loan can be terminated at will by either the lender or the borrower. Cash collateral is invested in a short-term investment pool, which on average had a weighted maturity of 30 days. The relationship between the maturities of the investment pool and the security loans are affected by the maturities of the loans made by other entities that use the agent's pool.

The lender cannot pledge or sell collateral securities received until, and unless, a borrower defaults. There were no significant violations of legal or contractual provisions and no borrower or lending agent default losses known to the securities lending agent. As of June 30, 2011, the lenders had no credit risk exposure to borrowers because the fair value of collateral held exceeded the fair value of securities loaned.

6. DERIVATIVES

The Tucson Supplemental Retirement System permits the limited use of derivatives by its international equity and external fixed income managers. Examples of derivative instruments permitted, but not limited to, are foreign exchange contracts, financial futures, forwards, options, swaps and swaptions. All derivative instruments utilized are considered "Investment Derivative Instruments" as defined in GASB 53 "Accounting and Financial Reporting for Derivative Instruments." The statement addresses the recognition, measurement, and disclosure regarding derivative instruments entered into by the System.

The following table is a summary of the various derivative instruments utilized by the System's external fixed income manager as of June 30, 2011. Changes in Fair Value is included as part of the overall Increase (Decrease) in Fair Value of Investments in the Statement of Changes in Plan Net Assets. Fair Value is included as part of investments listed under Corporate Bonds & Other Fixed Income Instruments in the Statement of Plan Net Assets.

Investment Derivative Instrument		Notional Amount	Changes in Fair Value	Fair Value	Principal Risk
Credit Default Swaps		$ 15,759,900	$ (122,599)	$ (213,718)	Credit
Foreign Forward Currencies	(1)	-	$ (57,874)	$ (836,525)	Foreign Currency
Exchange Traded Futures	(1)	-	$ 319,830	$ 58,596,646	Interest Rate/ Foreign Currency
Interest Rate Swaps	(1)	-	$ (394,707)	$ (195,171)	Interest Rate
Exchange Traded Options		$ (27,400,000)	$ 5,960	$ (25,385)	Interest Rate
OTC Swaptions		$ (31,700,000)	$ 70,223	$ (125,741)	Interest Rate

Footnotes:
(1) Notional amount is denominated in various foreign currencies

Whenever possible, the investment manager will base the valuation of securities on market information; however, where market quotes are not readily available, an independent third party pricing vendor will be utilized. Exchange traded securities are an example of securities where market quotes are available, whereas over-the counter (OTC) securities are not traded over standardized markets.

In addition to the principal risks noted above, Forward Foreign Currencies, Credit Default Swaps and Interest Rate Swaps are also subject to counterparty risk. In general, counterparty risk is the risk of loss of an amount expected to be delivered under an agreement in the event of the default or bankruptcy of the counterparty. Generally, counterparty risk is controlled through dealing with a number of different counterparties reasonably deemed to be creditworthy by the investment manager. Counterparty risk with swaps is limited by execution under standardized International Swap and Derivatives Association Agreements. These contracts allow for the mutual exchange of collateral should an overall unsecured market value exceed a certain threshold (e.g., $250,000).

Credit, interest rate and foreign currency risks are addressed in previous sections of Note 4. These risks, applicable to other fixed income and foreign investments, are not substantially different from principal risks associated with derivative instruments.

7. FUNDED STATUS AND FUNDING PROGRESS

As of June 30, 2011, the most recent actuarial valuation date, the plan was 67.3% funded on an actuarial value basis, 64.6% using the market value. The actuarial accrued liability for benefits was $928.6 million and the actuarial value of assets was $624.7 million, resulting in an unfunded actuarial accrued liability (UAAL) of $303.9 million. The covered payroll (annual payroll of active employees covered by the plan) was $121.6 million, and the ratio of UAAL to the covered payroll was 249.9 percent.

The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of the plan assets are increasing or decreasing over time relative to the actuarial accrued liability for benefits.

8. ACTUARIAL METHODS AND ASSUMPTIONS

In the June 30, 2011 actuarial valuation, the level-percent contribution requirements and actuarial present values are calculated using the entry age actuarial cost method. The actuarial assumptions included (a) 7.75 percent investment rate of return (net of administrative expenses) and (b) projected salary increases ranging from 3.50% to 7.00% per year. Both (a) and (b) included an inflation component of 3.5%. The assumptions did not include postretirement benefit increases, because there is no guarantee or requirement that future increases will be granted. The projection of benefits for financial accounting purposes also does not explicitly incorporate the potential effects of legal or contractual funding limitations, since they do not apply. The actuarial value of assets was determined using techniques that spread the effects of short term volatility in the market value of assets over a five-year smoothing period, which was first adopted for the plan year ended June 30, 2009. The Unfunded Actuarial Accrued Liability is being amortized as a level percentage of payroll on an open period of 15 years. This period of amortization has been used since the plan year ended June 30, 2007. The assumptions are selected based upon the recommendation of the plan's actuary.

9. SUBSEQUENT EVENTS

On June 21st, 2011, a new Tier II benefit program was approved by Mayor and Council for all employees hired after June 30, 2011.

The new Tier II benefit is designed to achieve long-term fiscal sustainability for the plan by offering a less costly retirement benefit to members, thereby reducing contributions required for members of the plan and the Plan sponsor. Implementation of Tier II will not affect benefit payments to retirees or benefit formulas and eligibility rules applied to employees hired prior to July 1, 2011.

Required Supplementary Information

Schedule of Funding Progress

Actuarial Valuation Date June 30	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Entry Age (b)	Unfunded AAL (b)-(a)	Funded Ratio (a)/(b)	Active Member Covered Payroll (c)	Unfunded AAL as a Percentage of Active Member Covered Payroll ((b-a)/c)
1996	266,740	300,607	33,867	88.7	105,230	32.2
1997	304,684	327,378	22,694	93.1	110,189	20.6
1998	353,056	348,966	(4,090)	101.2	113,729	-
1999	402,875	400,224	(2,651)	100.7	126,817	-
2000	453,954	437,750	(16,204)	103.7	134,088	-
2001	470,672	495,359	24,687	95.0	145,059	17.0
2002	463,102	553,947	90,845	83.6	153,580	59.2
2003	458,857	601,173	142,316	76.3	143,164	99.4
2004	494,987	645,351	150,364	76.7	149,782	100.4
2005	538,789	693,871	155,082	77.6	162,149	95.6
2006	588,228	735,793	147,565	79.9	155,855	94.7
2007	634,763	763,539	128,776	83.1	159,250	80.9
2008	650,227	822,205	171,978	79.1	153,982	111.7
2009	665,298	859,485	194,187	77.4	149,925	129.5
2010	641,819	904,480	262,661	71.0	141,459	185.7
2011	642,665	928,609	303,944	67.3	121,631	249.9

$ Amounts are in thousands.

Required Supplementary Information
Schedule of Employer Contributions

Fiscal Year Beginning July 1,	Actuarial Valuation Date June 30	Annual Required Contribution	Percent Contributed
1997	1996	$ 9,800,579	100.0
1998	1997	9,475,558	100.0
1999	1998	9,707,235	100.0
2000	1999	10,123,248	100.0
2001	2000	9,088,970	100.0
2002	2001	12,765,619	100.0
2003	2002	18,457,476	100.0
2004	2003	21,657,270	100.0
2005	2004	23,643,630	100.0
2006	2005	25,958,330	100.0
2007	2006	25,232,745	100.0
2008	2007	24,358,460	100.0
2009	2008	27,601,156	100.0
2010	2009	28,756,890	100.0
2011	2010	34,824,621	100.0
2012[1]	2011	36,846,476	

[1]*Projected amount:* *Actual required contribution dollar amount will be based on the computed contribution rate and the actual pensionable payroll for the period.*

Notes to Required Supplementary Information
Summary of Actuarial Methods and Assumptions

Valuation Date	June 30, 2011
Actuarial Cost Method	Individual Entry Age
Amortization Method	Level percent-of-payroll, open
Amortization Period	15 years
Asset Valuation Method	Smoothed market
Actuarial Assumptions:	
Investment Rate of Return*	7.75%
Projected Salary Increases*	3.50-7.50%
Payroll Growth Rate	3.50%
*Includes Inflation	3.50%

Supporting Schedules
June 30, 2011
Schedule of Administrative Expenses

Personal Services		
Staff Salaries	$	223,985
Fringe Benefits		77,671
Total Personal Services	$	301,656
Professional Services		
Accounting		164,653
Actuary		114,059
Legal		15,450
Total Professional Services		294,162
Miscellaneous		
Professional Development		9,016
Printing and Supplies		8,333
Depreciation		26,549
Postage		9,265
Computer Software Maintenance		56,300
Insurance		18,174
Other		5,188
Total Miscellaneous		132,825
Total Administrative Expenses	**$**	**728,643**

Schedule of Investment Expenses

Custody	$	271,641
Investment Consultant		157,342
Investment Management		3,438,270
Security Lending Management		35,027
Other Investment Expense		4,388
Total Investment Expenses	**$**	**3,906,668**

CITY OF

FOUNDED 1775

TUCSON

INVESTMENT SECTION

Hewitt ennisknupp
An Aon Company

September 23, 2011

The Board of Trustees
Tucson Supplemental Retirement System
City Hall
255 West Alameda Street
Tucson, AZ 85726-7210

Dear Board Members,

The investment section which follows summarizes the Tucson Supplemental Retirement System (TSRS) Retirement Plan's (Plan) investment activity through fiscal year-end June 30, 2011. The exhibits provide:

- An outline of investment policies;
- An outline of investment objectives;
- Investment results for the total portfolio and by investment manager over several measurement periods;
- The allocation and diversification of plan assets by investment manager and asset class;
- The shift in asset allocation across major asset classes over the past five years;
- A market value summary of the ten largest bond and equity holdings as of June 30, 2011; and
- A summary of investment manager, custodial, brokerage, and portfolio monitoring fees for the past fiscal year.

BNY Mellon (Mellon) served as custodian for a majority of plan assets. In addition, several of the investments are held in commingled vehicles with various custodians: the real estate and infrastructure portfolios, an index fund managed by BlackRock, an international equity fund managed by Artio, and the fixed income funds and enhanced index equity fund managed by PIMCO. The investment activity summarized in this section is based primarily on the financial reporting provided by Mellon. Hewitt EnnisKnupp has confirmed the investment performance as calculated from the Mellon statements with the financial data as submitted to us by the respective investment managers. We endorse the Global Investment Performance Standards (GIPS®).

Hewitt EnnisKnupp, Inc.
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Board of Trustees
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September 23, 2011

General Observations

Over the past year, Hewitt EnnisKnupp, Inc. (HEK) provided quarterly investment performance analysis of all investment portfolios relative to appropriate market benchmarks and peer groups. Each investment manager has been evaluated for adherence to investment policy guidelines, objectives, and consistency of style.

During the fiscal year the investment program was evaluated on a periodic basis. As discussed in the fiscal 2010 letter, Champlain Investment Partners, a mid cap equity manager, replaced TCW and began managing investments at the beginning of the 2011 fiscal year. In addition, the assets from the BlackRock Alpha Tilts portfolio were transferred to the BlackRock Russell 1000 Value Index portfolio during the 2011 fiscal year. While Friess Associates, the large cap growth manager, improved its performance on an absolute basis during the fiscal year, the firm's results have lagged the benchmark. Artio Global Investors, one of the Plan's international equity managers, also has produced disappointing results the last few years. TSRS will continue to monitor both firms closely and will evaluate alternative investment managers to determine if replacement of one or both firms is appropriate.

As indicated in the following exhibits, the TSRS Retirement Plan performance was very strong, both on an absolute and relative basis as financial assets produced solid returns. The total portfolio return for the fiscal year was 23.2% compared to 22.5% for the Custom Index. Several of the Plan's managers contributed to the value-added results (e.g., PIMCO equity, Pyramis, Causeway, and J.P. Morgan Income & Growth). The primary detractors from performance were Artio, Friess, and the LaSalle value-added real estate portfolio.

Sincerely,

Hewitt EnnisKnupp, Inc.

Robert P. Van Den Brink, CFA

cc: Mr. Scott Cooprider, Hewitt EnnisKnupp, Inc.
Mr. Justin Patton, Hewitt EnnisKnupp, Inc.

Outline of Investment Policies

The asset allocation policy includes a 61% allocation to equity securities: 36% to large U.S. stocks; split among S&P 500 index, enhanced index, large capitalization growth and value accounts; 10% to mid-cap and small-cap U.S. stock accounts; and 15% to foreign stock growth and value accounts. There is also an allocation of 26% to fixed income, 8% to equity real estate and 5% to infrastructure.

The Board has set an asset allocation target range on each asset class, sub-class, and manager. The Board of Trustees has adopted a policy of rebalancing the portfolio when the actual allocation falls above or below the target range.

Over the long term, asset allocation policy will be the primary determinant of the returns generated by the TSRS pension fund and the associated volatility of returns. In particular, the level of equity exposure is the key element within the TSRS pension investment policies.

In developing asset allocation policies for its pension plan, the Board examined asset and liability projections to evaluate possible results over the next ten years. These projections examined the risk/return tradeoffs of alternative asset classes, as well as alternative levels of equity exposure. Through incorporating the results of these projections with its risk posture, as well as considering typical practices and practical investment issues, the Board has developed the following asset mix guidelines:

	Percent of Total Pension Fund		
	Minimum	**Target**	**Maximum**
Equities:			
Large Capitalization	31%	36%	41%
Small/Mid Capitalization	6%	10%	14%
International	13%	15%	17%
Total Equities	**56%**	**61%**	**66%**
Fixed Income	**21%**	**26%**	**31%**
Real Estate	**6%**	**8%**	**10%**
Infrastructure	**3%**	**5%**	**7%**

Separate target ranges are also set for each investment manager within an asset class and are monitored in conjunction with the overall asset allocation. TSRS monitors its asset mix and rebalances its portfolio mix at any time that a primary asset class (i.e., equities, fixed-income, and real estate), secondary asset class (i.e., domestic equities, international equities), portfolio style, or manager reaches the minimum or maximum allocation specified. Staff is authorized to direct rebalancing and report to the Board.

Investment Objectives

Total Pension Fund Performance Objectives:[1]

The TSRS Pension Fund's return will be, in part, a function of the capital market environment in which the plan's investment managers operate. Therefore, regardless of whether or not the market environment permits the achievement of substantial real returns, the TSRS expects any active investment managers that it retains to produce results that are above average relative to other actively-managed funds and relative to passive alternatives. Investment managers should cover the fees paid and provide a return increment that justifies the risk assumed in active management.

On a rolling three-year basis, the annualized total return of the portfolio should exceed the annualized total return of the following custom index:

- Standard & Poor's 500 Stock Index (36% weight)
- Russell 2500 Stock Index (10% weight)
- MSCI All Country World, ex-U.S. Stock Index (15% weight)
- Barclays Capital Aggregate Bond Index (23% weight)
- Barclays Capital High Yield Bond Index (3% weight)
- NCREIF ODCE Real Estate Index (8% weight)
- CPI + 4% (5% weight)

[1] The investment objectives defined herein assume that performance comparisons will be based on a before-fee analysis, unless otherwise indicated.

Individual Managers Performance Objectives

On a rolling three-year basis, the annualized total return earned by an actively managed portfolio should place the account in a competitive ranking (i.e., top 40%) relative to a peer group of managers. In addition, the managers should outperform the following market index benchmarks:

Friess Associates (Large Cap Growth Equity)
- Exceed the annualized total return of the Russell 1000 Growth Index.

BlackRock Value (Russell 1000 Value Index)
- Match the annualized total return of the Russell 1000 Value Index.

Alliance Capital (S&P 500 Index)
- Match the annualized total return of the S&P 500 Index.

PIMCO StocksPlus (Enhanced Index)
- Exceed the annualized return of the S&P 500 Index.

Champlain Investment Partners (Mid Cap Core Equity)
- Exceed the annualized total return of the Russell Mid Cap Index.

Pyramis Global Advisors (Small Cap Equity)
- Exceed the annualized total return of the Russell 2000 Stock Index.

Artio Global Investors (International Equity)
- Exceed the annualized total return of the MSCI AC World ex-U.S. Index.

Causeway Capital Management (International Value Equity)
- Exceed the annualized total return of the MSCI EAFE Index.

PIMCO (Custom Fixed Income)
- Exceed the annualized total return of a customized fixed income benchmark composed of 70% BC Mortgage, 15% BC Credit, and 15% BC High Yield Index.

Internally Managed (U.S. Fixed Income)
- Exceed the annualized total return of the BC Government/Credit Bond Index.

JPMorgan Strategic Property Fund (Core Real Estate)
- Exceed the annualized total return of the NCREIF ODCE Real Estate Index.

LaSalle Income & Growth Fund IV (Value Added Real Estate)
- Exceed the annualized total return of the NCREIF ODCE Real Estate Index.

JPMorgan Income & Growth Fund (Value Added Real Estate)
- Exceed the annualized total return of the NCREIF ODCE Real Estate Index.

Macquarie European Infrastructure Fund 3 (European Infrastructure)
- Exceed the annualized total return of the CPI + 4%.

SteelRiver Infrastructure Fund North America (North American Infrastructure)
- Exceed the annualized total return of the CPI + 4%.

Investment Results by Year
Last Ten Fiscal Years Ended June 30, 2011

Year Ended	Annual Return	3-Year Annualized Return	5-Year Annualized Return	10-Year Annualized Return
6/30/11	23.2%	2.8%	4.0%	5.1%
6/30/10	11.6%	-5.6%	1.8%	2.1%
6/30/09	-21.0%	-4.1%	1.3%	2.0%
6/30/08	-4.6%	7.3%	9.8%	5.5%
6/30/07	17.2%	12.3%	11.5%	7.8%
6/30/06	10.7%	12.5%	6.2%	7.8%
6/30/05	9.3%	10.0%	2.4%	8.4%
6/30/04	17.8%	3.8%	2.6%	9.3%
6/30/03	3.3%	-4.4%	1.5%	7.9%
6/30/02	-8.1%	-2.2%	4.1%	8.6%

Schedule of Investment Results
For Periods Ended June 30, 2011

	One Year	Annualized Returns (1) Three Years	Five Years
TOTAL PORTFOLIO			
TSRS	23.19%	2.83%	3.98%
Custom Benchmark (2)	22.52%	4.09%	4.52%
EQUITY FUNDS			
Alliance S&P 500 Index	30.36%	3.47%	3.05%
S & P 500 Index	30.69%	3.34%	2.94%
PIMCO StocksPlus	36.12%	7.60%	5.57%
S & P 500 Index	30.69%	3.34%	2.94%
BlackRock Russell 1000 Value Index	29.08%	2.53%	1.36%
Russell 1000 Value Index	28.94%	2.28%	1.15%
Friess Associates	33.52%	-6.95%	(account established December, 2007)
Russell 1000 Growth Index	35.01%	5.01%	5.33%
Champlain Investment Partners	-	-	(account established July, 2010)
Russell Mid Cap Index	38.47%	6.46%	5.30%
Pyramis Small Cap	45.35%	11.06%	6.96%
Russell 2000 Index	37.41%	7.77%	4.08%
Causeway International Value Equity	35.68%	2.94%	4.06%
MSCI EAFE Index	30.36%	-1.77%	1.48%
Artio International Equity	25.91%	-3.72%	2.29%
MSCI All Country World ex-U.S. Index	29.73%	-0.35%	3.67%
FIXED INCOME FUNDS			
Internally Managed Bonds	2.50%	5.59%	5.81%
Barclays Government/Credit Bond Index	3.67%	6.17%	6.35%
PIMCO Custom Fixed Income	5.64%	8.05%	7.69%
Custom Index (3)	5.86%	8.13%	7.45%
REAL ESTATE FUNDS			
JPM Strategic Property Fund	18.91%	-6.21%	1.17%
NCREIF ODCE Index	20.47%	-7.67%	0.01%
LaSalle Income & Growth Fund IV	2.44%	-15.66%	-4.50%
NCREIF ODCE Index	20.47%	-7.67%	0.01%
JPM Income and Growth Fund	33.69%	-16.38%	-7.22%
NCREIF ODCE Index	20.47%	-7.67%	0.01%

Notes: All data provided by independent investment consultant, Hewitt ennisknupp
(1) Geometrically compounded, time-weighted rates of return
(2) Custom Benchmark = 36% S&P 500 Index + 10% Russell 2500 + 23% Barclays Aggregate + 3% Barclays High Yield + 15% MSCI AC WF ex-US + 8% Real Estate-NCREIF ODCE + 5% CPI+4%
(3) Custom Index = 70% Barclays Mortgage + 15% Barclays Credit + 15% Barclays High Yield

Schedule of Investment Results
For Periods Ended June 30, 2011 (Continued)

	One Year	Annualized Returns (1) Three Years	Five Years
INFRASTRUCTURE FUNDS			
Macquarie European Infrastructure Fund 3	-	(funding completed February, 2010)	
CPI + 4%	7.73%	5.13%	6.28%
SteelRiver Infrastructure Fund North America	-	(funding still in process)	
CPI + 4%	7.73%	5.13%	6.28%

Notes: All data provided by independent investment consultant, Hewitt ennisknupp
(1) Geometrically compounded, time-weighted rates of return
(2) Custom Benchmark = 36% S&P 500 Index + 10% Russell 2500 + 23% Barclays Aggregate + 3% Barclays High Yield + 15% MSCI AC WF ex-US + 8% Real Estate-NCREIF ODCE + 5% CPI+4%
(3) Custom Index = 70% Barclays Mortgage + 15% Barclays Credit + 15% Barclays High Yield

Asset Summary
By Manager and Type of Investment (in thousands)
June 30, 2011

Manager	Style	Large U.S. Stocks	Small/Mid U.S. Stocks	Foreign Stocks	Fixed Income	Real Estate	Infra-structure	Short Term	Totals
Alliance Capital	S & P 500 Index	$ 67,990	$ -	$ -	$ -	$ -	$ -	$ 236	$ 68,226
Friess Associates	Large Cap Growth	54,574	-	-	-	-	-	1,049	55,623
BlackRock Russell Value	Large Cap Value Index	60,966	-	-	-	-	-	-	60,966
PIMCO StocksPlus	Enhanced Index	32,367	-	-	-	-	-	-	32,367
Champlain Investments	Mid-Cap Core		30,538	-	-	-	-	921	31,459
Pyramis Global Advisors	Small-Cap Core	-	30,495	-	-	-	-	103	30,598
Causeway Capital	Foreign Stocks-Value	-		44,798	-	-	-	881	45,679
Artio Int'l Equity Fund	Foreign Stocks-Core	-	-	44,317	-	-	-	-	44,317
In-house Fixed Income	U.S. Govt/Credit Bonds	-	-		47,084	-	-	704	47,788
PIMCO Custom Fixed Income	U.S. & Foreign Bonds	-	-	-	109,585	-	-	-	109,585
JPM Strategic Property Fund	Core Real Estate	-	-	-		25,143	-	-	25,143
LaSalle Income & Growth Fund	Value Added Real Estate	-	-	-	-	4,708	-	-	4,708
JPM Income & Growth Fund	Value Added Real Estate	-	-	-	-	5,055	-	130	5,185
Macquarie (MEIF3)	European Infrastructure	-	-	-	-		20,358	-	20,358
SteelRiver IFNA	North American Infrastructure	-	-	-	-	-	14,756	-	14,756
Liquidity Fund	Cash & Cash Equivalents	-	-	-	-	-	-	541	541
	TOTALS	$ 215,897	$ 61,033	$ 89,115	$ 156,669	$ 34,906	$ 35,114	$ 4,565	$ 597,299

Notes:

(1) The Asset Summary does not include the City pooled investment account. (2) Assets are reflected on a trade date basis. (3) Short-term investments have been adjusted for the net impact of unsettled transactions in order to report on a trade date basis. (4) Each asset class includes receivables and payables.

Manager and Asset Diversification (in thousands)
June 30, 2011

	Actual		Target	
Manager	**Amount**	**Percentage**	**Amount**	**Percentage**
Alliance Capital	$ 68,226	11.4%	$ 65,704	11.0%
Friess Associates	55,623	9.3%	59,730	10.0%
BlackRock Russell Value	60,966	10.2%	59,730	10.0%
PIMCO StocksPlus	32,367	5.4%	29,865	5.0%
Large U.S. Stocks	**217,182**	**36.3%**	**215,029**	**36.0%**
Champlain Investment Partners	31,459	5.3%	29,865	5.0%
Pyramis Global Advisors	30,598	5.1%	29,865	5.0%
Small/Mid-Cap U.S. Stocks	**62,057**	**10.4%**	**59,730**	**10.0%**
Causeway Capital	45,679	7.6%	44,797	7.5%
Artio International Equity Fund	44,317	7.4%	44,797	7.5%
Foreign (International) Stocks	**89,996**	**15.0%**	**89,594**	**15.0%**
Total Equities	**369,235**	**61.7%**	**364,353**	**61.0%**
In-house Fixed Income	47,788	8.0%	47,785	8.0%
PIMCO Custom Fixed Income	109,585	18.3%	107,514	18.0%
Fixed Income (Bonds)	**157,373**	**26.3%**	**155,299**	**26.0%**
JPM Strategic Property Fund	25,143	4.2%	29,866	5.0%
LaSalle Income & Growth Fund	4,708	0.8%	8,959	1.5%
JPM Income & Growth Fund	5,185	0.9%	8,959	1.5%
Real Estate	**35,036**	**5.9%**	**47,784**	**8.0%**
Macquarie (MEIF3)	20,358	3.4%	14,932	2.5%
SteelRiver IFNA	14,756	2.5%	14,932	2.5%
Infrastructure	**35,114**	**5.9%**	**29,864**	**5.0%**
Liquidity Fund	541	0.1%	-	0.0%
Total	**$ 597,299**	**100%**	**$ 597,300**	**100%**

Asset Allocation by Asset Class
Last Five Fiscal Years

Asset Class	2007	2008	2009	2010	2011
U.S. Stocks	48%	47%	44%	46%	46%
Foreign (International) Stocks	15%	14%	13%	13%	15%
Total Equities	63%	61%	57%	59%	61%
Fixed Income (Bonds)	28%	27%	29%	29%	26%
Real Estate	8%	9%	8%	6%	6%
Infrastructure	0%	0%	5%	5%	6%
Cash	1%	3%	1%	1%	1%
	100%	100%	100%	100%	100%

Ten Largest Bond Holdings
(By Market Value)
June 30, 2011
(dollars in thousands)

Par Value	Bond	Coupon Rate	Due	Rating (1)	Market Value
$ 19,489	FHLMC MULTICLASS MTG	Variable	05/15/37	AAA	$ 19,449
7,000	FHLMC GOLD SFM	4.500%	07/01/41	AAA	7,231
4,000	FHLMC GOLD SFM	5.500%	07/01/41	AAA	4,321
3,975	FNMA POOL #0AH8017	4.000%	03/01/36	AAA	4,008
3,000	FNMA SF MTG	4.500%	07/01/26	AAA	3,180
3,000	FNMA POOL #0AE0949	4.000%	02/01/41	AAA	3,004
2,974	FNMA POOL #0AH3394	4.000%	01/01/41	AAA	2,979
2,651	FNMA POOL #0AH9908	4.000%	04/01/26	AAA	2,766
2,000	FHLB	5.200%	01/15/23	AAA	2,121
2,000	FNMA SF MTG	4.000%	07/01/26	AAA	2,083

(1) Rated by Moody's Credit Rating Organization

Ten Largest Stock Holdings
(By Market Value)
June 30, 2011
(dollars in thousands)

Shares	Stock	Market Value
12,200	APPLE INC	$ 4,095
48,150	HALLIBURTON CO	2,456
25,200	FEDEX CORP	2,390
40,100	CHECKPOINT SOFTWARE TECH	2,280
27,967	EXXON MOBILE CORP	2,276
78,154	COMCAST CORP	1,980
60,098	REPUBLIC SERVICES	1,854
38,750	ST JUDE MEDICAL INC	1,848
20,450	NIKE INC	1,840
11,035	PRECISION CASTPARTS CORP	1,817

A complete list of portfolio holdings is available by contacting the City of Tucson, Treasury Division, 255 W. Alameda, 5-west, Tucson, AZ 85701-1303

Schedule of Fees
June 30, 2011

		Assets Under Management		Fees
Investment Manager Fees				
Fixed Income Managers				
City of Tucson, Treasury Division	$	47,787,559	$	36,000
PIMCO (Custom Fixed Income)		109,585,094		349,040
Total Fixed Income	$	157,372,653	$	385,040
Equity Managers				
Alliance Capital Management	$	68,225,569	$	25,870
BlackRock Russell Value Index		60,965,927		21,323
BlackRock Alpha Tilts		-		18,623
Friess Associates		55,623,221		498,731
Causeway Capital Management		45,678,877		297,580
Pyramis Global Advisors		30,598,285		243,644
Artio		44,316,538		446,081
PIMCO StocksPlus		32,367,173		375,356
Champlain Investment Partners		31,458,686		252,516
Total Equity	$	369,234,276	$	2,179,724
Liquidity Account		541,377		-
Real Estate Managers				
JPM Strategic Property Fund	$	25,143,470	$	232,343
JPM Income & Growth Fund		5,185,268		84,730
LaSalle Income & Growth Fund IV		4,707,722		89,296
Total Real Estate	$	35,036,460	$	406,369
Infrastructure Managers				
Macquarie (MEIF3)	$	20,358,453	$	179,705
SteelRiver IFNA		14,755,534		287,432
Total Infrastructure	$	35,113,987	$	467,137
Total Assets (Trade date basis)	**$**	**597,298,753**		
Total Investment Management Fees			**$**	**3,438,270**
Other Investment Service Fees				
Custodian Fees				
BNY Mellon			$	271,641
Security Lending - Rebate, Bank & Administration Fees				
BNY Mellon				35,027
Consulting and Performance Management				
Hewitt ennisknupp				157,342
Miscellaneous Investment Expenses				4,388
Total Other Investment Service Fees			**$**	**468,398**

Schedule of Commissions
June 30, 2011

Broker Description	Shares	Commissions	Commissions Per Share
BNY CONVERGEX, NEW YORK	2,349,311	$ 44,322	$ 0.0189
BNY CONVERGEX / LJR, HOUSTON	1,618,793	42,121	0.0260
SJ LEVINSON & SONS LLC, JERSEY CITY	855,100	25,653	0.0300
ITG INC, NEW YORK	1,251,533	22,444	0.0179
CREDIT SUISSE, NEW YORK (CSFBUS33XXX)	1,213,235	21,892	0.0180
UBS SECURITIES LLC, STAMFORD	689,560	15,806	0.0229
MERRILL LYNCH PIERCE FENNER SMITH INC NY	525,228	12,838	0.0244
INSTINET CORP, NY	460,800	12,668	0.0275
DEMATTED MONNESS LLC, NEW YORK	317,100	10,669	0.0337
MORGAN STANLEY & CO INC, NY	537,227	10,509	0.0196
INVESTMENT TECHNOLOGY GROUP, NEW YORK	323,650	9,033	0.0279
GOLDMAN SACHS & CO, NY	331,877	8,942	0.0269
DEUTSCHE BK SECS INC, NY (NWSCUS33)	408,173	8,561	0.0210
JEFFERIES & CO INC, NEW YORK	257,497	7,705	0.0299
PERSHING LLC, JERSEY CITY	264,013	7,248	0.0275
GOLDMAN SACHS EXECUTION & CLEARING, NY	325,000	6,087	0.0187
LIQUIDNET INC, BROOKLYN	211,700	5,992	0.0283
KNIGHT CLEARING SERVICES LLC, JERSEY CIT	226,476	5,796	0.0256
J.P. MORGAN CLEARING CORP, NEW YORK	256,860	5,711	0.0222
BAIRD, ROBERT W & CO INC, MILWAUKEE	141,962	5,258	0.0370
STIFEL NICOLAUS	140,000	4,995	0.0357
JONESTRADING INSTL SVCS LLC, WESTLAKE	165,300	4,959	0.0300
J P MORGAN SECURITIES INC, BROOKLYN	109,800	4,396	0.0400
CANTOR FITZGERALD & CO INC, NEW YORK	174,200	4,364	0.0251
ONEIL WILLIAM & CO INC/BCC,LOS ANGELES	111,600	4,062	0.0364
NOMURA SECS INTL INC, NEW YORK	111,339	4,010	0.0360
WEDGE SECURITIES LLC, JERSEY CITY	105,200	3,544	0.0337
ISI GROUP INC, NY	88,000	3,520	0.0400
BARCLAYS CAPITAL INC./LE, NEW JERSEY	145,530	3,170	0.0218
STEPHENS INC, LITTLE ROCK	78,640	3,020	0.0384
WILLIAM BLAIR & CO, CHICAGO	73,510	3,012	0.0410
BLOOMBERG TRADEBOOK LLC, NEW YORK	110,341	2,939	0.0266
CITIGROUP GBL MKTS INC, NEW YORK	111,277	2,915	0.0262
PACIFIC CREST SEC, PORTLAND	69,400	2,716	0.0391
RAYMOND JAMES & ASSOC INC, ST PETERSBURG	66,730	2,399	0.0359
BARCLAYS CAPITAL, LONDON (BARCGB33)	79,753	2,309	0.0290
LAZARD CAPITAL MARKETS LLC, NEW YORK	57,930	2,261	0.0390
AVONDALE PARTNERS LLC, NASHVILLE	59,600	2,248	0.0377
MERRILL LYNCH INTL LONDON EQUITIES	121,342	2,238	0.0184
FIDELITY CAP MKTS (DIV OF NFSC), BOSTON	85,700	2,143	0.0250
KEYBANC CAPITAL MARKETS INC, NEW YORK	54,100	2,090	0.0386
DAHLMAN ROSE & CO LLC, JERSEY CITYY	52,100	2,084	0.0400
BARCLAYS CAPITAL LE, JERSEY CITY	91,150	2,063	0.0226
CREDIT AGRICOLE CHEUVREUX, COURBEVOIE	48,712	2,062	0.0423
J P MORGAN SECS LTD, LONDON	82,404	2,030	0.0246
VARIOUS BROKERS - $2,000 OR LESS	2,378,766	75,042	0.0315
TOTALS	**17,337,519**	**$ 439,845**	
AVERAGE COMMISSION RATE			**$ 0.0254**

ACTUARIAL SECTION

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September 26, 2011

The Board of Trustees
Tucson Supplemental Retirement System
City Hall – 255 W. Alameda Street
Tucson, Arizona 85726–7210

The funding objective of the Retirement System is to establish and receive contributions which, expressed as percents of active member payroll, will remain approximately level from generation to generation of Tucson citizens.

Contributions which satisfy the funding objective are determined by the annual actuarial valuation and are sufficient to provide for normal cost plus level percent of payroll financing of unfunded actuarial accrued liability (UAAL). The actuarial assumptions and methods meet the parameters set forth in Statement No. 25 of the Governmental Accounting Standards Board. In our opinion, the assumptions are reasonably related to past experience and represent our best estimate of future conditions affecting the System.

Actuarial valuations are performed annually. The most recent actuarial valuation was completed as of June 30, 2011. We believe the assumptions and methods produce results which are reasonable. Actuarial accrued liabilities were 67.3% funded by valuation assets. The unfunded liability was amortized as a level percent of payroll over 15 years to develop the annual amortization payment amount. The annual required contribution is the sum of the amortization payment and the normal cost for the year. The amortization period is a 15-year open period and is reflected in the June 30, 2011 actuarial valuation.

Data for the annual valuation was furnished by the Retirement System Administrator and was checked by GRS for internal completeness and year-to-year consistency. We prepared all of the schedules in the actuarial section with the exception of retirants and beneficiaries added to and removed from rolls. In the Financial Section, GRS prepared the Schedule of Funding Progress, the Schedule of Employer Contributions, and the Summary of Actuarial Methods and Assumptions.

The undersigned is a Fellow of the Society of Actuaries, a Fellow of the Conference of Consulting Actuaries, an Enrolled Actuary, and a Member of the American Academy of Actuaries with over 30 years of experience in performing valuations.

Respectfully submitted,

Leslie L. Thompson

Leslie L. Thompson, FSA, FCA, EA, MAAA
Senior Consultant

Actuarial Cost Method

Normal cost contributions were computed as follows:

The series of contributions, payable from date of employment, sufficient to accumulate at time of retirement was computed as the discounted value of each member's projected pension and potential survivor's pension, using the assumptions summarized on the following pages. Each contribution in the series is a constant percentage of the member's year by year projected compensation (entry-age normal actuarial cost method).

Actuarial accrued liability was computed and financed as follows:

1. Retirants and beneficiaries. The discounted value of pensions likely to be paid to retired members and their potential survivors were computed using the investment return and mortality assumptions.

2. Active members and former members. The actuarial accrued liability associated with service rendered prior to the valuation date, including experience gains and losses, was computed using the investment return, mortality and other assumptions outlined on the following pages. The computed amount was reduced by applicable valuation assets and the unfunded amount was amortized over 15 years as of June 30, 2011.

Actuarial Assumptions

Level-percent contribution requirements and actuarial present values are calculated by using the entry-age actuarial cost method and assumptions concerning future experiences in the financial risk areas of a retirement plan. Actuarial gains and losses are amortized as a level percent of payroll over an open period of 15 years effective June 30, 2011. The assumptions are selected based upon the recommendation of the actuary.

The principal areas of risk which require assumptions about future experiences are:

(i) long-term rates of investment return to be generated by the assets of the system
(ii) patterns of pay increases to members
(iii) rates of mortality among members, retirants and beneficiaries
(iv) rates of withdrawal of active members
(v) rates of disability among active members, and
(vi) the age patterns of actual retirements

Through the valuation process, the monetary effect of each expected assumption against actual experience is projected for the lifetime of each covered member and potential beneficiary.

Actual experience of the system will not coincide exactly with assumed experience. Each valuation provides a complete recalculation of assumed future experience and takes into account all past differences between assumed and actual experience. The result is a continual series of adjustments (usually small) to the computed contribution rate.

From time to time, one or more of the assumptions are modified to reflect experience trends (but not random or temporary year to year fluctuations). The Board of Trustees adopts the assumptions based upon recommendations of the actuary. The demographic assumptions were last revised for the June 30, 2009 actuarial valuation following an actuarial investigation of experience of the Retirement System covering the period July 1, 2003 through June 30, 2008.

Investment Return 7.75% a year, compounded annually. This consists of a real rate of return of 4.25% a year plus a long-term rate of inflation of 3.5% a year.

This assumption is used to equate the value of payments due at different points in time. The approximate internal rate of investment return, for the purpose of comparison with the assumed rate is as follows:

Year Ended June 30

	2011	2010	2009	2008	2007	3 Year Avg.	5 Year Avg.
Investment Return Rate[1]	1.8%	-0.4%	6.2%	4.5%	11.3%	2.5%	4.6%
Real Rate of Investment Return	-1.1%	-1.0%	7.5%	-0.5%	8.2%	1.7%	2.5%

[1] Based on actuarial value of assets, not market value

These rates of return should not be used for measurement of an investment advisor's performance or for comparisons with other plans -- to do so will mislead.

Pay Projections These assumptions are used to project current pays to those which will determine average final compensation. The assumptions should consist of the same inflation component used for the investment return assumption plus an age graded component to reflect promotion and seniority increments.

Less than Five Years of Service

Service	Inflation Component	Merit & Seniority	Total
0	3.50%	4.00%	7.50%
1	3.50	3.50	7.00
2	3.50	3.00	6.50
3	3.50	2.50	6.00
4	3.50	2.00	5.50

Five or More Years of Service

Sample Ages	Inflation Component	Merit & Seniority	Total
20	3.50%	2.00%	5.50%
25	3.50	2.00	5.50
30	3.50	2.00	5.50
35	3.50	2.00	5.50
40	3.50	1.50	5.00
45	3.50	1.00	4.50
50	3.50	0.75	4.25
55	3.50	0.75	4.25
60	3.50	0.75	4.25
65	3.50	0.00	3.50

The pay increase assumptions will produce 3.50% annual increases in active member payroll (the base rate) given a constant active member group size. This is the same payroll growth assumption used to amortize unfunded actuarial accrued liability. In addition, an assumption is made that final average compensation will be increased by 2.2% to reflect unused sick leave for service retirements and vested terminations.

Pre-Retirement Mortality Table The 1994 Group Annuity Mortality Table with no set back and multiplier of 80%. This assumption is used to measure the probabilities of members dying before retirement.

Sample Ages	Future Life Expectancy (years)		Deaths per 1,000 Lives	
	Men	Women	Men	Women
50	32.8	36.9	2.1	1.1
55	28.2	32.2	3.5	1.8
60	23.8	27.5	6.4	3.6
65	19.7	23.1	11.6	6.9
70	16.0	19.0	19.0	11.0
75	12.6	15.2	29.8	18.1
80	9.7	11.7	49.6	31.5
85	7.3	8.7	77.8	54.2

Post-Retirement Mortality Table The 1994 Group Annuity Mortality Table set forward one year for men and women with a multiplier of 80%. This assumption is used to measure the probabilities of each benefit payment being made after retirement. Disability mortality is set forward eight years.

Sample Ages	Present Value of $1 Monthly for Life		Future Life Expectancy (years)		Healthy Deaths per 1,000 Lives		Disabled Deaths per 1,000 Lives	
	Men	Women	Men	Women	Men	Women	Men	Women
50	$139.27	$144.83	31.9	36.0	2.3	1.3	6.3	3.4
55	131.85	138.89	27.3	31.2	4.0	2.1	11.5	6.7
60	122.61	131.17	23.0	26.6	7.2	4.1	19.9	11.8
65	111.82	121.82	18.9	22.3	13.0	7.8	31.2	18.3
70	99.79	110.72	15.3	18.2	20.8	12.0	50.2	31.7
75	86.30	97.33	12.0	14.4	32.7	20.3	82.5	54.9
80	72.12	82.48	9.2	11.1	54.9	35.2	127.0	93.8
85	58.65	67.14	6.9	8.2	84.6	60.3	198.4	155.9

Rates of Retirement Rates of retirement are used to measure the probabilities of an eligible member retiring during the next year. For those ages 62 and older, the Rule of 80 retirement rates only applies if the Rule of 80 is attained by age 62.

	Percentage of Those Eligible Retiring During Year		
Retirement Ages	Rule of 80	Age Based	Early
50	25%		
51	25		
52	25		
53	25		
54	25		
55	25		8%
56	25		8
57	25		8
58	25		8
59	25		8
60	25		
61	25		
62	25	33%	
63	25	19	
64	25	28	
65	25	30	
66	25	38	
67	25	47	
68	25	75	
69	25	90	
70	100	100	

Deferred vested members are assumed to retire at age 62.

Rates of Separation from Active Membership This assumption measures the probabilities of a member terminating employment. The rates do not apply to members who are eligible to retire.

Sample Ages	Years of Creditable Service	Probability of Termination During Year
Any	0	15.00%
	1	10.00
	2	9.00
	3	7.50
	4	7.00
25	5 & Over	6.30
30		5.90
35		3.90
40		2.90
45		2.20
50		1.80
55		1.70
60		1.70

Rates of Disability This assumption measures the probabilities of a member becoming disabled. The rates do not apply to members who are eligible to retire.

Sample Ages	% of Active Members Becoming Disabled During Next Year
25	0.01%
30	0.02
35	0.03
40	0.05
45	0.07
50	0.11
55	0.19
60	0.28
65	0.25

Disabled life mortality is measured by the 1994 Group Annuity Mortality Table, as previously noted, with ages set forward 8 years. It is assumed that no valued disability retirement benefits will be offset for Worker's Compensation benefits or Earned Income received by the disabled retiree.

Forfeiture of Vested Benefits The assumption is that 55% of the actuarial present value of vested termination benefits will be forfeited by a withdrawal of accumulated contributions.

Marital Status 80% of men and women were assumed married at retirement.

Spouse Status Women were assumed to be 3 years younger than men.

Assumed Age for Commencement for Deferred Benefits Members electing to receive a deferred benefit are assumed to commence receipt at age 62.

Active Member Group Size The number of active members was assumed to remain constant.

End of Service (EOS) Program The assumption is that 100% of active participants eligible to enter the EOS program do so. It is assumed that a participant electing the program will stay for the maximum 12 month period. Interest is applied to the EOS program accumulated balances for each month the participant remains in the program. There were no modifications made to the incidence of retirement for those entering the EOS program.

Active Members as of June 30, 2011
By Attained Age and Years of Service

Attained Age	Years of Service to Valuation Date 0-4	5-9	10-14	15-19	20-24	25-29	30 Plus	Total No.		Total Valuation Payroll
< 20	-	-	-	-	-	-	-	-		-
20-24	8	-	-	-	-	-	-	8	$	228,759
25-29	68	21	1	-	-	-	-	90		2,820,813
30-34	104	73	33	-	-	-	-	210		7,589,381
35-39	90	101	75	18	-	-	-	284		11,576,510
40-44	84	113	114	65	12	-	-	388		16,926,998
45-49	86	94	116	108	66	12	1	483		23,143,203
50-54	63	99	129	101	93	68	4	557		27,624,709
55-59	48	64	95	84	63	23	14	391		19,681,500
60	3	8	14	10	8	7	2	52		2,913,791
61	5	4	12	8	9	1	2	41		2,057,124
62	5	9	9	7	5	2	3	40		2,074,457
63	4	4	4	4	5	-	4	25		1,542,341
64	3	4	1	5	5	-	-	18		1,113,445
65	3	4	3	2	-	2	-	14		807,643
66	1	-	1	2	1	-	1	6		438,528
67	1	2	1	1	-	-	-	5		233,563
68	-	1	2	1	1	-	2	7		377,909
69	1	2	-	-	-	-	-	3		176,987
70	-	-	-	-	-	-	-	-		-
71	-	-	-	-	-	-	-	-		-
72	-	-	-	-	1	-	-	1		33,155
73	-	-	-	-	-	-	-	-		-
74	-	-	1	-	1	-	-	2		153,421
75	-	-	-	-	-	-	-	-		-
76	-	1	1	-	-	-	-	2		67,288
77	-	-	-	1	-	-	-	1		49,837
78	-	-	-	-	-	-	-	-		-
79	-	-	-	-	-	-	-	-		-
Totals	577	604	612	417	270	115	33	2,628	$	121,631,362

While not used in the financial computations, the following group averages are computed and shown because of their general interest.

Age:	47.1 years
Service:	11.9 years
Annual Pay:	$46,283

Active Members Included in Valuation
Comparative Schedule

Valuation Date	Active Members	Annual Payroll	Average Age	Average Service	Average Pay	Vested Inactive Members
6-30-89[1]	3,250	81,386,395	41.8	8.6	25,042	40
6-30-90	3,246	86,478,158	42.1	8.7	26,641	42
6-30-91	3,195	86,829,527	42.4	9.0	27,177	38
6-30-92	3,149	86,205,432	42.9	9.4	27,375	48
6-30-93	3,224	92,867,286	43.3	9.8	28,805	45
6-30-94	3,287	94,180,104	43.6	10.1	28,652	40
6-30-95	3,284	99,847,171	43.9	10.2	30,404	45
6-30-96	3,378	105,229,504	43.9	10.2	31,151	43
6-30-97	3,430	110,188,751	44.3	10.9	32,125	52
6-30-98	3,484	113,729,143	44.5	11.0	32,643	104
6-30-99	3,550	126,816,830	44.8	10.7	35,723	119
6-30-00	3,600	134,088,074	45.2	11.0	37,247	81
6-30-01	3,669	145,058,897	45.4	11.1	39,536	107
6-30-02	3,626	153,580,185	45.7	11.6	42,355	111
6-30-03	3,364	143,164,205	45.5	11.2	42,558	125
6-30-04	3,476	149,781,753	45.9	11.4	43,090	130
6-30-05	3,609	162,149,200	46.2	11.4	44,929	148
6-30-06	3,247	155,855,162	46.6	12.1	48,000	394[2]
6-30-07	3,326	159,249,822	46.2	11.4	47,880	223
6-30-08	3,251	153,982,399	45.7	10.6	47,365	202
6-30-09	3,175	149,924,649	46.3	11.2	47,220	205
6-30-10	2,982	141,459,257	47.1	12.1	47,438	215
6-30-11	2,628	121,631,362	47.1	11.9	46,283	208

[1] *An amendment eliminated the one-year service requirement for participation in the Retirement System.*
[2] *Includes 136 former Library employees requesting a transfer of service to ASRS.*

Solvency Test

Valuation Date	Aggregate Accrued Liabilities For: (1) Active Member Contributions	(2) Retirants and Beneficiaries	(3) Active Member (Employer Financed Portion)	Valuation Assets	Portion of Accrued Liabilities Covered by Reported Assets: (1)	(2)	(3)
6/30/91	$44,496,039	$ 72,419,436	$ 86,372,322	$164,268,134	100.0%	100.0%	54.8%
6/30/92	49,238,019	80,342,604	86,902,648	179,569,858	100.0	100.0	57.5
6/30/93	55,146,786	85,832,484	98,492,344	197,281,861	100.0	100.0	57.2
6/30/94	60,424,161	95,449,308	105,838,311	213,540,661	100.0	100.0	54.5
6/30/95	66,316,408	102,511,728	113,211,848	237,712,863	100.0	100.0	60.8
6/30/96	72,294,235	109,572,672	118,739,900	266,740,007	100.0	100.0	71.5
6/30/97	78,991,358	119,508,312	128,878,531	304,684,444	100.0	100.0	82.4
6/30/98	85,106,175	129,345,816	134,514,294	353,056,577	100.0	100.0	103.0
6/30/99	92,367,491	139,805,832	168,050,794	402,875,158	100.0	100.0	101.6
6/30/00	100,413,022	150,527,136	186,809,583	453,953,722	100.0	100.0	108.7
6/30/01	108,696,394	161,740,968	224,921,223	470,671,667	100.0	100.0	89.0
6/30/02	118,913,979	187,508,568	247,524,186	463,101,526	100.0	100.0	63.3
6/30/03	110,195,709	275,193,384	215,784,329	458,856,831	100.0	100.0	34.0
6/30/04	123,643,527	286,698,084	235,009,321	494,986,798	100.0	100.0	36.0
6/30/05	135,346,297	298,395,396	260,129,138	538,788,828	100.0	100.0	40.4
6/30/06	140,387,532	326,828,088	268,577,863	588,227,845	100.0	100.0	45.1
6/30/07	136,028,896	371,497,680	256,012,354	634,763,193	100.0	100.0	49.7
6/30/08	125,331,432	473,240,976	223,632,380	650,227,215	100.0	100.0	23.1
6/30/09	133,633,947	494,923,021	230,928,190	665,298,494	100.0	100.0	15.9
6/30/10	140,224,998	525,200,232	239,055,106	641,818,551	100.0	95.5	0.0
6/30/11	119,049,097	614,497,202	195,062,492	624,664,880	100.0	82.3	0.0

Comparative Schedule of Annual Pension Benefits Paid

Year Ending June 30	No.	Annual Pensions	% Increase	No. of Active Per Retired	Pensions as % of Active Payroll	Average Pensions	Actuarial Present Value of Pensions	Expected Removals No.	Expected Removals Pensions
1989*	780	5,344,719	17.6	4.2#	6.6	6,852	46,556,352	26.6	133,860
1990	832	6,488,714	21.4	3.9	7.5	7,799	57,430,128	28.5	150,864
1991*	918	8,111,103	25.0	3.5	9.3	8,836	72,419,436	29.8	172,608
1992	965	9,010,345	11.1	3.3	10.5	9,337	80,342,604	32.3	208,068
1993*	989	9,704,929	7.7	3.3	10.5	9,813	85,832,484	34.3	235,068
1994	1,035	10,612,612	9.4	3.2	11.3	10,254	95,449,308	35.8	263,340
1995*	1,065	11,429,402	7.7	3.1	11.4	10,732	102,511,728	35.8	270,600
1996	1,105	12,236,298	7.1	3.1	11.6	11,074	109,572,672	37.7	302,952
1997*	1,156	13,391,185	9.4	3.0	12.2	11,594	119,508,312	39.4	325,440
1998	1,208	14,479,476	8.1	2.9	12.7	11,986	129,345,816	42.4	370,344
1999*	1,260	15,721,865	8.6	2.8	12.4	12,478	139,805,832	44.2	402,504
2000*	1,301	16,966,042	7.9	2.8	12.7	13,041	150,527,136	46.2	445,464
2001*	1,355	18,505,247	9.1	2.7	12.8	13,657	161,740,968	47.1	484,776
2002*	1,442@	21,273,162	15.0	2.5	13.9	14,753	187,508,568	53.3	622,236
2003*	1,742~	29,767,500	39.9	1.9	20.8	17,088	275,193,384	58.2	742,908
2004*	1,753	30,491,864	2.4	2.0	20.4	17,394	286,698,084	55.7	717,888
2005*	1,793	32,027,305	5.0	2.0	19.8	17,862	298,395,396	58.3	781,152
2006*	1,878	35,091,468	9.6	1.7	22.5	18,686	326,828,088	61.1	857,760
2007*	2,018§	39,883,032	13.7	1.6	25.0	19,764	371,497,680	66.3	977,328
2008	2,307	49,489,643	24.1	1.4	32.1	21,452	473,240,976	74.4	1,134,019
2009	2,365	50,810,927	2.7	1.3	33.9	21,485	494,923,021	63.8	994,553
2010	2,450	53,115,267	4.5	1.2	37.5	21,680	525,200,232	58.9	948,815
2011	2,709	61,710,576	16.2	1.0	50.7	22,780	618,779,524	63.5	1,059,171

*Includes ad hoc cost-of-living increases.
#Reflects increase in the number of active members as a result of an amendment which eliminated the one year service requirement for participation in the Retirement System.
@Reflects increase in the number of retirees resulting from a temporary amendment that reduced requirements for retirement eligibility.
~Reflects increase in the number of retirees resulting from temporary amendments that reduced requirements for retirement eligibility and provided added retirement incentives during a limited period.
§Reflects increase in the number of retirees resulting from temporary amendments that provided added retirement incentives during a limited period.

Experience Gains (Losses)
Comparative Schedule

		Year Ended 6-30-11	Year Ended 6-30-10
(1)	UAAL[1] at start of year	$262,661,785	$194,186,664
(2)	+ Normal Cost	17,399,444	17,785,354
(3)	- Actual contributions	35,518,141	34,561,845
(4)	+ Interest accrual on (1), (2) and (3)	19,654,188	14,399,377
(5)	Expected UAAL before changes	264,197,276	191,809,551
(6)	Change due to experience study	0	17,622,839 [3]
(7)	Expected UAAL after changes	264,197,276	209,432,390
(8)	Actual UAAL	303,943,911	262,661,785
(9)	Experience gain (loss) (7) - (8)	(37,746,635)	(53,229,395)
	As % of beginning of year AAL[2]	(4.4%)	(6.2%)

1 Unfunded actuarial accrued liability.

2 Actuarial accrued liability.

3 Change in 2010 is due to mortality change phased in from 2008 Experience Study.

Schedule of Retirees and Beneficiaries Added to and Removed from Rolls

	Added to Rolls		Removed from Rolls		Rolls End of Year			
Fiscal Year	Number	Annual Allowances	Number	Annual Allowances	Number	Annual Allowance	Average Annual Allowance	Percentage Increase in Allowance
6/30/2005	68	$3,498,948	42	$485,633	1,793	$ 32,027,305	17,862	
6/30/2006	101	$2,335,032	53	$656,383	1,878	$ 35,091,468	18,686	4.61%
6/30/2007	213	$6,055,096	36	$403,347	2,018	$ 39,883,032	19,764	5.77%
6/30/2008	313	$10,001,857	24	$395,246	2,307	$ 49,489,643	21,452	8.54%
6/30/2009	112	$2,005,399	54	$683,947	2,365	$ 50,810,927	21,485	0.15%
6/30/2010	141	$3,089,275	56	$784,935	2,450	$ 53,115,267	21,680	0.91%
6/30/2011	332	$9,880,306	73	$1,284,997	2,709	$ 61,710,576	22,780	5.07%

Summary of Benefit Provisions Evaluated or Considered (June 30, 2011)

Normal Retirement (no reduction factor)

Eligibility - Age 62, or a combination of age and creditable service equal to 80 (for those hired on or after July 1, 2009, eligibility at age 62 requires a minimum of 5 years of accrued service).

Amount - Creditable service times 2.25% of average final compensation.

Average Final Compensation – The average monthly creditable compensation for the period of 36 consecutive months during which the member's creditable compensation was the highest during the 120 months immediately preceding the date of retirement. Effective July 1, 2000, accrued unused sick leave at the final salary may be substituted for an equal number of hours at the beginning of the 36 month period.

Early Retirement (reduction factor)

Eligibility - Age 55 with 20 or more years of creditable service.

Amount - An amount computed as for normal retirement but reduced by 1/2 of 1% per month for each month (6% per year) retirement precedes normal retirement.

Deferred Retirement (vested termination)

Eligibility - 5 or more years of accrued service. Deferred retirement benefits for terminated vested employee becomes automatic at age 62 or when a combination of age and creditable service equals 80, unless the member elects to withdraw the employee contribution account in lieu of a deferred retirement benefit. In addition to the eligibility listed above (age 62 or 80 points), the term-vested member may chose an Early Retirement (minimum age of 55 and minimum service of 20 yrs) subject to the same reduction – reduced by ½ of 1% per month for each month (6% per year) retirement precedes normal retirement eligibility.

Amount - An amount computed as for normal retirement.

Disability Retirement

Eligibility – Eligibility requires 10 or more years of credited service and a disability that is total and permanent.

Amount - An amount computed as for normal retirement. Disability Retirement Benefits are offset, if the combination of all employer-provided benefits exceeds 100% of the members adjusted income base, then members pension benefit from TSRS is reduced so income does not exceed the 100% maximum allowed.

Pre-Retirement Survivor Benefits

Eligibility - 5 or more years of accrued service.

Amount - Lump sum payment equal to twice the member's contributions, with interest. In lieu of the lump sum a surviving spouse may elect 50% of the deceased member's normal retirement amount accrued at the time of death.

Eligibility - 5 or more years of accrued service and not eligible to retire.

Amount - Lump sum payment equal to twice the member's contributions, with interest.

Eligibility – After attaining eligibility for retirement, in the event the member dies prior to submitting an application for retirement benefits:

Amount – If the member is married, a default provision allows the member's spouse to elect to receive either a lump sum payment of twice the member's contributions account, or receive a lifetime annuity benefit determined as if the member had elected a joint & last survivor benefit of 100% survivor annuity prior to death. If the member is not married and has named a single non-spousal beneficiary, the beneficiary may elect to receive either a lump sum payment of twice the member's contributions account, or receive a 15 year annuity benefit determined as if the member elected payment of a 15 year term certain annuity. If the member has named multiple designated beneficiaries, a lump sum refund of the member's account balance will be paid to the named beneficiaries.

Other Termination Benefits

Eligibility - termination of employment without eligibility for any other benefit.

Amount - accumulated contributions and interest in members account at time of termination.

Employee Contributions

Interest is credited to member accumulated contributions accounts as simple interest two times per year at an annual interest rate of 6%. For those hired prior to July 1, 2006, employee contributions are 5.00% of salary. For those hired on or after July 1, 2006, employee contributions are 40% of the total required contribution. For those hired after July 1, 2009, employee contribution will be a minimum of 40% and a maximum of 50% of the total required contribution.

City Contributions

City Contributions are actuarially determined; which together with employee contributions and investment earnings will fund the obligations of the System in accordance with accepted actuarial principles.

Post-Retirement Adjustments

The TSRS Board has established formal policies to determine whether the system shall fund an annual supplemental post retirement benefit payment to retired members and beneficiaries.

End of Service (EOS) Program

Eligibility – Eligibility for this program occurs when a member reaches normal service retirement eligibility either by attaining age 62 or when the member's age and years of creditable service, plus unused sick and vacation leave totals at least 80 points.

Benefit – Accumulation of up to one year's worth of pension benefit payments that will be payable at the end of the final year of service with interest accruals based on the US 90-day Treasury Bill rate. During participation in the End of Service Program, the member will not accrue creditable service that is a determining factor in calculating a member's permanent monthly pension benefit. Additionally, no pension benefit will be paid to the participant while they are in the program.

Election Period – The period available for members to elect participation is scheduled to run from July 1, 2006 to December 31, 2010. Members electing to participate by December 31, 2010 will complete their participation not later than December 31, 2011.

Program Period – The maximum period an eligible participant can stay in the program is 12 months after which the participant must retire. No Employee Contributions will be due for compensable earnings during the member's participation in the program.

Statistical Section

This section of the Tucson Supplemental Retirement System's comprehensive annual financial report (CAFR) provides detailed financial and non-financial information, often considered relevant to users. The statistical section presents certain information on a trend basis; that is, a summary of information that is provided for each year in a ten-year period. Other non-trend schedules present demographic and participation information for our active and retired membership. Each schedule is defined below with an explanation and an identification of the source of the data.

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

Schedule of Retired Members by Type of Benefit
This schedule provides the number of retired members by type of benefit. The TSRS plan benefits include payments for normal retirement benefits, disability benefits, survivor benefits, and term certain benefits paid to members, beneficiaries and alternate payees. The schedule is developed using TSRS' database.

Schedule of Average Monthly Benefit Payments to New Retirees
This schedule provides the average monthly benefit payments made to new retirees, using six ranges of years of credited service by year. This information is provided to illustrate changes in benefit payments as the amount of service earned increases and indicates the number of employees retired during each of the last 10 years. This schedule is developed using TSRS' database.

Demographics of Retired and Active Members
This schedule provides the age demographics of all retirees, survivors and beneficiaries of retired members for this year only. Similarly, age demographics for the systems active membership is indicated. This schedule is developed using TSRS' database.

Employee and Employer Contribution Rates
This schedule provides the contribution rates paid by the Plan sponsor and by City employees during the past 10 years. This schedule is a historical summary of the actual rates paid.

Benefit and Refund Deductions from Net Assets by Type
This schedule provides the benefits paid to all service and disability retirees during each of the last 10 years. In addition, the lump sum payments to members elected to participate in the End of Service program since 2007 and refunds associated with member deaths, separation from service and transfers to other retirement systems are summarized. This schedule is developed using the Statements of Changes in Plan Net Assets for the past ten years.

Retiree Benefit and Service Summary
This schedule indicates average retiree benefits paid to retirees, based on the number of years retired, indicating eight age categories and the years of credited service served. This schedule is developed using TSRS' database.

Statement of Changes in Plan Net Assets - Last Ten Fiscal Years

Fiscal Year Ending June 30,

	2011	2010	2009	2008	2007	2006	2005	2004	2003	2002
Additions										
City Contributions	23,432,916	$ 23,260,609	$ 21,279,535	$ 23,902,286	$ 22,670,418	$ 24,319,911	$ 21,423,488	$ 15,966,754	$ 12,771,777	$ 10,544,412
Employee Contributions	7,562,294	8,041,748	8,156,115	8,591,124	8,120,057	8,197,437	7,638,608	6,563,651	7,583,019	7,198,340
Purchase of Service	3,772,923	1,556,832	1,565,164	5,186,289	1,008,980	1,157,572	1,972,509	2,307,962	4,610,513	5,720,521
Contributions from Other Sources	50,000	50,000	140,512	130,784	41,595	-	857,399	-	-	-
Transfers from Other Systems	700,009	1,652,656	1,589,190	2,012,917	3,794,093	620,601	-	294,722	525,986	207,164
Total Contributions	$ 35,518,142	$ 34,561,845	$ 32,730,516	$ 39,823,400	$ 35,635,143	$ 34,295,521	$ 31,892,004	$ 25,133,089	$ 25,491,295	$ 23,670,437
Investment Income										
Net Gain (Loss) in Fair Value of Investments	106,114,437	$ 40,143,355	$ (155,121,980)	$ (50,256,771)	$ 85,493,111	$ 48,195,450	$ 33,977,326	$ 67,110,061	$ 3,704,778	$ (49,179,615)
Interest	6,361,246	7,441,435	11,087,144	10,815,803	7,649,621	4,144,414	3,692,702	4,051,824	2,261,333	5,601,284
Dividends	5,589,052	6,743,309	7,219,584	10,009,694	9,537,064	8,187,034	9,779,723	7,691,638	8,105,077	3,618,645
Real Estate Income	-	-	-	-	-	-	-	16,209	405,794	2,103,123
Securities Lending Income	124,158	91,625	359,394	1,881,706	2,594,083	1,683,061	879,477	417,044	340,493	520,029
Miscellaneous Income	45,681	3,640	120,820	152,848	6,038	53,855	43,387	24,744	24,675	-
	$ 118,234,574	$ 54,423,364	$ (136,335,038)	$ (27,396,720)	$ 105,279,917	$ 62,263,814	$ 48,372,615	$ 79,311,520	$ 14,842,150	$ (37,336,534)
Less Investment Expenses:										
Securities Lending	35,027	$ 25,401	$ 197,429	$ 1,708,227	$ 2,517,081	$ 1,618,232	$ 819,201	$ 324,034	$ 252,297	$ 427,017
Other Investment Expense	3,871,641	4,096,007	4,580,028	4,129,652	3,433,243	3,096,323	2,581,056	2,308,746	1,852,781	2,227,180
Total Investment Expense	3,906,668	4,121,408	4,777,457	$ 5,837,879	$ 5,950,324	$ 4,714,555	$ 3,400,257	$ 2,632,780	$ 2,105,078	$ 2,654,197
Net Investment Gain	114,327,906	50,301,956	(141,112,495)	$ (33,234,599)	$ 99,329,593	$ 57,549,259	$ 44,972,358	$ 76,678,740	$ 12,737,072	$ (39,990,731)
Total Additions	$ 149,846,048	$ 84,863,801	$ (108,381,979)	$ 6,588,801	$ 134,964,736	$ 91,844,780	$ 76,864,362	$ 101,811,829	$ 38,228,367	$ (16,320,294)
Deductions										
Benefits	58,247,882	$ 51,700,541	$ 51,996,508	$ 46,211,560	$ 40,419,922	$ 33,475,950	$ 31,357,794	$ 30,259,921	$ 23,855,130	$ 20,009,180
Refunds	2,350,625	2,110,360	1,689,956	1,265,235	1,573,276	1,219,263	1,229,267	1,249,453	1,186,455	806,074
Transfers to Other Systems	2,928,607	898,085	2,655,061	4,340,520	11,886,941	482,469	209,410	362,716	3,169	100,167
Administrative Expenses	728,643	672,622	864,382	519,346	485,469	433,350	389,303	380,407	373,718	341,569
Total Deductions	$ 64,255,757	$ 55,381,608	$ 57,205,907	$ 52,336,661	$ 54,365,608	$ 35,611,032	$ 33,185,774	$ 32,252,497	$ 25,418,472	$ 21,256,990
Net Change in Plan Net Assets	$ 85,590,291	$ 29,482,193	$ (165,587,886)	$ (45,747,860)	$ 80,599,128	$ 56,233,748	$ 43,678,588	$ 69,559,332	$ 12,809,895	$ (37,577,284)

Statement of Changes in Plan Net Assets - Last Ten Fiscal Years

Fiscal Year Ending June 30,

	2011	2010	2009	2008	2007	2006	2005	2004	2003	2002
Additions										
City Contributions	23,432,916	$ 23,260,609	$ 21,279,535	$ 23,902,286	$ 22,670,418	$ 24,319,911	$ 21,423,488	$ 15,966,754	$ 12,771,777	$ 10,544,412
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Contributions from Other Sources	50,000	50,000	140,512	130,784	41,595	-	857,399	-	-	-
Transfers from Other Systems	700,009	1,652,656	1,589,190	2,012,917	3,794,093	620,601	-	294,722	525,986	207,164
Total Contributions	$ 35,518,142	$ 34,561,845	$ 32,730,516	$ 39,823,400	$ 35,635,143	$ 34,295,521	$ 31,892,004	$ 25,133,089	$ 25,491,295	$ 23,670,437
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Real Estate Income	-	-	-	-	-	-	-	16,209	405,794	2,103,123
Securities Lending Income	124,158	91,625	359,394	1,881,706	2,594,083	1,683,061	879,477	417,044	340,493	520,029
Miscellaneous Income	45,681	3,640	120,820	152,848	6,038	53,855	43,387	24,744	24,675	-
	$ 118,234,574	$ 54,423,364	$ (136,335,038)	$ (27,396,720)	$ 105,279,917	$ 62,263,814	$ 48,372,615	$ 79,311,520	$ 14,842,150	$ (37,336,534)
Less Investment Expenses:										
Securities Lending	35,027	$ 25,401	$ 197,429	$ 1,708,227	$ 2,517,081	$ 1,618,232	$ 819,201	$ 324,034	$ 252,297	$ 427,017
Other Investment Expense	3,871,641	4,096,007	4,580,028	4,129,652	3,433,243	3,096,323	2,581,056	2,308,746	1,852,781	2,227,180
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Net Investment Gain	114,327,906	50,301,956	(141,112,495)	$ (33,234,599)	$ 99,329,593	$ 57,549,259	$ 44,972,358	$ 76,678,740	$ 12,737,072	$ (39,990,731)
Total Additions	$ 149,846,048	$ 84,863,801	$ (108,381,979)	$ 6,588,801	$ 134,964,736	$ 91,844,780	$ 76,864,362	$ 101,811,829	$ 38,228,367	$ (16,320,294)
Deductions										
Benefits	58,247,882	$ 51,700,541	$ 51,996,508	$ 46,211,560	$ 40,419,922	$ 33,475,950	$ 31,357,794	$ 30,259,921	$ 23,855,130	$ 20,009,180
Refunds	2,350,625	2,110,360	1,689,956	1,265,235	1,573,276	1,219,263	1,229,267	1,249,453	1,186,455	806,074
Transfers to Other Systems	2,928,607	898,085	2,655,061	4,340,520	11,886,941	482,469	209,410	362,716	3,169	100,167
Administrative Expenses	728,643	672,622	864,382	519,346	485,469	433,350	389,303	380,407	373,718	341,569
Total Deductions	$ 64,255,757	$ 55,381,608	$ 57,205,907	$ 52,336,661	$ 54,365,608	$ 35,611,032	$ 33,185,774	$ 32,252,497	$ 25,418,472	$ 21,256,990
Net Change in Plan Net Assets	$ 85,590,291	$ 29,482,193	$ (165,587,886)	$ (45,747,860)	$ 80,599,128	$ 56,233,748	$ 43,678,588	$ 69,559,332	$ 12,809,895	$ (37,577,284)

Average Monthly Benefit Payments to New Retirees

Retirement Effective Dates For Fiscal Years Ending June 30	Years of Credited Service <5	5-9	10-14	15-19	20-24	25-29	> 30
2011*							
Avg Monthly Benefit	$ 519	$ 560	$ 964	$ 1,913	$ 2,303	$ 2,998	$ 3,780
Avg Monthly Final Avg Comp.	$ 2,865	$ 3,350	$ 3,352	$ 4,774	$ 4,509	$ 4,899	$ 5,044
Number of Active/EOSP retirees	5	12	18	24	83	107	58
2010*							
		1-9	10-14	15-19	20-24	25-29	>30
Avg Monthly Benefit		$ 481	$ 931	$ 1,466	$ 2,374	$ 2,386	$ 3,376
Avg Monthly Final Avg Comp.		$ 3,229	$ 2,976	$ 3,841	$ 5,148	$ 4,251	$ 4,871
Number of Active/EOSP retirees		23	16	13	35	23	13
2009*							
Avg Monthly Benefit		$ 620	$ 1,117	$ 1,452	$ 2,165	$ 3,475	$ 2,811
Avg Monthly Final Avg Comp.		$ 3,474	$ 3,823	$ 3,671	$ 4,281	$ 5,775	$ 3,942
Number of Active/EOSP retirees		14	13	12	23	15	9
2008*							
Avg Monthly Benefit		$ 645	$ 1,076	$ 1,502	$ 2,258	$ 3,133	$ 3,944
Avg Monthly Final Avg Comp.		$ 4,302	$ 4,542	$ 3,869	$ 5,094	$ 5,310	$ 6,222
Number of Active/EOSP retirees		18	16	27	74	84	63
2007							
Avg Monthly Benefit		$ 648	$ 725	$ 1,360	$ 2,010	$ 2,999	$ 3,730
Avg Monthly Final Avg Comp.		$ 3,947	$ 2,922	$ 3,687	$ 4,258	$ 5,086	$ 5,589
Number of Active Retirees		12	11	33	42	55	48
2006							
Avg Monthly Benefit		$ 610	$ 802	$ 1,304	$ 1,974	$ 3,141	$ 4,001
Avg Monthly Final Avg Comp.		$ 4,046	$ 2,803	$ 3,245	$ 4,006	$ 4,970	$ 5,561
Number of Active Retirees		20	14	25	27	33	20
2005							
Avg Monthly Benefit		$ 563	$ 912	$ 1,095	$ 1,803	$ 3,291	$ 3,615
Avg Monthly Final Avg Comp.		$ 3,518	$ 3,722	$ 3,017	$ 3,884	$ 5,623	$ 4,883
Number of Active Retirees		8	3	10	20	17	10
2004							
Avg Monthly Benefit		$339	$895	$1,245	$1,547	$2,508	$2,876
Avg Monthly Final Avg Comp.		$2,519	$3,398	$3,500	$3,483	$4,292	$4,323
Number of Active Retirees		4	10	6	7	8	2
2003							
Avg Monthly Benefit		$595	$734	$1,213	$1,772	$2,380	$3,421
Avg Monthly Final Avg Comp.		$3,350	$2,851	$3,358	$3,705	$4,209	$5,047
Number of Active Retirees		10	18	31	41	145	62
2002							
Avg Monthly Benefit		$465	$615	$1,106	$1,236	$2,372	$3,071
Avg Monthly Final Avg Comp.		$2,620	$2,213	$2,882	$2,455	$3,921	$4,147
Number of Active Retirees		9	10	24	20	61	9

*includes EOSP Participants still employed and alt. payees receiving benefits

Demographics of Retired and Active Members
June 30, 2011

Retired Members

	Retirees			Survivors/Beneficiaries		
Ages	Male	Female	Total	Male	Female	Total
Under 55	62	75	137	2	22	24
55 to 59	202	170	372	3	21	24
60 to 64	410	214	624	4	41	45
65 to 69	301	161	462	1	41	42
70 to 74	195	110	305	-	44	44
75 to 79	177	54	231	4	51	55
80 to 84	89	54	143	3	35	38
85 to 89	44	29	73	5	34	39
90 to 94	22	13	35	1	13	14
95 to 100	-	2	2	-	-	-
101 and over	-	-	-	-	-	-
Total	1,502	882	2,384	23	302	325

Active Members

	Active Members			Percentage Distribution		
Ages	Male	Female	Total	Male	Female	Total
Under 20	-	-	-	0.00%	0.00%	0.00%
20 to 29	63	53	116	2.40%	2.52%	4.41%
30 to 39	264	251	515	10.05%	9.79%	19.60%
40 to 49	507	379	886	19.29%	13.54%	33.71%
50 to 59	582	343	925	22.15%	13.35%	35.20%
60 to 69	124	56	180	4.72%	2.13%	6.85%
70 and over	5	1	6	0.19%	0.04%	0.23%
Total	1,545	1,083	2,628	58.79%	41.37%	100.00%

Employee and Employer Contribution Rates
Last Ten Fiscal Years

Fiscal Year	Employee Rate (percentage)		Employer Rate (percentage)		Total Contribution
	Fixed	Variable	Fixed	Variable	
01/02	5.0	n/a	7.35	n/a	12.35
02/03	5.0	n/a	8.41	n/a	13.41
03/04	5.0	n/a	11.17	n/a	16.17
04/05	5.0	n/a	14.06	n/a	19.06
05/06	5.0	n/a	14.83	n/a	19.83
06/07*	5.0	7.5	15.04	12.54	20.04
07/08*	5.0	8.084	15.21	12.126	20.21
08/09*	5.0	7.788	14.47	11.682	19.47
09/10*	5.0	8.852	17.13	13.278	22.13
10/11*	5.0	9.428	18.57	14.142	23.57

*Employees hired on or after July 1, 2006 pay a variable rate, which changes annually, to 40% of the actuarially recommended contribution rate (ARC) for the system.

Benefit and Refund Deductions from Net Assets by Type

Last Ten Fiscal Years

	Fiscal Year									
	2011	2010	2009	2008	2007	2006	2005	2004	2003	2002
Type of Benefit										
Service Benefits:										
Retirees	51,377,474	45,580,606	40,123,580	39,940,472	31,993,340	28,946,679	27,440,364	26,533,141	20,209,887	16,973,784
EOSP lump sum[1]	1,517,252	997,448	6,805,342	1,495,136	4,069,547	-	-	-	-	-
Survivors[2]	2,951,507	2,757,941	2,700,791	2,499,152	2,236,330	2,229,540	1,860,300	1,646,238	1,681,008	1,311,864
Disabilty Benefits:										
Retirees	2,057,473	2,015,248	1,969,239	1,999,565	1,847,725	1,763,061	1,717,457	1,646,927	1,541,162	1,466,490
Survivors	344,176	349,299	397,556	277,235	272,980	536,670	339,672	433,615	423,073	257,041
Total Benefits	58,247,882	51,700,541	51,996,508	46,211,560	40,419,922	33,475,950	31,357,794	30,259,921	23,855,130	20,009,180
Type of Refund										
Death	305,536	250,047	299,778	96,935	70,309	147,588	86,361	223,073	296,371	3,074
Separation	2,045,089	1,860,312	1,390,177	1,168,300	1,502,967	1,219,264	1,225,670	1,242,340	890,084	803,000
Transfer	2,928,607	898,085	2,655,061	4,340,520	11,886,941	482,469	209,410	362,716	3,169	100,167
Total Refunds	5,279,232	3,008,445	4,345,017	5,605,755	13,460,218	1,849,320	1,521,441	1,828,129	1,189,625	906,242

[1] EOSP - An End of Service Program benefit option became available for the first time in FY2007, allowing retiring employees to accumulate up to one year's worth of benefit payments during their final year of employment

[2] Includes Death in service pension benefits

Tucson Supplemental Retirement System
Retiree Benefit and Service Summary

# yrs Retired	Average Benefit	Total Monthly Benefit pmts	# of Retiree	Age at 6/30/11 <55	55-59	60-64	65-69	70-74	75-79	80-84	=>85	Years of Credited Service <10	10-19	20>
<5	2,421	2,452,936	1,013	134	298	382	159	32	7	1	0	87	185	741
5-9	2,075	1,336,373	644	16	79	245	199	91	10	3	1	51	145	448
10-14	1,422	533,283	375	10	14	31	123	122	68	4	3	40	103	232
15-19	1,330	382,992	288	0	3	10	16	78	106	66	9	35	84	169
20-24	1,340	316,137	236	1	2	0	7	17	79	87	43	18	65	153
25-29	850	106,203	125	0	0	1	0	7	12	17	88	14	50	61
30>	548	15,334	28	0	0	0	0	2	5	2	19	9	12	7
	1,899	5,143,258	2,709	161	396	669	504	349	287	180	163	254	644	1811

Note: Includes alternate payees and survivors

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