

# ELECTED OFFICIALS

## RETIREMENT PLAN

*Twenty-Third*  
*Comprehensive*  
*Annual Financial*  
*Report*

a pension trust fund  
of the state of arizona

23

FOR THE FISCAL YEAR ENDED JUNE 30, 2004



# **ELECTED OFFICIALS' RETIREMENT PLAN**

A PENSION TRUST FUND OF THE STATE OF ARIZONA

TWENTY-THIRD COMPREHENSIVE ANNUAL FINANCIAL REPORT

FOR THE FISCAL YEAR ENDED

JUNE 30, 2004

This report was prepared by the staff of the EORP

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**STATE OF ARIZONA  
ELECTED OFFICIALS' RETIREMENT PLAN  
TWENTY-THIRD COMPREHENSIVE ANNUAL FINANCIAL REPORT**

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# **INTRODUCTORY SECTION**

**ELECTED OFFICIALS' RETIREMENT PLAN  
TWENTY-THIRD COMPREHENSIVE ANNUAL FINANCIAL REPORT  
FOR THE FISCAL YEAR ENDED  
JUNE 30, 2004**

Fund Managers' Report

Letter of Transmittal

Certificate of Achievement for  
Excellence in Financial Reporting

The Retirement Board and  
Administrative Organization

Organizational Chart



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

3010 East Camelback Road, Suite 200  
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James A. Nielsen, C.P.A., J.D.  
Interim Administrator

TELEPHONE: (602) 255-5575  
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Tracey D. Peterson, C.P.A., CFE  
Interim Assistant Administrator

September 22, 2004

The Honorable Janet Napolitano  
Governor of the State of Arizona  
State Capitol  
Phoenix, Arizona 85007

Dear Governor Napolitano:

The Fund Manager of the Public Safety Personnel Retirement System respectfully submits the Twenty-Third Comprehensive Annual Financial Report of the Elected Officials' Retirement Plan for the fiscal year ended June 30, 2004, in accordance with the provisions of A.R.S. Section 38-803.

We are pleased to report that the Plan is still in very good financial and actuarial condition in spite of the difficult investment environment of the past few years. The Plan's current funding level is 104.4%. We believe this plan to be among the top funded plans in the country. Stakeholders continue to benefit greatly from our excellent performance. In fact, funding levels have increased from a low of 71.7% in 1982 to a high of 141.7% three years ago. The average employer contribution rate, as a percentage of gross payrolls, is 20.54% for the 2005/06 fiscal year. While the average contribution rate has increased this past year, and may continue to do so for some time, the average contribution rate for our employer groups is still below the normal cost of the Plan at 22.17%, due to our investment earnings.

We realize that we are now in a different investment environment, even from just a few years ago. In order to maintain prudent funding levels, we are reducing our assumed earnings rate from 9.0% to 8.75%, effective July 1, 2004, with subsequent annual reductions of one-quarter of one percent each year thereafter until the rate is reduced to 8.0%. We believe this to be a more realistic rate for our Plan to achieve. The Fund Manager also extended the smoothing period for valuing assets from a four-year period to a seven-year period in order to reduce fluctuations in the future employer contribution rates. Additionally, we will continue to follow a sensible long-term investment approach as well as continuing to control costs. Set forth below are some of the highlights for the fiscal year ended June 30, 2004.

We are pleased to report for the fiscal year ended June 30, 2004 the Plan had a total rate of return of 15.02%. Additionally, the Plan continues to perform well against the market indexes (S&P 500/NYSE stock and Shearson Lehman Government/Corporate bond) on a long-term basis. The 5, 10 and 15-year total rates of return, including realized as well as unrealized gains and losses, for the total fund were -0.48%, 9.25% and 9.55%, respectively. Benefits paid to retired Elected Officials and their beneficiaries increased from \$21,929,828 to \$23,753,913. Total administrative and investment expenses increased from \$103,260 to \$124,649 for this year. Our administrative and investment expenses are approximately 4 basis points of the total assets managed. This is very low compared with other retirement systems. A dedicated staff and constantly improving internal expertise have allowed management to keep costs low even though our membership and assets managed have increased substantially.

Customer service continues to be a top priority for the Plan. As such, we have undertaken a number of tasks during the past year. Because of the increasing number of members and participating employers in the Plan, we have added a number of highly qualified staff in targeted positions to better serve our members and stakeholders. The increase in staff resulted in the Plan moving our administrative office to a larger and more

secure facility. We have also initiated a document-imaging project in order to maintain a secure copy of our records. Additionally, the Plan is undergoing a governance and investment policy review.

The Plan is currently in a transition period. The Administrator stepped down on June 30, 2004. An interim management team has been in place for the past two years to facilitate a smooth transition during our national search for a replacement. As you can see, we are involved in a number of projects and initiatives in order to further enhance our effectiveness and efficiency in completing the mission of the System.

We sincerely appreciate the opportunity of serving the State of Arizona, its political subdivisions, and its elected officials and judges.

Respectfully submitted,

**PAT CANTELME**

---

Pat Cantelme, Chairman

**W M HANCOCK**

---

Wendy Hancock, Member

**CARTER OLSON**

---

Carter Olson, Member

**KEVIN KEOGH**

---

Kevin Keogh, Member

**BILLY SHIELDS**

---

Billy Shields, Member

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

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Interim Administrator

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Tracey D. Peterson, C.P.A., CFE  
Interim Assistant Administrator

September 22, 2004

The Fund Manager  
Public Safety Personnel Retirement System  
State of Arizona  
Phoenix, Arizona

Gentlemen:

There is presented, herewith, the Twenty-Third Comprehensive Annual Financial Report of the operations and financial conditions of the Elected Officials' Retirement Plan, State of Arizona, for the fiscal year ended June 30, 2004. Incorporated in this report are the audited financial statements, Management's Discussion and Analysis and other financial data from the June 30, 2003 report of Barrows & Schatza, P.L.C., Certified Public Accountants, our auditors for the Plan. Also included are the Actuarial Certification Statement and the Actuarial Balance Sheet from the June 30, 2004 Actuarial Valuation prepared by the Plan's actuary, Rodwan Consulting Company.

This report has been organized into five sections: (1) the Introductory Section containing general information regarding the operations of the Elected Officials' Retirement Plan; (2) the Financial Section containing the new Management's Discussion and Analysis and, the financial reports and schedules of the funds administered by the Elected Officials' Retirement Plan; (3) the Investment Section containing detailed lists of the investment transactions and portfolios of the Plan, along with investment performance; (4) the Actuarial Section containing actuarial information regarding the funding of the pension trusts, and (5) the Statistical Section containing statistical data pertaining to the benefits paid by the Elected Officials' Retirement Plan and growth of the Plan.

### **FINANCIAL INFORMATION**

The primary responsibility for the integrity and objectivity of the financial statements and related financial data rests with the management of the Plan. The financial statements were prepared in conformity with generally accepted accounting principles appropriate for government-sponsored defined benefit pension plans. Management believes that all other financial information included in this annual report is consistent with those financial statements.

It is the Plan's policy to maintain a control-conscious environment through an effective system of accounting controls. These controls are adequate to provide reasonable assurance that assets are safeguarded against loss or unauthorized use and to produce the records necessary for the preparation of financial information. There are limits inherent in all systems of internal control based on the recognition that the costs of such plans should be related to the benefits to be derived. Management believes the Plan's controls provide this appropriate balance.

The Plan uses the accrual basis of accounting for both revenues and expenses. Contributions to the Plan 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 rolling twenty (20) year period.

### **REVENUES**

Revenues to the Plan are derived from three sources: member contributions, employer contributions, and investment income. As shown by the Schedule of Revenues by Source included in the Statistical Section later in this report, the Plan benefited from an investment gain this fiscal year that was further enhanced by member contributions and employer contributions. Please refer to the Statistical Section for a ten-year history of revenues and expenses.

### **ADMINISTRATIVE AND INVESTMENT EXPENSES**

The 2003/2004 Administrative and Investment Expenses of the Administrative Office increased to \$124,649 compared to \$103,260 for the prior year. Our administrative and investment expenses are approximately 4 basis points of the total assets managed. This is very low compared with other retirement systems. A dedicated staff and constantly improving internal

expertise has allowed management to keep costs low even though membership and assets managed have increased substantially.

## **INVESTMENTS**

Since the Plan is well funded, management takes a moderately conservative approach to investing. The Plan invests primarily in bonds rated A or better and blue chip common stock. A detailed summary of the investment portfolio and all investment transactions is presented in the Investment Section. At year-end, the investment portfolio was made up of 4.9% U. S. Government Securities, 15.1% Corporate Bonds, 3.3% Corporate Notes, 6.6% Other Investments, 1.0% insured Money Market Funds and 69.1% Common Stocks. All investments are held in trust by the Arizona subsidiary of one of the largest banks in the world.

Even with this relatively conservative investment philosophy, the fixed income portfolio has outperformed the Lehman Government/Credit Bond Index in twelve of the last eighteen years and the equity portfolio has outperformed the applicable Index (NYSE until 98/99, then S&P 500) eleven of the last eighteen years. The Plan's performance resulted in a net effective yield of 4.76% and an 18-year total rate of return of 10.48%. Graphs depicting the Plan's extraordinary performance since 1987, the year the internal staff took over the portfolio management, can be found in the Investment Section.

## **ECONOMIC OUTLOOK**

Our employer groups continue to benefit greatly from our outstanding performance. However, we realize that we are now in a different investment environment, even from just a few years ago. In order to maintain prudent funding levels, the Fund Manager reduced the assumed earnings rate from 9.0% to 8.75%, effective July 1, 2004, with subsequent annual reductions of one-quarter of one percent each year thereafter until the rate is reduced to 8.0%. We believe this is a more realistic rate for our Plan to achieve. The Fund Manager also extended the smoothing period from a four-year to a seven-year period in order to reduce fluctuations in future employer contribution rates. Moreover, we will continue to follow a sensible long-term investment approach as well as continuing to control costs.

## **ACTUARIAL AND FUNDING INFORMATION**

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

There is no single all-encompassing test to measure a retirement plan's funding progress and current status. A traditional measure is the ratio of assets to unfunded accumulated normal costs, often referred to as the "percent funded." The percent funded for the Plan at June 30, 2004, is 104.4%, which is well ahead of schedule.

The Plan is funded through a member contribution of 7% of gross payroll, an employer contribution set by an actuarial valuation expressed as a percent of gross payroll and a distribution of the net earnings of the Plan. State and county employers receive credit for a portion of certain fees collected by the Clerks of the Superior Courts, Courts of Appeals, and the Supreme Court. Currently, these fees have been stagnant which has resulted in an increase in the state and county employer costs. This is expected to continue through fiscal year 2005/2006 when the state and county employer rate will be 13.00% and the cities and towns employer rate will be 20.54%, which is still well below the normal cost of the Plan of 22.17%.

## **POST RETIREMENT BENEFIT INCREASES**

State law provides for an annual benefit increase for retirees or their survivors. The increases are effective July 1 of each year and based on benefits received on the preceding June 30. The maximum amount of the increase is 4% and contingent upon sufficient excess investment earnings for the fund.

Below is a schedule of the increases in monthly benefits granted since this program began:

July 1, 1990	– 4.0%
July 1, 1991	– 4.0%
July 1, 1992	– 2.0%
July 1, 1993	– 3.5%
July 1, 1994	– 2.0%
July 1, 1995	– no benefit allowed by law
July 1, 1996	– no benefit allowed by law
July 1, 1997	– 1.5%
July 1, 1998	– 1.2%

July 1, 1999 – 4.0%  
July 1, 2000 – 4.0%  
July 1, 2001 – 4.0%  
July 1, 2002 – 4.0%  
July 1, 2003 – 4.0%  
July 1, 2004 – 4.0%  
July 1, 2005 – 4.0%

This is a compounded increase of over 55%.

### **CERTIFICATE OF ACHIEVEMENT**

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the EORP for its comprehensive annual financial report for the fiscal year ended June 30, 2003. This was the tenth consecutive year that the Plan has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government unit must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

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

### **SUMMARY**

The Plan's actuary, Rodwan Consulting Company, summarized the results of the latest Actuarial Valuation as of June 30, 2004, as follows:

The results of the valuations indicate that Retirement Plan benefit obligations are being funded as incurred. Favorable economic experience over the last decade has significantly accelerated the funding progress. Current assets are 104.4% of actuarial accrued liability. We believe the assumptions produce a reasonable estimate of costs likely to emerge in the operation of the Retirement Plan.

The Plan has experienced great change during the past eighteen years. The Plan's accrual rate was raised to 4% of pay for each year of credited service. Members can now take normal retirement with twenty years of credited service regardless of age and they can take a reduced early retirement with five or more years of credited service with no age limit. The Plan now provides for disability benefits, survivor benefits for spouses and children, post-retirement increases and health insurance subsidies. Funding has increased to 104.4%. Over just the past nineteen years, membership has grown dramatically and total assets of the Plan have increased more than four times. I am proud to have been a part of the Plan's management team and I look forward to the Plan's continued success in the future.

Respectfully submitted,

**JAMES A NIELSEN**

James A. Nielsen, C.P.A., J.D.  
Interim Administrator

# Certificate of Achievement for Excellence in Financial Reporting

Presented to

Elected Officials' Retirement  
Plan, Arizona

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended  
June 30, 2003

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.



President

Executive Director

**STATE OF ARIZONA  
ELECTED OFFICIALS' RETIREMENT PLAN  
THE RETIREMENT BOARD AND ADMINISTRATIVE ORGANIZATION**

**THE FUND MANAGER**

		<u>Term Expires</u>
Pat Cantelme Retired Firefighter City of Phoenix	Chairman	January 2005
Wendy Hancock Public Member	Member	January 2005
Carter Olson Pinal County Attorney	Member	January 2006
Kevin Keogh Finance Director City of Phoenix	Member	January 2006
Billy Shields Firefighter City of Phoenix	Member	January 2007

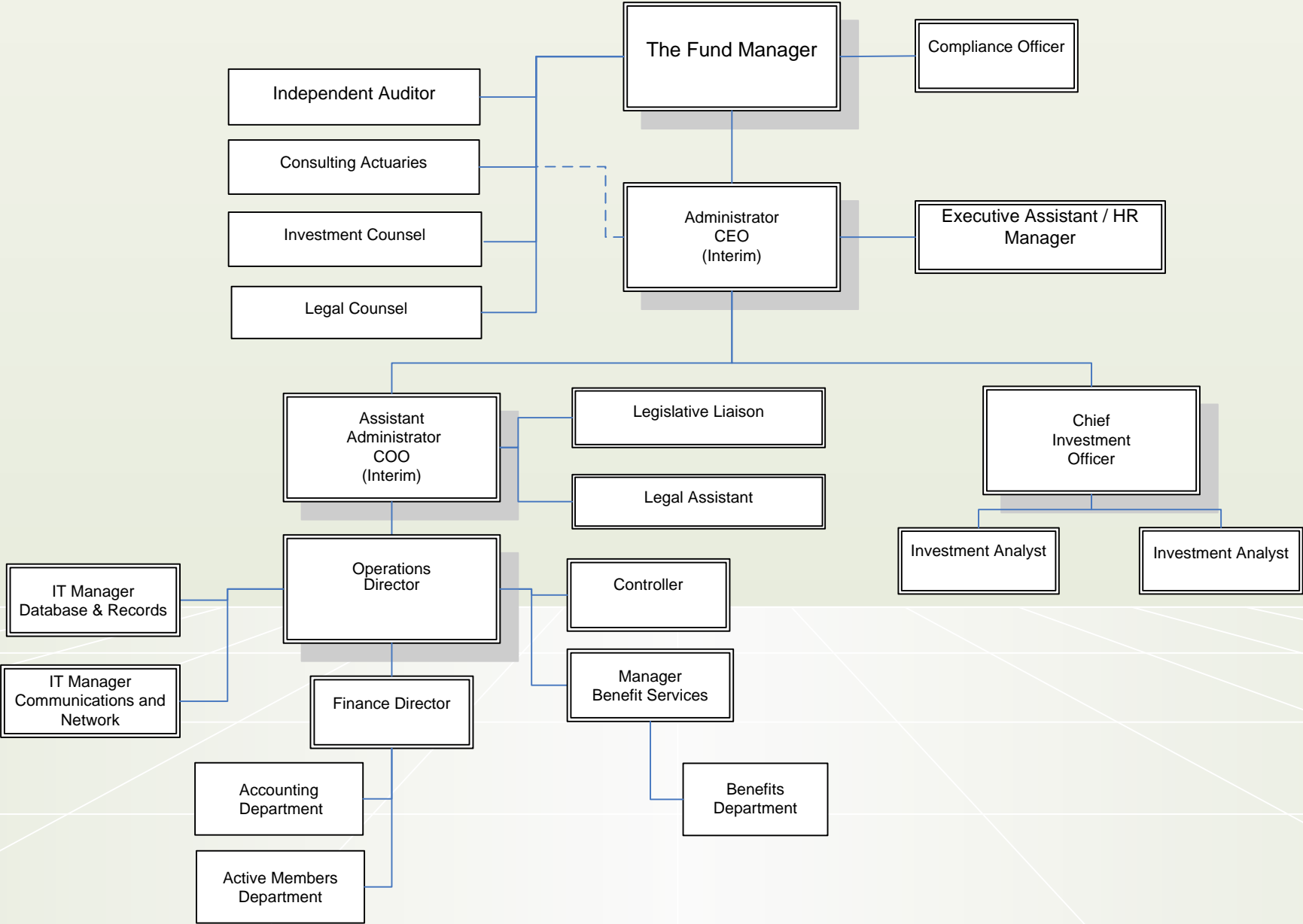
**PROFESSIONAL ADVISORS**

Standard & Poor's Securities, Inc.	Investment Counsel
Rodwan Consulting	Consulting Actuaries
Barrows & Schatza, P.L.C.	Independent Auditors
Lieberman, Dodge, Gerding, Kothe & Anderson, Ltd.	Legal Counsel

**ADMINISTRATIVE STAFF**

James A. Nielsen, CPA, JD	Interim Administrator
Tracey D. Peterson, CPA, CFE	Interim Assistant Administrator
Karen L. Lewis, CPA	Controller
Jared A. Smout, CPA	Finance Director
Martin Anderson	Investment Analyst
Tom Willard	Manager of IT-Database & Records
Eileen Kelleher	Manager of Communications & Network
D. Steven Williams	Legal Assistant
Gail Nova	Executive Assistant
Bonnie Bohman	Manager of Benefit Services
Donald B. Mineer	DROP Coordinator/Special Projects Assistant
LaDawn M. Snodgrass	Senior Active Member Services Specialist
Sheryl D. Saltsman	Senior Active Member Services Specialist
Deborah S. Irwin	Senior Active Member Services Specialist
Lilian L. Leung	Senior Accounting Specialist
Kathleen A. Mattoon	Office Specialist
Annette L. Jorgensen	Senior Benefits Specialist
Lori A. Boyle	Receptionist
Alliene Jonas	Insurance Specialist
Tom Vermande	Insurance Specialist
Tony Jenkins	Benefits Specialist
Janette Trujillo	Active Member Services Specialist
Devin Delap	Benefits Specialist

State of Arizona  
**Elected Officials' Retirement Plan**  
**Organizational Chart**  
 June 30, 2004



# **FINANCIAL SECTION**

ELECTED OFFICIALS' RETIREMENT PLAN  
TWENTY-THIRD COMPREHENSIVE ANNUAL FINANCIAL REPORT  
FOR THE FISCAL YEAR ENDED  
JUNE 30, 2004

Independent Auditor's Report  
Management's Discussion and Analysis  
Statements of Plan Net Assets  
Statements of Changes in Plan Net Assets  
Notes to Financial Statements  
(Includes Summary of Plan Provisions)  
Schedule of Funding Progress  
Schedule of Employer Contributions  
Supporting Schedule of  
Changes In Fund Balance Reserves  
Supporting Schedule of  
Administrative and Investment Expenses  
Supporting Schedule of Payments to Consultants  
Supplemental Schedule of  
Cash Receipts and Cash Disbursements



**INDEPENDENT AUDITOR'S REPORT**

**FUND MANAGER  
STATE OF ARIZONA PUBLIC SAFETY  
PERSONNEL RETIREMENT SYSTEM  
PHOENIX, ARIZONA**

We have audited the accompanying statements of plan net assets of the **STATE OF ARIZONA ELECTED OFFICIALS' RETIREMENT PLAN** as of June 30, 2004 and 2003, and the related statements of changes in plan net assets for the years then ended, appearing on pages 18 and 19, respectively. 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 audits.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial status of **STATE OF ARIZONA ELECTED OFFICIALS' RETIREMENT PLAN** as of June 30, 2004 and 2003, and the results of its operations and the changes in plan net assets for the years then ended in conformity with generally accepted accounting principles.

Our audit was made for the purpose of forming an opinion on the financial statements taken as a whole. The accompanying supplementary information, Management's Discussion and Analysis, Schedule of Funding Progress and Schedule of Employer Contributions, are required by the Governmental Accounting Standards Board and are not a required part of the basic financial statements. Also, the accompanying additional information, contained on pages 28 to 30, are not required disclosures under Governmental Accounting Standards Board (GASB) statement No. 25 and are not a required part of the basic financial statements. The additional information schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly presented in all material respects in relation to the basic financial statements taken as a whole.

**BARROWS & SCHATZA, P.L.C.**

September 8, 2004

**STATE OF ARIZONA  
ELECTED OFFICIALS' RETIREMENT PLAN  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2004 AND 2003**

The Elected Officials' Retirement Plan's discussion and analysis is designed to assist the reader in focusing on significant financial issues, provide an overview of the Plan's financial activity, identify changes in the Plan's financial position and identify any issues or concerns.

Since the Management's Discussion and Analysis (MD&A) is designed to focus on the current year's activities, resulting changes and currently known facts, it is intended to be read in conjunction with the Transmittal Letter, Financial Statements and Notes to the Financial Statements.

### **Financial Highlights**

Key financial highlights for 2004 are as follows:

- The Plan had a total rate of return of 15.02% this year. Our stock portfolio had a return of 20.62% and our bond portfolio had a return of 4.06%. We continue to perform well against the market indexes on a long-term basis. The 15-year rate of return for the equity portfolio and fixed income portfolio were 10.74% and 8.48%, respectively, compared to the market index of 10.14% and 7.77%, for the same time period.
- As of the close of the fiscal year 2004, the Future Benefit Increase Reserve was \$27.7 million. This will enable another 4% increase for qualifying retirees or their survivors for the ninth consecutive year.
- Retirement benefits paid totaled \$23.8 million for the current fiscal year, compared to \$21.9 million for the previous year. This represents a 9% increase from the prior year. The majority of this increase is the result of increased health insurance benefits and cost of living adjustments (COLAs) paid to the retirees or their survivors of the Plan.

### **Using this Comprehensive Annual Financial Report (CAFR)**

This annual report consists of a series of financial statements and notes to those financial statements. These statements are organized so the reader can understand the Plan as an operating entity. The statements and notes then proceed to provide an increasingly detailed look at specific financial activities.

#### *The Statement of Net Assets and The Statement of Changes in Net Assets*

These statements include all assets and liabilities of the Plan using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies.

These two statements report the Plan's *net assets* and changes in them. Net assets are the difference between assets and liabilities, one way to measure the financial health, or *financial position*. Over time, *increases or decreases* in the net assets are one indicator of the *financial health* of the Plan.

#### *Notes to the Financial Statements*

The notes provide additional information that is essential to a full understanding of the data provided in the financial statements. The notes can be found immediately following *The Statement of Net Assets* and *The Statement of Changes in Net Assets*.

#### *Required Supplemental Information*

The basic financial statements are followed by a section of required supplemental information. This section includes the Schedule of Funding Progress and the Schedule of Employer Contributions.

The Schedule of Funding Progress shows the ratio of assets as a percentage of the actuarial accrued liability (funding ratio) and the ratio of unfunded actuarial accrued liabilities to member payroll. The trend in these two ratios provides information about the financial strength of the Plan. Improvement is indicated when the funding ratio is increasing and the ratio of the unfunded actuarial liability to payroll is decreasing.

The Schedule of Employer Contributions shows the Annual Required Contributions by fiscal year. The purpose of this schedule is to provide information about the required contributions of the employers and the extent to which those contributions are being made. The information should assist users in understanding the changes and possible reasons for the changes in the Plan's funding status over time.

*Other Supplemental Information*

The Other Supplemental Information Section includes the Supporting Schedule of Changes in Fund Balance Reserves, Supporting Schedule of Payments to Consultants, and a Supplemental Schedule of Cash Receipts and Cash Disbursements. The total columns and information provided on these schedules carry forward to the applicable financial statement.

**Financial Analysis**

*Net Assets*

The Plan's Net Assets totaled \$295.9 million (fair value) at the close of the fiscal year 2004, compared to \$269.6 million at the close of the previous fiscal year. This is a 10% increase from the prior year. The increase is the direct result of market conditions and investment earnings.

**ELECTED OFFICIALS' RETIREMENT PLAN  
NET ASSETS**

	<u>2004</u>	<u>2003</u>	<u>2002</u>
Current Assets	\$ 2,147,481	\$ 2,058,610	\$ 1,813,939
Investments	<u>344,303,491</u>	<u>351,174,831</u>	<u>347,522,134</u>
Total Assets	346,450,972	353,233,441	349,336,073
Other Liabilities	<u>50,518,879</u>	<u>83,622,844</u>	<u>83,769,361</u>
Total Liabilities	50,518,879	83,622,844	83,769,361
Total Net Assets	<u>\$ 295,932,093</u>	<u>\$ 269,610,597</u>	<u>\$ 265,566,712</u>

The largest portion of the Plan's Net Assets (69%) are invested in Equity Securities; 15% is invested in high quality Corporate Bonds; 5% is invested in Government Securities; 4% is invested in Cash or cash equivalents; and, the remaining 7% is invested in Other investments.

*Changes in Net Assets*

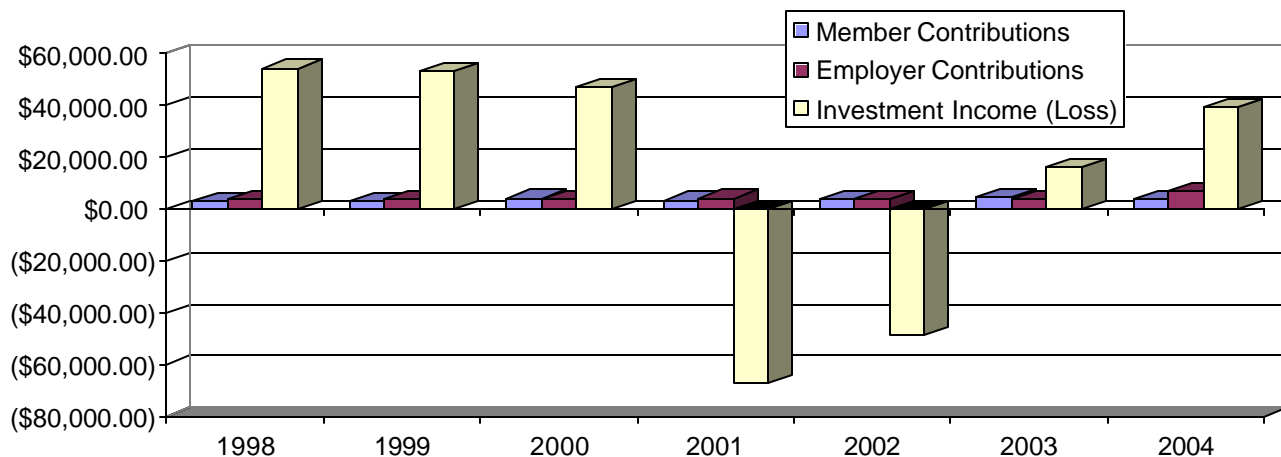
Market conditions and investment earnings have attributed to the increase in net assets, as noted earlier. Additional key elements of this increase are as follows:

**ELECTED OFFICIALS' RETIREMENT PLAN  
CHANGES IN NET ASSETS**

	<u>2004</u>	<u>2003</u>	<u>2002</u>
Additions:			
Contributions	\$ 10,966,971	\$ 8,111,564	\$ 7,252,336
Net Investment Income (Loss)	39,279,246	16,377,295	(48,685,393)
Transfers	<u>159,607</u>	<u>1,879,878</u>	<u>522,745</u>
Total Additions	50,405,824	26,368,737	(40,910,312)
Deductions:			
Pension Benefits	23,753,913	21,929,828	19,529,287
Terminated Members Refunds	117,255	115,349	(6,518)
Administrative Expenses	89,041	72,479	70,983
Transfers	<u>124,119</u>	<u>207,196</u>	<u>88,680</u>
Total Deductions	<u>24,084,328</u>	<u>22,324,852</u>	<u>19,682,432</u>
Change in Net Assets	26,321,496	4,043,885	(60,592,744)
Net Assets, Beginning of Year	<u>269,610,597</u>	<u>265,566,712</u>	<u>326,159,456</u>
Net Assets, End of Year	<u>\$ 295,932,093</u>	<u>\$ 269,610,597</u>	<u>\$ 265,566,712</u>

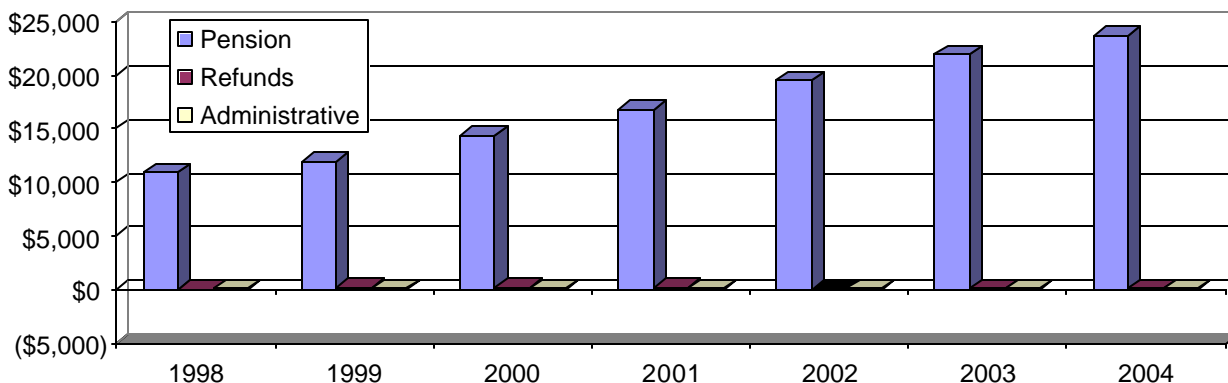
Total contributions and net investment income increased \$25.8 million from those of the prior year, due primarily to market conditions and investment earnings. Total contributions increased from the previous year by \$2.9 million. This increase is primarily due to an increase in employer contributions. Investment income increased from the previous year by \$22.9 million. The Investment Section of this report reviews the results of investment activity for 2004.

**Trend in Revenues – by Type**  
**(Member and Employer Contributions, Investment Income (Loss) (in 000's)**



The primary expenses of the Plan include the payment of pension benefits to members and beneficiaries, refunds of contributions to former members who terminated employment during the year and the cost of administering the Plan. Total deductions for fiscal year 2004 were \$24.1 million, an increase of 8% over the prior fiscal year. Pension benefits, to include health insurance subsidies and cost of living adjustments, increased by \$1.8 million or rose 8% from the previous year. Administrative expenses increased \$16,562 or rose 23% from the previous year.

**Trend in Expenses – by Type**  
**(Pension Benefits, Refunds and Administrative Expenses) (in 000's)**



### Economic Factors and Employer Rates

Revenues to the Plan are derived from three sources: member contributions, employer contributions and investment income. Member contribution rates are set by Statute and will remain unchanged at 7.00%. Employer contribution rates are determined annually by an actuarial valuation. The valuation encompasses the rate of investment earnings and the accumulation of substantial reserves to guarantee payment of promised benefits.

Investment gains and losses are smoothed over a seven-year period to stabilize the employer contribution rates from year to year. The Fund Manager, the five member governing board, changed the smoothing rate from a four-year period to seven as of July 1, 2004. Effective the same date, the Fund Manager also reduced the assumed earnings rate from 9.0% to 8.75%, with subsequent annual reductions of one-quarter of one percent each year thereafter until the rate is reduced to 8.0%. We believe this is a more realistic rate for our Plan to achieve. The Fund Manager did reserve the right to address these issues annually or on an as needed basis.

Employers continue to benefit greatly from our outstanding past and current investment performance. The average employer rate, as a percentage of gross payroll, is 14.54% for the 2004/05 fiscal year. While the employer rate has increased this past year, and may continue to do so for some time, the average contribution rate for our employers is still below the normal cost of the Plan of 21.12%.

Management believes, and actuarial studies concur, that the Plan is in a financial position to meet its current obligations. We believe the current financial position will continue to improve due to a prudent conservative long-term investment approach, cost controls and strategic planning.

### **Requests for Information**

This report is designed to provide a general overview of the Elected Officials' Retirement Plan's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to: Elected Officials' Retirement Plan, Operations Director, 3010 E. Camelback Road, Suite 200, Phoenix, AZ 85016.

**STATE OF ARIZONA  
ELECTED OFFICIALS' RETIREMENT PLAN  
STATEMENTS OF PLAN NET ASSETS  
AS OF JUNE 30, 2004 AND 2003**

<b>ASSETS</b>	<b>2004</b>	<b>2003</b>
<b>Receivables</b>		
Members' Contributions	\$ 34,207	\$ 49,410
Employers' Contributions	34,709	9,394
Court Fees	298,015	309,452
Interest and Dividends	1,780,550	1,690,354
<b>Total Receivables</b>	<b>2,147,481</b>	<b>2,058,610</b>
	<i>[Book Cost - For Reference Only]</i>	<i>[Book Cost - For Reference Only]</i>
<b>Investments at Fair Value (Note 2):</b>		
U.S. Government Securities	\$ 11,943,314	\$ 19,915,600
Corporate Bonds	36,747,562	44,225,048
Corporate Notes	7,995,170	10,995,235
Corporate Stocks	168,953,265	157,068,364
Other Investments	16,072,252	13,201,580
Money Market Account	2,448,495	328,342
Collateral Held in Trust for Securities on Loan	50,714,670	83,583,167
<b>Total Investments</b>	<b>\$ 294,874,728</b>	<b>\$ 329,317,336</b>
<b>Total Plan Assets</b>	<b>346,450,972</b>	<b>353,233,441</b>
Liability- Collateral Subject to Return to Borrower	(50,518,879)	(83,622,844)
<b>Net Assets Held in Trust for Pension Benefits</b>	<b>295,932,093</b>	<b>269,610,597</b>
<b>Net Asset Reserves</b>		
Refundable Members' Reserve	\$ 29,225,773	\$ 27,466,353
Employers' Reserve	238,988,069	223,552,344
Future Benefit Increase Reserve	27,718,251	18,591,900
<b>Total Net Asset Reserves</b>	<b>\$ 295,932,093</b>	<b>\$ 269,610,597</b>

A schedule of funding progress is presented immediately following the notes to the financial statements. The accompanying notes are an integral part of these financial statements.

**STATE OF ARIZONA  
ELECTED OFFICIALS' RETIREMENT PLAN  
STATEMENTS OF CHANGES IN PLAN NET ASSETS  
FOR THE YEARS ENDED JUNE 30, 2004 AND 2003**

	2004	2003
<b>Additions</b>		
Contributions		
Member Contributions (Notes 1 and 3)	\$ 3,990,199	\$ 4,355,934
Employer Contributions (Notes 1 and 3)	3,362,947	187,758
Court Fees	3,613,825	3,567,872
Total Contributions	10,966,971	8,111,564
Net (Depreciation) Appreciation		
in Fair Value of Investments (Note 2)	31,898,249	7,987,401
Interest	5,290,718	6,936,120
Dividends	2,016,209	1,363,830
Securities Lending Activities		
Securities Lending Income	\$ 878,508	\$ 1,258,693
Borrower Rebates	(709,788)	(1,072,975)
Agents Share of Income	(59,042)	(64,993)
Net Securities Lending Income (Note 2)	109,678	120,725
	39,314,854	16,408,076
Less Investment Expense	(35,608)	(30,781)
Net Investment Income	39,279,246	16,377,295
Amounts Transferred from Other State-Sponsored Pension Plans and Service Credits Purchased		
Total Additions	50,405,824	26,368,737
<b>Deductions</b>		
Pension and Insurance Benefits (Note 1)	23,753,913	21,929,828
Refunds to Terminated Members (Note 1)	117,255	115,349
Administrative Expenses	89,041	72,479
Amounts Transferred to Other State-Sponsored Pension Plans	124,119	207,196
Total Deductions	24,084,328	22,324,852
<b>Net (Decrease) Increase</b>	26,321,496	4,043,885
<b>Net Assets Held In Trust for Pension Benefits</b>		
<b>Beginning of Year - July 1</b>	269,610,597	265,566,712
<b>Ending of Year - June 30</b>	\$ 295,932,093	\$ 269,610,597

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

**STATE OF ARIZONA  
ELECTED OFFICIALS' RETIREMENT PLAN  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2004 AND 2003**

**NOTE 1 - PLAN DESCRIPTION**

**Organization**

The Elected Officials' Retirement Plan (EORP), a pension trust fund of the State of Arizona, is a cost-sharing multiple-employer public employee retirement plan established by Title 38, Chapter 5, Article 3 of the Arizona Revised Statutes, to provide benefits for elected officials and judges of certain state, county and local governments. The Fund Manager of the Public Safety Personnel Retirement System (PSPRS) administers the Plan.

The Fund Manager is a five-member board. Effective August 6, 1999, it became the Governor's responsibility to appoint all members of the Fund Manager, who serve a fixed three-year term. The Fund Manager is responsible for the investment of the Plan's assets, setting employer contribution rates in accordance with an actuarial study, adopting a budget, hiring personnel to administer the Plan, setting up records, setting up accounts for each member, paying benefits and the general protection and administration of the Plan.

The addition or deletion of eligible groups does not require the approval of the other participating employers. The Fund Manager approves new eligible groups for participation. The EORP is not reported as a component unit of any other organization.

The Fund Manager of the EORP is also responsible for the investment and general administration of two other statewide retirement plans—the Public Safety Personnel Retirement System and the Corrections Officer Retirement Plan. The investments and expenses of these plans are held and accounted for separately from those of the EORP. Since none of the plans have the authority to impose their will on any of the other plans, each plan is reported as its own stand-alone government.

At June 30, 2004 and 2003, the number of participating local government employer groups was:

	<u>2004</u>	<u>2003</u>
Cities and Towns	18	17
Counties	15	15
State Agencies	1	1
<b>Total Employers</b>	<b>34</b>	<b>33</b>

All state and county elected officials and judges are members of the Plan. Any city in the State of Arizona may elect to have its' elected officials covered by the EORP. At June 30, 2004 and 2003, statewide EORP membership consisted of:

	<u>2004</u>	<u>2003</u>
Retirees and beneficiaries currently receiving benefits	730	709
Terminated vested employees	90	186
Current employees		
Vested	469	419
Non-vested	298	332
<b>Total Members</b>	<b>1,587</b>	<b>1,646</b>

EORP provides retirement benefits as well as death and disability benefits. Generally, all benefits vest after five years of credited service. A Summary of Benefits and Plan provisions follows:

**SUMMARY OF BENEFITS**

**Purpose** (A.R.S. §38-810.02.B)

To provide a uniform, consistent and equitable statewide program for those eligible elected officials as defined by the Plan.

**Eligibility** (A.R.S. §38-801 and §38-804.A)

All elected officials are members of the Plan, except that an elected official who is subject to term limits may elect not to participate in the Plan for that specific term of office. An elected official means every elected official of this state, every

elected official of each county of this state, every justice of the supreme court, every judge of the court of appeals, every judge of the superior court, every full-time superior court commissioner, the administrator of the fund manager if the administrator is a natural person and each elected official of an incorporated city or town whose employer has executed a proper joinder agreement for coverage of its elected officials.

**Contributions** (A.R.S. §38-810.A)

Each member shall contribute 7.00% of salary to the Plan on a pre-tax basis. Each employer shall contribute the following:

For state and county employers, a designated portion of certain fees collected by the Clerks of the Superior Courts, Courts of Appeals and the Supreme Court plus additional contributions as determined by actuarial valuation to ensure proper funding for the Plan, but not less than 2% of salary. (A.R.S. §38-810)

For incorporated city or town employers, a level percent of salary as determined by actuarial valuation to ensure proper funding for the Plan but not less than 2% of salary. (A.R.S. §38-810)

**Credited Service** (A.R.S. §38-801, ¶ 3)

Means the number of whole and fractional years of a member's service as an elected official after the elected official's effective date of participation for which member and employer contributions are on deposit with the fund, plus credited service as an elected official transferred to the Plan from another retirement system or plan for public employees of this state, plus service as an elected official before the elected official's effective date of participation which is being funded pursuant to a joinder agreement or which was redeemed pursuant to §38-816.

**Average Yearly Salary** (A.R.S. §38-801, ¶ 2)

Means the highest average total salary over a period of three consecutive years within the last ten completed years of credited service which was paid to the elected official at the time of death or retirement or at the time the elected official ceases to hold office.

**Normal Retirement (No Reduction for Age)** (A.R.S. Sections 38-805.A and 38-808.B, ¶ 1)

An elected official may retire upon meeting one of the following age and service requirements:

1. Age sixty-five years, with five or more years of credited service.
2. Age sixty-two years, with ten or more years of credited service.
3. Twenty or more years of credited service regardless of age.

The amount of a normal retirement pension is four percent (4%) of the member's average yearly salary multiplied by the years of the member's credited service. Maximum is eighty percent (80%) of the member's average yearly salary.

**Early Retirement (Reduction for Age)** (A.R.S. §38-805.B and §38-808.B, ¶ 1)

An elected official who has five or more years of credited service may retire before meeting the age or service requirement for normal retirement. The amount of an early retirement pension is computed by determining the amount of accrued normal retirement pension and then reducing the amount determined by three-twelfths of one percent for each month early retirement precedes the member's normal retirement age as noted above. The maximum reduction is 30%.

**Vested Termination (Deferred Retirement)**

An elected official with five or more years of credited service retains entitlement to deferred pension, upon ceasing to be an elected official, if the elected official's accumulated contributions are left on deposit in the retirement plan. The amount of pension is determined in the same manner as a normal or early pension, whichever is applicable.

**Disability Retirement** (A.R.S. §38-806 and §38-808.B, ¶ 2)

The Fund Manager may retire an elected official who becomes incapacitated for the purpose of performing the duties of the member's office based on a certification by a board of physicians that the member is mentally or physically incapacitated and qualifies for a disability retirement. The amount of pension is eighty percent (80%) of member's average yearly salary if the elected official has ten (10) or more years of credited service or forty percent (40%) of the member's average yearly salary if the elected official has five (5) but less than ten (10) years of credited service or twenty percent (20%) of the member's average yearly salary if the elected official has fewer than five (5) years of credited service.

**Survivor Pension** (A.R.S. §38-807)

Payable to the eligible beneficiary of a retired member or an active or inactive member who dies before retirement. An eligible beneficiary is a surviving spouse who was married to the retired or active or inactive member for at least two years; or, if there is no eligible spouse, then to a minor child. A surviving spouse's pension terminates upon death. A surviving child's pension terminates upon marriage, adoption or death or upon attainment of age 18 years, unless the child is a full-

time student under the age of 23 or the child is under a disability which began before the child attained the age of 23. The amount of a surviving spouse's pension is three-fourths of the pension being paid the deceased retired elected official or three-fourths of the pension which the member would have received assuming he had retired under a disability. The amount of a surviving child's pension is an equal share of the amount of a surviving spouse's pension.

#### **Death Benefit (A.R.S. §38-807.E)**

If a member dies and no pension is payable on account of the member's death, the deceased member's accumulated contributions shall be paid to the beneficiary named by the member.

#### **Termination Refund (A.R.S. §38-804.B)**

Upon termination of employment for any reason other than death or retirement, a member shall, within twenty days after filing an application with the Fund Manager, receive a lump-sum payment, equal to the accumulated contributions, as of the date of termination, less any benefits paid or any amounts owed to the Plan. A member forfeits all membership rights and credited service in the Plan upon receipt of refund of contributions. If the member has 5 or more years of credited service upon termination they shall receive an additional amount according to the schedule below:

- 5 to 5.9—25% of member contributions deducted from the member's salary pursuant to ARS 38-810.A
- 6 to 6.9—40% of member contributions deducted from the member's salary pursuant to ARS 38-810.A
- 7 to 7.9—55% of member contributions deducted from the member's salary pursuant to ARS 38-810.A
- 8 to 8.9—70% of member contributions deducted from the member's salary pursuant to ARS 38-810.A
- 9 to 9.9—85% of member contributions deducted from the member's salary pursuant to ARS 38-810.A
- 10 or more—100% of member contributions deducted from the member's salary pursuant to ARS 38-810.A plus interest at 3% if left on deposit after 30 days.

#### **Reemployment And Repayment Of Contributions (A.R.S. §38-804.F)**

An elected official who terminates membership in the Plan and takes a refund of his contributions and is later re-employed as an elected official may restore prior service credits, if the elected official signs a written election within ninety days after re-employment to reimburse the Plan within one year after the date of re-employment. The reimbursement will equal the amount previously withdrawn plus interest from the date of withdrawal to the date of repayment at the rate of 9% compounded annually.

#### **Reemployment After Retirement (A.R.S. §38-804.G and §38-804.H)**

If a retired member subsequently becomes an elected official, contributions shall not be made to the Plan nor shall additional years of credited service accrue. Additionally, if a retired member, by reason of election or reelection, becomes an elected official of the same office from which the member retired within a time period that is less than one full term for that office, the member shall not receive a pension until the member ceases to hold the same office.

#### **Redemption Of Prior Service (A.R.S. §38-816)**

Active members who had previous service in this state as an elected official with an employer now covered by the Plan before the effective date of participation and who received a refund of accumulated contributions from the applicable retirement system upon termination or who was not covered by a retirement system or plan during the elected official's prior elected official service may elect to redeem any part of the prior service by paying into the Plan the amounts required in A.R.S. §38-816.B. (Use Form E2)

#### **Purchase Of Prior Active Military Service (A.R.S. §38-820)**

A member may purchase up to four years of prior active military time even if the member will receive a military pension<sup>1</sup>. The member must pay the actuarial present value of the increase of credited service resulting from this purchase. (Use Form 18)

#### **Transfer Between State Retirement Systems (A.R.S. §38-921 and §38-922)**

Members of any of the four Arizona state retirement systems or plans who have credited service under another Arizona state retirement system or plan may transfer or redeem the credited service to their current Arizona state retirement system or plan by paying or transferring the full actuarial present value of the credited service into their current Arizona retirement system or plan with approval of the Fund Manager or retirement boards involved. A reduced credited service amount may be transferred based on the transfer of the actuarial present value of the credited service under the prior Arizona state system or plan. (Use Form U-2)

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<sup>1</sup> Pursuant to *Cantwell v. County of San Mateo*, 631 F.2d 631, 637 (9<sup>th</sup> Cir. 1980), cert. denied, 450 U.S. 998 (1981), the Plan must allow its participants to use up to 48 months of their prior active duty military service on account with the federal government to purchase a corresponding period of credited service with the Plan, notwithstanding any prohibition in § 38-820(A)(3) to the contrary.

**Cola Benefit Increases** (A.R.S. §38-818)

Effective July 1 of each year, each retired member or survivor of a retired member may be entitled to a permanent benefit increase in their base benefit. The maximum amount of the increase is four percent (4%) of the EORP benefit being received on the preceding June 30 and is contingent upon sufficient excess investment earnings for the fund. To be eligible for the increase the member or survivor must be age 55 or older on July 1 of the current year and was receiving benefits on or before July 31 of the previous year. A member or survivor is also eligible if they were receiving benefits on or before July 31 of the two previous years regardless of age.

**Health Insurance Premium Subsidy** (A.R.S. §38-817)

For EORP retirees who have elected group health and accident insurance coverage provided and administered by the state or another EORP employer and who had 8 or more years of credited service, the EORP will pay up to the following amounts. Those retired members who had between 5 and 8 years of credited service will receive a proportionate share of the subsidies:

Single		Family		
Not Medicare Eligible	Medicare Eligible	All Not Medicare Eligible	All Medicare Eligible	One with Medicare
\$150.00	\$100.00	\$260.00	\$170.00	\$215.00

Until June 30, 2005, a retiree or survivor who lives in a non-service area receives up to the following amounts in addition to the subsidy listed above after they have paid an out-of-pocket expense as set forth below. A non-service area is defined as an area in this state where the state retiree group insurance program or employer’s retiree health insurance program does not provide or administer a health maintenance organization (HMO) for which the member or survivor is eligible. The subsidy consists of up to the following amounts:

Single		Family		
Not Medicare Eligible	Medicare Eligible	All Not Medicare Eligible	All Medicare Eligible	One with Medicare
\$300.00	\$170.00	\$600.00	\$350.00	\$470.00
<u>after</u> \$125.00 paid out-of-pocket	<u>after</u> \$100.00 paid out-of-pocket	<u>after</u> \$425.00 paid out-of-pocket	<u>after</u> \$200.00 paid out-of-pocket	<u>after</u> \$400.00 paid out-of-pocket

**State Taxation Of EORP Benefits** (A.R.S. §38-811 and §43-1022)

Effective tax year commencing January 1, 1989, all EORP retirement benefits in excess of \$2500 annually will be subject to Arizona state tax.

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND PLAN ASSET MATTERS**

**Basis of Accounting**

EORP financial statements are prepared using the accrual basis of accounting. Member and employer contributions are recognized as revenues when they are due, pursuant to formal commitments, as well as statutory or contractual requirements. Benefits are recognized when due and payable in accordance with the terms of the Plan. Refunds are due and payable by state law within 20 days of receipt of a written application for a refund. Refunds are recorded when paid. Furniture and equipment purchases, which are not material in amount, are expensed in the year of purchase. Investment income net of administrative and investment expenses is allocated to each employer group based on the average relative fund size for each employer group for that year.

The Plan implemented Statement No. 25 of the Governmental Accounting Standards Board (GASB) for Fiscal Year End 1997. As such, the Plan reports assets on a Fair Value Basis. Certain cost information is provided for reference only and to comply with state law.

The Plan implemented GASB Statement No. 34 for the Fiscal Year End 2002. The purpose of Statement No. 34 is to enhance the understandability and usefulness of state and local government financial reports. To accomplish this, Statement No. 34 requires supplemental information titled Management’s Discussion and Analysis (MDA) which precedes the basic financial statements. The MDA will provide an analytical overview of the government’s financial activities.

Other GASB Statements were required to be implemented in conjunction with GASB Statement No. 34. Therefore, the Plan has also implemented the following GASB Statements in the current fiscal year: Statement No. 37 – Basic Financial Statements – and MDA for State and Local Governments-Omnibus; and, Statement No. 38 – Certain Financial Statement

## Note Disclosures.

By state statute, this Plan is required to provide information in the financial statements used to calculate Net Effective Yield. Net Effective Yield includes only realized gains and losses. The Net Realized Gain (Loss) used in this calculation totaled \$4,091,514 for FYE 2004 and \$(36,640,705) for FYE 2003.

### Investments

EORP investments are reported at Fair Value. Fair Values are determined as follows: Short-term investments are reported at Fair Value, which approximates Cost. Equity securities are valued at the last reported sales price. Fixed-income securities are valued using the last reported sales price or the estimated fair market value as determined by one of the world's largest and most prominent fixed-income broker/dealers. Investments that do not have an established market are reported at estimated fair value. Investment income is recognized as earned.

Statutes enacted by the Arizona Legislature authorize the Fund Manager to make investments in accordance with the "Prudent Man" rule. The Fund Manager is not limited to so-called "Legal Investments for Trustees." (A.R.S. §38-848.D) In making every investment, the Fund Manager shall exercise the judgment and care under the circumstances then prevailing which men of ordinary prudence, discretion and intelligence exercise in the management of their own affairs, not in regard to speculation but in regard to the permanent disposition of their funds, considering the probable income from their funds as well as the probable safety of their capital, provided:

- 1) That not more than seventy percent of the pension fund shall be invested at any given time in corporate stocks, based on cost value of such stocks irrespective of capital appreciation.
- 2) That not more than five percent of the pension fund shall be invested in securities issued by any one institution, agency or corporation, other than securities issued as direct obligations of and fully guaranteed by the United States Government.
- 3) That not more than five percent of the voting stock of any one corporation shall be owned.
- 4) That corporate stocks eligible for purchase shall be restricted to stocks that, except for bank stocks and insurance stocks, are either:
  - a) Listed or approved on issuance for listing on an exchange registered under the Securities Exchange Act of 1934, as amended (15 United States Code §78a through §7811);
  - b) Designated or approved on notice of issuance for designation on the national market system of a national securities association registered under the Securities Exchange Act of 1934, as amended (15 United States Code §78a through §7811);
  - c) Listed or approved on issuance for listing on an exchange registered under the laws of this [Arizona] state or any other state; or
  - d) Listed or approved on issuance for listing on an exchange of a foreign country with which the United States is maintaining diplomatic relations at the time of purchase, except that no more than ten percent of the pension fund shall be invested in foreign equity securities on these exchanges, based on the cost value of the stocks irrespective of capital appreciation.

A.R.S. §38-848.D

The Plan's investment portfolio is in compliance with state law.

Statement No. 3 of the GASB requires government entities to categorize investments for the purpose of giving an indication of the level of risk assumed by the entity at year-end. Category 1 includes investments that are insured or registered or for which securities are held by the Plan or its agent in the name of the Plan holds securities. Category 2 includes uninsured and unregistered investments for which the securities are held by the counterparty, or by its trust department or agent but not in the Plan's name.

All investments of the Plan (other than those held by broker/dealers under the security loan program and those investments categorized as "Other Investments") meet the criteria of Category 1. "Other Investments", which primarily consists of loans and real estate investments, are not considered securities for purposes of credit risk classification. Substantially all investments are held in the name of the Plan by its custodian bank.

Some of our real estate partners in the investments categorized as "other investments" have obtained third party financing, which is secured by real property. The Plan has entered into Capital Call Agreements with regards to these third party financing arrangements. The Capital Call Agreements, in the unlikely event of default, limit the Plan to the amount of the defaulted payment or the original terms of the investment approved by the Fund Manager, whichever is less.

## **Money Market Account**

The money market account is on deposit with an Arizona bank. These deposits are insured by Federal depository insurance. The money market account is subject to the general depository laws of the State of Arizona that require deposits to be either insured by the Federal Deposit Insurance Corporation or collateralized by certain securities including U.S. Government obligations and first mortgages.

## **Securities Lending Income**

The Plan is party to a securities lending agreement with a bank. The bank, on behalf of the Plan, enters into agreements with brokers to loan securities and have the same securities returned at a later date. The loans are fully collateralized primarily by cash. Collateral is marked-to-market on a daily basis. Non-cash collateral can be sold only upon borrower default. The Plan requires collateral of at least 102% of the fair value of the loaned U.S. Government or corporate security. Securities on loan are carried at fair value. As of June 30, 2004 and 2003 the fair value of securities on loan was \$49,257,208 (consisting of Stocks-\$36,509,571, Corporate Bonds-\$1,593,052 and Treasuries and Agencies-\$11,154,585) and \$80,941,835 (consisting of Stocks-\$49,785,152, Corporate Bonds-\$10,792,189 and Treasuries and Agencies-\$20,364,493), respectively. The Plan receives a negotiated fee for its loan activities and is indemnified for broker default by the securities lending agent. The Plan participates in a collateral investment pool. All security loans may be terminated on demand by either the lender or the borrower. The total cash collateral investments received for unmatched loans (any loan for which the cash collateral has not been invested for a specific maturity) will have a maximum effective duration of 233 days. And, at least 20% of total collateral investments shall be invested on an overnight basis. All matched loans shall have matched collateral investments. At June 30, 2004, the weighted average maturity was 11 days for all investments purchased with cash collateral from unmatched loans. The Plan has no credit risk because the amounts owed to the borrowers exceed the amounts the borrowers owe to the Plan. Under this program, the Plan has not experienced any defaults or losses on these loans.

### **NOTE 3 - CONTRIBUTIONS REQUIRED AND CONTRIBUTIONS MADE**

The Retirement Plan's funding policy provides for periodic employer contributions at actuarially determined rates that, expressed as percentages of annual covered payroll, are designed to accumulate sufficient assets to pay benefits when due. The normal cost and actuarial accrued liability are determined using an entry age actuarial funding method. Unfunded actuarial accrued liabilities and assets in excess of actuarial accrued liabilities are being amortized as a level percent of payroll over a rolling twenty (20) year period. Beginning with fiscal year 2001-2002, the employer contribution rate shall not be less than two percent of salary.

During the year ended June 30, 2004, contributions totaling \$10,966,971 (\$6,976,772 employer and \$3,990,199 member) were made in accordance with contribution requirements determined by an actuarial valuation of the Plan as of June 30, 2002. The employer contributions consisted of approximately \$12,911,144 for normal cost less (\$5,934,372) for amortization of the assets in excess of the actuarial accrued liability in aggregate. Employer contributions represented 13.49% of covered payroll. [22.65% for normal costs and (9.16)% for amortization of assets in excess of the actuarial accrued liability in aggregate.] Member contributions represented 7.00% of covered payroll and are attributable to normal costs.

During the year ended June 30, 2003, contributions totaling \$8,111,564 (\$3,755,630 employer and \$4,355,934 member) were made in accordance with contribution requirements determined by an actuarial valuation of the Plan as of June 30, 2001. The employer contributions consisted of approximately \$13,067,802 for normal cost less (\$9,312,172) for amortization of the assets in excess of the actuarial accrued liability in aggregate. Employer contributions represented 7.55% of covered payroll. [21.00% for normal costs and (13.45)% for amortization of assets in excess of the actuarial accrued liability in aggregate.] Member contributions represented 7.00% of covered payroll and are attributable to normal costs.

### **NOTE 4 – REQUIRED SCHEDULES**

The Schedule of Funding Progress and the Schedule of Employer Contributions are presented immediately following the notes to the financial statements.

**STATE OF ARIZONA  
ELECTED OFFICIALS' RETIREMENT PLAN  
REQUIRED SUPPLEMENTARY INFORMATION  
SCHEDULE OF FUNDING PROGRESS**

While not any one or two numeric indices can fully describe the financial condition of a retirement plan, the ratio of unfunded actuarial accrued liabilities to active member payroll is significant. The ratio of unfunded actuarial accrued liabilities to member payroll is a relative index of condition where inflation is present in both items. Observation of the ratio over a period of years gives an indication of funding achievement. The smaller the index, the stronger the plan's condition. Shown below is a Comparative Schedule (\$ in thousands) since legislation was enacted in 1987, setting up a 40-year amortization schedule. Effective June 30, 1997, Unfunded (Excess) Actuarial Accrued Liabilities are being amortized on a level percent method over a rolling twenty (20) year period.

<b>Actuarial Valuation Date</b>	<b>Actuarial Value of Assets (a)<sup>2</sup></b>	<b>Actuarial Accrued Liability (AAL) at Entry Age (b)</b>	<b>Unfunded (Excess) AAL (UAAL) (b-a)</b>	<b>Funded Ratio (a/b)</b>	<b>Covered Payroll (c)</b>	<b>UAAL as a Percentage of Covered Payroll ((b-a)/c)</b>
6-30-82	\$ 13,162	\$ 18,357	\$ 5,195	71.7%	\$ 7,444	69.8%
6-30-83	\$ 15,350	\$ 19,013	\$ 3,663	80.7%	\$ 8,087	45.3%
6-30-84	\$ 17,694	\$ 19,694	\$ 2,000	89.8%	\$ 8,113	24.7%
6-30-85 <sup>*3</sup>	\$ 49,900	\$ 48,969	\$ (931)	101.9%	\$ 17,691	-5.3%
6-30-86	\$ 58,757	\$ 53,427	\$ (5,330)	110.0%	\$ 17,842	-29.9%
6-30-87 <sup>1</sup>	\$ 65,818	\$ 66,642	\$ 824	98.8%	\$ 20,409	4.0%
6-30-88 <sup>1</sup>	\$ 73,993	\$ 77,908	\$ 3,915	95.0%	\$ 21,444	18.3%
6-30-89 <sup>*1</sup>	\$ 84,258	\$ 90,951	\$ 6,693	92.6%	\$ 24,605	27.2%
6-30-90 <sup>*1</sup>	\$ 92,421	\$ 100,433	\$ 8,012	92.0%	\$ 25,776	31.1%
6-30-91 <sup>*1</sup>	\$ 103,570	\$ 109,650	\$ 6,080	94.5%	\$ 27,838	21.8%
6-30-92 <sup>*1</sup>	\$ 115,869	\$ 115,098	\$ (771)	100.7%	\$ 27,777	-2.8%
6-30-93 <sup>*</sup>	\$ 127,984	\$ 127,478	\$ (506)	100.4%	\$ 29,708	-1.7%
6-30-94 <sup>1</sup>	\$ 140,145	\$ 138,322	\$ (1,823)	101.3%	\$ 29,633	-6.2%
6-30-95 <sup>1</sup>	\$ 159,111	\$ 149,366	\$ (9,745)	106.5%	\$ 30,324	-32.1%
6-30-96 <sup>*</sup>	\$ 181,754	\$ 158,126	\$ (23,628)	114.9%	\$ 29,967	-78.8%
6-30-97 <sup>*</sup>	\$ 214,035	\$ 169,593	\$ (44,442)	126.2%	\$ 33,896	-131.1%
6-30-98	\$ 241,884	\$ 199,662	\$ (42,222)	121.1%	\$ 40,441	-104.4%
6-30-99	\$ 283,337	\$ 227,100	\$ (56,237)	124.8%	\$ 43,087	-130.5%
6-30-00	\$ 329,777	\$ 253,478	\$ (76,299)	130.1%	\$ 45,382	-168.1%
6-30-01	\$ 355,768	\$ 250,987	\$ (104,781)	141.7%	\$ 48,669	-215.3%
6-30-02	\$ 351,349	\$ 279,947	\$ (71,402)	125.5%	\$ 48,729	-146.5%
6-30-03	\$ 353,463	\$ 297,891	\$ (55,572)	118.7%	\$ 49,351	-112.6%
6-30-04	\$ 343,376	\$ 328,921	\$ (14,455)	104.4%	\$ 50,624	-28.6%

\* One-time cost-of-living adjustments for retired members and survivors, effective July 1 were included in this valuation. Future increases for retirees and their survivors are dependent upon excess earnings created by the System.

1. Reflects significant Plan amendments or assumption changes.
2. Excludes the amount held in reserve for future benefit increases. Beginning 6-30-95, includes an amount for partial recognition of the difference between market value and book value of Plan assets amortized over a four-year period.

AAL is calculated using the entry-age normal method. Significant assumptions used in determining AAL include: (a) a rate of return on the investment of present and future assets of 8.75% per year compounded annually; (b) projected salary increases of 7.00% per year compounded annually, attributable to an assumed inflation rate of 5.50% and other across-the-board factors of 1.5%; and (c) additional projected salary increases ranging from 0.0% to 3.0% per year, depending on age, attributable to seniority/merit.

**STATE OF ARIZONA  
ELECTED OFFICIALS' RETIREMENT PLAN  
REQUIRED SUPPLEMENTARY INFORMATION  
SCHEDULE OF EMPLOYER CONTRIBUTIONS**

<b>Fiscal Year Ended June 30</b>	<b>Employer Contributions</b>	
	<b>Annual Required Contributions</b>	<b>Percentage Contributed</b>
1990	\$3,048,190	100.0%
1991	\$4,141,666	100.0%
1992	\$4,830,326	100.0%
1993	\$4,941,470	100.0%
1994	\$5,555,890	100.0%
1995	\$5,224,545	100.0%
1996	\$4,886,479	100.0%
1997	\$4,934,939	100.0%
1998	\$3,668,144	100.0%
1999	\$3,941,018	100.0%
2000	\$4,126,694	100.0%
2001	\$4,155,874	100.0%
2002	\$3,656,604	100.0%
2003	\$3,755,630	100.0%
2004	\$6,976,772	100.0%

**STATE OF ARIZONA  
ELECTED OFFICIALS' RETIREMENT PLAN  
SUPPORTING SCHEDULE OF CHANGES IN FUND BALANCE RESERVES  
FOR THE YEARS ENDED JUNE 30, 2004 AND 2003**

	<b>Refundable Members' Reserve</b>	<b>Employers' Reserve</b>	<b>Future Benefit Increase Reserve</b>
<b>Balance - June 30, 2002</b>	\$ 25,853,543	\$ 216,313,081	\$ 23,400,088
<b>Distribution of Revenues and Expenses</b>			
Members' Contributions	4,355,934		
Employers' Contributions		3,755,630	
Earnings (Loss) on Investments Net of Investment Expenses		16,377,295	
Pension and Insurance Benefits		(21,929,828)	
Refunds to Terminated Members	(58,440)	(56,909)	
Administrative Expenses		(72,479)	
<b>Distribution of Transfers</b>			
Excess Investment Earnings to be used for Future Benefit Increases		-	-
Earnings (Loss) on Excess Investment Earnings Account Assets		(1,567,806)	1,567,806
Amount Utilized by Benefit Increases Granted		6,375,994	(6,375,994)
Net Transfers from Other State-Sponsored Pension Plans	553,185	1,119,497	
Inter-System Transfers -- Member Account Balances Transferred to Employers' Reserve due to Retirement	(3,237,869)	3,237,869	
<b>Balance - June 30, 2003</b>	<b>\$ 27,466,353</b>	<b>\$ 223,552,344</b>	<b>\$ 18,591,900</b>
<b>Distribution of Revenues and Expenses</b>			
Members' Contributions	3,990,199		
Employers' Contributions		6,976,772	
Earnings (Loss) on Investments Net of Investment Expenses		39,279,246	
Pension and Insurance Benefits		(23,753,913)	
Refunds to Terminated Members	(116,908)	(347)	
Administrative Expenses		(89,041)	
<b>Distribution of Transfers</b>			
Excess Investment Earnings to be used for Future Benefit Increases		(12,292,877)	12,292,877
Earnings (Loss) on Excess Investment Earnings Account Assets		(2,791,946)	2,791,946
Amount Utilized by Benefit Increases Granted		5,958,472	(5,958,472)
Net Transfers from Other State-Sponsored Pension Plans	6,190	29,298	
Inter-System Transfers -- Member Account Balances Transferred to Employers' Reserve due to Retirement	(2,120,061)	2,120,061	
<b>Balance - June 30, 2004</b>	<b>\$ 29,225,773</b>	<b>\$ 238,988,069</b>	<b>\$ 27,718,251</b>

**STATE OF ARIZONA  
ELECTED OFFICIALS' RETIREMENT PLAN  
SUPPORTING SCHEDULE OF ADMINISTRATIVE AND INVESTMENT EXPENSES  
SUPPORTING SCHEDULE OF PAYMENTS TO CONSULTANTS  
FOR THE YEAR ENDED JUNE 30, 2004**

	<b>Administrative</b>	<b>Investment</b>	<b>Total</b>
Accounting and Auditing Services	\$ 4,850	\$ -	\$ 4,850
Actuarial Services	\$ 16,730	-	16,730
Computer Equipment	\$ 3,121	1,369	4,490
Contractual Services	\$ 1,470	645	2,115
DC ER Match	\$ 1,772	1,166	1,166
Educational Expenses	\$ 770	3,235	4,005
Fund Manager Initiatives	\$ -	631	631
Furniture and Equipment	\$ 432	189	621
Occupancy Expenses	\$ 1,830	268	2,098
Office Supplies	\$ 759	234	993
Payroll Taxes and Fringe Benefits	\$ 8,627	4,909	15,308
Postage Expenses	\$ 2,659	288	2,947
Printing, Publications and Subscriptions	\$ 7,946	186	8,132
Professional Services	\$ 4,007	389	4,396
Salaries and Wages	\$ 33,244	21,876	55,120
Telephone Expenses	\$ 746	173	919
Travel Expenses	\$ 78	50	128
	<b>\$ 89,041</b>	<b>\$ 35,608</b>	<b>\$ 124,649</b>

**Consultants**

	<b>Fees Paid</b>
Standard & Poor's Securities, Inc. - Investment Counsel	\$ (1)
Rodwan & Nichols - Consulting Actuaries	16,730
Barrows & Schatza, P.L.C. - Auditors	4,850
Lieberman, Dodge, Gerding, Kothe & Anderson Ltd. - Legal Counsel	3,046
	<b>\$ 24,626</b>

(1) This service was provided to the Plan without charge by Standard & Poor's Securities, Inc.  
The value of their services is approximately \$7,500.00

**STATE OF ARIZONA  
ELECTED OFFICIALS' RETIREMENT PLAN  
SUPPLEMENTAL SCHEDULE OF  
CASH RECEIPTS AND CASH DISBURSEMENTS  
FOR THE YEARS ENDED JUNE 30, 2004 AND 2003**

	<u>2004</u>	<u>2003</u>
<b>RECEIPTS</b>		
Members' Contributions	\$ 4,005,402	\$ 4,391,042
Employers' Contributions	3,337,632	182,531
Court Fees	3,625,262	3,547,033
Interest	5,233,542	6,774,753
Dividends	1,981,033	1,324,930
Securities Lending Income	111,834	127,992
Amounts Transferred from Other		
State-Sponsored Pension Plans	159,607	1,879,878
Maturities and Sales of		
U.S. Government Securities	7,972,286	14,253,972
Corporate Bonds	26,008,097	9,215,368
Corporate Notes	369,642,019	495,497,590
Other Investments	2,857,647	3,839,805
Common Stock	38,441,680	41,568,665
Net Decrease in Money Market Funds	-	-
<b>Total Receipts</b>	<b>463,376,041</b>	<b>582,603,559</b>
<b>DISBURSEMENTS</b>		
Pension Benefits	23,753,913	21,929,828
Refunds to Terminated Members	117,255	115,349
Investment and Administrative Expenses	124,649	103,260
Amounts Transferred to Other		
State-Sponsored Pension Plans	124,119	207,196
Acquisitions of:		
U.S. Government Securities	-	-
Corporate Bonds	16,420,638	10,322,491
Corporate Notes	366,641,955	495,998,020
Other Investments	6,297,691	9,429,156
Common Stock	47,775,668	44,396,761
Net Increase in Money Market Fund	2,120,153	101,498
<b>Total Disbursements</b>	<b>463,376,041</b>	<b>582,603,559</b>
<b>DECREASE IN CASH</b>	-	-
<b>BEGINNING CASH BALANCE - July 1</b>	-	-
<b>ENDING CASH BALANCE - June 30</b>	<b>\$ -</b>	<b>\$ -</b>

# INVESTMENT SECTION

ELECTED OFFICIALS' RETIREMENT PLAN  
TWENTY-THIRD COMPREHENSIVE ANNUAL FINANCIAL REPORT  
FOR THE FISCAL YEAR ENDED  
JUNE 30, 2004

Fund Objectives

Investment Performance Data

Supporting Schedule of Commissions Paid to Brokers

Summary of Changes in Investment Portfolio

Detailed List of Investments Acquired

Detailed List of Sales and Redemption of Investments

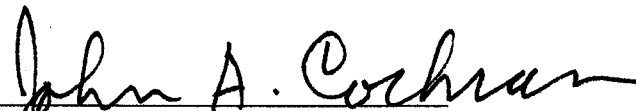
Detailed List of Investments Owned

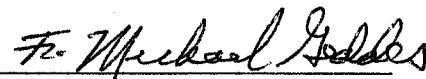


FUND OBJECTIVES

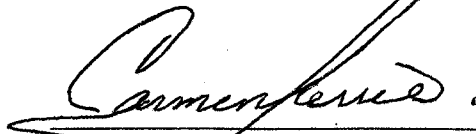
1. The intent of the Public Safety Personnel Retirement System, the Elected Officials' Retirement Plan and the Corrections Officer Retirement Plan (hereinafter referred to as the Plan) is to provide the Plan participants benefits as defined in Title 38, chapter 5, articles 3, 4 and 6 of the Arizona Revised Statutes.
2. The Fund Manager and the Administrator will discharge their duties with respect to the Plan solely in the interest of the Plan participants, beneficiaries and employer sponsors. In making every investment, the Fund Manager shall exercise the judgment and care under the circumstances then prevailing which men of ordinary prudence, discretion and intelligence exercise in the management of their own affairs, not in regard to speculation but in regard to the permanent disposition of their funds, considering the probable income from their funds as well as the probable safety of their capital, provided these investments are made in conformity with all applicable laws.
3. The intention of the Plan is to maintain the benefit level as stated in Title 38, chapter 5, articles 3, 4 and 6 of the Arizona Revised Statutes and as amended from time to time by the Arizona State Legislature. In order to maintain this benefit level the Plan will annually adjust the employer contribution rate based on the recommendations made by the annual actuarial valuations. The Plan's funding goal is for the Plan assets to be equal to Plan liabilities within any twenty-year period.
4. It is the intent of the Plan to level off or reduce the employer contribution rate to the Plan as well as to provide the opportunity for increased benefits for retirees as the legislature may from time to time enact, through the systematic growth of the investments of the fund.
5. The primary objective of the investment program of the Plan is a reasonable, long-range total rate of return. Inherent in this goal is the preservation and enhancement of capital through effective management of the portfolio in order to take advantage of attractive opportunities various market sectors have to offer.


Adopted this 17<sup>th</sup> day of June, 1998, by the Fund Manager.

  
John A. Cochran, Ph.D., Chairman

  
F. Michael Geddes, Member

  
Donald L. De Ment, Member

  
Carmen Torrie, Member

  
Tony West, Member

Added 11-57-92  
Revised 11-55-97  
Revised 06-45-98

September 9, 2004

The Fund Manager  
Elected Officials' Retirement Plan  
of the State of Arizona  
3010 E. Camelback Rd, Ste 200  
Phoenix, Arizona 85016

Dear Sirs:

The attached charts and tables depict the investment performance for the Elected Officials' Retirement Plan of the State of Arizona. The performance results shown are based entirely on data provided by the plan's staff and does not constitute an audit on Standard & Poor's part. We note that Standard & Poor's has assumed that all data that has been supplied by the staff is accurate and complete and that Standard & Poor's has not taken steps to verify same. We also note that the performance was calculated under the assumption that cash inflows and outflows take place uniformly throughout each month.

The performance data include realized and unrealized capital gains and losses, as well as interest and dividend income earned by the fund. We believe these computations were performed in accordance with accepted AIMR procedures.

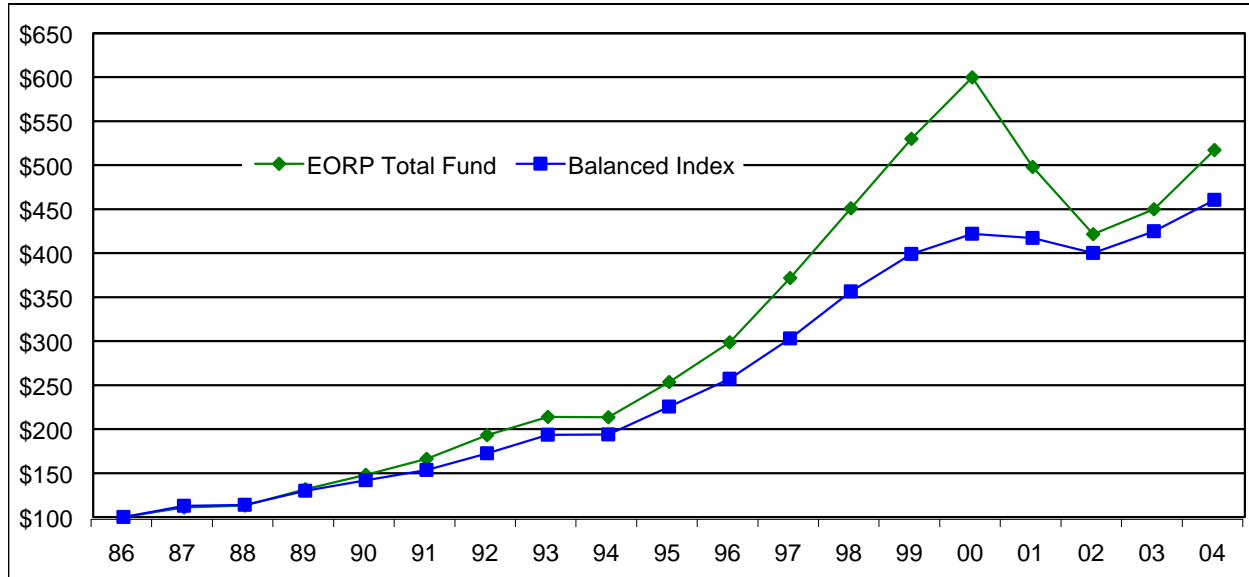
Based on the foregoing, during the past fiscal year, the stock portfolio underperformed the NYSE Index and outperformed the S&P 500 Index, while the bond portfolio outperformed the Lehman Government/Credit Index. The overall fund outperformed a custom benchmark, using bond and stock indices weighted in a fixed proportion. The overall fund has attained a rate of return over the past eighteen years (since inception) that compares favorably with this custom index.

Sincerely,

**DAVID J. BRAVERMAN**

David J. Braverman  
Vice President

**Investment Performance Data  
Cumulative Return - Total Fund  
Elected Officials' Retirement Plan**



FYE	Fair Value	Contribution	Total Return	Balanced Index*
06-30-04	\$ 293,784,612	\$ (13,082,229)	15.02%	8.38%
06-30-03	\$ 267,551,987	\$ (12,608,863)	6.69%	6.18%
06-30-02	\$ 263,752,773	\$ (11,539,231)	-15.36%	-4.13%
06-30-01	\$ 323,948,245	\$ (8,619,538)	-16.96%	-1.07%
06-30-00	\$ 399,600,916	\$ (3,551,579)	13.20%	5.75%
06-30-99	\$ 356,162,525	\$ (5,775,793)	17.51%	11.94%
06-30-98	\$ 308,491,389	\$ (3,624,820)	21.26%	17.66%
06-30-97	\$ 257,721,510	\$ (2,741,757)	24.59%	17.87%
06-30-96	\$ 209,379,157	\$ (2,779,807)	17.70%	13.98%
06-30-95	\$ 180,418,272	\$ (1,649,899)	18.78%	16.30%
06-30-94	\$ 153,422,862	\$ 54,156	-0.19%	0.25%
06-30-93	\$ 153,665,647	\$ (794,301)	10.70%	12.26%
06-30-92	\$ 139,529,010	\$ 844,693	16.29%	12.12%
06-30-91	\$ 119,192,732	\$ 625,797	12.31%	8.32%
06-30-90	\$ 105,498,890	\$ 420,839	12.26%	9.21%
06-30-89	\$ 93,578,548	\$ 1,095,348	16.61%	13.98%
06-30-88	\$ 79,125,721	\$ 1,018,730	1.80%	1.19%
06-30-87	\$ 76,655,143	\$ 554,007	11.01%	12.61%
06-30-86	\$ 68,508,067			

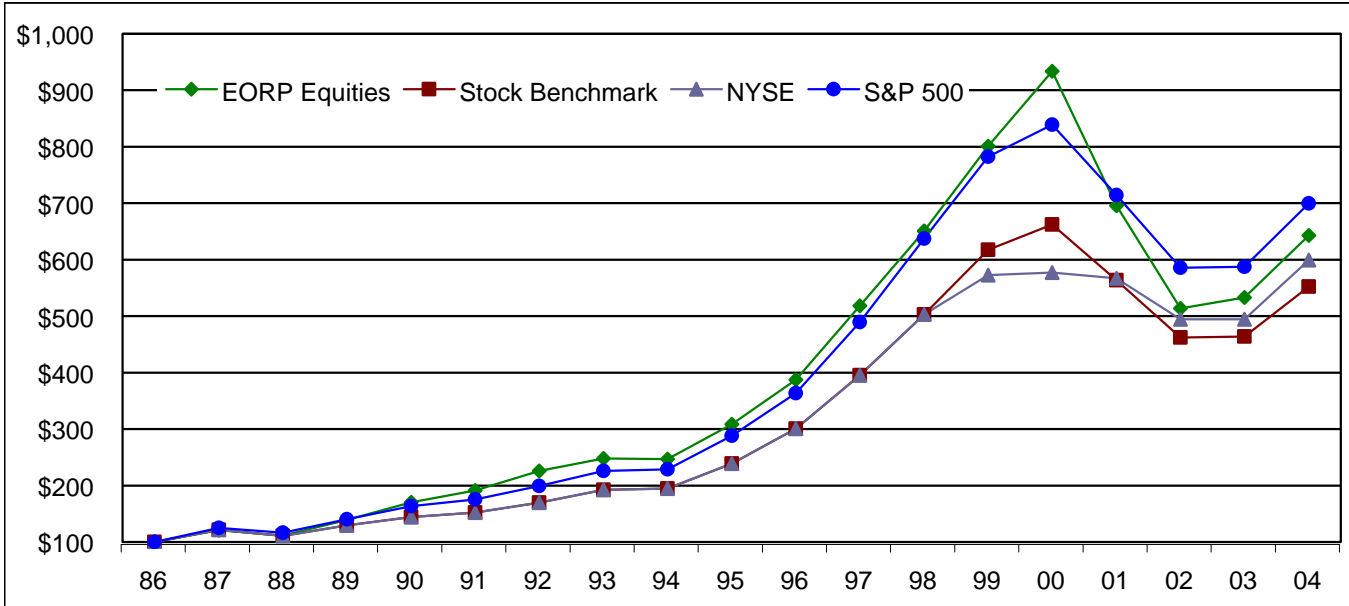
<b>Annualized Returns</b>	<b>3-year</b>	1.27%	3.33%
	<b>5-year</b>	-0.48%	2.91%
	<b>10-year</b>	9.25%	9.04%
	<b>15-year</b>	9.55%	8.80%

\*The Balanced Index is calculated using the following formula: 45% Stock Benchmark + 45% Lehman Government/Credit + 10% 91 Day T-bill.

Our investment universe is the New York Stock Exchange (NYSE) prior to July 21, 1997. Prior to FYE June 30, 1998, the Fund's stock benchmark was the NYSE Composite. S&P 500 is the stock benchmark for each FYE thereafter. The Lehman Government/Credit bond index includes more than 5,000 publicly traded bond issues of \$25 million or more rated Baa or better for a total market value of more than \$2 trillion.

Prior to 1990, the weightings in each asset class were calculated using the fiscal year-end market values. Since 1990, the asset class weightings have been calculated using the average weightings of the quarter's beginning and ending market values.

**Investment Performance Data  
Cumulative Return - Domestic Equities  
Elected Officials' Retirement Plan**

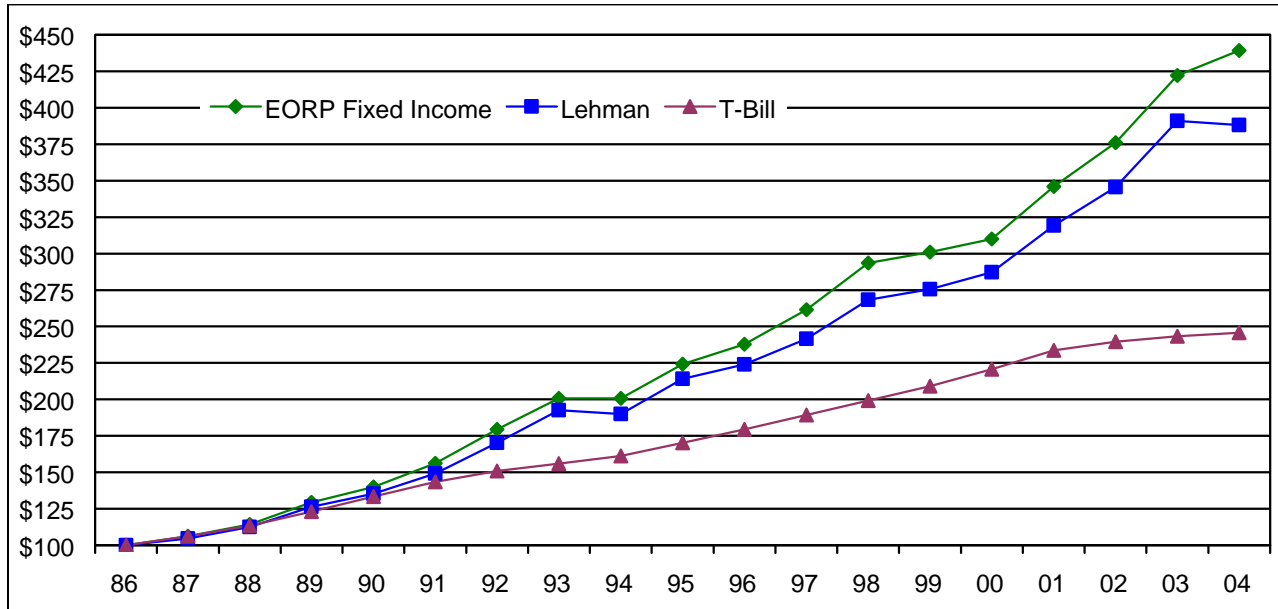


FYE	Fair Value	Contribution	Total Return	Stock* Benchmark	NYSE Index	S&P 500
06-30-04	\$ 212,442,692	\$ 7,317,779	20.62%	19.11%	21.28%	19.11%
06-30-03	\$ 168,928,360	\$ 1,403,555	3.77%	0.25%	-0.05%	0.25%
06-30-02	\$ 162,637,827	\$ (1,087,377)	-26.20%	-17.99%	-12.80%	-17.99%
06-30-01	\$ 221,189,751	\$ (11,629,031)	-25.47%	-14.83%	-1.77%	-14.83%
06-30-00	\$ 310,309,992	\$ (2,522,218)	16.58%	7.25%	0.84%	7.25%
06-30-99	\$ 268,364,567	\$ (2,803,445)	23.05%	22.76%	13.86%	22.76%
06-30-98	\$ 219,970,996	\$ 3,973,823	25.61%	27.29%	27.29%	30.16%
06-30-97	\$ 172,058,639	\$ (1,803,251)	33.72%	31.51%	31.51%	34.71%
06-30-96	\$ 130,754,134	\$ 2,472,037	25.69%	25.91%	25.91%	26.00%
06-30-95	\$ 100,984,922	\$ (4,284,646)	24.88%	22.40%	22.40%	26.06%
06-30-94	\$ 84,956,830	\$ 858,704	-0.41%	1.24%	1.24%	1.23%
06-30-93	\$ 84,488,875	\$ 9,068,166	9.90%	13.32%	13.32%	13.52%
06-30-92	\$ 68,365,688	\$ 6,044,772	18.05%	11.59%	11.59%	13.45%
06-30-91	\$ 52,650,675	\$ 9,161,349	12.20%	5.50%	5.50%	7.39%
06-30-90	\$ 37,844,300	\$ 5,083,288	22.43%	11.25%	11.25%	16.44%
06-30-89	\$ 26,506,185	\$ (3,016,405)	24.94%	16.81%	16.81%	20.53%
06-30-88	\$ 24,034,290	\$ (805,321)	-8.16%	-8.57%	-8.57%	-6.92%
06-30-87	\$ 27,185,325	\$ 4,220,210	21.22%	21.46%	21.46%	25.08%
06-30-86	\$ 18,284,450					
<b>Annualized Returns</b>	<b>3-year</b>		-2.61%	-0.70%	1.87%	-0.70%
	<b>5-year</b>		-4.30%	-2.21%	0.92%	-2.21%
	<b>10-year</b>		10.04%	10.97%	11.89%	11.83%
	<b>15-year</b>		10.74%	10.14%	10.74%	11.30%

\*Our investment universe is the New York Stock Exchange (NYSE) prior to July 21, 1997. Prior to FYE June 30, 1998, the Fund's stock benchmark was the NYSE Composite. S&P 500 is the stock benchmark for each FYE thereafter.

Prior to 1990, the weightings in each asset class were calculated using the fiscal year-end market values. Since 1990, the asset class weightings have been calculated using the average weightings of the quarter's beginning and ending market values.

**Investment Performance Data  
Cumulative Return - Fixed Income  
Elected Officials' Retirement Plan**



FYE	Fair Value	Contribution	Total Return	Lehman*	91-Day T-Bill
06-30-04	\$ 81,341,920	\$ (20,400,009)	4.06%	-0.71%	0.98%
06-30-03	\$ 98,623,628	\$ (14,012,418)	12.22%	13.14%	1.53%
06-30-02	\$ 101,114,946	\$ (10,451,854)	8.73%	8.24%	2.57%
06-30-01	\$ 102,758,495	\$ 3,009,493	11.58%	11.14%	5.89%
06-30-00	\$ 89,290,924	\$ (1,029,361)	2.97%	4.29%	5.53%
06-30-99	\$ 87,797,958	\$ (2,972,348)	2.56%	2.69%	4.90%
06-30-98	\$ 88,520,393	\$ (7,598,643)	12.29%	11.08%	5.28%
06-30-97	\$ 85,666,634	\$ (938,506)	9.98%	7.76%	5.43%
06-30-96	\$ 78,625,023	\$ (5,251,844)	6.02%	4.65%	5.52%
06-30-95	\$ 79,433,350	\$ 2,634,747	11.67%	12.75%	5.52%
06-30-94	\$ 68,466,032	\$ (804,548)	0.08%	-1.45%	3.37%
06-30-93	\$ 69,176,772	\$ (9,862,467)	11.75%	13.15%	3.37%
06-30-92	\$ 71,163,322	\$ (5,200,079)	15.01%	14.17%	5.19%
06-30-91	\$ 66,542,057	\$ (8,535,552)	11.55%	10.21%	7.55%
06-30-90	\$ 67,654,590	\$ (4,662,449)	8.06%	7.11%	8.50%
06-30-89	\$ 67,072,363	\$ 4,111,753	13.40%	12.33%	8.47%
06-30-88	\$ 55,091,431	\$ 1,824,079	7.61%	7.47%	6.75%
06-30-87	\$ 49,469,818	\$ (3,666,202)	6.12%	4.68%	6.17%
06-30-86	\$ 50,223,617				

Annualized Returns	3-year	5-year	10-year	15-year
	8.28%	7.84%	8.14%	8.48%
	6.73%	7.10%	7.41%	7.77%
	1.69%	3.28%	4.30%	4.72%

\*The Lehman Government/Credit bond index includes more than 5,000 publicly traded bond issues of \$25 million or more and rated Baa or better for a total market value of more than \$2 trillion.

Prior to 1990, the weightings in each asset class were calculated using the fiscal year-end market values. Since 1990, the asset class weightings have been calculated using the average weightings of the quarter's beginning and ending market values.

Our Fixed Income is comprised of all Bonds, Notes, Other Investments and Money Market securities.

**STATE OF ARIZONA  
ELECTED OFFICIALS' RETIREMENT PLAN  
SUPPORTING SCHEDULE OF COMMISSIONS PAID TO BROKERS  
FISCAL YEAR ENDED JUNE 30, 2004**

<b>Broker</b>	<b>Number of Shares Traded</b>	<b>Average Commission</b>	<b>Commissions</b>
Greenberg Financial Group	238,800	0.049	\$ 11,720.00
Investors Capital Corporation	112,800	0.050	\$ 5,640.00
ISI Group, Inc.	223,090	0.049	\$ 10,912.50
Merrill Lynch	228,550	0.049	\$ 11,247.50
Morgan Stanley Dean Witter	168,698	0.048	\$ 8,160.90
Salomon Smith Barney (Phoenix)	147,000	0.049	\$ 7,220.00
Salomon Smith Barney (Scottsdale)	171,850	0.049	\$ 8,402.50
Samco Financial Services, Inc.	140,500	0.050	\$ 7,025.00
Standard & Poor's Securities	462,750	0.050	\$ 22,967.50
U.S. Financial Investments, Inc.	190,900	0.050	\$ 9,545.00
UBS   Paine Webber	195,200	0.048	\$ 9,287.00
Wells Fargo Securities	106,500	0.050	\$ 5,325.00
<b>Total Commissions</b>	<b>2,386,638</b>	<b>0.049</b>	<b>\$ 117,452.90</b>

The Plan typically pays \$ .05 per share traded plus SEC charges on sale transactions. Over the Counter stocks are typically traded net of commissions. The firms with an average commission of less than \$.05 have traded Over the Counter stocks net of commissions for the Plan.

**STATE OF ARIZONA  
ELECTED OFFICIALS' RETIREMENT PLAN  
SUMMARY OF CHANGES IN INVESTMENT PORTFOLIO  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004**

Description	Percent at Fair Value	Balance June 30, 2003		Acquisitions	Maturities and Sales	(Premium) Discount	Balance June 30, 2004		Percent at Fair Value
		Fair Value	Book Value				Fair Value	Book Value	
U.S. Treasury Obligations	2.0%	7,451,880.00	4,968,121.91	-	-	2,377.23	6,746,880.00	4,970,499.14	2.0%
Federal Agency Obligations	6.1%	16,220,085.86	14,947,478.30	-	7,974,663.36	-	7,625,858.19	6,972,814.94	2.9%
<b>Total U.S. Government Securities</b>	<b>8.1%</b>	<b>23,671,965.86</b>	<b>19,915,600.21</b>	<b>-</b>	<b>7,974,663.36</b>	<b>2,377.23</b>	<b>14,372,738.19</b>	<b>11,943,314.08</b>	<b>4.9%</b>
Corporate Bonds	18.0%	50,426,504.79	44,225,048.46	16,420,638.06	23,860,648.99	(37,475.14)	40,453,264.21	36,747,562.39	15.1%
<b>Total Bond Portfolio</b>	<b>26.1%</b>	<b>74,098,470.65</b>	<b>64,140,648.67</b>	<b>16,420,638.06</b>	<b>31,835,312.35</b>	<b>(35,097.91)</b>	<b>54,826,002.40</b>	<b>48,690,876.47</b>	<b>20.0%</b>
Corporate Notes	4.4%	10,995,234.83	10,995,234.83	366,641,954.56	369,642,019.11	-	7,995,170.28	7,995,170.28	3.3%
Common Stock	64.0%	168,928,359.66	157,068,363.61	47,775,668.56	35,890,767.54	-	212,442,692.06	168,953,264.63	69.1%
Other Investments	5.4%	13,201,580.19	13,201,580.19	6,297,691.28	3,427,019.30	-	16,072,252.17	16,072,252.17	6.6%
Money Market Account	0.1%	328,341.86	328,341.86	2,120,153.49	-	-	2,448,495.35	2,448,495.35	1.0%
<b>Total Portfolio</b>	<b>100.0%</b>	<b>267,551,987.19</b>	<b>245,734,169.16</b>	<b>439,256,105.95</b>	<b>440,795,118.30</b>	<b>(35,097.91)</b>	<b>293,784,612.26</b>	<b>244,160,058.90</b>	<b>100.0%</b>

**STATE OF ARIZONA  
ELECTED OFFICIALS' RETIREMENT PLAN  
INVESTMENTS ACQUIRED  
JULY 1, 2003 THROUGH JUNE 30, 2004**

**BONDS ACQUIRED**

Security	Coupon	Maturity	Purchase Price	Par Value	Principal	(Premium) Discount	Accrued Interest	Total Amount	Book Yield
<b>CORPORATE BONDS</b>									
BOEING CORPORATION	8.7500	08/15/2021	123.69000	1,500,000.00	1,855,350.00	(355,350.00)	60,520.83	1,915,870.83	7.07%
CBO HOLDINGS III LTD.	7.0000	02/10/2038	105.75000	935,000.00	988,762.50	(53,762.50)	9,272.08	998,034.58	6.62%
CONSECO FINANCE	8.0600	05/01/2031	88.00000	1,000,000.00	880,000.00	120,000.00	6,045.00	886,045.00	9.16%
CONTINENTAL AIRLINES INC	7.2560	03/15/2020	105.00000	200,551.65	210,579.23	(10,027.58)	5,174.05	215,753.28	6.91%
CONTINENTAL AIRLINES INC	7.9180	05/01/2010	104.20000	161,000.00	167,762.00	(6,762.00)	2,514.18	170,276.18	7.60%
CONTINENTAL AIRLINES INC	6.3200	11/01/2008	101.25000	229,000.00	231,862.50	(2,862.50)	5,387.10	237,249.60	6.24%
CONTINENTAL AIRLINES INC	6.5030	06/15/2011	99.90000	398,000.00	397,602.00	398.00	71.89	397,673.89	6.51%
EASTMAN HILL FUNDING LTD	1.9050	09/29/2031	52.50000	1,500,000.00	787,500.00	712,500.00	4,921.25	792,421.25	3.63%
FEDERAL HOME LOAN BANK FNMA	6.5000	08/28/2018	100.00000	1,000,000.00	1,000,000.00	0.00	0.00	1,000,000.00	6.50%
	5.0000	12/30/2010	100.00000	1,000,000.00	1,000,000.00	0.00	0.00	1,000,000.00	5.00%
HUTCHISON WHAMPOA FINANCIAL	7.4500	08/01/2017	103.75000	750,000.00	778,125.00	(28,125.00)	23,126.04	801,251.04	7.18%
HUTCHISON WHAMPOA FINANCIAL	7.4500	08/01/2017	108.65400	2,000,000.00	2,173,080.00	(173,080.00)	70,361.11	2,243,441.11	6.86%
HUTCHISON WHAMPOA INTL LTD	7.4500	11/24/2033	93.82500	100,000.00	93,825.00	6,175.00	3,455.97	97,280.97	7.94%
NORTHWEST AIRLINES 1999-2A	7.5750	03/01/2019	104.12500	882,669.70	919,079.83	(36,410.13)	19,687.21	938,767.04	7.27%
NORTHWEST AIRLINES INC	6.8410	04/01/2011	100.00000	400,000.00	400,000.00	0.00	12,465.82	412,465.82	6.84%
OAKWOOD MORTGAGE INVESTORS INC	5.1900	09/15/2019	97.00000	298,000.00	289,060.00	8,940.00	558.50	289,618.50	5.35%
PREFERRED CPO	8.9460	07/26/2030	104.50000	2,000,000.00	2,090,000.00	(90,000.00)	15,407.00	2,105,407.00	8.56%
SIGNATURE 6 LIMITED	7.2760	09/27/2016	90.10000	300,000.00	270,300.00	29,700.00	4,486.87	274,786.87	8.08%
WYETH	6.4500	02/01/2024	95.35000	1,500,000.00	1,430,250.00	69,750.00	51,600.00	1,481,850.00	6.76%
ZAIS INVESTMENT GRADE LTD	2.4806	12/10/2015	61.00000	750,000.00	457,500.00	292,500.00	7,131.81	464,631.81	4.07%
<b>TOTAL CORPORATE BONDS</b>				<b>16,904,221.35</b>	<b>16,420,638.06</b>	<b>483,583.29</b>	<b>302,186.71</b>	<b>16,722,824.77</b>	<b>6.86%</b>
<b>TOTAL BONDS PURCHASED</b>				<b>16,904,221.35</b>	<b>16,420,638.06</b>	<b>483,583.29</b>	<b>302,186.71</b>	<b>16,722,824.77</b>	<b>6.86%</b>

**STATE OF ARIZONA  
ELECTED OFFICIALS' RETIREMENT PLAN  
INVESTMENTS ACQUIRED  
JULY 1, 2003 THROUGH JUNE 30, 2004  
SHORT TERM INVESTMENTS MATURED**

Page 1 of 2

Description	Cost	Amount of Interest	Maturity Value
ABSC CAPITAL	2,499,635.42	364.58	2,500,000.00
AIR LIQUIDE US	2,998,016.25	1,983.75	3,000,000.00
ALTAMIRA FUNDING	2,999,495.00	505.00	3,000,000.00
APRECO INC	2,998,148.33	1,851.67	3,000,000.00
ASSET ONE SECURITIZATION	11,994,695.96	5,304.04	12,000,000.00
AUTOBAHN FUNDING CORP	13,996,143.62	3,856.38	14,000,000.00
BARTON CAPITAL CORP	6,746,400.42	3,599.58	6,750,000.00
BEETHOVEN FUNDING CORPORATION	4,996,091.25	3,908.75	5,000,000.00
BRYANT PARK FUNDING LLC	4,995,283.60	4,716.40	5,000,000.00
CARGILL ASIA PACIFIC LTD	999,890.00	110.00	1,000,000.00
CBA (DELAWARE) FINANCE INC	999,970.56	29.44	1,000,000.00
CDC COMMERCIAL PAPER PROGRAM	6,998,367.92	1,632.08	7,000,000.00
CHARTA CORP	1,999,551.11	448.89	2,000,000.00
CHECK POINT CHARLIE INC	6,993,213.06	6,786.94	7,000,000.00
CLIPPER RECEIVABLES	5,247,485.90	2,514.10	5,250,000.00
CONCORD MINUTEMAN CAPITAL	999,967.22	32.78	1,000,000.00
CONSOLIDATED EDISON COMPANY	999,885.56	114.44	1,000,000.00
COUNTRYWIDE HOME LOANS	499,915.00	85.00	500,000.00
CROWN POINT CAPITAL	5,373,826.29	1,173.71	5,375,000.00
DEXIA DELAWARE LLC	1,399,246.33	753.67	1,400,000.00
EAGLE FUNDING CAPITAL	10,998,091.38	1,908.62	11,000,000.00
EMINENT FUNDING	1,499,958.33	41.67	1,500,000.00
EUROHYPO AG	999,757.50	242.50	1,000,000.00
EXXON PROJECT	1,249,764.24	235.76	1,250,000.00
FALCON ASSET SECURITIZATION	2,999,583.33	416.67	3,000,000.00
GALLEON CAPITAL	16,499,535.97	464.03	16,500,000.00
GENERAL DYNAMICS CORP	999,972.78	27.22	1,000,000.00
GENERAL ELECTRIC COMPANY	1,748,999.58	1,000.42	1,750,000.00
GIRO MULTI-FUNDING US CORP	4,999,489.02	510.98	5,000,000.00
GREYHAWK FUNDING LLC	3,498,364.16	1,635.84	3,500,000.00
HUDSON AMERICAN REALTY	1,249,256.94	743.06	1,250,000.00
INTERNATIONAL LEASE FINANCE	5,397,416.74	2,583.26	5,400,000.00
LEXINGTON PARKER CAPITAL CORP	2,499,745.00	255.00	2,500,000.00
LIBERTY STREET FUNDING	9,999,495.55	504.45	10,000,000.00
LONG LANE MASTER TRUST	1,498,763.33	1,236.67	1,500,000.00
MACQUARIE BANK LTD	1,999,300.00	700.00	2,000,000.00
MARKET STREET FUNDING	8,292,910.39	7,089.61	8,300,000.00
MARSH & MCLENNAN	1,999,836.67	163.33	2,000,000.00
MAXIMILIAN CAPITAL CORP	999,075.00	925.00	1,000,000.00
MERRILL LYNCH & CO, INC.	4,499,232.30	767.70	4,500,000.00
MONTAUK FUNDING CORP	4,749,302.50	697.50	4,750,000.00
NATIONAL AUSTRALIA FUNDING	4,997,425.00	2,575.00	5,000,000.00
NATIONWIDE BUILDING SOCIETY	1,998,765.56	1,234.44	2,000,000.00
NEPTUNE FUNDING	6,247,020.13	2,979.87	6,250,000.00
NESTLE CAPITAL CORP	1,999,949.44	50.56	2,000,000.00
NORDDEUTSCHE LANDESBANK	10,370,822.16	4,177.84	10,375,000.00
ORANGE & ROCKLAND UTILITY	1,999,826.67	173.33	2,000,000.00
PARADIGM FUNDING	11,147,786.23	2,213.77	11,150,000.00
PREFERRED RECEIVABLES FUNDING CORP	1,498,767.50	1,232.50	1,500,000.00
PUBLIC SQUARE FUNDING II	5,499,836.94	163.06	5,500,000.00
REGENCY MARKETS NO. 1	4,997,510.83	2,489.17	5,000,000.00
SILVER TOWER U.S.	1,998,292.22	1,707.78	2,000,000.00

**STATE OF ARIZONA**  
**ELECTED OFFICIALS' RETIREMENT PLAN**  
**INVESTMENTS ACQUIRED**  
**JULY 1, 2003 THROUGH JUNE 30, 2004**  
**SHORT TERM INVESTMENTS MATURED**

Page 2 of 2

Description	Cost	Amount of Interest	Maturity Value
SPARC LLC	2,498,916.67	1,083.33	2,500,000.00
STARBIRD FUNDING CORPORATION	32,496,536.86	3,463.14	32,500,000.00
STEAMBOAT FUNDING	14,498,169.44	1,830.56	14,500,000.00
SUNBELT FUNDING CORP	2,999,101.11	898.89	3,000,000.00
SYDNEY CAPITAL CORP	3,247,659.38	2,340.62	3,250,000.00
THREE CROWNS FUNDING	3,999,699.03	300.97	4,000,000.00
THUNDER BAY FUNDING	1,499,750.00	250.00	1,500,000.00
TOTAL CAPITAL SA	3,999,836.38	163.62	4,000,000.00
TRANSAMERICA ASSET FUNDING	2,498,411.11	1,588.89	2,500,000.00
UBS AMERICAS INC	10,999,143.19	856.81	11,000,000.00
UBS FINANCE (DELAWARE)	34,244,475.96	5,524.04	34,250,000.00
USAA CAPITAL CORP	1,999,775.56	224.44	2,000,000.00
VICTORIA REC	1,499,837.50	162.50	1,500,000.00
WELLS FARGO & COMPANY	999,422.50	577.50	1,000,000.00
WORLD OMNI VEHICLE LEASING	17,743,747.23	6,252.77	17,750,000.00
YORKTOWN CAPITAL LLC	6,248,455.00	1,545.00	6,250,000.00
<b>TOTAL SHORT TERM INVESTMENTS MATURED</b>	<b>369,642,019.11</b>	<b>107,980.89</b>	<b>369,750,000.00</b>

**STATE OF ARIZONA  
ELECTED OFFICIALS' RETIREMENT PLAN  
INVESTMENTS ACQUIRED  
JULY 1, 2003 THROUGH JUNE 30, 2004**

**COMMON STOCK ACQUIRED**

Page 1 of 3

<b>Company</b>	<b>No. Shares</b>	<b>Dividend Rate</b>	<b>Annual Income</b>	<b>Book Yield</b>	<b>Average Cost</b>	<b>Book Cost</b>
ABERCROMBIE & FITCH	12,000	0.50	6,000.00	1.74%	28.77	345,205.85
ABM INDUSTRIES INC	5,200	0.40	2,080.00	2.16%	18.48	96,107.62
ADVANCED ENERGY INDUSTRIES	3,700	-	-	0.00%	22.25	82,325.00
AETNA INC	6,500	0.04	260.00	0.05%	80.74	524,806.75
AFFILIATED COMPUTER SERVICES	6,000	-	-	0.00%	48.73	292,357.80
ALBERTO CULVER CO	600	0.40	240.00	0.69%	58.17	34,902.42
ALLSTATE CORPORATION	8,000	1.12	8,960.00	3.15%	35.57	284,526.40
ALLTEL CORPORATION	12,000	1.48	17,760.00	3.21%	46.08	552,974.40
AMERICA WEST AIRLINES	65,000	-	-	0.00%	13.95	906,950.76
AMERICAN ITALIAN PASTA	2,100	-	-	0.00%	40.04	84,093.66
AMSOUTH BANCORPORATION	11,900	0.96	11,424.00	4.44%	21.60	257,036.88
ANALOG DEVICES, INC.	3,000	0.24	720.00	0.58%	41.34	124,030.20
ANHEUSER BUSCH COMPANY	27,000	0.88	23,760.00	1.70%	51.91	1,401,585.80
ANSYS INC.	2,300	-	-	0.00%	35.40	81,421.08
APOLLO GROUP, INC.	17,000	-	-	0.00%	66.11	1,123,866.12
ARGOSY GAMING CO	3,100	-	-	0.00%	27.55	85,395.73
AT&T CORP	19,000	0.95	18,050.00	4.83%	19.68	373,891.50
AUTOMATIC DATA PROCESSING	24,000	0.56	13,440.00	1.46%	38.31	919,383.52
AXCELIS TECHNOLOGIES	7,500	-	-	0.00%	11.33	84,969.85
BANK OF AMERICA CORPORATION	11,500	3.60	41,400.00	4.46%	80.64	927,343.25
BENCHMARK ELECTRONICS	2,400	-	-	0.00%	38.39	92,126.40
BLACK BOX CORPORATION	1,700	0.20	340.00	0.45%	44.08	74,939.57
BOEING CO.	20,000	0.80	16,000.00	2.19%	36.52	730,425.00
CAPITAL AUTOMOTIVE REIT	2,500	1.68	4,200.00	5.81%	28.92	72,297.10
CARDINAL HEALTH INC.	17,000	0.12	2,040.00	0.20%	58.79	999,380.51
CAREER EDUCATION CORP.	21,000	-	-	0.00%	46.15	969,170.94
CARPENTER TECHNOLOGY	2,400	0.33	792.00	0.98%	33.84	81,210.84
CATERPILLAR INC	7,200	1.64	11,808.00	1.96%	83.77	603,153.72
C-COR.net	7,500	-	-	0.00%	11.10	83,220.32
CLARCOR INC	2,200	0.50	1,100.00	1.16%	43.04	94,687.37
COHERENT, INC.	6,400	-	-	0.00%	27.73	177,498.14
COLONIAL PROPERTY TRUST	2,000	2.68	5,360.00	7.42%	36.14	72,270.20
COMMONWEALTH TELEPHONE ENTERPRISES	2,300	-	-	0.00%	39.50	90,850.00
CONSTELLATION BRANDS	40,000	-	-	0.00%	31.04	1,241,757.66
COOPER COMPANIES	1,300	0.06	78.00	0.11%	53.53	69,594.40
CORINTHIAN COLLEGES, INC	19,600	-	-	0.00%	57.56	1,128,222.62
CYMER INC	2,100	-	-	0.00%	39.79	83,554.80
D. R. HORTON	42,000	0.32	13,440.00	0.85%	37.66	1,581,866.22
DIAMOND OFFSHORE DRILLING	29,000	0.25	7,250.00	1.08%	23.17	671,791.94
DSP GROUP	3,100	-	-	0.00%	27.15	84,170.96
E.I. du PONT de NEMOURS AND CO	7,200	1.40	10,080.00	3.21%	43.55	313,560.00
EASTMAN KODAK COMPANY	11,500	0.50	5,750.00	1.67%	29.89	343,728.10
EGL INC	3,400	-	-	0.00%	23.50	79,900.00
EXXON MOBIL CORP	8,000	1.08	8,640.00	2.54%	42.47	339,730.90
FAIR ISAAC & CO	3,000	0.08	240.00	0.14%	57.39	172,176.00
FEI COMPANY	3,300	-	-	0.00%	27.39	90,375.73
FILENET CORPORATION	3,400	-	-	0.00%	27.29	92,791.44
FLEXTRONICS INTERNATIONAL	122,000	-	-	0.00%	14.60	1,781,558.27
FORTUNE BRANDS, INC.	9,500	1.20	11,400.00	1.90%	63.23	600,680.31
FORWARD AIR CORPORATION	2,500	-	-	0.00%	30.45	76,120.32
FRANKLIN RESOURCES INC	21,000	0.34	7,140.00	0.66%	51.52	1,081,923.45
GENERAL MOTORS CORPORATION	7,000	2.00	14,000.00	3.73%	53.60	375,199.30
GROUP 1 AUTOMOTIVE	2,400	-	-	0.00%	35.21	84,507.12
GUITAR CENTER INC	1,900	-	-	0.00%	38.13	72,454.03

**STATE OF ARIZONA  
ELECTED OFFICIALS' RETIREMENT PLAN  
INVESTMENTS ACQUIRED  
JULY 1, 2003 THROUGH JUNE 30, 2004**

**COMMON STOCK ACQUIRED**

Page 2 of 3

<b>Company</b>	<b>No. Shares</b>	<b>Dividend Rate</b>	<b>Annual Income</b>	<b>Book Yield</b>	<b>Average Cost</b>	<b>Book Cost</b>
HAEMONETICS CORP.	2,500	-	-	0.00%	20.40	50,987.50
HARMAN INTERNATIONAL INDUSTRIES	1,200	0.05	60.00	0.06%	79.45	95,336.40
HARTFORD FINANCIAL SERVICES GROUP	14,600	1.12	16,352.00	2.07%	54.09	789,652.76
HIBBETT SPORTING GOODS	1,000	-	-	0.00%	26.00	25,997.00
HILB, ROGAL & HAMILTON	700	-	-	0.00%	35.55	24,883.48
HOLOGIC INC	5,500	-	-	0.00%	15.40	84,708.90
HONEYWELL INTERNATIONAL INC	9,700	0.75	7,275.00	2.09%	35.82	347,489.89
HOT TOPIC	3,700	-	-	0.00%	23.08	85,396.00
HYDRIL	2,800	-	-	0.00%	27.96	78,297.13
INAMED CORPORATION	1,100	-	-	0.00%	75.96	83,558.86
INTEGRA LIFESCIENCES HOLDINGS	3,000	-	-	0.00%	29.04	87,128.28
INTEL CORPORATION	117,000	0.16	18,720.00	0.54%	29.78	3,484,046.77
INTERNATIONAL BUSINESS MACH.	6,000	0.72	4,320.00	0.88%	82.28	493,681.98
INTERNATIONAL PAPER COMPANY	7,800	1.00	7,800.00	2.34%	42.74	333,403.44
INTRADO INC	4,000	-	-	0.00%	22.01	88,030.48
JACOBS ENGINEERING GROUP INC.	3,000	-	-	0.00%	48.06	144,166.68
JP MORGAN CHASE & CO	8,800	1.36	11,968.00	3.39%	40.10	352,854.48
KEITHLEY INSTRUMENTS	2,700	-	-	0.00%	15.58	42,070.17
KULICKE & SOFFA INDUSTRIES	5,700	-	-	0.00%	15.58	88,806.00
LENNAR CORP Class A	6,000	0.50	3,000.00	0.60%	83.37	500,211.03
MERCK & CO.	12,000	1.48	17,760.00	3.12%	47.46	569,542.80
MESA AIR GROUP	8,200	-	-	0.00%	9.67	79,333.36
METLIFE INC.	9,000	0.23	2,070.00	0.80%	28.64	257,774.40
MID ATLANTIC MEDICAL SERVICES	1,400	-	-	0.00%	66.56	93,181.95
MYLAN LABORATORIES	11,000	0.12	1,320.00	0.36%	33.55	369,047.20
NBTY INC	10,200	-	-	0.00%	26.72	272,548.49
NEXTEL COMMUNICATIONS	20,000	-	-	0.00%	24.75	494,915.80
NOKIA CORPORATION	14,000	0.30	4,200.00	1.96%	15.29	214,107.60
OM GROUP	2,400	-	-	0.00%	31.73	76,140.60
OMNICOM GROUP	25,000	0.90	22,500.00	1.09%	82.44	2,060,926.47
OXFORD HEALTH PLANS, INC.	10,000	0.40	4,000.00	0.95%	42.20	421,987.20
PANERA BREAD 'A'	2,100	-	-	0.00%	42.71	89,685.40
PATINA OIL & GAS	2,300	-	-	0.00%	37.27	85,720.31
PAXAR CORP	5,800	-	-	0.00%	13.90	80,620.00
PEPSICO INC.	6,000	0.92	5,520.00	1.93%	47.60	285,600.00
PFIZER INC.	34,500	0.68	23,460.00	1.91%	35.59	1,227,800.65
PHOTON DYNAMICS	2,200	-	-	0.00%	42.83	94,219.13
PRAXAIR INC	19,000	0.60	11,400.00	1.24%	48.49	921,350.35
PRE-PAID LEGAL SERVICES	3,300	-	-	0.00%	24.69	81,473.60
PROCTER & GAMBLE COMPANY	4,000	1.00	4,000.00	1.01%	99.05	396,200.00
QUICKSILVER, INC	24,000	-	-	0.00%	17.27	414,416.58
RARE HOSPITALITY INTERNATIONAL	7,400	-	-	0.00%	25.59	189,335.30
REGIS CORPORATION	10,000	0.16	1,600.00	0.46%	34.51	345,117.30
RENAL CARE GROUP	1,750	-	-	0.00%	46.92	82,102.20
RESPIRONICS INC	150	-	-	0.00%	51.40	7,710.00
RUDOLPH TECHNOLOGIES	3,300	-	-	0.00%	27.40	90,422.10
RYAN'S RESTAURANT GROUP INC	5,300	-	-	0.00%	15.68	83,116.30
SALTON INC	6,000	-	-	0.00%	14.82	88,922.35
SBC COMMUNICATIONS INC.	13,500	1.25	16,875.00	4.82%	25.94	350,210.25
SCOTT'S CO'A'	1,600	-	-	0.00%	53.05	84,880.00
SEALED AIR	12,000	-	-	0.00%	52.23	626,789.46
SEMPRA ENERGY	19,000	1.00	19,000.00	3.08%	32.42	616,035.12
SHAW GROUP	7,000	-	-	0.00%	12.04	84,252.52
SMITH, A O CORP	1,800	0.60	1,080.00	2.05%	29.30	52,739.38

**STATE OF ARIZONA  
ELECTED OFFICIALS' RETIREMENT PLAN  
INVESTMENTS ACQUIRED  
JULY 1, 2003 THROUGH JUNE 30, 2004**

**COMMON STOCK ACQUIRED**

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<b>Company</b>	<b>No. Shares</b>	<b>Dividend Rate</b>	<b>Annual Income</b>	<b>Book Yield</b>	<b>Average Cost</b>	<b>Book Cost</b>
STAPLES, INC.	20,000	0.20	4,000.00	0.80%	24.86	497,202.00
STEAK N SHAKE	5,100	-	-	0.00%	16.39	83,575.23
STEWART & STEVENSON SERVICES	3,400	0.34	1,156.00	2.01%	16.88	57,408.50
SURMODICS INC	3,000	-	-	0.00%	28.28	84,853.80
SYSCO CORPORATION	9,000	0.52	4,680.00	1.69%	30.69	276,229.80
TETRA TECH, INC	4,600	-	-	0.00%	17.84	82,054.80
TEXAS INSTRUMENTS	85,000	0.09	7,650.00	0.36%	24.68	2,097,736.19
THE CHILDREN'S PLACE	3,200	-	-	0.00%	23.84	76,296.40
TRACTOR SUPPLY CO.	2,000	-	-	0.00%	41.55	83,094.24
URS CORP	2,800	-	-	0.00%	29.73	83,246.75
VIACOM INC.	24,000	0.24	5,760.00	0.56%	42.73	1,025,567.20
VORNADO REALTY TRUST	14,000	2.84	39,760.00	5.98%	47.47	664,559.34
WACHOVIA CORP	12,500	1.60	20,000.00	3.46%	46.26	578,291.78
WASTE CONNECTIONS	2,500	-	-	0.00%	37.15	92,883.60
WEBEX COMMUNICATIONS	6,000	-	-	0.00%	26.52	159,135.02
WINTRUST FINANCIAL	2,100	0.20	420.00	0.42%	47.81	100,404.24
ZALE CORP	1,400	-	-	0.00%	52.95	74,130.00
<b>TOTAL COMMON STOCK ACQUIRED</b>			<b>551,458.00</b>	<b>1.15%</b>		<b>47,775,668.56</b>

**STATE OF ARIZONA  
ELECTED OFFICIALS' RETIREMENT PLAN  
INVESTMENTS ACQUIRED  
JULY 1, 2003 THROUGH JUNE 30, 2004  
OTHER INVESTMENTS ACQUIRED**

Name	Coupon	Maturity	Book Cost
<b><i>APEX CAPITAL FUND 1</i></b>			
ARROYO VERDE	11.000		44,612.76
BELL WEST	11.000		14,020.80
CAMPO VERDE	11.000		47,670.75
ESTRELLA MOUNTAIN RANCH	11.000		1,200.26
MERITAGE-VERRADO	11.000		22,614.45
SANTAN VISTA	11.000		40,766.39
VISTA DORADO	11.000		21,181.63
<b>TOTAL APEX CAPITAL FUND 1 ACQUIRED</b>			<b>192,067.04</b>
<b><i>BRIDGE FINANCIAL</i></b>			
BRIDGE FINANCIAL-GRAND INN	12.500	09/25/00	27,486.12
<b>TOTAL BRIDGE FINANCIAL ACQUIRED</b>			<b>27,486.12</b>
<b><i>DESERT TROON EQUITY</i></b>			
DESERT TROON-DTR, LLC			157,775.06
DTR1,LLC - Perimeter Center			124,358.44
DTR1,LLC - Sea Port			104,525.98
TOREEON GC			17,749.69
<b>TOTAL DESERT TROON EQUITY ACQUIRED</b>			<b>404,409.17</b>
<b><i>DIVERSIFIED FUNDING GROUP</i></b>			
TIERRA DEL RIO (TDR), LLC	12.000	10/22/04	517,147.98
<b>TOTAL DIVERSIFIED FUNDING GROUP ACQUIRED</b>			<b>517,147.98</b>
<b><i>SBA LOANS</i></b>			
ALL UNLIMITED	9.750	05/01/09	19,169.83
ASAYO HOLDING, LTD	9.500	07/01/10	22,289.33
EQUITY PARTNERSHIP	9.250	05/01/16	57,102.67
NIARKOS	10.000	05/01/14	26,622.88
<b>TOTAL SBA LOANS ACQUIRED</b>			<b>125,184.71</b>
<b><i>PIVOTAL EQUITY</i></b>			
CENTURY PLAZA HOTEL			329,881.76
HARBOR BAY CAMPUS			31,061.97
NXTV, LLC			164,726.69
PIVOTAL 650,LLC			147,242.77
PIVOTAL CIMARRON, LLC	10.000		145,341.17
PIVOTAL PROMONTORY			528,622.09
PIVOTAL SCOTTSDALE 123, LLC	10.000		153,250.90
PIVOTAL SPA I, LLC			90,521.71
<b>TOTAL PIVOTAL EQUITY ACQUIRED</b>			<b>1,590,649.06</b>
<b><i>MISCELLANEOUS</i></b>			
DESERT TROON FINANCE, LLC	10.000	08/27/05	1,867,896.48
PEBBLECREEK PROPERTIES	10.000	04/01/05	328.70
PIVOTAL DEBT FUND	10.000	12/01/11	1,141,546.02
PROSPECTOR EQUITY CAPITAL		06/01/09	36,855.77
VALLEY VENTURES III	8.000	09/17/06	394,120.23
<b>TOTAL MISCELLANEOUS ACQUIRED</b>			<b>3,440,747.20</b>
<b>TOTAL OTHER INVESTMENTS ACQUIRED</b>			<b>6,297,691.28</b>

**STATE OF ARIZONA  
ELECTED OFFICIALS' RETIREMENT PLAN  
SALES AND REDEMPTION OF INVESTMENTS  
JULY 1, 2003 THROUGH JUNE 30, 2004**

**BONDS SOLD**

Security	Coupon	Maturity	Par Value	Sale Price	Accrued Interest	Principal	Amortized Cost	Gain or (Loss)	Amount Due
<b>FEDERAL AGENCY OBLIGATIONS</b>									
Detailed information for the redemptions of Federal Agency Obligations are too lengthy to include in this report; therefore, only totals are given.									
<b>TOTAL FEDERAL AGENCY OBLIGATIONS</b>			<b>8,124,341.18</b>		<b>0.00</b>	<b>7,974,663.36</b>	<b>7,974,663.36</b>	<b>0.00</b>	<b>7,974,663.36</b>
<b>CORPORATE BONDS</b>									
AGL CAPITAL TRUST	8.170	06/01/2037	1,000,000.00	101.72	19,517.22	1,100,000.00	1,017,161.30	82,838.70	1,036,678.52
AMERICAN UNITED LIFE INS CO	7.750	03/30/2026	1,500,000.00	95.20	2,583.33	1,548,000.00	1,427,926.67	120,073.33	1,430,510.00
BANKERS TRUST CORP 144A	8.090	12/01/2026	1,000,000.00	100.00	17,528.33	1,060,580.00	1,000,000.00	60,580.00	1,017,528.33
CBO HOLDINGS III LTD.	7.000	02/10/2038	2,454.38	94.26	0.00	2,313.60	2,313.60	0.00	2,313.60
CONSECO FINANCE	8.060	05/01/2031	1,000,000.00	88.22	447.78	845,000.00	882,221.97	(37,221.97)	882,669.75
CONTINENTAL AIRLINES INC	7.256	03/15/2020	3,105.90	95.03	0.00	2,951.58	2,951.58	0.00	2,951.58
DELTA AIR LINES	7.379	05/18/2010	764,889.60	100.00	25,939.65	724,237.41	764,889.60	(40,652.19)	790,829.25
DELTA AIRLINES SERIES 01-1B	7.711	09/18/2011	500,000.00	99.64	12,316.18	452,500.00	498,207.46	(45,707.46)	510,523.64
FARMERS INSURANCE EXCHANGE	8.625	05/01/2024	1,000,000.00	93.49	12,458.33	1,108,750.00	934,945.77	173,804.23	947,404.10
FEDERAL HOME LOAN BANK	6.500	08/28/2018	1,000,000.00	100.00	16,250.00	1,000,000.00	1,000,000.00	0.00	1,016,250.00
FIRST UNION CAPITAL II	7.950	11/15/2029	500,000.00	91.00	10,379.17	568,680.00	455,003.48	113,676.52	465,382.65
GENERAL AMERICAN LIFE INSURANCE	7.625	01/15/2024	1,000,000.00	89.99	14,190.97	1,105,000.00	899,919.60	205,080.40	914,110.57
GOODRICH CORPORATION	7.100	11/15/2027	1,000,000.00	91.48	33,133.33	1,000,000.00	914,831.60	85,168.40	947,964.93
GTE CORPORATION	7.900	02/01/2027	920,000.00	97.79	18,170.00	1,014,300.00	899,651.75	114,648.25	917,821.75
JOHN HANCOCK MUTUAL LIFE INS CO	7.375	02/15/2024	2,000,000.00	94.61	63,916.67	2,256,000.00	1,892,218.75	363,781.25	1,956,135.42
KEY CORP CAPITAL III	7.750	07/15/2029	1,000,000.00	95.76	17,868.06	1,151,200.00	957,638.89	193,561.10	975,506.95
NATIONWIDE MUTUAL INS CO	7.500	02/15/2024	2,000,000.00	95.58	33,333.33	2,065,340.00	1,911,612.21	153,727.79	1,944,945.54
NORTHWEST AIR LINES INC	7.935	04/01/2019	89,339.40	91.49	0.00	81,733.16	81,733.16	0.00	81,733.16
NORTHWEST AIRLINES 1999-2A	7.575	03/01/2019	16,673.46	95.91	0.00	15,991.25	15,991.25	0.00	15,991.25
OAKWOOD MORTGAGE INVESTORS IN	5.190	09/15/2019	3,670.19	97.07	0.00	3,562.56	3,562.56	0.00	3,562.56
PMI CAPITAL	8.309	02/01/2027	1,000,000.00	102.75	2,769.67	1,070,000.00	1,027,540.78	42,459.22	1,030,310.45
PRINCIPAL MUTUAL LIFE INSURANCE C	7.875	03/01/2024	1,000,000.00	95.90	35,875.00	1,010,000.00	958,996.67	51,003.33	994,871.67
ROCKWELL INTERNATIONAL	6.700	01/15/2028	1,000,000.00	91.52	9,863.89	1,033,500.00	915,168.88	118,331.12	925,032.77
SAFECO CAPITAL TRUST	8.072	07/15/2037	1,500,000.00	100.60	5,381.33	1,616,550.00	1,508,946.58	107,603.42	1,514,327.91
SEARS ROEBUCK ACCEPTANCE	7.000	06/01/2032	1,000,000.00	84.27	29,750.00	1,080,960.00	842,712.67	238,247.33	872,462.67
SECURITY NATIONAL MORTGAGE 99-1	8.353	09/25/2030	649,371.68	100.00	0.00	649,371.68	649,371.68	0.00	649,371.68
SECURITY NATIONAL MORTGAGE LOAI	7.870	08/25/2030	237,260.56	100.00	0.00	237,260.56	237,260.56	0.00	237,260.56
SOUTHERN COMPANY CAPITAL TRUST	8.190	02/01/2037	1,000,000.00	107.13	11,830.00	1,122,000.00	1,071,341.19	50,658.81	1,083,171.19
UNION CARBIDE CORP	7.875	04/01/2023	627,000.00	96.92	13,304.16	576,840.00	607,718.63	(30,878.63)	621,022.79
US WEST COMMUNICATIONS	7.500	06/15/2023	500,000.00	95.76	12,395.83	468,000.00	478,810.15	(10,810.15)	491,205.98
<b>TOTAL CORPORATE BONDS</b>			<b>24,813,765.17</b>		<b>419,202.23</b>	<b>25,970,621.80</b>	<b>23,860,648.99</b>	<b>2,109,972.80</b>	<b>24,279,851.22</b>
<b>TOTAL BONDS SOLD</b>			<b>32,938,106.35</b>		<b>419,202.23</b>	<b>33,945,285.16</b>	<b>31,835,312.35</b>	<b>2,109,972.80</b>	<b>32,254,514.58</b>

**STATE OF ARIZONA  
ELECTED OFFICIALS' RETIREMENT PLAN  
SALES AND REDEMPTION OF INVESTMENTS  
JULY 1, 2003 THROUGH JUNE 30, 2004**

**COMMON STOCK SOLD**

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Company	Shares Sold	Sale Price	Amount	Commission + SEC Fee	Net Amount	Book Cost	Gain (Loss) on Sale	% Gain on Sale
ABBOTT LABORATORIES	3,100	44.58	138,198.00	-	138,198.00	35,195.46	103,002.54	292.66%
ABERCROMBIE & FITCH	200	28.83	5,766.00	-	5,766.00	5,583.91	182.09	3.26%
ADOBE SYSTEMS	20,200	38.59	779,617.97	932.23	778,685.74	692,707.38	85,978.36	12.41%
ADVANCED ENERGY INDUSTRIES	4,000	17.39	69,576.84	203.27	69,373.57	41,748.24	27,625.33	66.17%
ALBERTO CULVER CO	600	61.40	36,840.00	-	36,840.00	32,685.60	4,154.40	12.71%
ALLSTATE CORPORATION	3,000	40.37	121,110.00	-	121,110.00	71,326.47	49,783.53	69.80%
ALLTEL CORPORATION	2,300	44.66	102,718.00	-	102,718.00	136,325.51	(33,607.51)	-24.65%
AMBAC FINANCIAL GROUP INC	600	68.94	41,364.00	-	41,364.00	34,284.54	7,079.46	20.65%
AMERICA WEST AIRLINES	18,100	9.04	163,536.54	685.76	162,850.78	253,323.12	(90,472.34)	-35.71%
AMERICAN EXPRESS	18,000	50.28	905,024.30	804.63	904,219.67	629,316.24	274,903.43	43.68%
AMERICAN INT'L GROUP	1,500	57.40	86,100.00	-	86,100.00	35,189.04	50,910.96	144.68%
AMERICAN ITALIAN PASTA	2,100	37.00	77,701.68	108.64	77,593.04	84,093.66	(6,500.62)	-7.73%
AMERICAN STANDARD COMPANY INC	500	98.08	49,040.00	-	49,040.00	38,282.17	10,757.83	28.10%
AMGEN	3,700	60.17	222,629.00	-	222,629.00	143,587.29	79,041.71	55.05%
AMSOUTH BANCORPORATION	500	23.97	11,985.00	-	11,985.00	10,799.87	1,185.13	10.97%
AMSURG CORPORATION	3,200	39.26	125,641.92	165.89	125,476.03	83,242.92	42,233.11	50.73%
ANALOG DEVICES, INC.	2,100	48.78	102,438.00	-	102,438.00	159,125.90	(56,687.90)	-35.62%
ANIXTER INTERNATIONAL	3,400	22.06	75,008.50	173.52	74,834.98	83,257.37	(8,422.39)	-10.12%
ANSYS INC.	2,300	36.00	82,800.00	118.88	82,681.12	81,421.08	1,260.04	1.55%
APACHE CORPORATION	9,900	67.96	672,840.60	425.21	672,415.39	456,808.02	215,607.37	47.20%
APOLLO GROUP, INC.	700	69.57	48,699.00	-	48,699.00	46,276.84	2,422.16	5.23%
AUTOMATIC DATA PROCESSING	1,000	37.70	37,700.00	-	37,700.00	38,307.65	(607.65)	-1.59%
AUTOZONE INC	300	95.32	28,596.00	-	28,596.00	26,235.06	2,360.94	9.00%
AXCELIS TECHNOLOGIES	7,500	11.49	86,193.60	378.38	85,815.22	84,969.85	845.37	0.99%
BANK OF AMERICA CORPORATION	13,400	81.13	1,087,158.50	619.23	1,086,539.27	964,006.37	122,532.90	12.71%
BJ SERVICES COMPANY	11,900	35.13	418,102.00	568.25	417,533.75	453,091.53	(35,557.78)	-7.85%
BLACK BOX CORPORATION	2,800	56.99	159,585.16	147.47	159,437.69	84,140.00	75,297.69	89.49%
BOEING CO.	6,800	41.42	281,686.52	306.27	281,380.25	248,344.50	33,035.75	13.30%
BOSTON COMMUNICATIONS GROUP	5,700	13.50	76,950.00	288.61	76,661.39	85,746.50	(9,085.11)	-10.60%
BOSTON SCIENTIFIC CORPORATION	1,800	35.70	64,260.00	-	64,260.00	38,374.88	25,885.12	67.45%
CABLEVISION SYSTEMS CORP	43,000	19.53	839,853.38	2,189.33	837,664.05	1,930,872.79	(1,093,208.74)	-56.62%
CACI INTERNATIONAL	2,500	41.71	104,265.00	127.47	104,137.53	81,826.50	22,311.03	27.27%
CAL DIVE INTL	4,200	25.75	108,150.00	214.24	107,935.76	92,593.17	15,342.59	16.57%
CANADIAN NATIONAL RAILWAY	1,000	58.45	58,450.00	-	58,450.00	47,162.58	11,287.42	23.93%
CARDINAL HEALTH INC.	1,000	61.51	61,510.00	-	61,510.00	58,777.79	2,732.21	4.65%
CAREER EDUCATION CORP.	21,000	39.23	823,900.68	1,037.72	822,862.96	969,170.94	(146,307.98)	-15.10%
CATERPILLAR INC	5,300	83.55	442,815.00	285.73	442,529.27	238,849.80	203,679.47	85.28%
CHELSEA PROPERTY GROUP	600	52.25	31,350.00	-	31,350.00	20,016.76	11,333.24	56.62%
CHOICEPOINT INCORPORATED	1,600	37.99	60,784.00	-	60,784.00	63,039.21	(2,255.21)	-3.58%
CISCO SYSTEMS	7,300	22.80	166,440.00	-	166,440.00	63,302.14	103,137.86	162.93%
CITIGROUP, INC.	5,800	46.74	271,092.00	-	271,092.00	234,503.73	36,588.27	15.60%
COCA-COLA CO	1,300	46.42	60,346.00	-	60,346.00	64,774.80	(4,428.80)	-6.84%
COHERENT, INC.	3,300	25.67	84,717.60	168.97	84,548.63	84,611.97	(63.34)	-0.07%
COINSTAR INC	5,600	13.48	75,491.96	283.54	75,208.42	87,275.28	(12,066.86)	-13.83%
COMCAST CORP-SPECIAL CL A	21,600	33.27	718,614.91	804.99	717,809.92	700,789.54	17,020.38	2.43%
COMMERCE BANCORP, INC.	600	50.76	30,456.00	-	30,456.00	25,699.63	4,756.37	18.51%

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**COMMON STOCK SOLD**

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Company	Shares Sold	Sale Price	Amount	Commission + SEC Fee	Net Amount	Book Cost	Gain (Loss) on Sale	% Gain on Sale
COMMUNITY FIRST BANKSHARES	3,200	27.41	87,697.28	164.11	87,533.17	84,050.75	3,482.42	4.14%
CONSTELLATION BRANDS	1,100	32.70	35,970.00	-	35,970.00	33,151.71	2,818.29	8.50%
CONSTELLATION ENERGY GROUP INC	600	36.12	21,672.00	-	21,672.00	26,282.70	(4,610.70)	-17.54%
CORINTHIAN COLLEGES, INC	1,800	62.77	112,986.00	-	112,986.00	82,481.09	30,504.91	36.98%
COVAD COMMUNICATIONS CLASS ACTION SETTLEMENT							1,886.51	0.00%
CYMER INC	2,100	43.56	91,476.00	109.29	91,366.71	83,554.80	7,811.91	9.35%
CYTYC CORPORATION	30,000	13.99	419,787.72	1,504.49	418,283.23	501,000.67	(82,717.44)	-16.51%
D. R. HORTON	7800	31.82	248,190.00	303.98	247,886.02	218,448.20	29,437.82	13.48%
DEAN FOODS	1,600	32.40	51,840.00	-	51,840.00	47,073.14	4,766.86	10.13%
DOWNEY FINANCIAL	2100	46.62	97,897.70	109.59	97,788.11	82,502.90	15,285.21	18.53%
ELECTRONICS BOUTIQUE HOLDINGS CORP.	1,200	24.27	29,124.00	-	29,124.00	44,092.91	(14,968.91)	-33.95%
EMC CORP	63,000	14.27	898,734.62	2,679.55	896,055.07	711,104.91	184,950.16	26.01%
EVERGREEN RESOURCES	3,600	38.51	138,622.32	183.25	138,439.07	81,218.29	57,220.78	70.45%
EXPRESS SCRIPTS	2,800	64.20	179,760.00	-	179,760.00	55,965.73	123,794.27	221.20%
EXXON MOBIL CORP	5,000	35.56	177,800.00	-	177,800.00	157,139.69	20,660.31	13.15%
FAIR ISAAC & CO	600	52.58	31,548.00	-	31,548.00	32,132.00	(584.00)	-1.82%
FEDEX CORPORATION	600	71.24	42,744.00	-	42,744.00	28,968.21	13,775.79	47.55%
FILENET CORPORATION	3,400	28.94	98,396.56	174.24	98,222.32	92,791.44	5,430.88	5.85%
FLEXTRONICS INTERNATIONAL	5,500	14.96	82,280.00	-	82,280.00	73,654.48	8,625.52	11.71%
FORTUNE BRANDS, INC.	900	67.88	61,092.00	-	61,092.00	51,580.16	9,511.84	18.44%
GANNETT COMPANY	600	85.80	51,480.00	-	51,480.00	43,938.52	7,541.48	17.16%
GENENTECH, INC.	9,900	122.35	1,211,308.14	492.16	1,210,815.98	445,954.41	764,861.57	171.51%
GENZYME CORPORATION	1,200	46.49	55,788.00	-	55,788.00	69,105.79	(13,317.79)	-19.27%
GILEAD SCIENCES, INC	1,100	59.34	65,274.00	-	65,274.00	38,336.78	26,937.22	70.26%
GLOBALSANTAFE CORP	1,700	21.18	36,006.00	-	36,006.00	58,703.30	(22,697.30)	-38.66%
GROUP 1 AUTOMOTIVE	2400	37.40	89,760.00	123.52	89,636.48	84,507.12	5,129.36	6.07%
HAEMONETICS CORP.	2,500	30.87	77,182.40	128.02	77,054.38	50,987.50	26,066.88	51.12%
HAIN CELESTIAL GROUP	5,500	20.95	115,225.72	280.41	114,945.31	84,111.24	30,834.07	36.66%
HARTFORD FINANCIAL SERVICES GROUP	1,700	54.42	92,514.00	-	92,514.00	87,223.39	5,290.61	6.07%
HILB, ROGAL & HAMILTON	3300	31.37	103,519.49	169.65	103,349.84	106,798.80	(3,448.96)	-3.23%
HOME DEPOT	12,500	36.35	454,350.00	517.00	453,833.00	127,472.25	326,360.75	256.02%
HOSPIRA INC	7,090	26.75	189,662.00	358.94	189,303.06	50,076.21	139,226.85	278.03%
HOT TOPIC	3700	28.80	106,574.70	189.99	106,384.71	85,396.00	20,988.71	24.58%
INAMED CORPORATION	1,650	44.67	73,708.47	85.95	73,622.52	83,558.86	(9,936.34)	-11.89%
INTEL CORPORATION	2,200	33.46	73,612.00	-	73,612.00	67,968.00	5,644.00	8.30%
INTERACTIVECORP	1,800	32.24	58,032.00	-	58,032.00	63,761.92	(5,729.92)	-8.99%
INTERNATIONAL BUSINESS MACH.	1,800	89.66	161,388.00	-	161,388.00	84,136.24	77,251.76	91.82%
JABIL CIRCUIT	2,500	27.04	67,600.00	-	67,600.00	57,237.74	10,362.26	18.10%
JACOBS ENGINEERING GROUP INC.	1,000	46.80	46,800.00	-	46,800.00	32,371.72	14,428.28	44.57%
JOHNSON & JOHNSON CO	2,200	51.48	113,256.00	-	113,256.00	122,850.85	(9,594.85)	-7.81%
KEITHLEY INSTRUMENTS	2,700	23.60	63,711.12	137.99	63,573.13	42,070.17	21,502.96	51.11%
KINDER MORGAN, INC.	16,200	62.08	1,005,708.88	779.86	1,004,929.02	875,965.18	128,963.84	14.72%
LANDRY'S RESTAURANTS	4,900	24.89	121,954.67	250.73	121,703.94	83,314.54	38,389.40	46.08%
LANDSTAR SYSTEMS, INC	1,800	35.60	64,080.00	-	64,080.00	46,023.89	18,056.11	39.23%
LENNAR CORP Class A	26,100	47.33	1,235,392.72	1,250.31	1,234,142.41	747,171.82	486,970.59	65.18%
LEXMARK INTERNATIONAL GROUP	900	76.76	69,084.00	-	69,084.00	66,912.99	2,171.01	3.24%

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**COMMON STOCK SOLD**

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Company	Shares Sold	Sale Price	Sale Amount	Commission + SEC Fee	Net Amount	Book Cost	Gain (Loss) on Sale	% Gain on Sale
MBNA CORP	7,600	24.44	185,744.00	-	185,744.00	58,953.40	126,790.60	215.07%
MEDIMMUNE, INC.	27,000	24.42	659,329.71	1,315.39	658,014.32	1,573,731.00	(915,716.68)	-58.19%
MEDTRONIC, INC.	500	44.52	22,260.00	-	22,260.00	24,018.80	(1,758.80)	-7.32%
MENTOR CORPORATION	5500	21.13	116,193.04	280.45	115,912.59	94,797.90	21,114.69	22.27%
MESA AIR GROUP	8,200	7.69	63,088.16	329.50	62,758.66	79,333.36	(16,574.70)	-20.89%
METLIFE INC.	400	31.90	12,760.00	-	12,760.00	11,456.64	1,303.36	11.38%
MICROCHIP TECHNOLOGY INC.	1,200	33.59	40,308.00	-	40,308.00	31,645.13	8,662.87	27.38%
MICROSOFT CORPORATION	8,900	25.73	228,997.00	-	228,997.00	317,584.69	(88,587.69)	-27.89%
MID ATLANTIC MERGER							25,200.00	0.00%
MOHAWK INDUSTRIES	10,198	74.85	763,283.11	510.06	762,773.05	724,511.05	38,262.00	5.28%
MOODY'S CORPORATION	1,200	56.99	68,388.00	-	68,388.00	43,035.52	25,352.48	58.91%
MYLAN LABORATORIES	700	23.72	16,604.00	-	16,604.00	15,656.55	947.45	6.05%
NABORS INDUSTRIES, LTD	1,500	36.45	54,675.00	-	54,675.00	81,857.56	(27,182.56)	-33.21%
NATIONAL CITY CORP	900	32.76	29,484.00	-	29,484.00	28,921.15	562.85	1.95%
NBTY INC	400	24.87	9,948.00	-	9,948.00	10,688.18	(740.18)	-6.93%
NOBLE CORPORATION	35,300	35.75	1,261,855.02	1,738.46	1,260,116.56	1,584,635.02	(324,518.46)	-20.48%
NOKIA CORPORATION	22,500	14.62	328,905.00	774.34	328,130.66	357,610.92	(29,480.26)	-8.24%
OM GROUP	2,400	25.10	60,240.00	121.41	60,118.59	76,140.60	(16,022.01)	-21.04%
OMNICOM GROUP	600	79.48	47,688.00	-	47,688.00	47,264.56	423.44	0.90%
O'REILLY AUTOMOTIVE	3,000	40.03	120,083.66	152.82	119,930.84	81,275.70	38,655.14	47.56%
OXFORD HEALTH PLANS, INC.	11,600	52.76	612,033.40	512.72	611,520.68	358,318.05	253,202.63	70.66%
P.F. CHANG'S CHINA BISTRO	46,500	47.11	2,190,840.73	2,348.96	2,188,491.77	1,240,936.17	947,555.60	76.36%
PACTIV CORPORATION	500	21.76	10,880.00	-	10,880.00	7,998.08	2,881.92	36.03%
PATINA OIL & GAS	2,300	48.50	111,552.16	119.36	111,432.80	85,720.31	25,712.49	30.00%
PEPSICO INC.	2,500	48.00	120,000.00	-	120,000.00	116,874.60	3,125.40	2.67%
PERFORMANCE FOOD GROUP	2,800	35.06	98,167.44	142.30	98,025.14	92,305.76	5,719.38	6.20%
PFIZER INC.	3,400	33.89	115,226.00	-	115,226.00	95,784.29	19,441.71	20.30%
PHOTRONICS, INC	6,400	17.90	114,549.16	324.48	114,224.68	84,214.85	30,009.83	35.63%
PLANTRONICS, INC.	5,600	37.48	209,905.15	181.98	209,723.17	154,815.07	54,908.10	35.47%
POLARIS INDUSTRIES	1500	66.32	99,480.00	79.66	99,400.34	74,357.35	25,042.99	33.68%
PRAXAIR INC	300	68.84	20,652.00	-	20,652.00	20,009.03	642.97	3.21%
PRE-PAID LEGAL SERVICES	3300	24.99	82,457.20	166.96	82,290.24	81,473.60	816.64	1.00%
PROCTER & GAMBLE COMPANY	1,200	96.62	115,944.00	-	115,944.00	107,895.24	8,048.76	7.46%
QUALCOMM INCORPORATED	15,000	37.52	562,850.94	776.35	562,074.59	685,428.00	(123,353.41)	-18.00%
QUEST DIAGNOSTIC	22,000	63.37	1,394,232.80	1,165.27	1,393,067.53	1,548,194.90	(155,127.37)	-10.02%
QUIKSILVER, INC	1,200	17.35	20,820.00	-	20,820.00	20,446.24	373.76	1.83%
RARE HOSPITALITY INTERNATIONAL	3500	25.06	87,724.05	179.11	87,544.94	90,307.07	(2,762.13)	-3.06%
REGIS CORPORATION	4,600	42.03	193,340.84	203.97	193,136.87	147,819.63	45,317.24	30.66%
REHAB CARE GROUP	2,300	23.81	54,763.46	117.57	54,645.89	42,532.35	12,113.54	28.48%
RESPIRONICS INC	2,300	44.74	102,893.49	119.82	102,773.67	80,813.83	21,959.84	27.17%
RUDOLPH TECHNOLOGIES	3,300	20.95	69,138.30	167.70	68,970.60	90,422.10	(21,451.50)	-23.72%
SAFEWAY INC	61,000	22.73	1,386,448.92	3,033.38	1,383,415.54	1,961,216.34	(577,800.80)	-29.46%
SALTON INC	6000	12.71	76,246.30	303.55	75,942.75	88,922.35	(12,979.60)	-14.60%
SANMINA CORP.	39,700	11.68	463,863.60	1,255.41	462,608.19	1,044,160.92	(581,552.73)	-55.70%
SCHOLASTIC CORPORATION	31,700	31.53	999,452.64	1,481.70	997,970.94	827,829.00	170,141.94	20.55%
SCP POOL CORPORATION	3,200	36.34	116,288.00	-	116,288.00	57,403.42	58,884.58	102.58%

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**COMMON STOCK SOLD**

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<b>Company</b>	<b>Shares Sold</b>	<b>Sale Price</b>	<b>Amount</b>	<b>Commission + SEC Fee</b>	<b>Net Amount</b>	<b>Book Cost</b>	<b>Gain (Loss) on Sale</b>	<b>% Gain on Sale</b>
SEALED AIR	500	51.50	25,750.00	-	25,750.00	26,116.23	(366.23)	-1.40%
SEI INVESTMENTS COMPANY	2,100	27.65	58,065.00	-	58,065.00	82,670.18	(24,605.18)	-29.76%
SHAW GROUP	7,000	11.95	83,625.00	281.97	83,343.03	84,252.52	(909.49)	-1.08%
SIEBEL SYSTEMS	22,000	14.48	318,525.56	973.36	317,552.20	767,702.30	(450,150.10)	-58.64%
SMITH BARNEY CASH BALANCE							1,310.00	0.00%
SMURFIT-STONE CONTAINER CORP	800	16.17	12,936.00	-	12,936.00	11,987.26	948.74	7.91%
ST. JUDE MEDICAL	2,400	60.63	145,512.00	-	145,512.00	96,666.75	48,845.25	50.53%
STAPLES, INC.	800	26.64	21,312.00	-	21,312.00	19,888.08	1,423.92	7.16%
STEAK N SHAKE	2,700	17.86	48,209.92	137.28	48,072.64	41,455.23	6,617.41	15.96%
SURMODICS INC	5700	26.04	148,430.48	291.98	148,138.50	169,353.27	(21,214.77)	-12.53%
SYMANTEC CORPORATION	45,800	43.22	1,979,383.92	2,012.02	1,977,371.90	576,722.21	1,400,649.69	242.86%
SYSCO CORPORATION	1,700	35.72	60,724.00	-	60,724.00	49,138.72	11,585.28	23.58%
SYSTEMS & COMPUTER TECH	5,500	16.33	89,787.50	279.21	89,508.29	40,919.38	48,588.91	118.74%
T. ROWE PRICE GROUP INC	1,700	42.01	71,417.00	-	71,417.00	67,285.02	4,131.98	6.14%
TEXAS INSTRUMENTS	3,100	29.44	91,264.00	-	91,264.00	74,691.55	16,572.45	22.19%
TRACTOR SUPPLY CO.	4,800	36.50	175,208.64	248.20	174,960.44	84,600.00	90,360.44	106.81%
TRIUMPH GROUP	1500	32.95	49,425.02	77.33	49,347.69	42,075.00	7,272.69	17.29%
TYCO INTERNATIONAL LTD.	4,400	21.87	96,228.00	-	96,228.00	141,855.54	(45,627.54)	-32.16%
TYSON FOODS, INC.	41,500	14.67	608,976.00	1,976.92	606,999.08	487,169.57	119,829.51	24.60%
UNITED NATURAL FOODS	3,300	38.78	127,974.90	171.00	127,803.90	84,285.06	43,518.84	51.63%
VIACOM INC.	1,500	38.33	57,495.00	-	57,495.00	66,547.74	(9,052.74)	-13.60%
VISHAY INTERTECHNOLOGY INC	2,800	20.51	57,428.00	-	57,428.00	73,067.59	(15,639.59)	-21.40%
VODAFONE GROUP	22,800	20.58	469,256.20	967.83	468,288.37	473,701.76	(5,413.39)	-1.14%
VORNADO REALTY TRUST	2,100	52.89	111,069.00	-	111,069.00	89,230.63	21,838.37	24.47%
WALGREEN COMPANY	2,000	36.58	73,160.00	-	73,160.00	29,913.15	43,246.85	144.57%
WAL-MART STORES	9,700	56.69	549,861.00	289.72	549,571.28	520,510.27	29,061.01	5.58%
WATSON WYATT 'A'	4,200	24.07	101,091.10	214.74	100,876.36	83,974.78	16,901.58	20.13%
WEBEX COMMUNICATIONS	2,800	27.51	77,041.50	143.02	76,898.48	81,125.10	(4,226.62)	-5.21%
WILLIAMS COMPANIES, INC.	34,400	9.73	334,773.00	1,251.86	333,521.14	855,748.76	(522,227.62)	-61.03%
WINTRUST FINANCIAL	3,000	30.16	90,480.30	154.24	90,326.06	84,585.00	5,741.06	6.79%
<b>TOTAL COMMON STOCK SOLD</b>	<b>1,197,038</b>		<b>38,461,688.49</b>	<b>48,404.62</b>	<b>38,413,283.87</b>	<b>35,890,767.54</b>	<b>2,550,912.84</b>	<b>7.11%</b>

**STATE OF ARIZONA  
ELECTED OFFICIALS' RETIREMENT PLAN  
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JULY 1, 2003 THROUGH JUNE 30, 2004**

**OTHER INVESTMENTS SOLD**

<b>Name</b>	<b>Coupon</b>	<b>Maturity</b>	<b>Book Cost</b>	<b>Capital Gains (Loss)</b>
<b><i>APEX CAPITAL FUND 1</i></b>				
ARROYO VERDE	11.000		23,412.68	-
ESTRELLA MOUNTAIN RANCH	11.000		16,793.56	-
SANTAN VISTA	11.000		2,230.83	-
VISTA DORADO	11.000		3,176.64	-
<b>TOTAL APEX CAPITAL FUND 1</b>			<b>45,613.71</b>	<b>-</b>
<b><i>DESERT TROON</i></b>				
DESERT TROON FINANCE, LLC	10.000	08/27/05	2,385,450.00	-
<b>TOTAL DESERT TROON SOLD</b>			<b>2,385,450.00</b>	<b>-</b>
<b><i>PIVOTAL</i></b>				
PIVOTAL DEBT FUND	10.000	12/01/11	235,852.65	-
PIVOTAL NEWS I, LLC			513,460.46	-
PIVOTAL PROMONTORY-LOANS	10.000		225,000.00	-
<b>TOTAL PIVOTAL SOLD</b>			<b>974,313.11</b>	<b>-</b>
<b><i>SBA LOANS</i></b>				
ALL UNLIMITED	9.750	05/01/09	19,169.83	-
ASAYO HOLDING, LTD.	9.500	07/01/10	139.21	-
EQUITY PARTNERSHIP	9.250	05/01/16	1,463.63	-
NIARKOS	10.000	05/01/14	869.81	-
<b>TOTAL PIVOTAL SOLD</b>			<b>21,642.48</b>	<b>-</b>
<b>TOTAL OTHER INVESTMENTS SOLD</b>			<b>3,427,019.30</b>	<b>-</b>

**STATE OF ARIZONA  
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INVESTMENTS OWNED  
JUNE 30, 2004**

**BOND PORTFOLIO**

Par Value	Security	Coupon	Maturity	Book Cost	Book Price	Current Price	Current Value	Gain or (Loss)	Annual Income	Book Yield	YTM	Duration
<b>U.S. TREASURY OBLIGATIONS</b>												
1,000,000.00	U.S. TREASURY BOND	7.5000	11/15/16	970,499.14	97.04991	123.28100	1,232,810.00	262,310.86	75,000.00	7.73	4.98	8.58
2,000,000.00	U.S. TREASURY BOND	9.1250	05/15/18	2,000,000.00	100.00000	140.37500	2,807,500.00	807,500.00	182,500.00	9.13	5.06	8.17
1,000,000.00	U.S. TREASURY BOND	9.0000	11/15/18	1,000,000.00	100.00000	139.59400	1,395,940.00	395,940.00	90,000.00	9.00	5.10	8.37
1,000,000.00	U.S. TREASURY BOND	8.0000	11/15/21	1,000,000.00	100.00000	131.06300	1,310,630.00	310,630.00	80,000.00	8.00	5.26	9.71
<b>5,000,000.00</b>	<b>TOTAL U.S. TREASURY OBLIGATIONS</b>			<b>4,970,499.14</b>	<b>99.40998</b>		<b>6,746,880.00</b>	<b>1,776,380.86</b>	<b>427,500.00</b>	<b>8.60</b>	<b>5.09</b>	<b>8.60</b>
<b>FEDERAL AGENCY OBLIGATIONS</b>												
88.53	GNMA Pool #007766	8.5000	02/15/06	27.87	31.48085	104.73300	92.72	64.85	7.53	27.02	4.50	2.72
51,859.92	GNMA Pool #157733	9.0000	05/15/16	48,067.67	92.68751	112.27400	58,225.21	10,157.54	4,667.39	9.71	3.18	5.35
70,115.30	GNMA Pool #158992	9.0000	06/15/16	69,742.79	99.46872	112.27400	78,721.25	8,978.46	6,310.38	9.05	3.18	5.01
42,314.35	GNMA Pool #163336	9.0000	07/15/16	41,031.72	96.96881	112.27400	47,508.01	6,476.29	3,808.29	9.28	3.18	5.17
64,232.21	GNMA Pool #165863	9.0000	08/15/16	61,412.04	95.60941	112.27400	72,116.07	10,704.03	5,780.90	9.41	3.18	5.27
20,515.51	GNMA Pool #168530	9.0000	08/15/16	20,047.48	97.71865	112.27400	23,033.58	2,986.10	1,846.40	9.21	3.18	5.16
41,038.89	GNMA Pool #181945	9.0000	04/15/20	39,204.96	95.53124	112.84500	46,310.34	7,105.38	3,693.50	9.42	3.18	6.43
9,886.86	GNMA Pool #182127	9.0000	11/15/16	9,690.76	98.01656	112.27400	11,100.37	1,409.61	889.82	9.18	3.18	5.22
165,423.57	GNMA Pool #207671	9.0000	07/15/18	156,532.06	94.62500	112.61600	186,293.41	29,761.35	14,888.12	9.51	3.18	5.96
10,926.71	GNMA Pool #208705	9.0000	05/15/20	10,243.79	93.74999	112.84500	12,330.25	2,086.46	883.40	9.60	3.18	6.58
22,689.12	GNMA Pool #227210	9.0000	09/15/17	21,533.38	94.90619	112.45600	25,515.28	3,981.90	2,042.02	9.48	3.18	5.67
5,623.23	GNMA Pool #229798	9.0000	10/15/17	5,489.67	97.62485	112.45600	6,323.66	833.99	506.09	9.22	3.18	5.54
6,208.27	GNMA Pool #230557	9.0000	04/15/18	5,935.68	95.60924	112.61600	6,991.51	1,055.83	558.74	9.41	3.18	5.82
18,671.96	GNMA Pool #234695	10.0000	12/15/17	18,590.28	99.56255	111.59900	20,837.72	2,247.44	1,867.20	10.04	8.96	5.35
65,641.98	GNMA Pool #235280	9.0000	04/15/18	61,826.53	94.18748	112.61600	73,923.37	12,096.84	5,907.78	9.56	3.18	5.91
18,634.23	GNMA Pool #247310	9.0000	04/15/18	17,900.48	96.06235	112.61600	20,985.12	3,084.64	1,677.08	9.37	3.18	5.79
21,085.71	GNMA Pool #250933	9.0000	06/15/18	20,492.69	97.18757	112.61600	23,745.88	3,253.19	1,897.71	9.26	3.18	5.78
11,257.77	GNMA Pool #252306	9.0000	04/15/18	10,399.36	92.37496	112.61600	12,678.05	2,278.69	1,013.20	9.74	3.18	6.02
22,700.85	GNMA Pool #252538	9.0000	05/15/18	22,062.39	97.18751	112.61600	25,564.79	3,502.40	2,043.08	9.26	3.18	5.75
28,420.89	GNMA Pool #255161	9.0000	03/15/19	26,147.21	91.99997	112.74500	32,043.13	5,895.92	2,557.88	9.78	3.18	6.34
5,110.81	GNMA Pool #262845	9.0000	03/15/20	4,876.03	95.40621	112.84500	5,767.29	891.26	459.97	9.43	3.18	6.42
148,193.63	GNMA Pool #377589	7.5000	08/15/25	147,776.82	99.71874	108.15200	160,274.37	12,497.55	11,114.52	7.52	4.08	7.97
93,190.94	GNMA Pool #390014	7.0000	06/15/24	87,468.43	93.85937	106.79400	99,522.33	12,053.90	6,523.37	7.46	4.56	8.30
788,430.79	GNMA Pool #391992	7.0000	03/15/24	737,736.20	93.57019	106.79400	841,996.78	104,260.58	55,190.16	7.48	4.56	8.25
144,727.95	GNMA Pool #398831	8.0000	08/15/26	144,501.82	99.84376	109.99000	159,186.27	14,684.45	11,578.24	8.01	3.90	8.03
58,587.09	GNMA Pool #403979	8.5000	10/15/24	57,589.26	98.29684	111.00100	65,032.26	7,443.00	4,979.90	8.65	4.50	7.55
123,107.48	GNMA Pool #406811	7.5000	01/15/26	122,953.63	99.87503	108.02900	132,991.78	10,038.15	9,233.06	7.51	4.08	8.06
55,867.43	GNMA Pool #427558	7.5000	04/15/26	55,701.57	99.70312	108.02900	60,353.03	4,651.46	4,190.06	7.52	4.08	8.14
135,241.24	GNMA Pool #432701	8.0000	06/15/26	135,241.24	100.00000	109.99000	148,751.84	13,510.60	10,819.30	8.00	3.90	7.98
725,596.99	GNMA Pool #434237	6.0000	03/15/29	671,970.80	92.60937	102.77300	745,171.79	73,746.99	43,535.82	6.48	5.42	10.22
17,163.57	GNMA Pool #439645	8.0000	09/15/26	17,151.44	99.92933	109.99000	18,878.21	1,726.77	1,373.09	8.01	3.90	8.04
78,847.00	GNMA Pool #441619	7.5000	11/15/29	78,538.05	99.60817	107.94200	85,109.03	6,570.98	5,913.53	7.53	4.08	8.98
51,734.95	GNMA Pool #458918	7.0000	08/15/28	50,797.25	98.18749	106.42700	55,059.96	4,262.71	3,621.45	7.13	4.56	9.04
328,501.62	GNMA Pool #472997	7.0000	06/15/29	326,756.45	99.46875	106.35000	349,361.47	22,605.02	22,995.11	7.04	4.56	9.13
130,392.36	GNMA Pool #486761	7.0000	12/15/28	127,681.54	97.92103	106.42700	138,772.68	11,091.14	9,127.47	7.15	4.56	9.15
453,899.66	GNMA Pool #499907	7.0000	05/15/29	435,102.12	95.85866	106.35000	482,722.29	47,620.17	31,772.98	7.30	4.56	9.45
232,785.69	GNMA Pool #507496	7.0000	06/15/29	225,656.63	96.93750	106.35000	247,567.58	21,910.95	16,295.00	7.22	4.56	9.37

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**BOND PORTFOLIO**

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Par Value	Security	Coupon	Maturity	Book Cost	Book Price	Current Price	Current Value	Gain or (Loss)	Annual Income	Book Yield	YTM	Duration
393,429.14	GNMA Pool #510958	7.0000	05/15/29	390,598.91	99.28063	106.35000	418,411.89	27,812.98	27,540.04	7.05	4.56	9.12
78,103.72	GNMA Pool #513367	7.0000	08/15/29	74,782.83	95.74810	106.35000	83,063.31	8,280.48	5,467.26	7.31	4.56	9.52
281,267.77	GNMA Pool #530611	6.5000	05/15/31	281,026.04	99.91406	104.63300	294,298.91	13,272.87	18,282.41	6.51	5.09	9.78
495,390.08	GNMA Pool #530631	6.5000	06/15/31	493,184.11	99.55470	104.63300	518,341.50	25,157.39	32,200.36	6.53	5.09	9.83
455,116.07	GNMA Pool #539629	6.5000	04/15/31	453,409.39	99.62500	104.63300	476,201.60	22,792.21	29,582.54	6.52	5.09	9.79
281,644.21	GNMA Pool #548963	6.5000	03/15/31	280,940.10	99.75000	104.63300	294,692.79	13,752.69	18,306.87	6.52	5.09	9.76
622,297.67	GNMA Pool #552514	6.5000	04/15/32	620,158.53	99.65625	104.61100	650,991.82	30,833.29	40,449.35	6.52	5.09	10.02
284,928.03	GNMA Pool #780220	7.5000	08/15/25	284,836.94	99.96803	108.25600	308,451.69	23,614.75	21,369.60	7.50	4.08	7.95
<b>7,160,891.75</b>				<b>6,972,814.94</b>			<b>7,625,858.19</b>	<b>653,043.25</b>	<b>504,867.97</b>	<b>7.24</b>	<b>4.60</b>	<b>8.89</b>
<b>CORPORATE BONDS</b>												
2,750,000.00	ANTHEM INSURANCE COMPANY INC	9.0000	04/01/27	2,894,461.78	105.25316	131.87600	3,626,590.00	732,128.22	247,500.00	8.55	6.35	9.58
497,000.00	AT&T BROADBAND CORP	9.4550	11/15/22	506,191.48	101.84939	128.53800	638,833.86	132,642.38	46,991.35	9.28	6.73	8.91
1,000,000.00	BANC ONE CORP	8.0000	04/29/27	1,023,161.25	102.31613	118.50400	1,185,040.00	161,878.75	80,000.00	7.82	6.45	10.61
4,000,000.00	BAYER HYPO-VEREINSBANK	8.7410	06/30/31	3,362,708.27	84.06771	115.38600	4,615,440.00	1,252,731.73	349,640.00	10.40	7.41	12.79
1,500,000.00	BOEING CORPORATION	8.7500	08/15/21	1,837,283.23	122.48555	126.52400	1,897,860.00	60,576.77	131,250.00	7.14	6.20	7.47
932,545.62	CBO HOLDINGS III LTD.	7.0000	02/10/38	985,601.11	105.68932	100.00000	932,545.62	(53,055.49)	65,278.19	6.62	7.00	12.59
229,000.00	CONTINENTAL AIRLINES INC	6.3200	11/01/08	231,653.98	101.15894	96.67000	221,374.30	(10,279.68)	14,472.80	6.25	7.20	3.94
161,000.00	CONTINENTAL AIRLINES INC	7.9180	05/01/10	167,144.15	103.81624	98.43200	158,475.52	(8,668.63)	12,747.98	7.63	8.25	4.71
398,000.00	CONTINENTAL AIRLINES INC	6.5030	06/15/11	397,640.79	99.90975	93.27200	371,222.56	(26,418.23)	25,881.94	6.51	7.77	5.74
197,445.75	CONTINENTAL AIRLINES INC	7.2560	03/15/20	206,974.03	104.82577	97.42200	192,355.60	(14,618.43)	14,326.66	6.92	7.54	9.11
1,500,000.00	EASTMAN HILL FUNDING LTD	1.9050	09/29/31	801,329.36	53.42196	58.00000	870,000.00	68,670.64	28,575.00	3.57	4.62	40.30
1,000,000.00	FIRST HAWAIIAN CAPITAL TRUST	8.3430	07/01/27	1,048,664.76	104.86648	110.53300	1,105,330.00	56,665.24	83,430.00	7.96	7.38	10.09
1,000,000.00	FNMA	5.0000	12/30/10	1,000,000.00	100.00000	99.43800	994,380.00	(5,620.00)	50,000.00	5.00	5.10	5.63
500,000.00	FORD HOLDINGS INC	9.3750	03/01/20	555,012.42	111.00248	111.68100	558,405.00	3,392.58	46,875.00	8.45	8.04	7.63
1,000,000.00	FORD MOTOR COMPANY	9.5000	09/15/11	999,704.11	99.97041	114.28600	1,142,860.00	143,155.89	95,000.00	9.50	6.89	5.27
500,000.00	FORD MOTOR CREDIT	7.2500	10/25/11	506,883.28	101.37666	104.42900	522,145.00	15,261.72	36,250.00	7.15	6.49	5.83
1,000,000.00	GENERAL MOTORS NOVA SCOTIA FINA	6.8500	10/15/08	1,034,409.11	103.44091	104.84100	1,048,410.00	14,000.89	68,500.00	6.62	5.62	3.82
1,000,000.00	GMAC	8.0000	11/01/31	1,000,000.00	100.00000	102.45900	1,024,590.00	24,590.00	80,000.00	8.00	7.78	11.50
500,000.00	HUNTINGTON BANKS SUB NTS	6.6000	06/15/18	463,658.15	92.73163	106.92200	534,610.00	70,951.85	33,000.00	7.12	5.87	10.08
2,750,000.00	HUTCHISON WHAMPOA FINANCIAL	7.4500	08/01/17	2,939,514.13	106.89142	103.13900	2,836,322.50	(103,191.63)	204,875.00	6.97	7.08	7.99
100,000.00	HUTCHISON WHAMPOA INTL LTD	7.4500	11/24/33	93,854.19	93.85419	95.70800	95,708.00	1,853.81	7,450.00	7.94	7.83	13.12
1,000,000.00	JPM CAPITAL TRUST II	7.9500	02/01/27	1,037,336.14	103.73361	107.54800	1,075,480.00	38,143.86	79,500.00	7.66	7.26	10.43
1,000,000.00	LEHMAN BROTHERS HOLDINGS INC	8.8000	03/01/15	1,078,989.64	107.89896	123.87800	1,238,780.00	159,790.36	88,000.00	8.16	5.74	6.54
1,000,000.00	LIBERTY MUTUAL INSURANCE	7.8750	10/15/26	946,505.05	94.65051	106.73800	1,067,380.00	120,874.95	78,750.00	8.32	7.26	11.49
808,167.15	NORTHWEST AIR LINES INC	7.9350	04/01/19	871,321.18	107.81448	106.96200	864,431.75	(6,889.43)	64,128.06	7.36	7.17	8.37
865,996.24	NORTHWEST AIRLINES 1999-2A	7.5750	03/01/19	900,106.77	103.93888	98.30900	851,352.24	(48,754.53)	65,599.22	7.29	7.77	8.70
400,000.00	NORTHWEST AIRLINES INC	6.8410	04/01/11	400,000.00	100.00000	96.90700	387,628.00	(12,372.00)	27,364.00	6.84	7.42	5.68
294,329.81	OAKWOOD MORTGAGE INVESTORS INC	5.1900	09/15/19	286,140.86	97.21776	93.93400	276,475.76	(9,665.10)	15,275.72	5.34	5.79	10.83
2,000,000.00	PREFERRED CPO	8.9460	07/26/30	2,087,170.90	104.35855	115.86700	2,317,340.00	230,169.10	178,920.00	8.57	7.54	10.04
500,000.00	SECURITY BENEFIT	8.7500	05/15/16	541,862.87	108.37257	111.63800	558,190.00	16,327.13	43,750.00	8.07	7.28	7.07
1,000,000.00	SECURITY MUTUAL LIFE NEW YORK	9.3750	12/15/16	1,085,197.99	108.51980	131.39390	1,313,939.00	228,741.01	93,750.00	8.64	5.81	7.02
181,460.25	SECURITY NATIONAL MORTGAGE LOAN	7.8700	08/25/30	181,460.25	100.00000	108.08400	196,129.50	14,669.25	14,280.92	7.87	7.18	11.14
300,000.00	SIGNATURE 6 LIMITED	7.2760	09/27/16	272,115.77	90.70526	94.00000	282,000.00	9,884.23	21,828.00	8.02	8.05	9.28
1,000,000.00	UNION CENTRAL LIFE	8.2000	11/01/26	1,010,051.83	101.00518	107.35200	1,073,520.00	63,468.17	82,000.00	8.12	7.52	10.51
1,000,000.00	USF&G CAPITAL II, SERIES B	8.4700	01/10/27	1,086,875.16	108.68752	109.72400	1,097,240.00	10,364.84	84,700.00	7.79	7.56	9.57

**STATE OF ARIZONA  
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<b>Par Value</b>	<b>Security</b>	<b>Coupon</b>	<b>Maturity</b>	<b>Book Cost</b>	<b>Book Price</b>	<b>Current Price</b>	<b>Current Value</b>	<b>Gain or (Loss)</b>	<b>Annual Income</b>	<b>Book Yield</b>	<b>YTM</b>	<b>Duration</b>
1,500,000.00	WYETH	6.4500	02/01/24	1,430,279.24	95.35195	95.09400	1,426,410.00	(3,869.24)	96,750.00	6.76	6.91	11.92
750,000.00	ZAIS INVESTMENT GRADE LTD	2.4806	12/10/15	464,150.01	61.88667	100.00000	750,000.00	285,849.99	18,604.50	4.01	2.48	16.28
1,000,000.00	ZURICH CAPITAL TRUST I	8.3760	06/01/37	1,012,149.15	101.21492	110.44700	1,104,470.00	92,320.85	83,760.00	8.28	7.52	11.47
<b>37,114,944.82</b>	<b>TOTAL CORPORATE BONDS</b>			<b>36,747,562.39</b>	<b>99.01015</b>		<b>40,453,264.21</b>	<b>3,705,701.82</b>	<b>2,859,004.34</b>	<b>7.78</b>	<b>6.79</b>	<b>10.73</b>
<b>49,275,836.57</b>	<b>BOND PORTFOLIO TOTALS</b>			<b>48,690,876.47</b>	<b>98.81289</b>		<b>54,826,002.40</b>	<b>6,135,125.93</b>	<b>3,791,372.31</b>	<b>7.79</b>	<b>6.28</b>	<b>10.25</b>

**STATE OF ARIZONA  
ELECTED OFFICIALS' RETIREMENT PLAN  
INVESTMENTS OWNED  
JUNE 30, 2004**

**CORPORATE NOTES**

<b>Date Acquired</b>	<b>Description</b>	<b>Interest Rate</b>	<b>Maturity Date</b>	<b>Cost</b>	<b>Amount of Interest</b>	<b>Maturity Value</b>
06/30/04	UBS AMERICAS INC	1.420	07/01/04	1,999,921.11	78.89	2,000,000.00
06/30/04	STARBIRD FUNDING CORPORATION	1.470	07/01/04	999,959.17	40.83	1,000,000.00
06/08/04	MARKET STREET FUNDING	1.090	07/07/04	999,121.94	878.06	1,000,000.00
06/08/04	GREYHAWK FUNDING LLC	1.090	07/09/04	999,061.39	938.61	1,000,000.00
06/14/04	ALTAMIRA FUNDING	1.240	07/12/04	2,997,106.67	2,893.33	3,000,000.00
<b>TOTAL CORPORATE NOTES</b>				<b>7,995,170.28</b>	<b>4,829.72</b>	<b>8,000,000.00</b>









