CORRECTIONS OFFICER RETIREMENT PLAN

A PENSION TRUST FUND OF THE STATE OF ARIZONA

TWELFTH COMPREHENSIVE ANNUAL FINANCIAL REPORT

FOR THE FISCAL YEAR ENDED

JUNE 30, 1998

This report was prepared by the staff of the CORP

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STATE OF ARIZONA
CORRECTIONS OFFICER RETIREMENT PLAN
TWELFTH COMPREHENSIVE ANNUAL FINANCIAL REPORT

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INTRODUCTORY SECTION

CORRECTIONS OFFICER RETIREMENT PLAN

TWELFTH COMPREHENSIVE ANNUAL FINANCIAL REPORT

FOR THE FISCAL YEAR ENDED

JUNE 30, 1998

Fund Managers' Report

Letter of Transmittal

Certificate of Achievement for
Excellence in Financial Reporting

The Retirement Board and
Administrative Organization

Organizational Chart

Summary of Plan Provisions
(See Note 1 in Notes to Financial Statements)

PUBLIC SAFETY PERSONNEL RETIREMENT SYSTEM
CORRECTIONS OFFICER RETIREMENT PLAN
ELECTED OFFICIALS' RETIREMENT PLAN
1020 East Missouri Avenue
Phoenix, Arizona 85014-2613

Jack M. Cross, C.P.A., C.F.A.
Administrator

TELEPHONE: (602) 255-5575
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Michael H. Ong, J.D.
Assistant Administrator

The Honorable Jane Dee Hull
Governor of the State of Arizona
State Capitol
Phoenix, Arizona 85007

September 16, 1998

Dear Governor Hull:

The Fund Manager of the Public Safety Personnel Retirement System respectfully submits the Twelfth Annual Report of the Corrections Officer Retirement Plan for the year ended June 30, 1998. We are pleased to report that the Plan is in excellent financial and actuarial condition. Set forth below are some of the record-breaking highlights for the fiscal year ending June 30, 1998.

The Plan has continued to improve its funding level—even while dramatically improving benefits—including the change to a straight 25-year retirement plan, the addition of a substantial health insurance subsidy and the increase in the accrual rate from 2% of pay per year of credited service to 2.5%. In fact, in just the past ten years, the Plan funding has improved from 69% to over 118%.

During the last year, total plan assets increased from $449,637,296 to $571,261,375—an increase of 27%. The fair value of the total Plan assets was nearly 34% above cost. Benefits paid to retired Corrections Officers and their beneficiaries for the fiscal year totaled $6,883,596 compared to $5,280,996 for the prior year. The net investment income totaled $99,003,314 the best total on record and well above last year's total of $80,841,733. The earnings provided 72% of the total cost of the Plan compared to 16% provided by the members and only 12% provided by the employers.

The total rate of return, which includes realized as well as unrealized gains and losses, for the entire fund was 21.70%. The individual rates of return for the stock portfolio and the bond portfolio were 27.23% and 12.28%, respectively. The Plan continues to outperform the market indexes on a short-term and on a long-term basis. The net effective yield, which takes into account only realized gains and losses, was 10.21%.

Total administrative and investment expenses increased about 9% from $338,165 last year to $369,377 this year. Costs have increased only 68% during the past ten years. This increase is incredibly low since the assets managed have increased 734% and the Plan membership has increased 81% during this period

We sincerely appreciate the opportunity of serving the State and County Corrections Officers.

Respectfully submitted,

John A. Cochran, Ph.D., Chairman

F. Michael Geddes, Member

Donald L. De Ment, Member

Carmen Torrie, Member

Tony West, Member

PUBLIC SAFETY PERSONNEL RETIREMENT SYSTEM
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Michael H. Ong, J.D.
Assistant Administrator

October 7, 1998

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

Gentlemen:

There is presented, herewith, the Twelfth Annual Report of the operation of the Corrections Officer Retirement Plan, State of Arizona, for the fiscal year ended June 30, 1998. Incorporated in this report are the audited financial statements from the June 30, 1998, report on examination of Barrows & Schatza, P.L.C., Certified Public Accountants and auditors for the Plan. Also included is the Actuarial Certification Statement and the Actuarial Balance Sheet from June 30, 1998, Actuarial Valuation prepared by the Plan's Consulting Actuary, Gabriel, Roeder, Smith & Company, Consulting Actuaries.

This report has been organized into five sections: the Introductory Section contains general information regarding the operations of the Corrections Officer Retirement Plan; the Financial Section contains the financial reports and schedules of the funds administered by the Corrections Officer Retirement Plan; the Investment Section contains detailed lists of the investment transactions and portfolios of the Plan, along with investment performance; the Actuarial Section contains actuarial information regarding the funding of the pension trusts, and the Statistical Section contains statistical data pertaining to the benefits paid by the Corrections Officer Retirement Plan and growth of the Plan.

TRANSFER OF ASSETS

House Bill 2310 was passed by the 37th Legislature during the second regular session of 1986. This bill created the Corrections Officer Retirement Plan, provided for the transfer of assets into the new Plan, made the Fund Manager of the Public Safety Personnel Retirement System responsible for the investment and administration of the Plan and made all of its provisions effective July 1, 1986. The bill required the transfer of member account balances plus the matching employer account balance from the Arizona State Retirement System for all new members of the Plan. The bill did not require the transfer of unallocated investment earnings or employer contributions made on behalf of terminated employees and still on deposit in the Arizona State Retirement System. This caused the Plan to start at a distinct disadvantage, but through prudent investment over several years, this problem has been overcome.

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 Statement of Revenues by Source included with the financial statements later in this report, the investment earnings totaled a record high of $99,043,141 during the 1997/1998 fiscal year and provided 72% of the total funding of the Plan. Member contributions made up 16% of total revenue and employer contributions made up 12% of the total revenues. Please refer to the Financial Section for a ten-year history of revenues and expenses.

ADMINISTRATIVE AND INVESTMENT EXPENSES

The 1997/1998 Administrative and Investment Expenses of the Administrative Office totaled $369,377 compared to $338,165 for the prior year. Costs have risen 68% during the past ten years. This is a compounded annual rate of increase of 5.3% over the last ten years. This rate of increase is well below the rate of growth of the Plan. A dedicated staff and constantly improving internal expertise has allowed management to keep costs minus inflation very low for the past ten years even though membership and assets managed have increased substantially during this same period (over 81% and over 734%, respectively).

INVESTMENTS

Since the Plan is well-funded, the 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 14.44% U. S. Government Securities, 14.39% Corporate Bonds, .35% Corporate Notes, 1.40% Other Investments, .04% insured Money Market Funds and 69.38% 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 Corporate Bond Index in eight of the last ten years and the equity portfolio has outperformed the NYSE Index in eight of the past ten years. This extraordinary performance resulted in a net effective yield of 10.21% and a total rate of return of 21.70% for the 1997/1998 fiscal year. Graphs depicting the fund's extraordinary performance since 1986, the year internal staff took over the portfolio management, can be found in the Investment Section.

ECONOMIC OUTLOOK

The economy seems to be leveling off. It is likely the economy will continue its moderate growth. With interest rates so low, it may be difficult to continue to outperform the Plan's 9% assumed rate of investment return over the next couple of years.

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, 1998, is 118.1% which is well ahead of schedule. All twelve participating units have fully-funded actuarial accrued liabilities.

The Plan is funded through a member contribution of 6.65% of gross payroll (8.50% effective 7-1-97), 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. While each employer has a different contribution rate, the average for the entire Plan for the 1999/2000 fiscal year will be 5.14% of gross payroll. Of the 12 groups that make up the Plan, all twelve employers will pay less than the 8.50% which the employees pay.

POST RETIREMENT BENEFIT INCREASES

State law provides for an annual benefit increase for retirees or their survivors who are over age fifty-five on the effective day of the increase and for disability retirees regardless of age. These increases are dependent upon the

production of excess earnings on a portion of the system's assets and are limited to four percent of the average benefit being paid.

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

July 1, 1993 - $ 5.00
July 1, 1996 - $10.00
July 1, 1997 - $15.00
July 1, 1998 - $25.00
July 1, 1999 - $32.41

Cumulative Total - $87.41

A benefit increase schedule showing how these amounts were calculated can be found in the Statistical Section.

CERTIFICATE OF ACHIEVEMENT

The Government Finance Officers Association (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the CORP for its comprehensive annual financial report for the fiscal year ended June 30, 1997. The Certificate of Achievement is a prestigious national award recognizing conformance with the highest standards for preparation of state and local government financial reports.

In order to be awarded a Certificate of Achievement, a government unit must publish an easily readable and efficiently organized comprehensive annual financial report, whose contents conform to program standards. Such comprehensive annual financial 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 report continues to conform to the Certificate of Achievement program requirements and we are submitting it to the Government Finance Officers Association.

SUMMARY

The System's Actuary, Gabriel, Roeder, Smith & Company, summarized the results of the latest Actuarial Valuation as of June 30, 1998, as follows:

> The results of the valuations indicate that Retirement Plan benefit obligations are being funded as incurred. Current assets are 118.1% of actuarial accrued liabilities. This is an excellent level of accrued funding and well ahead of schedule. Superior investment returns, over an extended period, have made possible the excellent actuarial condition of the Retirement Plan, improved benefits for members retiring in the future, cost-of-living increases to retired members and their beneficiaries without substantial increases in contribution requirements.

The Plan has made excellent progress during the past twelve years. Funding has increased from 69% to 118.1%. Investment and administrative expenses increased less than 68% during the past ten years while total assets and membership were up 734% and 81% respectively. Employer contribution rates have remained low. All this was accomplished even while improving benefits to members. The service multiplier has been increased from 2% to 2.5%; members can now retire after 25 years of credited service at any age or if the sum of their age and years of credited service equals 80; survivor and disability benefits have been improved and a substantial health insurance subsidy has been added.

I am proud to have been part of the Plan's management team and I look forward to the Plan's continued success in the future.

Respectfully submitted,

Jack M. Cross, C.P.A., C.F.A.
Administrator

Certificate of Achievement for Excellence in Financial Reporting

Presented to

Corrections Officer Retirement Plan, Arizona

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 1997

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

Douglas R Ellsworth
President

Jeffrey L. Esser
Executive Director

STATE OF ARIZONA
CORRECTIONS OFFICER RETIREMENT PLAN
THE RETIREMENT BOARD AND ADMINISTRATIVE ORGANIZATION

THE FUND MANAGER

		Term Expires
John A. Cochran, Ph.D., Tempe Retired Professor of Economics Arizona State University	Chairman	January 1999
F. Michael Geddes, Phoenix President Geddes & Company	Member	January 1999
Donald L. De Ment, Tucson Retired City Clerk City of Tucson	Member	January 2000
Carmen Torrie, Prescott Sergeant Department of Public Safety	Member	January 2001
Tony West, Phoenix Treasurer State of Arizona	Member	January 2000

PROFESSIONAL ADVISORS

Standard & Poor's	Investment Counsel
Gabriel, Roeder, Smith & Company	Consulting Actuaries
Barrows & Schatza, P.L.C.	Auditors
Lieberman, Dodge & Sendrow, Ltd.	Legal Counsel

ADMINISTRATIVE STAFF

Jack M. Cross, C.P.A., C.F.A.	Administrator
Michael H. Ong, J.D.	Assistant Administrator
William F. Mulholland, C.P.A.	Finance Director
Donald B. Mineer	CIS / Member Services Director
Jared A. Smout	Administrative Assistant
Kathleen A. Mattoon	Executive Secretary / Office Manager
Nancee J. McCorkle	Active Member Supervisor
Sheryl D. Saltsman	Benefits Supervisor
Annette L. Jorgensen	Administrative Assistant
LaDawn M. Snodgrass	Computer Operator
Joann L. Lowey	Accountant
Lori A. Boyle	Receptionist / Accounting Clerk
Deborah S. Irwin	Accounting Clerk
Lilian L. Leung	Benefits Clerk
Lisa Guerrero	Benefits Clerk

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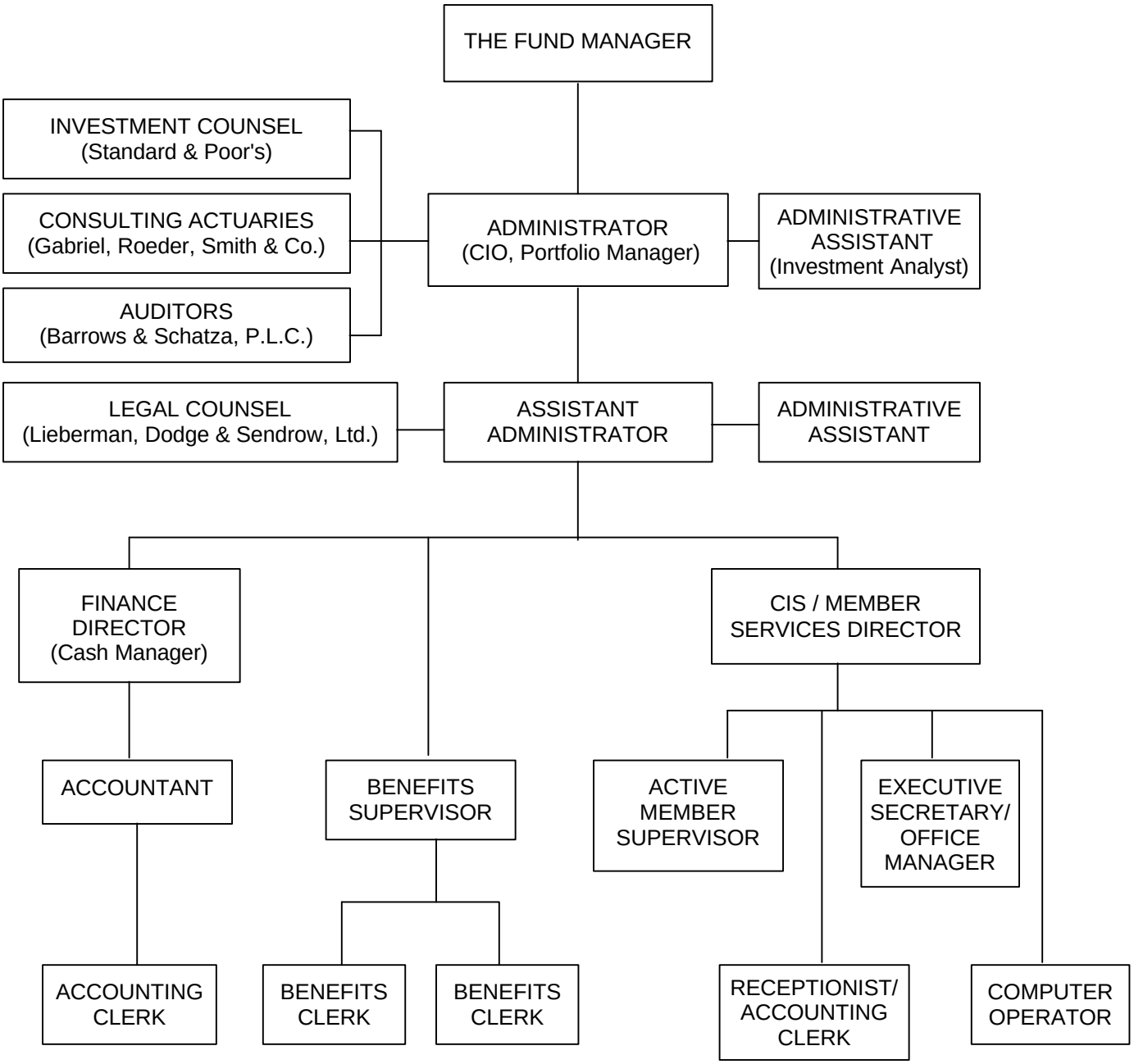
STATE OF ARIZONA
CORRECTIONS OFFICER RETIREMENT PLAN
ORGANIZATIONAL CHART
JUNE 30, 1998



FINANCIAL SECTION

CORRECTIONS OFFICER RETIREMENT PLAN

TWELFTH COMPREHENSIVE ANNUAL FINANCIAL REPORT

FOR THE FISCAL YEAR ENDED

JUNE 30, 1998

Independent Auditor's Report

Statements of Plan Net Assets

Statements of Changes in Plan Net Assets

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In Fund Balance Reserves

Supporting Schedule of
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Supporting Schedule of Payments to Consultants

Supplemental Schedule of
Cash Receipts and Cash Disbursements

Schedule of Changes in Employers' Reserve – Year Ended June 30, 1998,
and Unfunded Accrued Normal Costs at June 30, 1997

Schedule of Changes in Refundable Member Reserves
Fiscal Year Ended June 30, 1998

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 PUBLIC CORRECTIONS OFFICER RETIREMENT PLAN** as of June 30,1998 and 1997, and the related statements of changes in plan net assets for the years then ended, appearing on pages 15 and 16, respectively. These financial statements are the responsibility of the Plan's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with 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 CORRECTIONS OFFICER RETIREMENT PLAN** as of June 30, 1998 and 1997, and the results of its operations and the changes in fund balances 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, contained on pages 23 and 24, schedule of funding progress and schedule of employer contributions, are required disclosures under Governmental Accounting Standards Board (GASB) statement No. 25 and are not a required part of the basic financial statements. Also, the accompanying additional information, contained on pages 25 to 27, 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 accompanying additional information described above has been subjected to the auditing procedures applied in our audit of the 1998 financial statements and, in our opinion, is fairly stated in all material respects in relation to the financial statements taken as a whole.

Barrows & Schatza, P.L.C.

September 25, 1998

STATE OF ARIZONA
CORRECTIONS OFFICER RETIREMENT PLAN
STATEMENTS OF PLAN NET ASSETS
AS OF JUNE 30, 1998 AND 1997

	1998		1997	
	Book Cost	**See Note 2**	**Book Cost**	**See Note 2**
ASSETS				
Cash				$ 6,017
Receivables:				
Members' Contributions		$ 140,056		103,565
Employers' Contributions		111,434		111,481
Interest and Dividends		3,508,699		2,979,123
Total Receivables		3,760,189		3,194,169
Investments at Fair value (Note 2):				
U.S. Government Securities	$ 75,803,494	81,952,441	$ 95,291,498	100,177,674
Corporate Bonds	74,423,007	81,671,002	48,191,452	49,993,446
Corporate Notes	1,999,165	1,999,165	11,954,589	11,954,589
Corporate Stocks	262,157,666	393,669,804	204,760,579	282,295,331
Other Investments	7,968,600	7,968,600	1,000,000	1,000,000
Money Market Account	240,174	240,174	1,016,070	1,016,070
Total Investments	$ 422,592,106	567,501,186	$ 362,214,188	446,437,110
Total Plan Assets		571,261,375		449,637,296
Collateral Held in Trust for Securities on Loan		78,812,175		120,305,638
Liability- Collateral Subject to Return to Borrower		(78,812,175)		(120,305,638)
Net Assets Held in Trust for Pension Benefits:		$ 571,261,375		$ 449,637,296
Net Asset Reserves				
Refundable Members' Reserve		$ 93,758,470		$ 82,948,061
Employers' Reserve		461,992,484		365,333,159
Future Benefit Increase Reserve		15,510,421		1,356,076
Total Net Asset Reserves		$ 571,261,375		$ 449,637,296

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

STATE OF ARIZONA
CORRECTIONS OFFICER RETIREMENT PLAN
STATEMENTS OF CHANGES IN PLAN NET ASSETS
FOR THE YEARS ENDED JUNE 30, 1998 AND 1997

		1998		1997
Additions:				
Contributions				
Members' Contributions (Notes 1 and 3)		$ 21,647,490		$ 16,052,492
Employers' Contributions (Notes 1 and 3)		17,063,015		16,704,445
Total Contributions		38,710,505		32,756,937
Investment Income:				
Net Appreciation in Fair Value of Investments (Note 2)		80,371,594		62,459,581
Interest		13,960,434		13,109,823
Dividends		4,580,034		5,195,841
Securities Lending Activities				
Securities Lending Income	$ 6,709,305		$ 6,338,544	
Borrower rebates	(6,507,651)		(6,151,233)	
Agents Share of Income	(70,575)		(65,551)	
Net Securities Lending Income (Note 2)		131,079		121,760
		99,043,141		80,887,005
Less Investment Expense		(39,827)		(45,272)
Net Investment Income		99,003,314		80,841,733
Total Additions		137,713,819		113,598,670
Deductions:				
Pension and Insurance Benefits (Note 1)		6,883,596		5,280,996
Refunds to Terminated Members (Note 1)		8,416,350		6,918,704
Administrative Expenses		329,550		292,893
Total Deductions		15,629,496		12,492,593
Net Increase Before Transfers		122,084,323		101,106,077
Amounts Transferred to (from) Other State-Sponsored Pension Plans--Net		(460,244)		599,143
Net Increase		121,624,079		101,705,220
Net Assets Held In Trust for Pension Benefits				
Beginning of Year, July 1		449,637,296		347,932,076
Ending of Year, June 30		$ 571,261,375		$ 449,637,296

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

STATE OF ARIZONA
CORRECTIONS OFFICER RETIREMENT PLAN
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 1998 AND 1997

NOTE 1 - PLAN DESCRIPTION

Organization

The Corrections Officer Retirement Plan (CORP) is an agent multiple-employer public employee retirement system established by Title 38, Chapter 5, Article 6 of the Arizona Revised Statutes, to provide benefits for prison and jail employees of certain state and local governments. The plan is jointly administered by the Fund Manager of the Public Safety Personnel Retirement System (PSPRS) and 12 Local Boards.

The Fund Manager is a five-member board. Three members are appointed by the Governor and two members are appointed by the state legislature. All members 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 and each Local Board, and the general protection and administration of the Plan.

Each employer participating in the Plan has a five-member Local Board. Three members are appointed by the chief elected official of the organization and two members are elected by the active members of the eligible group. In general, each member serves a fixed four-year term. Each Local Board is responsible for determining eligibility for membership, service credits, eligibility for benefits, timing of benefit payments, and the amount of benefits for its eligible group of employees. All costs associated with the administration of the Local Boards are paid by the various governing bodies.

The addition or deletion of eligible groups does not require the approval of the other participating employers. New eligible groups are approved for participation by the Fund Manager. The CORP is not reported as a component unit of any other organization. The Local Boards are reported as component units of their respective sponsoring organization.

The Fund Manager of the CORP is also responsible for the investment and general administration of two other statewide retirement plans—the Public Safety Personnel Retirement System and the Elected Officials' Retirement Plan. The investments and expenses of these plans are held and accounted for separately from those of the CORP. 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, 1998 and 1997, the number of participating local government employer groups was:

	1998	1997
Counties	10	10
State Agencies	2	2
Total Employers	12	12

Any county or city in the State of Arizona may elect to have its eligible employees (generally, prison or jail personnel who have direct inmate contact) covered by the CORP. At June 30, 1998 and 1997, statewide CORP membership consisted of:

	1998	1997
Retirees and beneficiaries currently receiving benefits	708	598
Terminated vested employees	109	54
Current employees		
Vested	1,938	1,804
Non-vested	7,633	7,924
Total Members	10,388	10,380

CORP provides retirement benefits as well as death and disability benefits. Generally, all benefits vest after 10 years of credited service. A summary of benefits and Plan provisions follows:

SUMMARY OF BENEFITS

Eligibility

A. For a county, a county detention officer or a non-uniformed employee of a sheriff's department whose primary duties require direct inmate contact, if the county elects to join the Plan.

B. For the State Department of Corrections, correctional service officers, state correctional program officers and certain other designated positions within the department which are prescribed by statute.

C. For the State Department of Juvenile Corrections, youth corrections officers, youth program officers and certain other designated positions within the department which are prescribed by statute.

D. For a city or town, a city or town detention officer, if the city or town elects to join the Plan. (A.R.S. Section 38-881)

Credited Service

Service in a designated position for which member contributions have been made to the Plan or transferred to the Plan from another retirement system for public employees of this state. (A.R.S. Section 38-881)

Salary

The base salary, base wages, shift differential pay, and holiday pay paid to a member in a designated position for personal services rendered to a participating employer that is paid on a regular monthly, semimonthly or biweekly payroll basis. (A.R.S. Section 38-881)

Average Monthly Salary

One thirty-sixth (1/36) of aggregate salary paid a member during the highest three consecutive years out of the last ten years of service. (A.R.S. Section 38-881)

Normal Retirement

First day of month following completion of twenty-five years of service, a member's sixty-second birthday and completion of ten years of service, or the month where the sum of the member's age and years of credited service equals eighty. (A.R.S. Section 38-885, Subsection B)

The amount of monthly normal pension is based on credited service and average monthly salary as follows:

> 2.5 percent of the member's average monthly salary multiplied by the member's credited service to a maximum of thirty (30) years. The amount of a member's pension shall not exceed seventy-five percent (75%) of the member's average monthly salary. (A.R.S. Section 38-885, Subsections C and D)

Accidental Disability Retirement

A physical or mental condition which totally and permanently prevents an employee from performing a reasonable range of duties within the employee's department, was incurred in the performance of the employee's duties and was the result of either physical contact with inmate(s), responding to a confrontational situation with inmate(s) or a job-related motor vehicle accident and was not the result of a physical or mental condition or injury that existed or occurred before the member's date of membership in the Plan.

> Eligibility for an accidental disability or a total and permanent disability shall be based on medical evidence and determination by the Local Board. No credited service requirement. The monthly pension is fifty percent (50%) of the member's average monthly salary. The Local Board may require periodic medical re-evaluations until the member reaches age 62. Accidental disability or a total and permanent disability pension terminates if the Local Board finds the retired member no longer meets the requirements for the disability pension. (A.R.S. Section 38-886)

Total and Permanent Disability Retirement

A physical or mental condition which totally and permanently prevents a member from engaging in any gainful employment, is the direct and proximate result of the member's performance of their duty as an employee and is not the result of a physical or mental condition or injury that existed or occurred before the member's date of membership in the Plan.

> Eligibility for an accidental disability or a total and permanent disability shall be based on medical evidence and determination by the Local Board. No credited service requirement. The monthly pension is fifty percent (50%) of the member's average monthly salary. The Local Board may require periodic medical re-evaluations until the member reaches age 62. Accidental disability or a total and permanent disability pension terminates if the Local Board finds the retired member no longer meets the requirements for the disability pension. (A.R.S. Section 38-886)

Survivor Pension
The surviving spouse of a member who dies in service or after retirement is eligible for benefits as follows:

Surviving spouse of retired member; Two-thirds of retired member's pension at time of death. Requires two years of marriage at time of death. Terminates on death of surviving spouse. (A.R.S. Section 38-887)

Surviving spouse of a non-retired member; One-third of deceased member's average monthly salary. Requires two years of marriage at time of death. Terminates on death of surviving spouse. (A.R.S. Section 38-888)

Both surviving spouse pensions commence on first day of month following death of member.

Death Benefits
1. If an active or inactive member dies and no pension is payable, the member's beneficiary is entitled to receive two times his contributions to the CORP. (A.R.S. Section 38-904, Subsection A)
2. If there is no eligible surviving spouse or if the pension of the surviving spouse is terminated, surviving unmarried children of a deceased retired or active member are entitled to a pension until age 18, or age 22 if a full-time student. A disabled child is also entitled to a pension if the disability began before age 18. The amount of the pension is an equal share of the surviving spouse's pension. (A.R.S. Section 38-904, Subsection B)

Termination Refund
On termination of employment, for any reason other than death or retirement, a member with less than 10 years of credited service under the Plan is entitled to receive a lump-sum payment equal to his accumulated member contributions as of the date of termination, less any benefits paid or any amounts owed to the Plan. A member with 10 or more years of credited service is entitled to receive his contributions plus interest compounded annually at a rate set by the Fund Manager. The refund will be paid within 20 days after filing written application with the Fund Manager. A member forfeits all membership rights and credited service in the Plan upon receipt of refund of contributions. (A.R.S. Section 38-884, Subsections C and E)

Re-employment and Repayment of Contributions
A member who terminates and takes a refund of his contributions may elect, upon reemployment within two years with the same employer in a designated position, to recover his prior credited service if he submits a written election to reinstate the forfeited credited service within 90 days after reemployment and reimburse the Plan within one year. The amount required to reinstate the credited service is the amount previously withdrawn plus compounded interest, at the rate of the Plan's net effective yield, from the date of withdrawal to the date of repayment. (A.R.S. Section 38-884, Subsection F)

A retired member who becomes an employee in a designated position subsequent to retirement shall have his pension suspended during his reemployment in a designated position and shall not make contributions to the Plan nor accrue credited service during such re-employment. (A.R.S. Section 38-884, Subsection G)

Transfer into or out of Plan
A member who changes employment or transfers or is assigned to a non-eligible position, because of a change in duties or otherwise, may elect one of the following options:

1. Leave service credits and contributions on account with CORP.
2. Apply for refund of accumulated member contributions (forfeiting all service credits and membership rights).
3. Transfer all service credits to the Arizona retirement system or plan applicable to the new position pursuant to the requirements for transfer between Arizona state retirement systems.

A member who begins employment with a participating employer in this Plan and who has credited service from a different Arizona state retirement system may transfer or redeem his prior service to this Plan pursuant to the requirements for transfer between Arizona state retirement systems. (A.R.S. Section 38-901, Subsection B)

Transfer of Contributions
A member who terminates employment with an employer and accepts a position with the same, or another employer participating in the Plan, shall have their credited service transferred to their record with the new employer if they leave their accumulated contributions on deposit with the Fund. The termination of employment does not constitute a break in service; however, the period not employed shall not be considered as credited service. (A.R.S. Section 38-908)

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

COLA Benefit Increases
Effective July 1 of each year, all CORP retirees or survivors who are 55 years of age or older and all disability retirees regardless of age, who were receiving benefits on or before June 30 of the previous year, may be entitled to a permanent benefit increase in their base benefit in the maximum amount of four percent (4%) of the average normal CORP benefit being received on the preceding June 30 contingent upon sufficient excess investment earnings for the fund. (A.R.S. Section 38-905)

Health Insurance Premium Subsidy
For CORP retirees who have group health and accident insurance coverage provided and administered by the state or another CORP employer, the CORP will pay up to $95 per month for part of the premium for the retirees' individual coverage and an additional $80 per month for part of the premium for family health and accident insurance coverage. If the person is eligible for Medicare, the subsidy is $65. If the dependent is eligible for Medicare, the family subsidy is an additional $50. (A.R.S. Section 38-906)

State Taxation of CORP Benefits
Effective tax year commencing January 1, 1989, all CORP retirement benefits in excess of $2,500 annually will be subject to Arizona state tax. (A.R.S. Sections 38-896 and Section 43-1022)

Contributions
Each member shall contribute 8.5% of his salary to the Plan on an after-tax basis by payroll deduction. (A.R.S. Section 38-891, Subsection B). Each employer shall contribute a level percent of compensation as determined by actuarial valuation to ensure proper funding for the Plan. (A.R.S. Section 38-891, Subsection A)

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

Basis of Accounting

CORP financial statements are prepared using the accrual basis of accounting. Member and employer contributions are recognized as revenues in the period in which employee services are performed. Benefits due are paid in arrears on the last working day of each month. 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 Number 25 of the Governmental Accounting Standards Board for Fiscal Year End 1997. As such, the Plan reports assets on a Fair Value Basis. Certain cost information is provided to comply with state law.

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 Realized Gains used in this calculation totaled $19,685,436 for FYE 1998 and $17,018,326 for FYE 1997.

Investments

CORP investments are reported at Fair Value and at Cost. 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." In making every investment, the Fund Manager shall exercise the judgement 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 per cent 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 per cent 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 per cent of the voting stock of any one corporation shall be owned.
4) That corporate stocks eligible for purchase shall be restricted to stocks which, 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.
   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 per cent 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.

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. 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" are not considered securities for purpose of credit risk classification. Substantially, all investments are held in the name of the Plan by its custodian bank.

Money Market Account

The money market account is a deposit with an Arizona bank. Deposits are insured by federal depository insurance.

The money market account is subject to the general depository laws of the State of Arizona which 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 System is party to a securities lending agreement with a bank. The bank, on behalf of the System, 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 System requires collateral of at least 102% of the market value of the loaned U.S. Government or corporate security. Securities on loan are carried at market value. As of June 30, 1998 and 1997 the market value of securities on loan was $75,633,424 and $117,154,202, respectively. The System receives a negotiated fee for its loan activities and is indemnified for broker default by the securities lending agent. The System participates in a collateral investment pool. All security loans can be terminated on demand by either the pool participants or the borrower. All term loans have a matched collateral investment. Cash collateral received for open loans is invested for longer term, however, at least 20% of total collateral investments must be invested on an overnight basis and at least 30% of total collateral investments must be invested with a maturity of 7 days or less. Additionally, no more than 20% of the total collateral investments will be invested in instruments maturing in over 91 days. In lending securities, investments of cash collateral for open loans as of June 30, 1998 are not matched in maturity and have a weighted average maturity of 16 days, 23 days as of June 30, 1997. The System has no credit risk under this program and has experienced no default 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.

During the year ended June 30, 1998, contributions totaling $38,710,505 ($17,063,015 employer and $21,647,490 member) were made in accordance with contribution requirements determined by an actuarial valuation of the Plan as of June 30, 1996. The employer contributions consisted of $18,607,179 for normal cost less ($1,544,164) for amortization of the assets in excess of the actuarial accrued liability in aggregate. Employer contributions represented 6.63% of covered payroll. [7.23% for normal costs and (.60)% for amortization of assets in excess of the actuarial accrued liability in aggregate.] Member contributions represented 6.65% of covered payroll until July 21, when the rate increased to 8.50% and is all attributable to normal costs.

During the year ended June 30, 1997, contributions totaling $32,756,937 ($16,704,445 employer and $16,052,492 member) were made in accordance with contribution requirements determined by an actuarial valuation of the Plan as of June 30, 1995. The employer contributions consisted of $17,307,058 for normal cost less ($602,613) for amortization of the assets in excess of the actuarial accrued liability in aggregate. Employer contributions represented 6.93% of covered payroll. [7.18% for normal costs and (.25)% for amortization of assets in excess of the actuarial accrued liability in aggregate.] Member contributions represented 6.65% of covered payroll and is all attributable to normal costs.

NOTE 4 – REQUIRED SCHEDULES

The Schedule of Funding Progress and the Schedule of Employer Contributions and Revenues and Expenses by Type is presented immediately following the notes to the financial statements.

STATE OF ARIZONA
CORRECTIONS OFFICER RETIREMENT PLAN
SCHEDULE OF FUNDING PROGRESS

While not any one or two numeric indices can fully describe the financial condition of a retirement system, 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 system'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.

Actuarial Valuation Date	Actuarial Value of Assets (a) [2]	Actuarial Accrued Liability (AAL) —Entry Age (b)	Unfunded (Excess) AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
6-30-87	$ 47,550	$ 68,932	$ 21,382	69.0%	$ 102,910	20.8%
6-30-88	69,842	76,884	7,042	90.8	117,234	6.0
6-30-89 [1]	88,756	99,113	10,357	90.0	134,520	7.7
6-30-90 [1]	108,973	122,578	13,605	88.9	136,693	10.0
6-30-91 [1]	138,901	146,300	7,399	94.9	153,351	4.8
6-30-92	168,553	163,640	(4,913)	103.0	156,257	(3.1)
6-30-93*	198,692	184,299	(14,393)	107.8	166,831	(8.6)
6-30-94 [1]	223,902	221,487	(2,415)	101.1	177,717	(1.4)
6-30-95	265,006	254,189	(10,817)	104.3	198,603	(5.4)
6-30-96*	319,255	290,518	(28,737)	109.9	224,686	(12.8)
6-30-97* [1]	393,904	355,590	(38,314)	110.8	249,203	(15.4)
6-30-98	$ 484,956	$ 410,531	$ (74,425)	118.1%	$ 261,700	(28.4)%

* 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 over age fifty-five are dependent upon excess earnings created by the Fund.

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 9.0% per year compounded annually, (b) projected salary increases of 6.5% per year compounded annually, attributable to inflation and other across-the-board factors, (c) additional projected salary increases ranging from 0.0% to 3.0% per year, depending on age, attributable to seniority/merit.

CORRECTIONS OFFICER RETIREMENT PLAN
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF EMPLOYER CONTRIBUTIONS
REVENUES BY SOURCE AND EXPENSES BY TYPE

REVENUES

Fiscal Year	Member ** Contributions	Employer * Contributions	Investment Income***	Total
1989	$7,814,417	$7,814,462	$6,981,352	$22,610,231
	34%	35%	31%	100%
1990	$8,275,274	$8,250,984	$7,969,987	$24,496,245
	34%	34%	32%	100%
1991	$10,114,753	$9,764,220	$11,171,749	$31,050,722
	33%	31%	36%	100%
1992	$10,230,782	$9,492,656	$15,081,978	$34,805,416
	30%	27%	43%	100%
1993	$10,864,248	$10,099,143	$15,833,256	$36,796,647
	30%	27%	43%	100%
1994	$11,466,654	$10,032,668	$12,564,499	$34,063,821
	34%	29%	37%	100%
1995	$12,759,059	$10,565,831	$23,730,177	$47,055,067
	27%	23%	50%	100%
1996	$14,456,281	$14,371,254	$44,278,955	$73,106,490
	20%	19%	61%	100%
1997	$16,052,492	$16,704,445	$80,887,005	$113,643,942
	14%	15%	71%	100%
1998	$21,647,490	$17,063,015	$99,043,141	$137,753,646
	16%	12%	72%	100%

EXPENSES

Fiscal Year	Benefits	Admin & Invest Expenses	Refunds	Total
1989	$466,003	$209,927	$2,779,556	$3,455,486
	14%	6%	80%	100%
1990	$696,749	$216,133	$3,275,538	$4,188,420
	17%	5%	78%	100%
1991	$1,139,878	$223,242	$3,008,355	$4,371,475
	26%	5%	69%	100%
1992	$1,693,034	$243,730	$3,287,556	$5,224,320
	32%	5%	63%	100%
1993	$2,292,052	$252,855	$4,008,570	$6,553,477
	35%	4%	61%	100%
1994	$2,834,598	$245,568	$5,024,767	$8,104,933
	35%	3%	62%	100%
1995	$3,390,108	$285,989	$5,779,554	$9,455,651
	36%	3%	61%	100%
1996	$4,312,487	$324,397	$5,979,772	$10,616,656
	41%	3%	56%	100%
1997	$5,280,996	$338,165	$6,918,704	$12,537,865
	42%	3%	55%	100%
1998	$6,883,596	$369,377	$8,416,350	$15,669,323
	44%	2%	54%	100%

NOTE: * Contributions were made in accordance with actuarially determined contribution requirements. 100% of annual required employer contributions were made by the employer.

** The member contribution rate is 6.65% of covered payroll, 8.5% after 7/21/98.

*** Prior to fiscal year 1996, Investment income includes only realized gains and losses. See Note 2.

STATE OF ARIZONA
CORRECTIONS OFFICER RETIREMENT PLAN
SUPPORTING SCHEDULE OF CHANGES IN FUND BALANCE RESERVES
FOR THE YEARS ENDED JUNE 30, 1998 AND 1997

	Refundable Members' Reserve	Employers' Reserve	Future Benefit Increase Reserve
Balance -- June 30, 1996	$ 74,927,199	$ 272,100,540	$ 904,337
Distribution of Revenues and Expenses:			
Members' Contributions	16,052,492		
Employers' Contributions		16,704,445	
Earnings on Investments		80,887,005	
Pension Benefits		(5,280,996)	
Refunds to Terminated Members	(6,918,704)		
Investment and Administrative Expenses		(338,165)	
Distribution of Transfers:			
Excess Investment Earnings to be used for Future Benefit Increases		(1,025,673)	1,025,673
Earnings on Excess Investment Earnings Acct Assets		(100,562)	100,562
Amount Utilized by Benefit Increases Granted		674,496	(674,496)
Net Transfers from Other State-Sponsored Pension Plans	293,984	305,159	
Inter-System Transfers -- Member Account Balances Transferred to Employers' Reserve due to Retirement	(1,406,910)	1,406,910	
Balance -- June 30, 1997	$ 82,948,061	$ 365,333,159	$ 1,356,076
Distribution of Revenues and Expenses:			
Members' Contributions	21,647,490		
Employers' Contributions		17,063,015	
Earnings on Investments Net of Investment Expense		99,003,314	
Pension Benefits		(6,883,596)	
Refunds to Terminated Members	(8,416,350)		
Administrative Expenses		(329,550)	
Distribution of Transfers:			
Excess Investment Earnings to be used for Future Benefit Increases		(7,939,027)	7,939,027
Earnings on Excess Investment Earnings Acct Assets		(296,303)	296,303
Amount Utilized by Benefit Increases Granted		1,391,471	(1,391,471)
Amount Transferred by HB 2496 Second Session 1998		(7,310,486)	7,310,486
Net Transfers to Other State-Sponsored Pension Plans	(129,134)	(331,110)	
Inter-System Transfers net -- Member Account Balances Transferred to Employers' Reserve due to Retirement	(2,291,597)	2,291,597	
Balance -- June 30, 1998	$ 93,758,470	$ 461,992,484	$ 15,510,421

STATE OF ARIZONA
CORRECTIONS OFFICER RETIREMENT PLAN
SUPPORTING SCHEDULE OF ADMINISTRATIVE AND INVESTMENT EXPENSES
SUPPORTING SCHEDULE OF PAYMENTS TO CONSULTANTS
FOR THE FISCAL YEAR ENDED JUNE 30, 1998

	Administrative	Investment	Total
Accounting and Auditing Services	$ 4,100	$ -	$ 4,100
Actuarial Services	17,335	-	17,335
Contractual Services	21,063	-	21,063
Educational Expenses	2,973	-	2,973
Furniture and Equipment	36,151	-	36,151
Investment Equipment	-	534	534
Investment Services	-	3,226	3,226
Occupancy Expenses	11,862	2,049	13,911
Office Supplies	4,181	242	4,423
Payroll Taxes and Fringe Benefits	26,131	4,513	30,644
Postage Expense	11,118	427	11,545
Printing, Publications and Subscriptions	7,745	182	7,927
Professional Services	22,670	870	23,540
Salaries and Wages	154,210	26,634	180,844
Telephone Expense	3,814	233	4,047
Travel Expense	6,197	917	7,114
	$ 329,550	$ 39,827	$ 369,377

	Fees Paid
Standard & Poor's - Investment Counsel	$ (1)
Gabriel, Roeder, Smith & Company - Consulting Actuaries	17,335
Barrows & Schatza, P.L.C. - Auditors	4,100
Leiberman, Dodge, Sendrow & Gerding, Ltd. - Legal Counsel	22,670
	$ 44,105

(1) This Service was provided to the Plan without charge by Standard & Poor's Securities, Inc. The value of these services is approximately $10,000

STATE OF ARIZONA
CORRECTIONS OFFICER RETIREMENT PLAN
SUPPLEMENTAL SCHEDULE OF
CASH RECEIPTS AND CASH DISBURSEMENTS
FOR THE YEARS ENDED JUNE 30, 1998 AND 1997

	1998	1997
RECEIPTS:		
Members' Contributions	$ 21,610,999	$ 16,544,454
Employers' Contributions	17,063,062	17,188,847
Interest	13,251,234	12,946,184
Dividends	4,743,476	5,076,362
Securities Lending Income	147,261	113,884
Amounts Transferred from Other State-Sponsored Pension Plans	201,065	848,211
Maturities and Sales of:		
U.S. Government Securities	19,487,974	9,792,326
Corporate Bonds	1,542,838	2,004,199
Corporate Notes	828,451,355	460,211,639
Other Investments	848,562	190,000
Common Stock	72,791,699	60,643,296
Net Decrease in Money Market Fund	775,896	379,513
Total Receipts:	980,915,421	585,938,915
DISBURSEMENTS:		
Pension Benefits	6,883,596	5,280,996
Refunds to Terminated Members	8,416,350	6,918,704
Investment and Administrative Expenses	369,377	338,165
Amounts Transferred to Other State-Sponsored Pension Plans	661,309	249,068
Acquisitions of:		
U.S. Government Securities	-	6,921,028
Corporate Bonds	27,720,954	11,569,888
Corporate Notes	818,495,931	464,184,012
Other Investments	7,817,162	-
Common Stock	110,556,759	90,483,512
Net Increase in Money Market Fund	-	-
Total Disbursements:	980,921,438	585,945,373
DECREASE IN CASH	(6,017)	(6,458)
BEGINNING CASH BALANCES, July 1	6,017	12,475
ENDING CASH BALANCES, June 30	$ (0)	$ 6,017

STATE OF ARIZONA
CORRECTIONS OFFICERS RETIREMENT PLAN
SCHEDULE OF CHANGES IN EMPLOYERS' RESERVE - YEAR ENDED JUNE 30, 1998
AND UNFUNDED ACCRUED NORMAL COSTS AT JUNE 30, 1997

Sys No.	System	Balances June 30, 1997	Reserve Transfers	Contributions Received	Pension Payment	Distribution of Earnings	Balances June 30, 1998	Unfunded Accrued Normal Costs at June 30, 1997
500	Department of Corrections	202,509,618.20	1,296,574.83	11,877,461.08	(5,160,747.89)	27,049,621.57	237,572,527.79	(31,248,227.00)
501	D.Y.T.R.	15,613,613.05	297,534.40	1,477,675.25	(345,055.39)	2,279,384.48	19,323,151.79	(200,590.00)
505	Maricopa County	39,939,769.33	205,353.55	2,173,976.48	(785,620.16)	5,392,792.17	46,926,271.37	(3,402,473.00)
510	Yuma County	2,920,531.68	(9,616.69)	208,238.49	(6,201.96)	398,787.55	3,511,739.07	(867,705.00)
515	Pima County	14,580,881.61	17,864.30	752,555.08	(385,606.09)	1,960,081.81	16,925,776.71	(852,964.00)
520	Apache County	253,133.93	0.00	26,501.89	0.00	37,013.05	316,648.87	(46,032.00)
525	Cochise County	1,539,915.93	124,602.00	94,828.57	(59,620.32)	200,687.15	1,900,413.33	(390,469.00)
530	Coconino County	401,539.04	(4,349.65)	76,674.72	0.00	59,869.67	533,733.78	(178,454.00)
535	Mohave County	1,615,666.92	(1,635.87)	110,508.63	(45,751.68)	200,304.72	1,879,092.72	(657,542.00)
540	Santa Cruz County	446,905.18	38,540.43	32,770.44	0.00	62,489.89	580,705.94	(230,397.00)
545	Navajo County	551,994.72	(37,849.01)	56,183.35	(11,374.32)	71,042.59	629,997.33	(118,748.00)
550	Yavapai County	2,092,743.00	33,468.32	175,640.74	(83,617.81)	275,531.97	2,493,766.22	(120,570.00)
	EXCESS EARNINGS	(904,337.00)					(15,510,421.00)	
	TOTAL	**281,561,975.59**	**1,960,486.61**	**17,063,014.72**	**(6,883,595.62)**	**37,987,606.62**	**317,083,403.92**	**(38,314,171.00)**

STATE OF ARIZONA
CORRECTIONS OFFICERS RETIREMENT PLAN
SCHEDULE OF CHANGES IN REFUNDABLE MEMBER RESERVES
FISCAL YEAR ENDED JUNE 30, 1998

Sys No.	System	Balances June 30, 1997	Reserve Transfers	Contributions Received	Withdrawn Members	June 30, 1998
500	Department of Corrections	58,182,146.29	(1,908,292.45)	15,327,159.06	(6,006,576.20)	65,594,436.70
501	D.Y.T.R.	5,689,656.72	(133,500.67)	1,678,852.04	(437,615.86)	6,797,392.23
505	Maricopa County	12,074,463.01	(355,253.55)	2,681,182.93	(927,218.15)	13,473,174.24
510	Yuma County	888,620.87	6,721.69	282,567.95	(192,323.88)	985,586.63
515	Pima County	4,472,524.30	(76,964.30)	960,210.88	(453,387.89)	4,902,382.99
520	Apache County	93,733.29	0.00	33,683.57	(20,811.52)	106,605.34
525	Cochise County	320,006.29	55,150.00	118,447.28	(77,006.27)	416,597.30
530	Coconino County	124,815.51	(2,416.35)	97,739.68	(38,708.22)	181,430.62
535	Mohave County	307,081.08	(1,698.13)	152,314.76	(83,830.96)	373,866.75
540	Santa Cruz County	117,436.35	16,018.57	47,739.66	(27,209.53)	153,985.05
545	Navajo County	158,757.33	(5,997.99)	71,120.74	(82,946.34)	140,933.74
550	Yavapai County	518,820.02	(14,497.32)	196,471.09	(68,715.55)	632,078.24
	TOTAL	**82,948,061.06**	**(2,420,730.50)**	**21,647,489.64**	**(8,416,350.37)**	**93,758,469.83**

INVESTMENT SECTION

CORRECTIONS OFFICER RETIREMENT PLAN

TWELFTH COMPREHENSIVE ANNUAL FINANCIAL REPORT

FOR THE FISCAL YEAR ENDED

JUNE 30, 1998

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 Official's Retirement Plan and the Corrections Officer Retirement Plan (herein after 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 17th 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

Standard & Poor's Investment Advisory Services, Inc.
25 Broadway, 18th Floor
New York, NY 10004-1064
Tel 212 208 8314
Fax 212 412 0157

Standard & Poor's
*A Division of The **McGraw-Hill** Companies*

September 8, 1998

The Fund Manager
Corrections Officers' Retirement Plan

Dear Sirs:

The attached charts and tables depict the investment performance for the Corrections Officers' 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 through each month.

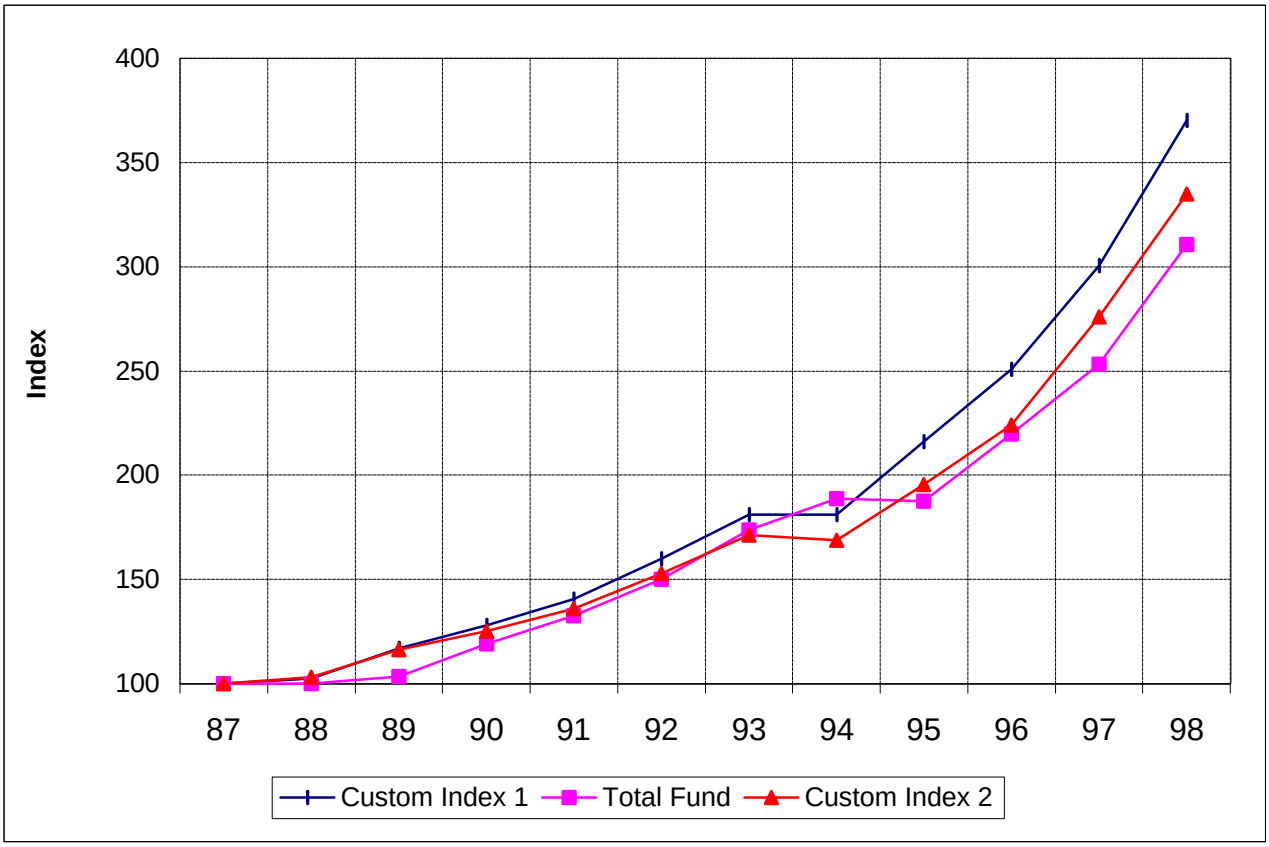
The performance data include realized and unrealized capital gains and losses, as well as interest and dividend income earned by the fund. Computations were performed in accordance with accepted AIMR procedures.

Based on the foregoing, during the past fiscal year, the stock portfolio underperformed the NYSE and S&P 500 indices, while the bond portfolio outperformed the Lehman Government/Corporate Index. The overall fund underperformed two custom benchmarks, each using a bond and stock index invested in the same proportion as the overall fund. The overall fund has attained a rate of return over the past decade that compares favorably with these custom indices.

Sincerely,

Kenneth Shea
VP - Director of Equity Research

Cumulative Return - Total Fund
Corrections Officers



	Market Value	Contribution	Total Return	Custom Index 1*	Custom Index 2**
06-30-98	$567,501,186	$22,005,313	21.70%	23.18%	21.36%
06-30-97	446,443,126	21,485,918	22.73%	19.95%	23.18%
06-30-96	344,052,534	17,199,563	15.30%	16.08%	14.58%
06-30-95	282,566,544	13,323,271	17.11%	19.24%	15.90%
06-30-94	228,725,251	12,344,638	-0.70%	-0.04%	-1.52%
06-30-93	218,076,361	14,234,677	8.80%	13.32%	12.09%
06-30-92	186,696,553	14,047,050	15.68%	13.75%	12.33%
06-30-91	148,567,837	18,448,295	13.23%	9.78%	8.68%
06-30-90	113,343,482	12,540,673	11.24%	9.41%	7.61%
06-30-89	90,034,663	11,245,876	15.21%	14.25%	13.01%
06-30-88	67,462,178	17,014,108	3.40%	2.41%	2.92%
06-30-87	48,123,723				

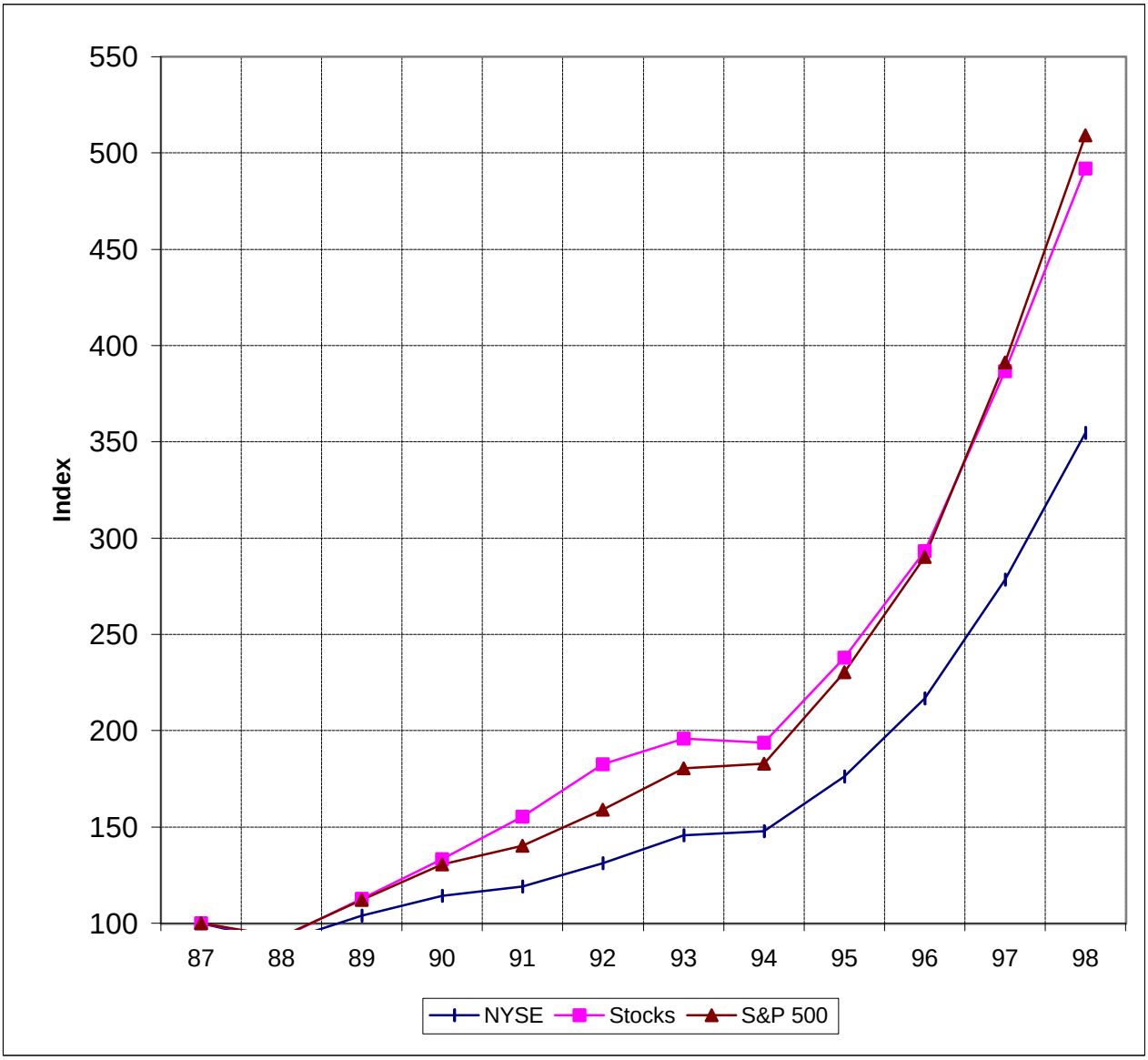
*Custom Index 1 is the average percentage in bonds times Lehman Govt/Corp Bond Index plus average percentage in stocks times S&P 500 Index

**Custom Index 2 substitutes the NYSE Index for the S&P 500. Our investment universe was the New York Stock Exchange (NYSE) prior to July 21, 1997.

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 & ending market values.

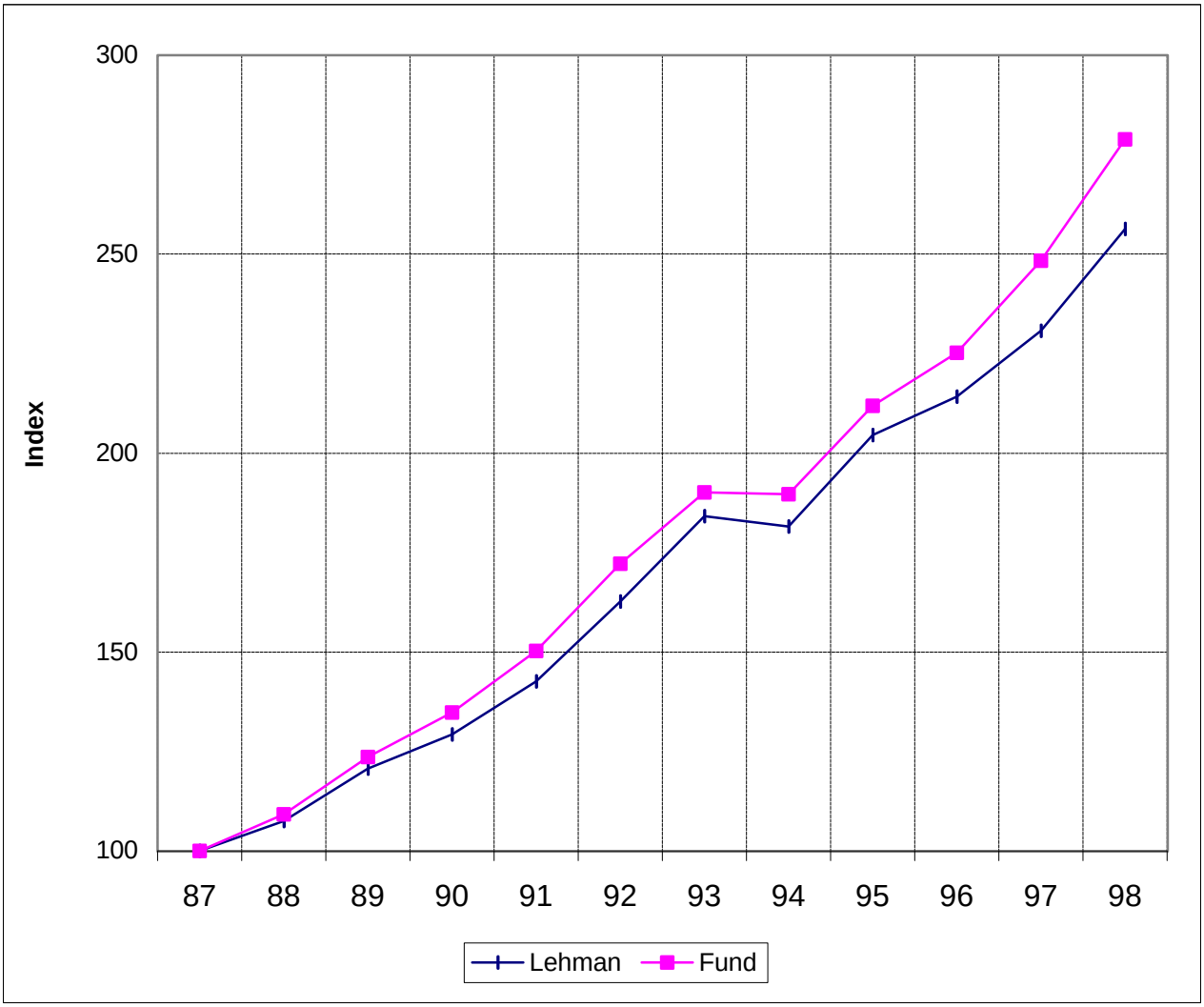
Cumulative Return - Stocks
Corrections Officers



	Market Value	Contribution	Total Return	NYSE Index*	S&P 500
06-30-98	$393,669,809	$33,176,239	27.23%	27.35%	30.16%
06-30-97	282,295,331	24,625,056	31.78%	28.48%	34.69%
06-30-96	192,410,171	199,911,739	23.35%	23.08%	26.00%
06-30-95	136,792,031	(8,954,375)	22.83%	19.04%	26.06%
06-30-94	120,009,219	9,254,903	-1.14%	1.58%	1.23%
06-30-93	112,232,875	35,940,119	7.37%	11.04%	13.52%
06-30-92	88,979,250	19,472,103	17.41%	10.25%	13.45%
06-30-91	58,385,625	13,099,368	16.48%	4.09%	7.39%
06-30-90	38,044,750	12,336,990	18.39%	9.88%	16.44%
06-30-89	21,228,125	(430,650)	21.75%	15.17%	20.54%
06-30-88	17,925,000	4,678,349	-7.46%	-9.70%	-6.97%
06-30-87	14,739,500				

*Our investment universe was the New York Stock Exchange (NYSE) prior to July 21, 1997.

Cumulative Return - Bonds
Corrections Officers



	Market Value	Contribution	Total Return	Lehman*
06-30-98	$173,831,382	($11,170,926)	12.28%	11.08%
06-30-97	164,147,795	(3,139,138)	10.31%	7.75%
06-30-96	151,642,363	(2,712,176)	6.26%	4.65%
06-30-95	145,774,513	22,277,646	11.71%	12.75%
06-30-94	108,716,032	3,089,735	-0.21%	-1.45%
06-30-93	105,843,386	(7,458,392)	10.46%	13.15%
06-30-92	97,717,303	(5,425,053)	14.54%	14.17%
06-30-91	90,182,212	(5,348,927)	11.54%	10.21%
06-30-90	75,298,732	203,683	9.02%	7.11%
06-30-89	68,806,538	11,676,526	13.18%	12.34%
06-30-88	49,537,189	12,335,759	9.18%	7.48%
06-30-87	33,384,223			

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

STATE OF ARIZONA
CORRECTIONS OFFICER RETIREMENT PLAN
SUPPORTING SCHEDULE OF COMMISSIONS PAID TO BROKERS
FISCAL YEAR ENDED JUNE 30, 1998

Broker	Number of Shares Traded	Average Commission	Commissions
Covato Lipsitz	215,000	0.050	$ 10,818
ISI Group Inc.	175,000	0.050	8,823
J.W.Garrett	463,895	0.051	23,514
Merrill Lynch	427,400	0.027	11,345
Paine Webber	328,500	0.035	11,640
Prudential Securities	483,500	0.033	15,934
Smith Barney--Phoenix	384,308	0.044	16,814
Smith Barney--Scottsdale	412,808	0.037	15,311
Simon Securities	450,000	0.048	21,804
Standard & Poor's Securities	606,000	0.051	30,627
Total Commissions	**3,946,411**	**0.042**	**$ 166,630**

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 net of commissions for the Plan.

STATE OF ARIZONA
CORRECTIONS OFFICER RETIREMENT PLAN
SUMMARY OF CHANGES IN INVESTMENT PORTFOLIO
FOR THE FISCAL YEAR ENDED JUNE 30, 1998

	Balance June 30, 1997						Balance June 30, 1998		
Description	**Percent at Market**	**Market Value**	**Book Value**	**Acquisitions**	**Maturities and Sales**	**(Premium) Discount**	**Book Value**	**Market Value**	**Percent at Market**
U.S. Treasury Obligations	6.6%	29,756,690.00	28,138,592.00	0.00	5,000,029.00	(53,001.00)	23,085,562.00	26,085,160.00	4.60%
Federal Agency Obligations	15.8%	70,420,983.66	67,152,905.78	0.00	14,434,973.32	0.00	52,717,932.46	55,867,281.14	9.84%
Total U.S. Government Securities	**22.4%**	**100,177,673.66**	**95,291,497.78**	**0.00**	**19,435,002.32**	**(53,001.00)**	**75,803,494.46**	**81,952,441.14**	**14.44%**
Corporate Bonds	**11.2%**	**49,993,445.51**	**48,191,451.75**	**27,720,953.75**	**1,466,508.91**	**(22,890.00)**	**74,423,006.59**	**81,671,001.95**	**14.39%**
Total Bond Portfolio	33.6%	150,171,119.17	143,482,949.53	27,720,953.75	20,901,511.23	(75,891.00)	150,226,501.05	163,623,443.09	28.83%
Corporate Notes	**2.8%**	**11,954,589.45**	**11,954,589.45**	**818,495,930.82**	**828,451,355.27**	**0.00**	**1,999,165.00**	**1,999,165.00**	**0.35%**
Common Stock	**63.2%**	**282,295,330.69**	**204,760,579.10**	**110,556,758.91**	**53,159,671.64**	**0.00**	**262,157,666.37**	**393,669,803.94**	**69.38%**
Other Investments	**0.2%**	**1,000,000.00**	**1,000,000.00**	**7,817,162.31**	**848,562.44**	**0.00**	**7,968,599.87**	**7,968,599.87**	**1.40%**
Money Market Account	**0.2%**	**1,016,070.00**	**1,016,070.00**	**0.00**	**(775,896.00)**	**0.00**	**240,174.00**	**240,174.00**	**0.04%**
Total Portfolio	**100.0%**	**446,437,109.31**	**362,214,188.08**	**964,590,805.79**	**902,585,204.58**	**(75,891.00)**	**422,592,106.29**	**567,501,185.90**	**100.00%**

STATE OF ARIZONA

CORRECTIONS OFFICER RETIREMENT PLAN

BONDS PURCHASED 1997 - 1998

Security	Coupon	Maturity	Purchase Price	Par Value	Principal	(Premium) Discount	Accrued Interest	Total Amount	Yield
CORPORATE BONDS									
AGL CAPITAL TRUST	8.170	06/01/37	102.01530	2,500,000.00	2,550,382.50	(50,382.50)	47,658.33	2,598,040.83	8.01%
ANTHEM INSURANCE	9.000	04/01/27	116.44900	3,000,000.00	3,493,470.00	(493,470.00)	75,750.00	3,569,220.00	7.73%
ANTHEM INSURANCE COMPANY INC	9.000	04/01/27	108.05590	2,000,000.00	2,161,118.00	(161,118.00)	71,000.00	2,232,118.00	8.33%
BANKERS TRUST CORP 144A	8.090	12/01/26	100.00000	2,000,000.00	2,000,000.00	0.00	38,652.22	2,038,652.22	8.09%
COUNTRYWIDE CAPITAL I	8.000	12/15/26	100.00000	1,500,000.00	1,500,000.00	0.00	30,000.00	1,530,000.00	8.00%
FIRST HAWAIIAN CAPITAL TRUST	8.343	07/01/27	106.20500	3,000,000.00	3,186,150.00	(186,150.00)	42,410.25	3,228,560.25	7.86%
LUMBERMAN'S	9.150	07/01/26	119.21300	2,000,000.00	2,384,260.00	(384,260.00)	63,541.67	2,447,801.67	7.68%
LUMBERMANS MUTUAL CASUALTY CO	9.150	07/01/26	118.58000	2,000,000.00	2,371,600.00	(371,600.00)	28,466.67	2,400,066.67	7.72%
SAFECO CAPITAL TRUST	8.072	07/15/37	100.70000	3,500,000.00	3,524,500.00	(24,500.00)	41,593.22	3,566,093.22	8.02%
SOUTHERN COMPANY CAPITAL TRUST	8.190	02/01/37	108.24600	1,000,000.00	1,082,460.00	(82,460.00)	31,395.00	1,113,855.00	7.57%
XEROX CAPITAL TRUST I CAP SEC.	8.000	07/01/27	105.86300	3,275,000.00	3,467,013.25	(192,013.25)	22,561.11	3,489,574.36	7.56%
TOTAL CORPORATE BONDS				**25,775,000.00**	**27,720,953.75**	**(1,945,953.75)**	**493,028.47**	**28,213,982.22**	**7.86%**
TOTAL BONDS PURCHASED				**25,775,000.00**	**27,720,953.75**	**(1,945,953.75)**	**493,028.47**	**28,213,982.22**	**7.86%**

STATE OF ARIZONA
CORRECTIONS OFFICER RETIREMENT PLAN
CORPORATE NOTES
June 30, 1998

SHORT TERM INVESTMENTS MATURED

Date Acquired	Description	Interest Rate	Maturity Date	Cost	Amount of Interest	Maturity Value
06/17/97	ATLAS FUNDING CORP	5.640	07/17/97	1,990,600.00	9,400.00	2,000,000.00
06/23/97	BANC ONE FUNDING	5.580	07/31/97	1,988,220.00	11,780.00	2,000,000.00
06/23/97	BROADWAY CAPITAL CORP	5.650	07/11/97	1,994,350.00	5,650.00	2,000,000.00
06/24/97	KOREA ASSOC. SECURITIES	5.650	07/10/97	1,994,977.78	5,022.22	2,000,000.00
06/26/97	KZH ING	5.650	07/28/97	1,989,955.56	10,044.44	2,000,000.00
06/30/97	EAGLE FUNDING	5.750	07/11/97	1,996,486.11	3,513.89	2,000,000.00
07/02/97	THREE RIVERS FUND. CORP	5.670	07/10/97	998,740.00	1,260.00	1,000,000.00
07/10/97	DYNAMIC FUND CORP,SER A	5.550	07/16/97	2,997,225.00	2,775.00	3,000,000.00
07/11/97	BTM CAPITAL CORP	5.500	07/17/97	1,998,166.67	1,833.33	2,000,000.00
07/11/97	GTE CORP	5.510	07/29/97	1,994,490.00	5,510.00	2,000,000.00
07/15/97	PROGRESS FUND COR,SER A	5.600	08/20/97	994,400.00	5,600.00	1,000,000.00
07/16/97	SHINHAN BANK, NY BRANCH	5.870	08/15/97	2,985,325.00	14,675.00	3,000,000.00
07/17/97	EAGLE FUNDING	5.560	08/14/97	2,987,026.67	12,973.33	3,000,000.00
07/17/97	PROGRESS FUND COR,SER A	5.600	08/14/97	1,991,288.89	8,711.11	2,000,000.00
07/28/97	MERRILL LYNCH & CO,INC.	5.550	07/31/97	2,998,612.50	1,387.50	3,000,000.00
07/28/97	MOBIL AUSTRALIA FINANCE	5.550	07/31/97	2,998,612.50	1,387.50	3,000,000.00
07/29/97	ATLAS COPCO AB	5.700	08/11/97	1,995,883.33	4,116.67	2,000,000.00
07/29/97	SOUTHWESTERN ELECTRIC	5.570	08/21/97	2,989,324.17	10,675.83	3,000,000.00
07/30/97	FOUR WINDS FUNDING	5.600	08/11/97	1,996,266.67	3,733.33	2,000,000.00
07/31/97	AMCOR FINANCIAL USA	5.530	08/20/97	1,993,855.56	6,144.44	2,000,000.00
07/31/97	ANCHOR FUNDING CORP	5.580	09/05/97	2,983,260.00	16,740.00	3,000,000.00
07/31/97	SANWA BUSINESS CREDIT	5.600	08/29/97	1,990,977.78	9,022.22	2,000,000.00
08/01/97	INDUSTRIAL FUNDING CORP	5.580	08/29/97	995,660.00	4,340.00	1,000,000.00
08/01/97	MERRILL LYNCH & CO,INC.	5.580	08/07/97	1,998,140.00	1,860.00	2,000,000.00
08/11/97	ATLAS COPCO	5.610	08/18/97	2,996,727.50	3,272.50	3,000,000.00
08/11/97	MERRILL LYNCH & CO,INC.	5.500	08/14/97	1,999,083.33	916.67	2,000,000.00
08/11/97	SAFECO CREDIT CO.	5.550	08/26/97	1,995,375.00	4,625.00	2,000,000.00
08/11/97	SONY EUROPE:FINANCE PLC	5.500	08/13/97	1,999,388.89	611.11	2,000,000.00
08/13/97	DYNAMIC FUND CORP,SER A	5.630	08/27/97	1,995,621.11	4,378.89	2,000,000.00
08/14/97	DYNAMIC FUND CORP,SER A	5.650	08/27/97	1,995,919.45	4,080.55	2,000,000.00
08/14/97	HUDSON FINANCE INC.	5.620	08/20/97	1,998,126.67	1,873.33	2,000,000.00
08/14/97	KZH-ING-1 CORP	5.620	08/18/97	2,998,123.34	1,876.66	3,000,000.00
08/15/97	MERRILL LYNCH & CO,INC.	5.700	08/18/97	2,998,575.00	1,425.00	3,000,000.00
08/15/97	TRIPLE A-1 FUNDING	5.620	08/22/97	1,997,814.44	2,185.56	2,000,000.00
08/18/97	ANCHOR FUNDING CORP	5.580	09/18/97	2,985,585.00	14,415.00	3,000,000.00
08/18/97	BANNER RECEIVABLES CORP	5.570	09/15/97	2,987,003.34	12,996.66	3,000,000.00
08/18/97	EAGLE FUNDING	5.560	09/17/97	1,990,733.34	9,266.66	2,000,000.00
08/18/97	SONY EUROPE FINANCE PLC	5.520	08/29/97	1,996,626.67	3,373.33	2,000,000.00
08/20/97	SUN BELT-DIX,INC.	5.520	09/18/97	1,991,106.67	8,893.33	2,000,000.00
08/20/97	WORKING CAPITAL MGMT.	5.580	10/03/97	2,979,540.00	20,460.00	3,000,000.00
08/21/97	EXXON ASSET MGMT. CO.	5.420	08/25/97	2,998,193.33	1,806.67	3,000,000.00
08/22/97	MERRILL LYNCH & CO,INC.	5.510	09/08/97	1,994,796.11	5,203.89	2,000,000.00
08/25/97	MDU RESOURCES GROUP,INC	5.520	09/30/97	1,988,960.00	11,040.00	2,000,000.00
08/26/97	COUNTRYWIDE HOME LOANS	5.550	08/28/97	1,999,383.33	616.67	2,000,000.00
08/27/97	ASTRO CAPITAL CORP	5.600	09/29/97	2,984,600.00	15,400.00	3,000,000.00
08/28/97	TRIPLE A-1 FUNDING	5.600	09/04/97	998,911.11	1,088.89	1,000,000.00
08/29/97	MERRILL LYNCH & CO,INC.	5.600	09/03/97	1,998,444.45	1,555.55	2,000,000.00
08/29/97	TRIPLE A-1 FUNDING	5.580	09/03/97	1,998,450.00	1,550.00	2,000,000.00
09/03/97	KZH-SOLEIL CORP	5.580	09/08/97	1,998,450.00	1,550.00	2,000,000.00
09/04/97	MERRILL LYNCH & CO,INC.	5.510	09/08/97	999,387.78	612.22	1,000,000.00
09/08/97	COMMED FUEL CO, INC(CS)	5.480	09/11/97	1,999,086.67	913.33	2,000,000.00
09/09/97	DYNAMIC FUND CORP,SER A	5.580	09/17/97	998,760.00	1,240.00	1,000,000.00

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09/11/97	MERRILL LYNCH & CO,INC.	5.500	09/16/97	1,998,472.22	1,527.78	2,000,000.00
09/15/97	BRIDGESTONE/FIRESTONE	5.580	09/19/97	2,998,140.00	1,860.00	3,000,000.00
09/16/97	KZH HOLDING CORP III	5.550	09/22/97	1,998,150.00	1,850.00	2,000,000.00
09/17/97	AGA CAPITAL INC.	5.490	09/22/97	1,998,475.00	1,525.00	2,000,000.00
09/17/97	PROGRESS FUND COR,SER A	5.700	10/01/97	1,995,566.67	4,433.33	2,000,000.00
09/18/97	PHH CORPORATION	5.470	09/22/97	1,998,784.44	1,215.56	2,000,000.00
09/18/97	RECEIVABLES CAPITAL COR	5.480	09/23/97	2,997,716.67	2,283.33	3,000,000.00
09/19/97	OAK FUNDING CORP	5.500	09/24/97	2,997,708.34	2,291.66	3,000,000.00
09/22/97	MERRILL LYNCH & CO,INC.	5.480	09/25/97	3,998,173.33	1,826.67	4,000,000.00
09/23/97	HALIFAX PLC	5.480	09/26/97	1,999,086.66	913.34	2,000,000.00
09/24/97	MERRILL LYNCH & CO,INC.	5.570	09/26/97	1,999,381.11	618.89	2,000,000.00
09/25/97	CAISSE DES DEPOTS	5.600	10/02/97	2,996,733.33	3,266.67	3,000,000.00
09/25/97	SANWA BUSINESS CREDIT	5.620	10/31/97	994,380.00	5,620.00	1,000,000.00
09/26/97	EDISON ASSET SECURITIZA	5.650	10/06/97	2,995,291.67	4,708.33	3,000,000.00
09/29/97	HALIFAX PLC	5.780	10/02/97	2,998,555.00	1,445.00	3,000,000.00
09/30/97	PARKER-HANNIFIN CORP	5.900	10/03/97	1,999,016.67	983.33	2,000,000.00
10/01/97	TRIDENT CAPITAL FINANCE	5.550	10/06/97	1,998,458.33	1,541.67	2,000,000.00
10/02/97	MERRILL LYNCH & CO,INC.	5.520	10/07/97	3,996,933.33	3,066.67	4,000,000.00
10/02/97	RECEIVABLES CAPITAL COR	5.530	10/08/97	2,997,235.00	2,765.00	3,000,000.00
10/03/97	TRIDENT CAPITAL FINANCE	5.500	10/14/97	1,996,638.89	3,361.11	2,000,000.00
10/03/97	TRIPLE A-1 FUNDING	5.450	10/09/97	2,997,275.00	2,725.00	3,000,000.00
10/06/97	GTE CORP	5.500	10/10/97	2,998,166.67	1,833.33	3,000,000.00
10/06/97	MERRILL LYNCH & CO,INC.	5.500	10/14/97	2,996,333.33	3,666.67	3,000,000.00
10/07/97	DAIMLER-BENZ N AMERICA	5.460	10/16/97	3,994,540.00	5,460.00	4,000,000.00
10/07/97	DUKE CAPITAL CORP	5.520	10/20/97	2,994,020.00	5,980.00	3,000,000.00
10/07/97	TRIDENT CAPITAL FINANCE	5.500	10/15/97	3,995,111.11	4,888.89	4,000,000.00
10/08/97	BROADWAY CAPITAL CORP	5.540	10/21/97	2,993,998.34	6,001.66	3,000,000.00
10/09/97	BTM CAPITAL CORP	5.520	10/23/97	1,995,706.67	4,293.33	2,000,000.00
10/10/97	ANCHOR FUNDING CORP	5.570	10/24/97	2,993,501.66	6,498.34	3,000,000.00
10/14/97	KZH HOLDING CORP III	5.550	10/21/97	1,997,841.67	2,158.33	2,000,000.00
10/14/97	SPEC. PURPOSE ACCTS REC	5.550	11/26/97	993,370.83	6,629.17	1,000,000.00
10/14/97	TRIPLE A-1 FUNDING	5.520	10/20/97	1,998,160.00	1,840.00	2,000,000.00
10/15/97	AGA CAPITAL INC.	5.550	10/21/97	2,997,225.00	2,775.00	3,000,000.00
10/15/97	DUKE CAPITAL CORP	5.600	10/23/97	2,996,266.66	3,733.34	3,000,000.00
10/16/97	DYNAMIC FUND CORP,SER A	5.600	11/10/97	1,992,222.22	7,777.78	2,000,000.00
10/16/97	HOLLAND LIMITED SECUR.	5.550	10/23/97	1,997,841.67	2,158.33	2,000,000.00
10/20/97	GTE FUNDING INC.	5.520	10/22/97	2,999,080.00	920.00	3,000,000.00
10/20/97	TRIPLE A-1 FUNDING	5.530	10/30/97	1,996,927.78	3,072.22	2,000,000.00
10/21/97	HALIFAX PLC	5.530	10/24/97	3,998,156.66	1,843.34	4,000,000.00
10/21/97	OMNIBUS FUND CORP,SER G	5.550	11/04/97	2,993,525.00	6,475.00	3,000,000.00
10/22/97	GTE CORP	5.650	10/24/97	2,999,058.34	941.66	3,000,000.00
10/23/97	BTM CAPITAL CORP	5.560	11/06/97	2,993,513.33	6,486.67	3,000,000.00
10/23/97	GTE CORP	5.590	11/24/97	2,985,093.33	14,906.67	3,000,000.00
10/24/97	MERRILL LYNCH & CO,INC	5.470	10/28/97	2,998,176.67	1,823.33	3,000,000.00
10/24/97	MITSUI & CO.(USA),INC.	5.530	10/30/97	3,996,313.33	3,686.67	4,000,000.00
10/24/97	SONY EUROPE FINANCE PLC	5.540	10/29/97	2,997,691.67	2,308.33	3,000,000.00
10/30/97	ENTERPRISE FUNDING CORP	5.640	11/05/97	3,996,240.00	3,760.00	4,000,000.00
10/30/97	MERRILL LYNCH & CO,INC.	5.600	11/04/97	3,996,888.89	3,111.11	4,000,000.00
10/30/97	SANWA BUSINESS CREDIT	5.670	11/04/97	1,049,173.12	826.88	1,050,000.00
10/30/97	THUNDER BAY FUNDING INC	5.630	11/04/97	3,996,872.22	3,127.78	4,000,000.00
10/31/97	TRIDENT CAPITAL FINANCE	5.650	11/06/97	1,998,116.67	1,883.33	2,000,000.00
11/03/97	COUNTRYWIDE HOME LOANS	5.710	11/05/97	999,682.78	317.22	1,000,000.00

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11/04/97	MERRILL LYNCH & CO,INC.	5.650	11/07/97	2,174,975.46	1,024.54	2,176,000.00
11/04/97	ORIX NORINCHUKIN	5.620	11/17/97	3,991,882.22	8,117.78	4,000,000.00
11/04/97	SHISEIDO	5.650	11/24/97	3,987,444.45	12,555.55	4,000,000.00
11/04/97	THUNDER BAY FUNDING INC	5.610	11/13/97	2,995,792.50	4,207.50	3,000,000.00
11/05/97	DUKE CAPITAL CORP	5.730	11/06/97	4,999,204.16	795.84	5,000,000.00
11/06/97	AMCOR LTD.	5.630	01/05/98	1,981,233.33	18,766.67	2,000,000.00
11/06/97	SHERWIN WILLIAMS CO.	5.520	11/17/97	3,993,253.33	6,746.67	4,000,000.00
11/06/97	WORLD OMNI VEH. LEASING	5.570	11/13/97	3,995,667.78	4,332.22	4,000,000.00
11/07/97	FINGERHUT OWNER TRUST	5.550	11/13/97	1,998,150.00	1,850.00	2,000,000.00
11/10/97	KZH-ING-1 CORP	5.600	12/31/97	1,954,371.33	15,628.67	1,970,000.00
11/13/97	AMERICAN HONDA FINANCE	5.620	11/26/97	2,993,911.67	6,088.33	3,000,000.00
11/13/97	FINGERHUT OWNER TRUST	5.560	11/18/97	2,997,683.33	2,316.67	3,000,000.00
11/13/97	SANWA BUSINESS CREDIT	5.650	11/25/97	2,994,350.00	5,650.00	3,000,000.00
11/17/97	ATLAS FUNDING CORP	5.850	12/15/97	3,981,800.00	18,200.00	4,000,000.00
11/17/97	EMBARCADERO CENTER VEN.	5.800	11/25/97	1,997,422.22	2,577.78	2,000,000.00
11/17/97	SANWA BUSINESS CREDIT	5.750	11/24/97	3,995,527.78	4,472.22	4,000,000.00
11/18/97	DUKE CAPITAL CORP	5.570	11/21/97	2,998,607.50	1,392.50	3,000,000.00
11/19/97	TRIPLE A-1 FUNDING	5.750	01/05/98	992,493.06	7,506.94	1,000,000.00
11/21/97	LEXINGTON PARKER CAP.	5.470	11/26/97	2,997,720.83	2,279.17	3,000,000.00
11/24/97	BAYERISCHE VERINSBANK	5.550	12/01/97	3,995,683.33	4,316.67	4,000,000.00
11/24/97	MERRILL LYNCH & C0,INC.	5.550	12/02/97	2,996,300.00	3,700.00	3,000,000.00
11/24/97	THE HERTZ CORPORATION	5.570	12/02/97	3,995,048.89	4,951.11	4,000,000.00
11/25/97	HOLLAND LIMITED SECUR.	5.650	12/04/97	2,995,762.50	4,237.50	3,000,000.00
11/25/97	MERRILL LYNCH & CO,INC.	5.580	12/03/97	1,997,520.00	2,480.00	2,000,000.00
11/26/97	EATON CORPORATION	5.670	12/02/97	3,996,220.00	3,780.00	4,000,000.00
11/26/97	FORD MOTOR CREDIT CO.	5.620	12/02/97	1,998,126.67	1,873.33	2,000,000.00
12/01/97	THE HERTZ CORPORATION	5.690	12/04/97	3,998,103.33	1,896.67	4,000,000.00
12/02/97	COUNTRYWIDE HOME LOANS	5.630	12/09/97	3,995,621.11	4,378.89	4,000,000.00
12/02/97	HALIFAX PLC	5.570	12/05/97	3,998,143.33	1,856.67	4,000,000.00
12/02/97	TRIDENT CAPITAL FINANCE	5.600	12/10/97	3,995,022.22	4,977.78	4,000,000.00
12/03/97	MERRILL LYNCH & CO,INC.	5.580	12/09/97	2,997,210.00	2,790.00	3,000,000.00
12/04/97	HOLLAND LIMITED SECUR.	5.600	12/11/97	3,995,644.44	4,355.56	4,000,000.00
12/04/97	INTERNATIONAL LEASE FIN	5.540	12/12/97	1,997,537.78	2,462.22	2,000,000.00
12/05/97	NEW ZEALAND(GOV'T OF)	5.470	12/08/97	1,999,088.33	911.67	2,000,000.00
12/05/97	TRANSAMERICA FINANCIAL	5.520	12/10/97	1,998,466.67	1,533.33	2,000,000.00
12/08/97	EDISON INTERNATIONAL	5.500	12/12/97	1,998,777.78	1,222.22	2,000,000.00
12/09/97	THE HERTZ CORPORATION	5.510	12/16/97	2,996,785.83	3,214.17	3,000,000.00
12/09/97	TRIPLE A-1 FUNDING	5.920	01/05/98	2,986,680.00	13,320.00	3,000,000.00
12/10/97	MERRILL LYNCH & CO,INC.	5.500	12/16/97	2,997,250.00	2,750.00	3,000,000.00
12/10/97	THUNDER BAY FUNDING,INC	5.970	01/05/98	2,987,065.00	12,935.00	3,000,000.00
12/11/97	BROOKLYN UNION GAS CO	5.530	12/16/97	3,996,927.78	3,072.22	4,000,000.00
12/12/97	PROVINCE DE QUEBEC	5.550	12/16/97	999,383.33	616.67	1,000,000.00
12/15/97	DUKE CAPITAL CORP	5.900	12/16/97	1,999,672.22	327.78	2,000,000.00
12/16/97	ATLAS COPCO AB	5.750	12/17/97	1,999,680.56	319.44	2,000,000.00
12/16/97	FAYETTE FUNDING L.P.	5.800	12/22/97	3,996,133.33	3,866.67	4,000,000.00
12/16/97	WORLD OMNI VEH. LEASING	5.670	12/18/97	4,998,425.00	1,575.00	5,000,000.00
12/18/97	TRIPLE A-1 PLUS FUNDING	5.610	12/23/97	4,996,104.16	3,895.84	5,000,000.00
12/22/97	COUNTRYWIDE HOME LOANS	5.680	12/24/97	3,998,737.78	1,262.22	4,000,000.00
12/23/97	AC ACQUISITIONS HOLDING	5.600	12/24/97	3,999,377.78	622.22	4,000,000.00
12/23/97	THE HERTZ CORPORATION	5.570	12/26/97	999,535.84	464.16	1,000,000.00
12/24/97	ALLSTATE CORP	5.580	12/30/97	3,996,280.00	3,720.00	4,000,000.00
12/24/97	THE HERTZ CORPORATION	5.570	12/30/97	1,998,143.33	1,856.67	2,000,000.00

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12/31/97	COOPERATIVE ASSN OF TRA	6.220	01/07/98	3,995,162.22	4,837.78	4,000,000.00
12/31/97	ELF AQUITAINE FINANCE	6.150	01/07/98	3,995,216.66	4,783.34	4,000,000.00
12/31/97	FLUOR CORP	5.680	01/30/98	995,266.67	4,733.33	1,000,000.00
12/31/97	MERRILL LYNCH & CO,INC.	6.050	01/08/98	1,997,311.11	2,688.89	2,000,000.00
12/31/97	WOODSTREET FUNDING CORP	6.070	01/09/98	2,995,447.50	4,552.50	3,000,000.00
01/02/98	THE HERTZ CORPORATION	5.820	01/08/98	1,998,060.00	1,940.00	2,000,000.00
01/05/98	GTE FUNDING INC.	5.640	01/12/98	3,995,613.33	4,386.67	4,000,000.00
01/05/98	THE HERTZ CORPORATION	5.610	01/12/98	1,997,818.33	2,181.67	2,000,000.00
01/05/98	TRIDENT CAPITAL FINANCE	5.600	01/13/98	3,995,022.22	4,977.78	4,000,000.00
01/07/98	MERRILL LYNCH & CO,INC.	5.400	01/15/98	3,995,200.00	4,800.00	4,000,000.00
01/07/98	SHERWIN WILLIAMS CO.	5.430	01/12/98	3,996,983.33	3,016.67	4,000,000.00
01/08/98	TMI-1 FUEL CORP	5.450	01/16/98	3,995,155.56	4,844.44	4,000,000.00
01/12/98	BARTON CAPITAL CORP	5.510	01/15/98	3,998,163.33	1,836.67	4,000,000.00
01/12/98	OGE ENERGY	5.500	01/14/98	3,998,777.78	1,222.22	4,000,000.00
01/12/98	THUNDER BAY FUNDING INC	5.530	01/16/98	1,998,771.11	1,228.89	2,000,000.00
01/13/98	LEXINGTON PARKER CAP.	5.510	01/21/98	2,996,326.67	3,673.33	3,000,000.00
01/13/98	OLGETHORPE POWER CORP	5.550	01/16/98	2,998,612.50	1,387.50	3,000,000.00
01/14/98	THE HERTZ CORPORATION	5.500	01/22/98	2,996,333.33	3,666.67	3,000,000.00
01/15/98	ALLSTATE CORP	5.470	01/22/98	2,996,809.16	3,190.84	3,000,000.00
01/15/98	MERRILL LYNCH & C0,INC.	5.480	01/26/98	2,994,976.67	5,023.33	3,000,000.00
01/15/98	TOWSON TOWN CENTER INC.	5.600	02/02/98	3,988,800.00	11,200.00	4,000,000.00
01/16/98	KITTY HAWK FUNDING CORP	5.480	01/20/98	4,996,955.56	3,044.44	5,000,000.00
01/16/98	KZH-SOLEIL CORP	5.460	01/23/98	3,995,753.33	4,246.67	4,000,000.00
01/21/98	KZH HOLDING CORP III	5.530	01/28/98	2,996,774.17	3,225.83	3,000,000.00
01/22/98	ALLOMON FUNDING CORP	5.490	02/06/98	3,990,850.00	9,150.00	4,000,000.00
01/22/98	TRIDENT CAPITAL FINANCE	5.430	01/27/98	2,997,737.50	2,262.50	3,000,000.00
01/23/98	FOUR WINDS FUNDING CORP	5.480	02/06/98	3,991,475.56	8,524.44	4,000,000.00
01/26/98	COUNTRYWIDE HOME LOANS	5.520	02/02/98	2,996,780.00	3,220.00	3,000,000.00
01/27/98	DUKE CAPITAL CORP	5.530	02/05/98	3,994,470.00	5,530.00	4,000,000.00
01/28/98	KZH HOLDING CORP III	5.600	02/04/98	2,996,733.34	3,266.66	3,000,000.00
01/30/98	TRANSAMERICA FINANCIAL	5.580	02/04/98	999,225.00	775.00	1,000,000.00
02/02/98	COUNTRYWIDE HOME LOANS	5.600	02/11/98	3,994,400.00	5,600.00	4,000,000.00
02/02/98	KZH-ING-1 CORP	5.650	02/13/98	3,993,094.45	6,905.55	4,000,000.00
02/04/98	KZH HOLDING CORP III	5.530	02/11/98	1,997,849.45	2,150.55	2,000,000.00
02/04/98	TRIPLE A-1 FUNDING	5.480	02/27/98	1,992,997.78	7,002.22	2,000,000.00
02/05/98	BAT CAPITAL CORP	5.600	03/02/98	3,984,444.45	15,555.55	4,000,000.00
02/06/98	BARTON CAPITAL CORP	5.490	02/24/98	3,989,020.00	10,980.00	4,000,000.00
02/06/98	WALT DISNEY CO.	5.400	02/10/98	3,997,600.00	2,400.00	4,000,000.00
02/10/98	MERRILL LYNCH & CO,INC.	5.500	02/25/98	3,990,833.33	9,166.67	4,000,000.00
02/11/98	BLOCK FINANCIAL CORP	5.580	02/13/98	3,998,760.00	1,240.00	4,000,000.00
02/11/98	FALCON ASSET SECUR.	5.530	02/18/98	2,996,774.17	3,225.83	3,000,000.00
02/13/98	COUNTRYWIDE HOME LOANS	5.520	02/24/98	3,993,253.33	6,746.67	4,000,000.00
02/13/98	FINGERHUT OWNER TRUST	5.520	03/04/98	3,988,346.67	11,653.33	4,000,000.00
02/17/98	KZH-SOLEIL CORP	5.830	02/20/98	1,999,028.33	971.67	2,000,000.00
02/18/98	GTE CORP	5.570	03/12/98	1,993,192.22	6,807.78	2,000,000.00
02/18/98	US PRIME PROPERTY, INC.	5.500	03/31/98	993,736.11	6,263.89	1,000,000.00
02/20/98	KZH-CRESCENT-2 CORP	5.480	02/26/98	1,998,173.33	1,826.67	2,000,000.00
02/24/98	COUNTRYWIDE HOME LOANS	5.570	02/26/98	3,998,762.22	1,237.78	4,000,000.00
02/24/98	REPSOL INTERNATIONAL BV	5.500	03/02/98	3,996,333.33	3,666.67	4,000,000.00
02/25/98	DUKE CAPITAL CORP	5.670	02/26/98	4,999,212.50	787.50	5,000,000.00
02/26/98	COUNTRYWIDE HOME LOANS	5.660	02/27/98	3,999,371.11	628.89	4,000,000.00
02/26/98	LEXINGTON PARKER CAP.	5.650	03/02/98	3,997,488.89	2,511.11	4,000,000.00

STATE OF ARIZONA
CORRECTIONS OFFICER RETIREMENT PLAN
CORPORATE NOTES
June 30, 1998

SHORT TERM INVESTMENTS MATURED

Date Acquired	Description	Interest Rate	Maturity Date	Cost	Amount of Interest	Maturity Value
03/02/98	HOLLAND LIMITED SECUR.	5.780	03/05/98	3,998,073.33	1,926.67	4,000,000.00
03/02/98	LEXINGTON PARKER CAP.	5.750	03/06/98	2,998,083.34	1,916.66	3,000,000.00
03/04/98	DUKE CAPITAL CORP	5.530	03/06/98	999,692.78	307.22	1,000,000.00
03/05/98	MERRILL LYNCH & CO,INC.	5.470	03/09/98	999,392.23	607.77	1,000,000.00
03/05/98	TRIDENT CAPITAL FINANCE	5.470	03/09/98	3,997,568.89	2,431.11	4,000,000.00
03/06/98	HOLLAND LIMITED SECUR.	5.480	03/12/98	4,995,433.33	4,566.67	5,000,000.00
03/09/98	ALLIED SIGNAL 4(2)	5.500	03/12/98	999,541.67	458.33	1,000,000.00
03/09/98	MERRILL LYNCH & CO,INC.	5.500	03/12/98	3,998,166.67	1,833.33	4,000,000.00
03/10/98	GENERAL MOTORS CORP	5.510	03/17/98	2,996,785.83	3,214.17	3,000,000.00
03/10/98	KZH PAMCO	5.580	04/30/98	992,095.00	7,905.00	1,000,000.00
03/11/98	TRIPLE A-1 FUNDING	5.550	03/13/98	999,691.67	308.33	1,000,000.00
03/12/98	DUKE CAPITAL CORP	5.540	03/20/98	4,993,844.44	6,155.56	5,000,000.00
03/12/98	HONEYWELL INC.	5.500	03/26/98	3,991,444.45	8,555.55	4,000,000.00
03/13/98	COUNTRYWIDE HOME LOANS	5.450	03/16/98	3,998,183.33	1,816.67	4,000,000.00
03/16/98	AETNA SERVICES INC.	5.550	03/19/98	3,998,150.00	1,850.00	4,000,000.00
03/16/98	WALT DISNEY CO.	5.550	03/19/98	2,998,612.50	1,387.50	3,000,000.00
03/17/98	KZH HOLDING CORP III	5.540	03/23/98	2,997,230.00	2,770.00	3,000,000.00
03/19/98	ATLANTIS ONE FUNDING	5.570	04/01/98	3,991,954.45	8,045.55	4,000,000.00
03/19/98	MERRILL LYNCH & CO,INC.	5.620	03/24/98	2,993,490.00	2,295.00	2,995,785.00
03/23/98	DUKE CAPITAL CORP	5.510	03/24/98	2,999,540.83	459.17	3,000,000.00
03/25/98	OGLETHROPE POWER CORP	5.600	03/30/98	4,296,655.55	3,344.45	4,300,000.00
03/26/98	DUKE CAPITAL CORP	5.570	03/27/98	3,999,381.11	618.89	4,000,000.00
03/27/98	PHH CORPORATION	5.490	03/30/98	3,998,170.00	1,830.00	4,000,000.00
03/30/98	DUKE CAPITAL CORP	5.730	03/31/98	2,999,522.50	477.50	3,000,000.00
03/30/98	LEXINGTON PARKER CAP.	5.780	04/02/98	3,998,073.33	1,926.67	4,000,000.00
03/31/98	DUKE CAPITAL CORP	6.080	04/01/98	999,831.11	168.89	1,000,000.00
04/01/98	SOUTHERN CAL EDISON	5.620	04/03/98	4,998,438.89	1,561.11	5,000,000.00
04/02/98	MERRILL LYNCH & CO,INC.	5.550	04/07/98	3,996,916.67	3,083.33	4,000,000.00
04/03/98	DUKE CAPITAL CORP	5.530	04/06/98	2,998,617.50	1,382.50	3,000,000.00
04/03/98	KZH HOLDING CORP III	5.530	04/09/98	2,997,235.00	2,765.00	3,000,000.00
04/06/98	ATLAS COPCO AB	5.550	04/07/98	2,999,537.50	462.50	3,000,000.00
04/07/98	FAIRWAY FINANCE CORP	5.530	04/16/98	2,995,852.50	4,147.50	3,000,000.00
04/07/98	PHH CORPORATION	5.520	04/13/98	3,996,320.00	3,680.00	4,000,000.00
04/08/98	TRIPLE A-1 FUNDING	5.550	04/09/98	999,845.83	154.17	1,000,000.00
04/09/98	HOLLAND LIMITED SECUR.	5.550	04/16/98	3,995,683.33	4,316.67	4,000,000.00
04/13/98	GREENWICH ASSET FUNDING	5.550	04/20/98	3,995,683.34	4,316.66	4,000,000.00
04/15/98	BANC ONE CORPORATION	5.650	04/17/98	2,999,058.34	941.66	3,000,000.00
04/16/98	BAT CAPITAL CORP	5.580	04/21/98	2,997,675.00	2,325.00	3,000,000.00
04/16/98	GTE CORP	5.540	04/24/98	3,995,075.56	4,924.44	4,000,000.00
04/17/98	KZH-SOLEIL CORP	5.520	04/24/98	998,926.67	1,073.33	1,000,000.00
04/20/98	COUNTRYWIDE HOME LOANS	5.530	04/24/98	1,998,771.11	1,228.89	2,000,000.00
04/20/98	YORKSHIRE BUILDING SOC.	5.510	04/22/98	2,999,081.67	918.33	3,000,000.00
04/21/98	EKSPORTFINANS,A/S	5.500	04/23/98	3,998,777.78	1,222.22	4,000,000.00
04/22/98	TRIDENT CAPITAL FINANCE	5.510	05/04/98	2,994,490.00	5,510.00	3,000,000.00
04/23/98	PHH CORPORATION	5.530	05/05/98	3,992,626.66	7,373.34	4,000,000.00
04/24/98	BAT CAPITAL CORP	5.580	05/08/98	2,993,490.00	6,510.00	3,000,000.00
04/24/98	QUINCY CAPITAL CORP	5.530	05/11/98	2,992,165.83	7,834.17	3,000,000.00
04/30/98	CENTERIOR FUEL	5.550	05/06/98	999,075.00	925.00	1,000,000.00
05/01/98	ALLSTATE CORP	5.500	05/08/98	998,930.56	1,069.44	1,000,000.00
05/04/98	MERRILL LYNCH & CO,INC.	5.500	05/06/98	2,999,083.34	916.66	3,000,000.00
05/05/98	MARKETSTREET	5.520	05/29/98	996,320.00	3,680.00	1,000,000.00
05/05/98	US PRIME PROPERTY, INC.	5.430	05/06/98	2,999,547.50	452.50	3,000,000.00

STATE OF ARIZONA
CORRECTIONS OFFICER RETIREMENT PLAN
CORPORATE NOTES
June 30, 1998

SHORT TERM INVESTMENTS MATURED

Date Acquired	Description	Interest Rate	Maturity Date	Cost	Amount of Interest	Maturity Value
05/06/98	KZH HOLDING CORP III	5.510	05/13/98	3,995,714.45	4,285.55	4,000,000.00
05/08/98	COUNTRYWIDE HOME LOANS	5.440	05/14/98	4,995,466.67	4,533.33	5,000,000.00
05/11/98	MERRILL LYNCH & CO,INC.	5.500	05/19/98	2,996,333.34	3,666.66	3,000,000.00
05/13/98	KZH HOLDING CORP III	5.550	05/20/98	3,995,683.33	4,316.67	4,000,000.00
05/13/98	TRIDENT CAPITAL FINANCE	5.500	05/18/98	2,997,708.33	2,291.67	3,000,000.00
05/14/98	COUNTRYWIDE HOME LOANS	5.560	05/21/98	2,996,756.67	3,243.33	3,000,000.00
05/18/98	COUNTRYWIDE HOME LOANS	5.570	05/26/98	1,997,524.45	2,475.55	2,000,000.00
05/18/98	TRIDENT CAPITAL FINANCE	5.550	05/27/98	3,994,450.00	5,550.00	4,000,000.00
05/19/98	MERRILL LYNCH & CO,INC.	5.530	05/26/98	4,994,623.61	5,376.39	5,000,000.00
05/20/98	HASBRO INC.	5.490	05/22/98	1,999,390.00	610.00	2,000,000.00
05/20/98	PROGRESS CAPITAL HOLD.	5.510	05/26/98	999,081.67	918.33	1,000,000.00
05/21/98	KZH-CNC CORP	5.660	06/02/98	2,990,716.67	5,510.00	2,996,226.67
05/26/98	KITTY HAWK FUNDING	5.540	05/28/98	2,999,076.67	923.33	3,000,000.00
05/26/98	MERRILL LYNCH & CO,INC.	5.540	06/01/98	1,998,153.33	1,846.67	2,000,000.00
05/26/98	THAMES ASSET GLOBAL SEC	5.600	06/04/98	3,994,400.00	5,600.00	4,000,000.00
05/27/98	COUNTRYWIDE HOME LOANS	5.560	06/01/98	1,998,455.56	1,544.44	2,000,000.00
05/28/98	EXXON ASSET MGMT. CO.	5.500	06/01/98	2,998,166.67	1,833.33	3,000,000.00
05/29/98	FINGERHUT OWNER TRUST	5.650	06/02/98	999,372.22	627.78	1,000,000.00
06/03/98	LEXINGTON PARKER CAP.	5.570	06/08/98	999,226.39	773.61	1,000,000.00
06/04/98	GEN. MTRS. ACCEPT. CORP	5.470	06/09/98	3,996,961.11	3,038.89	4,000,000.00
06/05/98	ENGELHARD CORP	5.500	06/08/98	1,999,083.34	916.66	2,000,000.00
06/08/98	MERRILL LYNCH & CO,INC.	5.460	06/11/98	4,997,725.00	2,275.00	5,000,000.00
06/08/98	PROGRESS CAPIT. HOLDING	5.500	06/30/98	996,638.89	3,361.11	1,000,000.00
06/09/98	LEXINGTON PARKER CAP.	5.440	06/10/98	999,848.89	151.11	1,000,000.00
06/10/98	US PRIME PROPERTY, INC.	5.500	06/12/98	999,694.44	305.56	1,000,000.00
06/11/98	MERRILL LYNCH & CO,INC.	5.530	06/16/98	2,997,695.83	2,304.17	3,000,000.00
06/11/98	MOBIL CREDIT FINANCE	5.490	06/17/98	1,998,170.00	1,830.00	2,000,000.00
06/12/98	TRIPLE A-1 FUNDING	5.570	06/17/98	999,226.39	773.61	1,000,000.00
06/15/98	BARTON CAPITAL CORP	5.690	06/18/98	1,999,051.67	948.33	2,000,000.00
06/16/98	LEXINGTON PARKER CAP.	5.600	06/18/98	2,999,066.67	933.33	3,000,000.00
06/16/98	MERRILL LYNCH & CO,INC.	5.580	06/19/98	999,535.00	465.00	1,000,000.00
06/17/98	CENTERIOR FUEL	5.620	06/19/98	3,104,030.55	969.45	3,105,000.00
06/17/98	DISTRIBUTION FUND. CORP	5.680	06/18/98	999,842.22	157.78	1,000,000.00
06/18/98	ENGELHARD CORP	5.600	06/19/98	999,844.44	155.56	1,000,000.00
	TOTALS			**828,451,355.27**	**1,141,656.40**	**829,593,011.67**

STATE OF ARIZONA
CORRECTIONS OFFICER RETIREMENT PLAN
INVESTMENTS ACQUIRED
JULY 1, 1997 THROUGH JUNE 30, 1998

COMMON STOCK ACQUIRED

Company	No. Shares	Dividend Rate	Annual Income	Book Yield	Average Cost	Book Cost
3COM CORPORATION	78,000	0.00	0.00	0.00%	41.61	3,245,945.40
ABBOTT LABORATORIES	20,000	0.54	10,800.00	0.83%	65.13	1,302,649.92
ADAPTEC, INC	55,000	0.00	0.00	0.00%	41.95	2,307,500.50
AIRBORNE FREIGHT CORP	30,000	0.16	4,800.00	0.44%	36.17	1,084,965.80
AIRTOUCH COMMUNICATIONS	120,000	0.00	0.00	0.00%	49.29	5,914,230.00
AMERICAN EXPRESS	30,000	0.90	27,000.00	0.88%	102.68	3,080,250.00
AMERICAN INT'L GROUP	47,500	0.30	14,250.00	0.24%	125.19	5,946,406.24
APPLIED MATERIALS	30,000	0.00	0.00	0.00%	32.64	979,284.00
BOEING CO.	20,000	0.56	11,200.00	1.15%	48.85	977,056.00
BRISTOL-MYERS SQUIBB CO.	30,000	1.56	46,800.00	1.43%	109.24	3,277,272.00
CISCO SYSTEMS	65,000	0.00	0.00	0.00%	74.12	4,817,693.75
COCA-COLA CO	30,000	0.60	18,000.00	0.77%	78.24	2,347,125.00
DIAMOND OFFSHORE DRILLING	60,000	0.50	30,000.00	1.14%	43.71	2,622,387.00
ELECTRONIC DATA SYSTEMS	20,000	0.60	12,000.00	1.49%	40.39	807,704.00
EMC CORP	80,000	0.00	0.00	0.00%	32.47	2,597,547.00
ERICSSON	80,000	0.20	16,000.00	0.50%	39.93	3,194,141.17
EXPRESS SCRIPTS	24,000	0.00	0.00	0.00%	55.30	1,327,200.00
FEDERATED DEPARTMENT STORES	60,000	0.00	0.00	0.00%	51.28	3,076,971.00
FIRST DATA CORP	30,000	0.08	2,400.00	0.24%	33.03	991,008.00
FIRST UNION CORP	20,000	1.28	25,600.00	2.57%	49.85	997,081.17
GENERAL NUTRITION COMPANIES	100,000	0.00	0.00	0.00%	31.76	3,176,449.00
GLOBAL MARINE	110,000	0.00	0.00	0.00%	24.45	2,689,807.50
INTEL CORPORATION	120,000	0.12	14,400.00	0.14%	85.37	10,244,548.00
INTERSTATE BAKERIES	90,000	0.28	25,200.00	0.82%	33.98	3,058,044.50
LILLY ELI	20,000	0.72	14,400.00	1.08%	66.55	1,331,000.00
LOEWEN GROUP	78,000	0.20	15,600.00	0.74%	27.11	2,114,379.80
MCDONALDS CORPORATION	20,000	0.33	6,600.00	0.70%	47.27	945,356.00
NEWS CORPORATION	165,000	0.09	14,850.00	0.42%	21.50	3,547,572.50
NORTHERN TELECOM	90,000	0.60	54,000.00	0.95%	63.04	5,673,184.10
NORTHROP GRUMMAN	12,000	1.60	19,200.00	1.41%	113.72	1,364,590.80
OFFICEMAX INC.	210,000	0.00	0.00	0.00%	16.55	3,475,782.00
PARAMETRIC TECHNOLOGY	90,000	0.00	0.00	0.00%	31.48	2,833,325.00
PROFFITT'S, INC.	90,000	0.00	0.00	0.00%	38.06	3,425,604.00
QUANTUM CORPORATION	70,000	0.00	0.00	0.00%	28.68	2,007,912.00
QUORUM HEALTH GROUP	71,600	0.00	0.00	0.00%	24.96	1,787,164.56
SAFEWAY INC	30,000	0.00	0.00	0.00%	36.12	1,083,471.00
SCHOLASTIC CORPORATION	40,000	0.00	0.00	0.00%	39.88	1,595,198.00
STARBUCKS CORP.	15,000	0.00	0.00	0.00%	34.11	511,670.40
STERLING SOFTWARE	66,000	0.00	0.00	0.00%	35.98	2,374,941.80
WARNER-LAMBERT	60,000	1.92	115,200.00	3.04%	63.19	3,791,514.00
WORLDCOM INC.	60,000	0.00	0.00	0.00%	43.85	2,630,826.00
TOTAL COMMON STOCK BOUGHT			**498,300.00**	**0.45%**		**110,556,758.91**

STATE OF ARIZONA
CORRECTIONS OFFICER RETIREMENT PLAN
INVESTMENTS ACQUIRED
JULY 1, 1997 TO JUNE 30, 1998

OTHER INVESTMENTS ACQUIRED

Name	Coupon	Maturity	Purchase Price	Book Cost
BRIDGE FINANCIAL				
BRIDGE FINANCIAL - AMBASSADOR INN OF PHX	13.000	8/19/97	100.00	312,000.00
BRIDGE FINANCIAL - BEAVERCREEK G.C.	13.000	7/4/99	100.00	126,000.00
BRIDGE FINANCIAL - BELL LOAN	13.000	1/22/99	100.00	308,400.00
BRIDGE FINANCIAL - CRYSTAL SPRINGS	12.750	6/17/99	100.00	200,400.00
BRIDGE FINANCIAL - DESERT SPRINGS	13.250	12/23/97	100.00	264,726.02
BRIDGE FINANCIAL - DOBSON & WARNER ROAD	13.500	7/11/97	100.00	69,000.00
BRIDGE FINANCIAL - GOLD CANYON MHP LAND	13.000	3/15/98	100.00	71,636.29
BRIDGE FINANCIAL - GREENFIELD LAKES GOLF	12.750	10/31/99	100.00	210,000.00
BRIDGE FINANCIAL - HILTON HOTEL LAND	13.000	5/20/99	100.00	164,400.00
BRIDGE FINANCIAL - HOLIDAY INN III	12.625	7/7/98	100.00	942,000.00
BRIDGE FINANCIAL - LAKE PLEASANT	14.000	2/25/99	100.00	1,500,000.00
BRIDGE FINANCIAL - PECOS & COOPER	12.875	4/1/99	100.00	192,000.00
BRIDGE FINANCIAL - PIONEER INDUST. PARL	15.000	3/22/99	100.00	396,000.00
BRIDGE FINANCIAL - SHEA MEDICAL PLAZA	12.000	5/28/99	100.00	180,000.00
BRIDGE FINANCIAL - STETSON HILLS	14.000	4/16/99	100.00	320,400.00
BRIDGE FINANCIAL - SUN VALLEY II	13.125	9/18/98	100.00	342,600.00
BRIDGE FINANCIAL - TARGET STORE SITE	12.625	4/1/99	100.00	270,000.00
BRIDGE FINANCIAL - UNITED HOMES	12.500	3/26/99	100.00	309,600.00
BRIDGE FINANCIAL - WARNER & VAL VISTA	12.625	12/7/98	100.00	132,000.00
BRIDGE FINANCIAL - WHITE PEAK LAND	14.000	3/18/99	100.00	456,000.00
TOTAL BRIDGE FINANCIAL ACQUIRED				**6,767,162.31**
MISCELLANEOUS				
PIVOTAL X,LLC-HARBOR BAY CAMPUS	L.L.C.		100.00	1,050,000.00
TOTAL MISCELLANEOUS ACQUIRED				**1,050,000.00**
TOTAL OTHER INVESTMENTS ACQUIRED				**7,817,162.31**

STATE OF ARIZONA
CORRECTIONS OFFICER RETIREMENT PLAN
BONDS SOLD 1997 - 1998

Security	Coupon	Maturity	Par Value	Sale Price	Accrued Interest	Principal	Amortized Cost	Gain or (Loss)	Amount Due
U.S TREASURY OBLIGATIONS									
U.S. TREASURY NOTE	5.750	10/31/97	2,000,000.00	100.00000	57,500.00	2,000,000.00	1,999,000.00	1,000.00	2,057,500.00
U.S. TREASURY NOTE	6.000	11/30/97	2,000,000.00	100.00000	60,000.00	2,000,000.00	2,000,588.00	(588.00)	2,060,000.00
U.S. TREASURY NOTE	5.125	02/28/98	1,000,000.00	100.00000	25,625.00	1,000,000.00	1,000,441.00	(441.00)	1,025,625.00
TOTAL U.S. TREASURY OBLIGATIONS			**5,000,000.00**		**143,125.00**	**5,000,000.00**	**5,000,029.00**	**(29.00)**	**5,143,125.00**
CORPORATE BONDS									
AMERICAN SAVINGS MORTGAGE CORP	8.450	05/25/08	372,826.45	100.00000	92,639.93	372,826.45	367,987.82	4,838.63	465,466.38
AUTO BOND RECEIVABLES TRUST	6.400	04/15/99	260,762.29	100.00000	20,851.30	260,762.29	260,762.29	0.00	281,613.59
CITICORP	8.500	02/01/17	871,000.00	101.76343	37,017.50	886,359.50	837,758.80	48,600.70	923,377.00
SECURITY MUTUAL LIFE NEW YORK	9.375	12/15/16	0.00	#DIV/0!	6,250.00	0.00	0.00	0.00	6,250.00
TOTAL CORPORATE BONDS			**1,504,588.74**		**156,758.73**	**1,519,948.24**	**1,466,508.91**	**53,439.33**	**1,676,706.97**
TOTAL BONDS SOLD			**6,504,588.74**		**299,883.73**	**6,519,948.24**	**6,466,537.91**	**53,410.33**	**6,819,831.97**

STATE OF ARIZONA
CORRECTIONS OFFICER RETIREMENT PLAN
INVESTMENTS SOLD 07/01/97 TO 06/30/98

COMMON STOCK SOLD

Company	Shares Sold	Sale Price	Amount	Commission + SEC Fee	Net Amount	Book Cost	Gain (Loss) on Sale	% Gain on Sale
ABBOTT LABORATORIES	20,000	64.30	1,285,944.00	1,042.87	1,284,901.13	1,117,500.00	167,401.13	14.98%
AMERICAN HOME PRODS	16,000	71.25	1,140,000.00	838.00	1,139,162.00	532,728.34	606,433.66	113.84%
AMOCO CORPORATION	25,000	85.63	2,140,665.00	1,321.36	2,139,343.64	1,996,562.50	142,781.14	7.15%
AT&T CORP	50,000	36.69	1,834,375.00	2,561.16	1,831,813.84	1,791,803.16	40,010.68	2.23%
AUTOLIV, INC	15,395	30.91	475,842.85	785.62	475,057.23	436,526.16	38,531.07	8.83%
CENTRAL & SW CORP	150,000	20.16	3,023,822.50	7,600.83	3,016,221.67	3,610,703.80	(594,482.13)	-16.46%
DEERE & CO	65,000	60.93	3,960,209.50	3,382.01	3,956,827.49	2,699,001.30	1,257,826.19	46.60%
DUKE ENERGY CORP	50,000	50.21	2,510,389.50	2,583.70	2,507,805.80	1,880,925.00	626,880.80	33.33%
ETHYL CORPORATION	225,000	8.86	1,992,715.73	11,316.47	1,981,399.26	2,715,812.18	(734,412.92)	-27.04%
EXXON CORPORATION	140,000	62.43	8,740,117.75	7,291.37	8,732,826.38	6,231,471.55	2,501,354.83	40.14%
GANNETT COMPANY	30,000	66.80	2,004,133.00	1,566.82	2,002,566.18	816,292.50	1,186,273.68	145.32%
GEORGIA PACIFIC CORP	35,000	94.33	3,301,632.50	1,860.07	3,299,772.43	2,609,573.50	690,198.93	26.45%
H.J. HEINZ COMPANY	112,500	50.08	5,634,317.75	5,812.83	5,628,504.92	4,034,160.00	1,594,344.92	39.52%
INTL FLAVS & FRAGS	90,000	52.63	4,737,103.00	4,657.94	4,732,445.06	4,541,689.99	190,755.07	4.20%
JOHNSON & JOHNS CO	20,000	57.88	1,157,548.00	1,038.59	1,156,509.41	1,158,087.83	(1,578.42)	-0.14%
LILLY ELI	12,000	122.12	1,465,404.00	648.85	1,464,755.15	1,115,957.14	348,798.01	31.26%
LUCENT TECH INC	21,408	70.85	1,516,674.88	1,120.96	1,515,553.92	483,114.94	1,032,438.98	213.70%
MERCK & CO	13,000	100.32	1,304,171.70	693.48	1,303,478.22	978,015.28	325,462.94	33.28%
MINN MINING & MFG	25,000	97.05	2,426,359.55	1,330.89	2,425,028.66	1,162,807.74	1,262,220.92	108.55%
MOTOROLA, INC	60,000	57.15	3,428,990.00	3,114.31	3,425,875.69	3,300,157.05	125,718.64	3.81%
PEPSICO	60,000	39.91	2,394,640.50	3,079.84	2,391,560.66	1,364,075.03	1,027,485.63	75.32%
PFIZER INC	50,000	105.71	5,285,625.00	0.00	5,285,625.00	2,001,596.75	3,284,028.25	164.07%
PITNEY BOWES, INC	50,000	48.25	2,412,530.00	2,580.43	2,409,949.57	1,015,250.00	1,394,699.57	137.37%
PROCTER & GAMBLE CO	20,000	70.57	1,411,442.00	1,047.05	1,410,394.95	1,088,081.34	322,313.61	29.62%
ROYAL DUTCH PETROL	20,000	56.32	1,126,420.00	1,037.55	1,125,382.45	877,500.00	247,882.45	28.25%
SCHERING-PLOUGH CORP	25,000	52.36	1,309,037.50	1,293.64	1,307,743.86	658,760.42	648,983.44	98.52%
SCHLUMBERGER	20,000	76.25	1,525,030.00	1,050.84	1,523,979.16	624,833.33	899,145.83	143.90%
TELEFONOS DE MEXICO	45,000	51.19	2,303,556.30	2,326.80	2,301,229.50	1,478,424.94	822,804.56	55.65%
TRICON GLOBAL	16,100	29.27	471,166.50	820.71	470,345.79	300,769.50	169,576.29	56.38%
UNION PAC RES GROUP	25,408	21.52	546,903.67	1,288.64	545,615.03	537,490.37	8,124.66	1.51%
TOTAL STOCK SOLD	**1,506,811**		**72,866,767.68**	**75,093.63**	**72,791,674.05**	**53,159,671.64**	**19,632,002.41**	**36.93%**

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INVESTMENTS SOLD JULY 1, 1997 TO JUNE 30, 1998

OTHER INVESTMENTS SOLD

Name	Coupon	Maturity	Sale Price	Book Cost
BRIDGE FINANCIAL				
BRIDGE FINANCIAL--DESERT SPRINGS	13.250	12/23/97	100.00	264,726.02
BRIDGE FINANCIAL--DOBSON & WARNER ROAD	13.500	07/11/97	100.00	69,000.00
BRIDGE FINANCIAL--GOLD CANYON MHP LAND	13.000	03/15/98	100.00	71,636.29
BRIDGE FINANCIAL--WARNER & VAL VISTA	12.625	12/07/98	100.00	132,000.00
TOTAL BRIDGE FINANCIAL SOLD				**537,362.31**
MISCELLANEOUS				
PEBBLECREEK PROPERTIES L.P.	10.000	02/19/02	100.00	311,200.13
TOTAL MISCELLANEOUS SOLD				**311,200.13**
TOTAL OTHER INVESTMENTS				**848,562.44**

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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
	U.S. TREASURY OBLIGATIONS										
4,000,000.00	U.S. TREASURY BOND	9.125	05/15/09	4,002,412.00	100.06030	117.12500	4,685,000.00	682,588.00	365,000.00	9.12	7.800
1,000,000.00	U.S. TREASURY BOND	7.500	11/15/16	956,237.00	95.62370	120.04700	1,200,470.00	244,233.00	75,000.00	7.84	6.200
3,000,000.00	U.S. TREASURY BOND	9.125	05/15/18	3,000,000.00	100.00000	139.98400	4,199,520.00	1,199,520.00	273,750.00	9.13	6.500
2,000,000.00	U.S. TREASURY BOND	8.125	08/15/19	2,001,927.00	100.09635	129.06200	2,581,240.00	579,313.00	162,500.00	8.12	6.300
1,000,000.00	U.S. TREASURY BOND	8.000	11/15/21	1,000,000.00	100.00000	128.90600	1,289,060.00	289,060.00	80,000.00	8.00	6.200
3,000,000.00	U.S. TREASURY NOTE	5.125	12/31/98	3,001,548.00	100.05160	99.89100	2,996,730.00	(4,818.00)	153,750.00	5.12	5.100
2,000,000.00	U.S. TREASURY NOTE	6.375	01/15/99	2,007,742.00	100.38710	100.51600	2,010,320.00	2,578.00	127,500.00	6.35	6.300
1,000,000.00	U.S. TREASURY NOTE	6.000	10/15/99	1,005,733.00	100.57330	100.56200	1,005,620.00	(113.00)	60,000.00	5.97	6.000
4,000,000.00	U.S. TREASURY NOTE	5.500	04/15/00	4,002,517.00	100.06293	99.96900	3,998,760.00	(3,757.00)	220,000.00	5.50	5.500
2,000,000.00	U.S. TREASURY NOTE	7.500	11/15/01	2,107,446.00	105.37230	105.92200	2,118,440.00	10,994.00	150,000.00	7.12	7.100
23,000,000.00	**TOTAL U.S. TREASURY OBLIGATIONS**			**23,085,562.00**	**100.37201**		**26,085,160.00**	**2,999,598.00**	**1,667,500.00**	**7.2%**	**6.4%**
	FEDERAL AGENCY OBLIGATIONS										
52,554.25	GNMA POOL #136472	9.000	04/15/16	50,484.90	0.96000	107.56900	56,532.08	6,047.18	4,729.88	9.37	8.400
68,040.95	GNMA POOL #148586	9.000	04/15/16	65,361.81	0.96000	107.56900	73,190.97	7,829.16	6,123.69	9.37	8.400
99,553.60	GNMA POOL #152344	9.000	04/15/16	92,273.75	0.93000	107.56900	107,088.81	14,815.06	8,959.82	9.71	8.400
995,084.37	GNMA POOL #173878	9.000	08/15/16	984,511.58	0.99000	107.56900	1,070,402.31	85,890.73	89,557.59	9.10	8.400
763,604.76	GNMA POOL #174481	9.000	07/15/16	739,503.42	0.97000	107.56900	821,402.00	81,898.58	68,724.43	9.29	8.400
898,242.90	GNMA POOL #176431	9.000	08/15/16	869,611.41	0.97000	107.56900	966,230.91	96,619.50	80,841.86	9.30	8.400
550,703.33	GNMA POOL #184656	9.000	12/15/16	533,321.76	0.97000	107.56900	592,386.07	59,064.31	49,563.30	9.29	8.400
735,656.40	GNMA POOL #185289	9.000	09/15/19	715,885.59	0.97000	107.56900	791,338.23	75,452.64	66,209.08	9.25	8.400
141,313.74	GNMA POOL #186088	9.000	08/15/17	137,957.52	0.98000	107.56900	152,009.78	14,052.26	12,718.24	9.22	8.400
236,552.30	GNMA POOL #190095	9.000	12/15/16	224,502.92	0.95000	107.56900	254,456.94	29,954.02	21,289.71	9.48	8.400
346,741.55	GNMA POOL #202505	9.000	10/15/19	339,048.20	0.98000	107.56900	372,986.42	33,938.22	31,206.74	9.20	8.400
33,052.58	GNMA POOL #202778	9.000	02/15/17	31,255.19	0.95000	107.56900	35,554.33	4,299.14	2,974.73	9.52	8.400
253,511.14	GNMA POOL #214690	9.000	07/15/17	247,493.01	0.98000	107.56900	272,699.40	25,206.39	22,816.00	9.22	8.400
717,787.10	GNMA POOL #217956	10.000	11/15/17	709,738.48	0.99000	109.61500	786,802.33	77,063.85	71,778.71	10.11	9.100
87,472.71	GNMA POOL #225662	9.000	01/15/19	80,802.89	0.92000	107.56900	94,093.52	13,290.63	7,872.54	9.74	8.400
284,137.25	GNMA POOL #226529	9.000	06/15/18	261,495.07	0.92000	107.56900	305,643.60	44,148.53	25,572.35	9.78	8.400
83,789.53	GNMA POOL #232237	9.000	01/15/20	81,563.89	0.97000	107.56900	90,131.56	8,567.67	7,541.06	9.25	8.400
105,699.95	GNMA POOL #234937	9.000	03/15/18	97,640.34	0.92000	107.56900	113,700.38	16,060.04	9,513.00	9.74	8.400
454,776.80	GNMA POOL #238600	10.000	11/15/17	451,792.33	0.99000	109.61500	498,503.59	46,711.26	45,477.68	10.07	9.100
182,838.40	GNMA POOL #238840	9.000	05/15/18	169,468.36	0.93000	107.56900	196,677.44	27,209.08	16,455.46	9.71	8.400
127,313.04	GNMA POOL #248951	9.000	05/15/18	120,310.84	0.95000	107.56900	136,949.36	16,638.52	11,458.17	9.52	8.400

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145,696.52	GNMA POOL #252056	9.000	06/15/18	141,598.83	0.97000	107.56900	156,724.29	15,125.46	13,112.69	9.26	8.400
673,908.60	GNMA POOL #256195	9.000	08/15/18	637,686.06	0.95000	107.56900	724,916.74	87,230.68	60,651.77	9.51	8.400
48,018.09	GNMA POOL #257823	9.000	11/15/18	45,909.84	0.96000	107.56900	51,652.58	5,742.74	4,321.63	9.41	8.400
254,954.61	GNMA POOL #263385	9.000	11/15/18	243,760.51	0.96000	107.56900	274,252.12	30,491.61	22,945.91	9.41	8.400
83,025.18	GNMA POOL #274245	9.000	04/15/19	76,409.11	0.92000	107.56900	89,309.36	12,900.25	7,472.27	9.78	8.400
95,171.57	GNMA POOL #277836	9.000	09/15/19	89,223.33	0.94000	107.56900	102,375.11	13,151.78	8,565.44	9.60	8.400
338,586.26	GNMA POOL #285597	9.000	03/15/20	323,138.32	0.95000	107.56900	364,213.85	41,075.53	30,472.76	9.43	8.400
381,474.36	GNMA POOL #285803	9.000	03/15/20	364,427.23	0.96000	107.56900	410,348.15	45,920.92	34,332.69	9.42	8.400
73,945.76	GNMA POOL #298952	9.000	04/15/21	73,945.76	1.00000	107.56900	79,542.71	5,596.95	6,655.12	9.00	8.400
131,201.09	GNMA POOL #303324	9.000	04/15/21	131,201.09	1.00000	107.56900	141,131.70	9,930.61	11,808.10	9.00	8.400
118,081.80	GNMA POOL #304625	9.000	03/15/21	118,044.89	1.00000	107.56900	127,019.41	8,974.52	10,627.36	9.00	8.400
368,370.86	GNMA POOL #305187	9.000	06/15/21	368,255.71	1.00000	107.56900	396,252.85	27,997.14	33,153.38	9.00	8.400
2,618,046.05	GNMA POOL #330725	8.000	07/15/22	2,600,865.14	0.99000	103.74500	2,716,091.87	115,226.73	209,443.68	8.05	7.700
3,881,328.84	GNMA POOL #375887	7.000	05/15/24	3,631,468.26	0.94000	101.68800	3,946,845.67	315,377.41	271,693.02	7.48	6.900
2,370,496.85	GNMA POOL #377589	7.500	08/15/25	2,363,829.81	1.00000	102.78100	2,436,420.37	72,590.56	177,787.26	7.52	7.300
1,612,671.66	GNMA POOL #386038	7.000	06/15/24	1,513,643.52	0.94000	101.68800	1,639,893.56	126,250.04	112,887.02	7.46	6.900
1,811,997.54	GNMA POOL #389845	8.000	09/15/24	1,779,721.34	0.98000	103.74500	1,879,856.85	100,135.51	144,959.80	8.15	7.700
3,647,786.47	GNMA POOL #398831	8.000	08/15/26	3,642,086.79	1.00000	103.74500	3,784,396.07	142,309.28	291,822.92	8.01	7.700
2,139,737.98	GNMA POOL #403979	8.500	10/15/24	2,103,295.45	0.98000	105.43700	2,256,075.53	152,780.08	181,877.73	8.65	8.100
1,752,582.34	GNMA POOL #421711	7.500	04/15/26	1,750,391.62	1.00000	102.78100	1,801,321.65	50,930.03	131,443.68	7.51	7.300
3,269,443.62	GNMA POOL #427556	7.500	03/15/26	3,259,737.51	1.00000	102.78100	3,360,366.85	100,629.34	245,208.27	7.52	7.300
5,579,162.83	GNMA POOL #432701	8.000	06/15/26	5,579,162.83	1.00000	103.74500	5,788,102.48	208,939.65	446,333.03	8.00	7.700
1,464,012.94	GNMA POOL #439645	8.000	09/15/26	1,463,097.93	1.00000	103.74500	1,518,840.22	55,742.29	117,121.04	8.01	7.700
8,947,805.98	GNMA POOL #780076	8.000	02/15/25	8,793,316.40	0.98000	103.74500	9,282,901.31	489,584.91	715,824.48	8.14	7.700
4,621,136.02	GNMA POOL #780220	7.500	08/15/25	4,619,691.92	1.00000	102.78100	4,749,649.81	129,957.89	346,585.20	7.50	7.300
53,647,070.47	**TOTAL FEDERAL AGENCY OBLIGATIONS**			**52,717,932.46**	**98.26805**		**55,867,281.14**	**3,149,348.68**	**4,298,490.29**	**8.2%**	**7.7%**
	CORPORATE BONDS										
2,500,000.00	AGL CAPITAL TRUST	8.170	06/01/37	2,549,330.50	101.97322	108.14000	2,703,500.00	154,169.50	204,250.00	8.01	7.600
881,062.40	AMERICAN SAVINGS MORTGAGE CORP	8.450	05/25/08	870,608.73	98.81352	104.48600	920,586.86	49,978.13	74,449.77	8.55	8.100
1,530,000.00	AMERICAN UNITED LIFE INS CO	7.750	03/30/26	1,486,557.00	97.16059	107.04300	1,637,757.90	151,200.90	118,575.00	7.98	7.200
6,000,000.00	ANTHEM INSURANCE	9.000	04/01/27	6,465,311.00	107.75518	113.90100	6,834,060.00	368,749.00	540,000.00	8.35	7.800
2,000,000.00	ANTHEM INSURANCE COMPANY INC	9.000	04/01/27	2,156,379.00	107.81895	113.90100	2,278,020.00	121,641.00	180,000.00	8.35	7.800
200,985.11	AUTO BOND RECEIVABLES TRUST	6.400	04/15/99	200,985.11	100.00000	100.03300	201,051.44	66.33	12,863.05	6.40	6.400
2,000,000.00	BANKERS TRUST CORP 144A	8.090	12/01/26	2,000,000.00	100.00000	108.42000	2,168,400.00	168,400.00	161,800.00	8.09	7.500
1,000,000.00	CAJUN ELECTRIC CO-OP UTILITY	9.520	03/15/19	1,000,000.00	100.00000	104.94900	1,049,490.00	49,490.00	95,200.00	9.52	9.100

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1,500,000.00	COUNTRYWIDE CAPITAL I	8.000	12/15/26	1,500,000.00	100.00000	105.56000	1,583,400.00	83,400.00	120,000.00	8.00	7.600
1,000,000.00	DISCOVER CREDIT	9.100	04/13/12	1,000,000.00	100.00000	126.04500	1,260,450.00	260,450.00	91,000.00	9.10	7.200
5,250,000.00	FARMERS INSURANCE EXCHANGE	8.625	05/01/24	4,855,564.00	92.48693	119.14600	6,255,165.00	1,399,601.00	452,812.50	9.33	7.000
3,000,000.00	FIRST HAWAIIAN CAPITAL TRUST	8.343	07/01/27	3,184,082.00	106.13607	105.37500	3,161,250.00	(22,832.00)	250,290.00	7.86	7.900
1,000,000.00	FORD CAPITAL BV	10.125	11/15/00	1,006,464.00	100.64640	108.87000	1,088,700.00	82,236.00	101,250.00	10.06	9.300
1,000,000.00	FORD MOTOR COMPANY	9.500	09/15/11	999,458.00	99.94580	126.34600	1,263,460.00	264,002.00	95,000.00	9.51	7.500
1,000,000.00	FUND AMERICA ENTERPRISE	7.750	02/01/03	1,006,951.00	100.69510	106.61300	1,066,130.00	59,179.00	77,500.00	7.70	7.300
2,500,000.00	GENERAL AMERICAN LIFE INS	7.625	01/15/24	2,186,336.00	87.45344	106.82000	2,670,500.00	484,164.00	190,625.00	8.72	7.000
1,000,000.00	GOLDMAN SACHS GROUP INC.	8.000	03/01/13	996,212.00	99.62120	113.11700	1,131,170.00	134,958.00	80,000.00	8.03	7.100
3,000,000.00	J HANCOCK MUTUAL LIFE INS CO	7.375	02/15/24	2,803,466.00	93.44887	108.37000	3,251,100.00	447,634.00	221,250.00	7.89	6.800
1,000,000.00	LEHMAN BROS HOLDINGS, INC.	8.750	05/15/02	1,025,038.00	102.50380	108.52900	1,085,290.00	60,252.00	87,500.00	8.54	8.100
1,000,000.00	LEHMAN BROTHERS HOLDINGS INC	8.500	05/01/07	1,051,777.00	105.17770	113.29200	1,132,920.00	81,143.00	85,000.00	8.08	7.500
4,000,000.00	LUMBERMANS MUTUAL CASUALTY CO	9.150	07/01/26	4,580,843.00	114.52108	120.48500	4,819,400.00	238,557.00	366,000.00	7.99	7.600
2,000,000.00	LUMBERMANS MUTUAL CASUALTY CO	9.150	07/01/26	2,382,052.00	119.10260	120.48500	2,409,700.00	27,648.00	183,000.00	7.68	7.600
1,000,000.00	MERRILL LYNCH & COMPANY	8.000	06/01/07	1,000,000.00	100.00000	112.26500	1,122,650.00	122,650.00	80,000.00	8.00	7.100
3,000,000.00	NATIONWIDE MUTUAL INS CO	7.500	02/15/24	2,862,026.00	95.40087	103.67600	3,110,280.00	248,254.00	225,000.00	7.86	7.200
2,000,000.00	OHIO NATIONAL LIFE INSURANCE	8.500	05/15/26	1,995,764.00	99.78820	115.86000	2,317,200.00	321,436.00	170,000.00	8.52	7.200
1,000,000.00	PAINE WEBBER GROUP INC.	7.000	03/01/00	999,346.00	99.93460	101.26200	1,012,620.00	13,274.00	70,000.00	7.00	6.900
2,000,000.00	PMI CAPITAL	8.309	02/01/27	2,066,963.00	103.34815	113.02200	2,260,440.00	193,477.00	166,180.00	8.04	7.400
1,000,000.00	POTOMAC CAPITAL INV CORP	7.100	03/09/00	1,000,000.00	100.00000	101.71800	1,017,180.00	17,180.00	71,000.00	7.10	7.000
2,000,000.00	PRINCIPAL MUTUAL LIFE INS CO	7.875	03/01/24	1,897,802.00	94.89010	107.02800	2,140,560.00	242,758.00	157,500.00	8.30	7.300
3,000,000.00	PRUDENTIAL INSUR CO OF AMERICA	8.300	07/01/25	2,936,258.00	97.87527	115.30600	3,459,180.00	522,922.00	249,000.00	8.48	7.000
3,500,000.00	SAFECO CAPITAL TRUST	8.072	07/15/37	3,523,990.00	100.68543	106.86100	3,740,135.00	216,145.00	282,520.00	8.02	7.600
1,000,000.00	SALOMON INC.	7.125	08/01/99	1,008,182.00	100.81820	101.18800	1,011,880.00	3,698.00	71,250.00	7.07	7.000
1,000,000.00	SEARS ROEBUCK & CO.	9.375	11/01/11	1,000,000.00	100.00000	124.89200	1,248,920.00	248,920.00	93,750.00	9.38	7.500
2,000,000.00	SECURITY MUTUAL LIFE NEW YORK	9.375	12/15/16	2,252,467.00	112.62335	121.55000	2,431,000.00	178,533.00	187,500.00	8.32	7.200
1,000,000.00	SOUTHERN COMPANY CAPITAL TRUST	8.190	02/01/37	1,082,373.00	108.23730	108.16600	1,081,660.00	(713.00)	81,900.00	7.57	7.600
2,000,000.00	UNION CENTRAL LIFE	8.200	11/01/26	2,025,541.00	101.27705	112.44900	2,248,980.00	223,439.00	164,000.00	8.10	7.200
3,275,000.00	XEROX CAPITAL TRUST I CAP SEC.	8.000	07/01/27	3,464,880.25	105.79787	106.77300	3,496,815.75	31,935.50	262,000.00	7.56	7.500
73,137,047.51	**TOTAL CORPORATE BONDS**			**74,423,006.59**	**101.75829**		**81,671,001.95**	**7,247,995.36**	**6,119,965.32**	**8.2%**	**7.5%**
149,784,117.98	**BOND PORTFOLIO TOTALS**			**150,226,501.05**	**100.29535**		**163,623,443.09**	**13,396,942.04**	**12,085,955.61**	**8.0%**	**7.4%**

STATE OF ARIZONA
CORRECTIONS OFFICER RETIREMENT PLAN
CORPORATE NOTES

June 30, 1998

Date Acquired	Description	Interest Rate	Maturity Date	Cost	Amount of Interest	Maturity Value
06/29/98	KZH-CNC CORP	6.020	07/02/98	999,498.33	501.67	1,000,000.00
06/30/98	COOP. ASSN OF TRACTOR DEALERS	6.000	07/02/98	999,666.67	333.33	1,000,000.00
	TOTALS			**1,999,165.00**	**835.00**	**2,000,000.00**

STATE OF ARIZONA
CORRECTIONS OFFICER RETIREMENT PLAN
INVESTMENTS OWNED AS OF JUNE 30, 1998

COMMON STOCK

Shares	Description	Div Rate	Book Cost per Share	Book Cost	Market Price	Market Value	Annual Income	Gain or (Loss) Amount
78,000	3COM CORPORATION	0.00	41.6147	3,245,945.40	30.69	2,393,625.00	0.00	(852,320.00)
200,000	ABBOTT LABORATORIES	0.54	28.8632	5,772,649.92	41.00	8,200,000.00	108,000.00	2,427,350.00
55,000	ADAPTEC, INC	0.00	41.9546	2,307,500.50	14.31	787,187.50	0.00	(1,520,313.00)
30,000	AIRBORNE FREIGHT CORP	0.30	36.1655	1,084,965.80	34.94	1,048,125.00	9,000.00	(36,841.00)
120,000	AIRTOUCH COMMUNICATIONS	0.00	49.2853	5,914,230.00	58.44	7,012,500.00	0.00	1,098,270.00
100,000	ALLSTATE CORPORATION	0.96	56.9344	5,693,442.11	91.56	9,156,250.00	96,000.00	3,462,808.00
30,000	AMERICAN EXPRESS	0.00	102.6750	3,080,250.00	113.75	3,412,500.00	0.00	332,250.00
108,000	AMERICAN HOME PRODUCTS	0.82	16.6478	1,797,958.14	51.75	5,589,000.00	88,560.00	3,791,042.00
85,000	AMERICAN INT'L GROUP	0.30	91.2904	7,759,687.83	146.00	12,410,000.00	25,500.00	4,650,312.00
100,000	AMP INC	1.04	39.8311	3,983,114.00	34.38	3,437,500.00	104,000.00	(545,614.00)
30,000	APPLIED MATERIALS	0.00	32.6428	979,284.00	29.50	885,000.00	0.00	(94,284.00)
17,000	AUTOLIV, INC.	0.22	28.3551	482,036.04	31.63	537,625.00	3,740.00	55,589.00
100,000	AUTOMATIC DATA PROCESSING	0.46	33.4782	3,347,820.00	72.88	7,287,500.00	46,000.00	3,939,680.00
91,505	BANC ONE CORPORATION	1.52	33.8650	3,098,812.60	55.81	5,107,122.81	139,088.00	2,008,310.00
70,000	BELL ATLANTIC	1.48	28.1332	1,969,326.33	45.63	3,193,750.00	103,600.00	1,224,424.00
80,000	BESTFOODS	1.64	21.7673	1,741,382.89	58.06	4,645,000.00	65,600.00	581,117.00
103,000	BOEING CO.	0.56	47.4811	4,890,552.00	44.56	4,589,937.50	57,680.00	(300,615.00)
30,000	BRISTOL-MYERS SQUIBB CO.	1.52	109.2424	3,277,272.00	114.94	3,448,125.00	45,600.00	170,853.00
54,000	CHASE MANHATTAN CORP	1.24	35.2807	1,905,155.10	75.50	4,077,000.00	66,960.00	2,171,845.00
92,500	CISCO SYSTEMS	0.00	52.0832	4,817,693.75	92.06	8,515,781.25	0.00	3,698,088.00
30,000	COCA-COLA CO	0.00	78.2375	2,347,125.00	85.50	2,565,000.00	0.00	217,875.00
10,000	CORN PRODUCTS INT'L INC.	0.00	12.8717	128,717.11	33.88	338,750.00	0.00	210,033.00
150,000	CVS CORP	0.22	18.7294	2,809,416.35	38.94	5,840,625.00	33,000.00	3,031,209.00
60,000	DIAMOND OFFSHORE DRILLING	0.50	43.7065	2,622,387.00	40.31	2,418,750.00	30,000.00	(203,637.00)
44,000	DISNEY CO. (WALT)	0.53	61.5163	2,706,715.00	105.06	4,622,750.00	23,320.00	1,916,035.00
120,000	ELECTRONIC DATA SYSTEMS	0.60	34.5389	4,144,662.46	39.94	4,792,500.00	72,000.00	647,838.00
80,000	EMC CORP	0.00	32.4693	2,597,547.00	44.81	3,585,000.00	0.00	987,453.00
120,000	EMERSON ELECTRIC	1.08	43.6071	5,232,850.00	60.38	7,245,000.00	129,600.00	2,012,150.00
110,000	ENRON CORPORATION	0.90	37.6606	4,142,668.00	54.06	5,946,875.00	99,000.00	1,804,207.00
160,000	ERICSSON	0.20	19.9634	3,194,141.17	28.63	4,580,000.00	32,000.00	1,385,859.00
24,000	EXPRESS SCRIPTS	0.00	55.3000	1,327,200.00	80.63	1,935,000.00	0.00	607,800.00
60,000	FEDERATED DEPARTMENT STORES	0.00	51.2829	3,076,971.00	53.81	3,228,750.00	0.00	151,779.00
55,000	FIRST CHICAGO NBD CORP	1.60	28.7240	1,579,820.14	88.63	4,874,375.00	88,000.00	3,294,555.00
30,000	FIRST DATA CORP	0.08	33.0336	991,008.00	33.31	999,375.00	2,400.00	8,367.00
20,000	FIRST UNION CORP	1.28	49.8541	997,081.17	58.25	1,165,000.00	25,600.00	167,919.00

STATE OF ARIZONA
CORRECTIONS OFFICER RETIREMENT PLAN
INVESTMENTS OWNED AS OF JUNE 30, 1998

COMMON STOCK

Shares	Description	Div Rate	Book Cost per Share	Book Cost	Market Price	Market Value	Annual Income	Gain or (Loss) Amount
60,000	FPL GROUP	1.92	38.1756	2,290,537.50	63.00	3,780,000.00	115,200.00	1,489,463.00
10,000	GANNETT COMPANY	0.76	27.2098	272,097.50	71.06	710,625.00	7,600.00	438,528.00
37,000	GENERAL MOTORS COMPANY,INC	2.00	61.2138	2,264,910.91	66.81	2,472,062.50	74,000.00	207,152.00
100,000	GENERAL NUTRITION COMPANIES	0.00	31.7645	3,176,449.00	31.13	3,112,500.00	0.00	(63,949.00)
110,000	GLOBAL MARINE	0.00	24.4528	2,689,807.50	18.81	2,069,375.00	0.00	(620,433.00)
43,000	GTE CORP	1.88	44.1750	1,899,525.00	55.63	2,391,875.00	80,840.00	492,350.00
70,000	HEWLETT PACKARD	0.56	47.4286	3,320,000.00	59.88	4,191,250.00	39,200.00	871,250.00
96,000	HOME DEPOT	0.20	30.9351	2,969,767.00	83.06	7,974,000.00	19,200.00	5,004,233.00
90,000	ILLINOIS TOOL WORKS	0.48	24.8226	2,234,035.16	66.69	6,001,875.00	43,200.00	3,767,840.00
120,000	INTEL CORPORATION	0.12	85.3712	10,244,548.00	74.13	8,895,000.00	14,400.00	(1,349,548.00)
60,000	INTERNATIONAL BUSINESS MACH.	0.80	57.4262	3,445,572.90	114.81	6,888,750.00	48,000.00	3,443,177.00
90,000	INTERSTATE BAKERIES	0.28	33.9783	3,058,044.50	33.19	2,986,875.00	25,200.00	(71,170.00)
120,000	JOHNSON & JOHNSON CO	0.88	57.9044	6,948,526.97	74.00	8,880,000.00	105,600.00	1,931,473.00
110,000	KIMBERLY-CLARK CORPORATION	0.96	23.4746	2,582,203.57	45.88	5,046,250.00	105,600.00	2,464,046.00
101,000	LILLY ELI	0.72	50.4689	5,097,355.36	66.25	6,691,250.00	72,720.00	1,593,895.00
78,000	LOEWEN GROUP	0.20	27.1074	2,114,379.80	27.00	2,106,000.00	15,600.00	(8,380.00)
11,000	LUCENT TECHNOLOGIES INC.	0.15	22.5670	248,237.31	83.19	915,062.50	1,650.00	666,825.00
105,000	MARSH & MCLENNAN COMPANIES	1.33	27.9493	2,934,672.22	60.44	6,345,937.50	139,650.00	3,411,265.00
75,000	MBNA CORP	0.32	10.9407	820,555.56	33.06	2,479,687.50	24,000.00	1,659,132.00
100,000	MCDONALDS CORPORATION	0.33	41.5456	4,154,556.01	69.00	6,900,000.00	33,000.00	2,745,444.00
77,000	MERCK & CO.	1.80	75.2319	5,792,859.72	133.75	10,298,750.00	138,600.00	4,505,890.00
112,000	MOBIL CORPORATION	2.12	58.6621	6,570,155.80	76.63	8,582,000.00	237,440.00	2,011,844.00
95,000	MORTON INTERNATIONAL CORP	0.48	24.5699	2,334,136.80	25.00	2,375,000.00	45,600.00	40,863.00
30,000	MOTOROLA, INC.	0.48	55.0026	1,650,078.53	52.56	1,576,875.00	14,400.00	(73,204.00)
95,000	NATIONAL CITY CORP	1.70	30.1317	2,862,510.10	71.00	6,745,000.00	161,500.00	3,882,490.00
165,000	NEWS CORPORATION	0.09	21.5004	3,547,572.50	32.13	5,300,625.00	14,850.00	1,753,053.00
90,000	NORTHERN TELECOM	0.60	63.0354	5,673,184.10	56.75	5,107,500.00	54,000.00	(565,684.00)
12,000	NORTHROP GRUMMAN	1.60	113.7159	1,364,590.80	103.13	1,237,500.00	19,200.00	(127,091.00)
210,000	OFFICEMAX INC.	0.00	16.5513	3,475,782.00	16.50	3,465,000.00	0.00	(10,782.00)
180,000	PACIFIC CENTURY FINANCIAL CORP	0.65	14.6654	2,639,771.00	24.00	4,320,000.00	117,000.00	1,680,229.00
90,000	PARAMETRIC TECHNOLOGY	0.00	31.4814	2,833,325.00	27.13	2,441,250.00	0.00	(392,075.00)
101,000	PEPSICO	0.50	22.7346	2,296,192.97	41.19	4,159,937.50	50,500.00	1,863,745.00
96,000	PFIZER INC.	0.68	40.0319	3,843,065.75	108.69	10,434,000.00	65,280.00	6,590,934.00
50,000	PITNEY BOWES, INC.	0.80	20.3050	1,015,250.00	48.13	2,406,250.00	40,000.00	1,391,000.00
80,000	PNC BANK CORPORATION	1.48	23.5109	1,880,874.98	53.88	4,310,000.00	118,400.00	2,429,125.00

STATE OF ARIZONA
CORRECTIONS OFFICER RETIREMENT PLAN
INVESTMENTS OWNED AS OF JUNE 30, 1998

COMMON STOCK

Shares	Description	Div Rate	Book Cost per Share	Book Cost	Market Price	Market Value	Annual Income	Gain or (Loss) Amount
55,000	PPG INDUSTRIES	1.32	53.3000	2,931,500.00	69.56	3,825,937.50	72,600.00	894,438.00
98,000	PROCTER & GAMBLE CO.	1.01	54.4041	5,331,598.56	91.06	8,924,125.00	98,980.00	3,592,526.00
90,000	PROFFITT'S, INC.	0.00	38.0623	3,425,604.00	40.38	3,633,750.00	0.00	208,146.00
70,000	QUANTUM CORPORATION	0.00	28.6845	2,007,912.00	20.75	1,452,500.00	0.00	(555,412.00)
71,600	QUORUM HEALTH GROUP	0.00	24.9604	1,787,164.56	26.50	1,897,400.00	0.00	110,235.00
2,359	RAYTHEON CORPORATION	0.80	3.4147	8,055.39	57.63	135,937.38	1,887.00	127,882.00
80,000	ROYAL DUTCH PETROLEUM	1.45	43.8750	3,510,000.00	54.81	4,385,000.00	116,000.00	875,000.00
122,000	SAFEWAY INC	0.00	26.2734	3,205,354.40	40.69	4,963,875.00	0.00	1,758,521.00
120,000	SARA LEE CORP.	0.84	26.4005	3,168,059.32	55.94	6,712,500.00	100,800.00	3,544,441.00
155,000	SCHERING-PLOUGH CORP	0.76	26.3504	4,084,314.58	91.63	14,201,875.00	117,800.00	10,117,560.00
80,000	SCHLUMBERGER	0.75	31.2417	2,499,333.34	68.31	5,465,000.00	60,000.00	2,965,667.00
40,000	SCHOLASTIC CORPORATION	0.00	39.8800	1,595,198.00	39.88	1,595,000.00	0.00	(198.00)
15,000	STARBUCKS CORP.	0.00	34.1114	511,670.40	53.44	801,562.50	0.00	289,892.00
132,000	STERLING SOFTWARE	0.00	17.9920	2,374,941.80	29.56	3,902,250.00	0.00	1,527,308.00
30,000	UNION PACIFIC CORP	1.72	36.7734	1,103,200.63	44.00	1,320,000.00	51,600.00	216,799.00
240,000	WALGREEN COMPANY	0.24	10.8287	2,598,899.76	41.31	9,915,000.00	57,600.00	7,316,100.00
60,000	WARNER-LAMBERT	1.92	63.1919	3,791,514.00	69.38	4,162,500.00	115,200.00	370,986.00
60,000	WORLDCOM INC.	0.00	43.8471	2,630,826.00	48.44	2,906,250.00	0.00	275,424.00
	TOTALS			**262,157,666.37**		**393,669,803.94**	**4,328,145.00**	**129,189,638.00**

STATE OF ARIZONA

CORRECTIONS OFFICER RETIREMENT PLAN

OTHER INVESTMENTS PORTFOLIO

June 30, 1998

Security	Coupon	Maturity	Book Cost	Current Value	Gain or Loss	Annual Income	Book Yield
BRIDGE FINANCIAL LOANS							
BRIDGE FINANCIAL - AMBASSADOR INN OF PHX	13.000	08/19/97	312,000.00	312,000.00	0.00	40,560.00	13.0%
BRIDGE FINANCIAL - BEAVER CREEK G.C.	13.000	07/04/99	126,000.00	126,000.00	0.00	16,380.00	13.0%
BRIDGE FINANCIAL - BELL LOAN	13.000	01/22/99	308,400.00	308,400.00	0.00	40,092.00	13.0%
BRIDGE FINANCIAL - CRYSTAL SPRINGS	12.750	06/17/99	200,400.00	200,400.00	0.00	25,551.00	12.8%
BRIDGE FINANCIAL - GREEN FIELD LAKES	12.750	10/31/99	210,000.00	210,000.00	0.00	26,775.00	12.8%
BRIDGE FINANCIAL - HILTON HOTEL LAND	13.000	05/20/99	164,400.00	164,400.00	0.00	21,372.00	13.0%
BRIDGE FINANCIAL - HOLIDAY INN III	12.625	07/07/98	942,000.00	942,000.00	0.00	118,927.50	12.6%
BRIDGE FINANCIAL - LAKE PLEASANT	14.000	02/25/99	1,500,000.00	1,500,000.00	0.00	210,000.00	14.0%
BRIDGE FINANCIAL - PECOS & COOPER	12.875	04/01/99	192,000.00	192,000.00	0.00	24,720.00	12.9%
BRIDGE FINANCIAL - PIONEER INDUST. PARK	15.000	03/22/99	396,000.00	396,000.00	0.00	59,400.00	15.0%
BRIDGE FINANCIAL - SHEA MEDICAL PLAZA	12.000	05/28/99	180,000.00	180,000.00	0.00	21,600.00	12.0%
BRIDGE FINANCIAL - STETSON HILLS	14.000	04/16/99	320,400.00	320,400.00	0.00	44,856.00	14.0%
BRIDGE FINANCIAL - SUNVALLEY II (SPURLOCK)	13.125	09/18/98	342,600.00	342,600.00	0.00	44,966.25	13.1%
BRIDGE FINANCIAL - TARGET STORE SITE	12.625	04/01/99	270,000.00	270,000.00	0.00	34,087.50	12.6%
BRIDGE FINANCIAL - UNITED HOMES	12.500	03/26/99	309,600.00	309,600.00	0.00	38,700.00	12.5%
BRIDGE FINANCIAL - WHITE PEAK LAND	14.000	03/18/99	456,000.00	456,000.00	0.00	63,840.00	14.0%
TOTAL BRIDGE FINANCIAL LOANS			**6,229,800.00**	**6,229,800.00**	**0.00**	**831,827.25**	**13.4%**
MISCELLANEOUS							
PEBBLECREEK PROPERTIES L.P.	10.000	02/19/02	688,799.87	688,799.87	0.00	68,879.99	10.0%
TOTAL MISCELLANEOUS			**688,799.87**	**688,799.87**	**0.00**	**68,879.99**	**10.0%**
TOTAL BEFORE L.L.C.			**6,918,599.87**	**6,918,599.87**	**0.00**	**900,707.24**	**13.0%**
L.L.C.							
PIVOTAL X, L.L.C. - HARBOR BAY CAMPUS			1,050,000.00	1,050,000.00	0.00	0.00	0.0%
TOTAL L.L.C.			**1,050,000.00**	**1,050,000.00**	**0.00**	**0.00**	**0.0%**
TOTAL OTHER INVESTMENTS			**7,968,599.87**	**7,968,599.87**	**0.00**	**900,707.24**	**11.3%**

ACTUARIAL SECTION

CORRECTIONS OFFICER RETIREMENT PLAN

TWELFTH COMPREHENSIVE ANNUAL FINANCIAL REPORT

FOR THE FISCAL YEAR ENDED

JUNE 30, 1998

Actuarial Certification Statement

Actuarial Balance Sheet – All Employees

Summary of Valuation Methods and Assumptions

Solvency Test

Summary of Active Member Data

Summary of Inactive Member Data

GABRIEL, ROEDER, SMITH & COMPANY
Consultants & Actuaries

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September 24,1998

The Fund Manager
Arizona Public Safety Personnel
Retirement System
1020 East Missouri
Phoenix, Arizona 85014

Attention: Jack Cross, Administrator

We certify that the June 30, 1998 annual actuarial valuations of the Arizona Corrections Officer Retirement Plan, determining the June 30, 1998 actuarial assets and liabilities for participating groups, were made in accordance with recognized actuarial methods.

Actuarial assets are computed on a smoothed market basis which spreads differences between actual and assumed investment return over a four year period. The data, submitted by the Administrator, was checked for completeness and year to year consistency but was not otherwise audited.

It is our opinion that the actuarial information contained in the valuation report is complete and accurate, being based on risk experience assumptions which are in the aggregate related to the experience of the Plan and are our best estimate of an anticipated future experience. The actuarial assumptions were adopted by the Fund Manager based on the recommendation of the Plan's actuary. A complete experience analysis is performed every 5 years. The assumptions and methods conform to the parameters established in Governmental Accounting Standards Board Statement 25. Actuarial gains (losses) are amortized as level percents of payroll over 20 years.

The results of the valuations indicate that the contribution rates are funding the obligations of the Plan a incurred on a level percent of payroll basis. Actuarial accrued liabilities are fully covered by accrued assets as of June 30, 1998.

Respectfully submitted,

Sandra W. Rodwan

Sandra W. Rodwan
Member, American Academy of Actuaries

SWR:md
Enclosure

Corrections Officer Retirement Plan
Actuarial Balance Sheet June 30, 1998

Actuarial Assets

Accrued assets		
Member accumulated contributions	$ 93,758,470	
Employer and benefit payment reserves	348,104,246	
Funding value adjustments	58,603,656	
Total accrued assets*		$ 500,466,372
Prospective assets (computed value)		
Member contributions	222,546,736	
Employer normal costs	176,215,224	
Employer unfunded actuarial accrued liability	(74,425,164)	
Total prospective assets		324,336,796
Total Actuarial Assets		$ 824,803,168

** Includes $ 15,510,421 reserve for payment of ad hoc pension increases. The net funding value of assets is $484,955,951.*

Actuarial Present Values (Liability)

Pensions in payment status		
Service pensions	$ 45,686,904	
Disability pensions	5,523,422	
Survivor pensions	10,571,983	
Health insurance	4,560,518	
Total benefit values		$ 66,342,827
Prospective pension payments for future retirements		695,008,440
Prospective health insurance payments for future retirements		32,829,557
Prospective refunds of members contributions		15,111,923
Reserve for ad hoc pension increases		15,510,421
Total Actuarial Present Values (Liability)		$ 824,803,168

Summary of Valuation Methods

Normal cost contributions were computed as follows:

1. Service pensions (including potential survivors pensions). The series of contributions, payable from date of employment, sufficient to accumulate at time of retirement the discounted value of each member's projected pension and potential survivors pension was computed, using the assumptions summarized on the following pages, so that each contribution in the series is a constant percentage of the member's year by year projected compensation (entry age normal cost).
2. Disability and pre-retirement survivor pensions. Same as service pensions.
3. Post-retirement health insurance subsidy. Same as service pensions. No increase was assumed in the flat dollar amounts of subsidy.

Actuarial accrued liability was computed and financed as follows:

The actuarial accrued liability, associated with service rendered prior to the valuation date, was computed using the investment return, mortality and other factors outlined on the following pages. The difference between the computed actuarial accrued liability and Plan assets were financed as a level percent of payroll over a period of 33 years.

Summary of Valuation Assumptions

The rate of investment return used was 9.0 percent a year, compounded annually. The assumption consists of 3.5% for assuming maturity and principal risks and 5.5% in recognition of inflation. These components, adopted by the Fund Manager were first used for the June 30, 1987 annual valuation.

This assumption is used to discount the value of future payments.

The rates of salary increase used are in accordance with the following table. The assumption is used to project current salaries to those upon which pension amounts will be based. These components, adopted by the Fund Manager, were first used for the June 30, 1987 annual valuation.

	Percent Increase in Salary During Following Year		
Sample	Base		Promotion and
Ages	Inflation	Other	Longevity Total
20	5.50%	1.00%	3.00%
25	5.50	1.00	3.00
30	5.50	1.00	2.60
35	5.50	1.00	1.10
40	5.50	1.00	0.20
45	5.50	1.00	0.20
50	5.50	1.00	0.20
55	5.50	1.00	0.10
60	5.50	1.00	-
65	5.50	1.00	-

No increase was assumed in the flat dollar amounts of post-retirement health insurance subsidies.

The Mortality table used was the 1971 Group Annuity Mortality Table Projected to 1984 (Male), female ages set back 6 years. (First used for June 30, 1995 valuation.)

Sample Ages	Deaths per 1,000		Single Life Retirement Values			
			Present Value of $100 Monthly for Life		Future Life Expectancy (years)	
	Men	Women	Men	Women	Men	Women
20	0.5	0.5			55.98	61.84
25	0.7	0.5			51.12	56.96
30	0.9	0.7			46.27	52.09
35	1.2	0.8			41.46	47.24
40	1.8	1.1	$12,861	$13,224	36.69	42.42
45	3.2	1.7	12,430	12,933	32.01	37.64
50	5.8	2.8	11,879	12,526	27.53	32.93
55	9.3	5.2	11,199	11,999	23.28	28.41
60	13.9	8.5	10,346	11,347	19.27	24.11
65	21.8	12.8	9,308	10,532	15.55	20.05
70	35.1	19.7	8,145	9,530	12.25	16.27
75	57.0	32.1	6,963	8,382	9.50	12.87
80	93.9	51.9	5,748	7,206	7.17	10.02
85	143.5	85.1	4,696	5,983	5.43	7.59
90	200.6	132.2	3,796	4,893	4.10	5.74

This assumption is used to measure the probabilities of members dying before retirement and the probabilities of each pension payment being made after retirement.

Summary of Valuation Assumptions (continued)

The rates of retirement used to measure the probability of eligible members retiring during the next year were as follows:

Age	Percent of Active Members Retiring During Next Year
45	25%
46	25
47	25
48	25
49	25
50	25
51	25
52	25
53	25
54	25
55	25
56	25
57	20
58	20
59	20
60	20
61	20
62	20
63	20
64	30
65	100

Active members are eligible to retire at any age with 25 years of service, at age 62 with 10 years of service or when the sum of age and service equals at least 80.

These rates were first used for the June 30, 1995 valuations.

The ***rates of separation for active membership*** were as follows:

These rates were first used for the June 30, 1995 valuations. Rates do not apply to members eligible to retire and do not include separation on account of death. This assumption measures the probabilities of members remaining in employment.

		Percent of Active Members	
Sample Ages	Years of Service	Separating Within the Year	Becoming Disabled Within the Year
ALL	0	25.00%	(all years of service)
	1	20.0	
	2	18.0	
	3	15.0	
	4	12.0	
25	5 & Over	7.0	0.15%
30		5.5	0.20
35		4.3	0.25
40		3.0	0.50
45		2.3	0.65
50		1.5	0.80
55		1.5	0.95
60		1.5	1.00

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STATE OF ARIZONA
CORRECTIONS OFFICER RETIREMENT PLAN
SOLVENCY TEST

SOLVENCY TEST—Testing the financial solvency of a retirement plan can be done in several ways. The funding objective is to meet long-term benefit promises through contributions that remain approximately level from year to year as a percent of member payroll. If the contributions to the plan are level in concept and soundly executed, and if the plan continues its present operations pattern for the indefinite future, the plan will pay all promised benefits when due---the ultimate test of financial soundness.

A short term solvency test is one means of checking a plan's progress under its funding program. In a short term solvency test, the plan's present assets (cash and investments) are compared with:

1. Active member contributions on deposit;
2. The liabilities for future benefits to present retired lives;
3. The liabilities for service already rendered by active members.

In a plan that has been following the discipline of level percent of payroll financing, the liabilities for active member contributions on deposit (liability 1) and the liabilities for future benefits to present retired lives (liability 2) will be fully covered by present assets (except in rare circumstances). In addition, the liabilities for service already rendered by active members (liability 3) will be partially covered by the remainder of present assets. Generally, if the plan has been using level cost financing, the funded portion of liability 3 will increase over time. Liability 3 being fully funded is very rare. All amounts presented are in thousands.

	Aggregate Accrued Liabilities For				Portion Of Accrued Liabilities Covered by Net Assets Available for Benefits		
Valuation Date	(1) Active Member Contributions	(2) Retirants And Beneficiaries	(3) Active Members (Employer Financed Portion)	Valuation Assets Available for Benefits (2)	(1)	(2)	(3)
6-30-87	$ 21,780	$ 982	$ 46,170	$ 47,550	100%	100%	53.7%
6-30-88	$ 29,173	$ 3,062	$ 44,649	$ 69,842	100%	100%	84.2%
6-30-89	$ 33,509	$ 5,473	$ 60,131	$ 88,756	100%	100%	82.8%
6-30-90	$ 38,021	$ 7,177	$ 77,380	$108,973	100%	100%	82.4%
6-30-91	$ 45,827	$ 11,457	$ 89,016	$138,901	100%	100%	91.7%
6-30-92	$ 51,610	$ 16,527	$ 95,503	$168,553	100%	100%	100.0%
6-30-93	$ 57,143	$ 21,924	$105,232	$198,692	100%	100%	100.0%
6-30-94	$ 62,219	$ 26,556	$133,072	$223,847	100%	100%	100.0%
6-30-95	$ 67,694	$ 34,141	$152,354	$265,006	100%	100%	100.0%
6-30-96	$ 74,927	$ 41,777	$173,814	$319,255	100%	100%	100.0%
6-30-97	$ 82,948	$ 52,028	$220,614	$393,904	100%	100%	100.0%
6-30-98	$ 93,758	$ 66,343	$250,430	$484,956	100%	100%	100.0%

See notes on page 23.

STATE OF ARIZONA
CORRECTIONS OFFICER RETIREMENT PLAN
SUMMARY OF ACTIVE MEMBER DATA

ACTIVE MEMBERSHIP

As of June 30, 1998, there were 9,571 active members in the Plan, broken down by attained age and years of service as follows:

SUMMARY OF ACTIVE MEMBERS

Attained Age	Years of Service to Valuation Date							TOTALS	
	0 - 4	5 - 9	10 - 14	15 - 19	20 - 24	25 - 29	30 Plus	No.	Valuation Payroll
Under 20	13							13	$ 289,804
20 - 24	778							778	17,517,591
25 - 29	1,676	174						1,850	44,502,321
30 - 34	1,045	384	81					1,510	38,445,915
35 - 39	748	341	267	35				1,391	38,043,936
40 - 44	545	260	278	84	24	1		1,192	34,674,844
45 - 49	466	219	219	92	54	5	1	1,056	32,232,665
50 - 54	350	187	192	88	57	18	2	894	27,860,878
55 - 59	180	117	159	79	23	4		562	17,752,294
60 - 64	65	67	101	36	9	2	1	281	8,901,921
65 - 69	5	10	11	6	3		1	36	1,237,313
70 & Over	1	2	2		2	1		8	240,836
Totals	5,872	1,761	1,310	420	172	31	5	9,571	$261,700,318

Listed below is a Comparative Schedule of the changes in active members since 6-30-87

COMPARATIVE SCHEDULE

Fiscal Year Ended	Participating Units	Active Members	Total Payroll (+000)	AVERAGE			Percentage Increase in Average Pay
				Age	Service	Pay	
6-30-87	11	4,936	$ 102,910	38.0 yrs	3.5 yrs	$20,849	- %
6-30-88	11	5,702	117,234	37.6	3.4	20,560	(1.4)
6-30-89	11	6,246	134,520	37.4	4.0	21,537	4.8
6-30-90	11	6,478	136,693	37.8	4.4	21,101	(2.0)
6-30-91	11	6,867	153,351	38.0	4.6	22,332	5.8
6-30-92	11	7,091	156,257	38.1	5.0	22,036	(1.3)
6-30-93	12	7,550	166,831	38.2	5.2	22,097	0.3
6-30-94	12	7,828	177,717	38.3	5.3	22,703	2.7
6-30-95	12	8,365	198,603	38.2	5.3	23,742	4.6
6-30-96	12	8,945	224,686	38.0	5.2	25,119	5.8
6-30-97	12	9,728	249,203	38.1	5.3	25,617	2.0
6-30-98	12	9,571	$261,700	38.2 yrs	5.5yrs	$27,343	6.7%

STATE OF ARIZONA
CORRECTIONS OFFICER RETIREMENT PLAN
SUMMARY OF INACTIVE MEMBER DATA

INACTIVE MEMBERS

As of June 30, 1998, there were 741 inactive members in the Plan who had not withdrawn their accumulated contributions. It is assumed that these inactive members are waiting to meet the age requirements for service retirement. They are broken down by attained age and years of service as follows:

SUMMARY OF INACTIVE MEMBERS

Attained	Years of Service to Valuation Date						
Age	0 - 4	5 - 9	10 - 14	15 - 19	20 - 29	30 Plus	Totals
Under 20	3						3
20 - 24	53						53
25 - 29	135	5					140
30 - 34	99	11	4				114
35 - 39	59	16	5	1			81
40 - 44	53	12	14	3			82
45 - 49	46	17	12	4			79
50 - 54	45	8	14	4	1	1	73
55 - 59	30	8	20	4	2	1	65
60 & Over	21	11	15	4			51
Totals	544	88	84	20	3	2	741

STATISTICAL SECTION

CORRECTIONS OFFICER RETIREMENT PLAN

TWELFTH COMPREHENSIVE ANNUAL FINANCIAL REPORT

FOR THE FISCAL YEAR ENDED

JUNE 30, 1998

Summary of Growth of the System

Schedule of Benefit Expenses by Type

Summary of Retired Member and Survivor Data

Summary of Benefit Increases

Participating Employers

Earnings Distribution – Fiscal Year Ended June 30, 1998

STATE OF ARIZONA
CORRECTIONS OFFICER RETIREMENT PLAN
SUMMARY OF GROWTH OF THE SYSTEM

FUND ASSETS, EARNINGS AND INVESTMENT YIELD

Listed below is a table setting forth the growth of the Plan in some of the major areas since it was started July 1, 1986.

Fiscal Year	Total Assets at Book	Percent Increase	Net Realized Investment Earnings	Percent Increase	Net Effective Yield	Average Employer Cost
Assets Transferred	$ 35,898,096					
6-30-87	47,550,266	32.46%	$ 2,591,092		12.57%	6.00%
6-30-88	69,842,267	46.88	4,829,032	86.37%	8.69	6.00
6-30-89	88,759,811	27.09	6,981,352	44.57	9.27	6.35
6-30-90	109,000,881	22.80	7,969,987	14.16	8.44	6.16
6-30-91	138,958,392	27.48	11,171,749	40.17	9.50	6.22
6-30-92	168,663,770	21.37	15,081,978	35.00	10.35	5.83
6-30-93	198,727,336	17.82	15,833,256	4.98	9.04	5.54
6-30-94	223,939,998	12.69	12,564,499	-20.64	6.14	6.66
6-30-95	261,475,094	16.76	23,730,177	88.87	10.31	6.93
6-30-96	309,150,409	18.23	29,543,144	24.50	10.95	6.63
6-30-97	365,414,374	18.20	35,445,750	19.98	11.12	5.98
6-30-98	$ 426,352,295	16.68%	$ 38,356,983	8.21%	10.21%	5.14%

STATE OF ARIZONA
CORRECTIONS OFFICER RETIREMENT PLAN
SCHEDULE OF BENEFIT EXPENSES BY TYPE

Fiscal Year	Normal Benefits	Disability Benefits	Survivor Benefits	Insurance Benefits	Totals
1988	$ 158,461 69%	$4,382 2%	$65,620 29%	-	$228,463 100%
1989	$314,249 68%	$19,611 4%	$132,143 28%	-	$466,003 100%
1990	$455,345 65%	$31,387 5%	$210,017 30%	-	$696,749 100%
1991	$685,114 60%	$44,941 4%	$347,457 31%	$62,366 5%	$1,139,878 100%
1992	$1,031,785 61%	$55,783 3%	$479,846 28%	$125,620 8%	$1,693,034 100%
1993	$1,390,554 61%	$77,305 3%	$661,349 29%	$162,844 7%	$2,292,052 100%
1994	$1,727,201 61%	$165,818 6%	$745,568 26%	$196,011 7%	$2,834,598 100%
1995	$2,182,356 64%	$220,204 7%	$747,598 22%	$239,950 7%	$3,390,108 100%
1996	$2,831,205 66%	$273,769 6%	$915,429 21%	$292,084 7%	$4,312,487 100%
1997	$3,561,512 67%	353,098 7%	1,014,073 19%	352,313 7%	5,280,996 100%
1998	$4,713,170 68%	$481,804 7%	$1,223,055 18%	$465,567 7%	$6,883,596 100%

STATE OF ARIZONA
CORRECTIONS OFFICER RETIREMENT PLAN
SUMMARY OF RETIRED MEMBER AND SURVIVOR DATA

The following statement presents an analysis of the benefit changes that have taken place during the past ten years. The number of retired members and the amount of annual pensions has increased at compounded annual rates of 7.2% and 14.1% over the last five years.

COMPARATIVE SCHEDULE

	Retired						
Year Ended	Normal	Disability	Survivors	Totals	Annual Pensions	Average Pension	Ratio of Active to Retired
						$	
6-30-87	10		5	15	$ 103,522	6,901	329:1
6-30-88	34		14	48	325,835	6,788	119:1
6-30-89	61		24	85	571,541	6,724	73:1
6-30-90	78	4	33	115	765,738	6,659	56:1
6-30-91	111	5	42	158	1,152,673	7,295	43:1
6-30-92	163	5	58	226	1,631,420	7,219	31:1
6-30-93	214	9	72	295	2,203,198	7,468	25:1
6-30-94	255	17	84	356	2,710,269	7,613	22:1
6-30-95	312	23	100	435	3,456,750	7,946	19:1
6-30-96	365	24	115	504	4,274,602	8,481	18:1
6-30-97	430	32	136	598	5,305,705	8,872	16:1
						$	
6-30-98	516	42	150	708	$6,884,614	9,724	13:1

Set forth below is a summary of pensions being paid to retired members and survivors:

SUMMARIES OF RETIRED MEMBERS AND SURVIVORS - JUNE 30, 1998

Pensions Being Paid		Number	Annual Pensions	Average Pensions
Retired Members	- Service Pensions	516	$ 5,194,896	$ 10,068
	- Disability Pensions	42	544,976	12,976
	TOTALS	558	$ 5,739,872	$ 10,287
Survivors of Members	- Spouses	140	$ 1,087,759	$ 7,770
	- Children with Guardians	10	56,983	5,698
	TOTALS	150	$ 1,144,742	$ 7,632
	TOTAL PENSIONS BEING PAID	708	$ 6,884,614	$ 9,724

	Average Age (yrs)	Average Service (yrs)	Average Age At Retirement (yrs)
Service retired members:	65.8	14.4	61.6
Disability retired members:	50.7	8.9	47.6
Spouse beneficiaries:	55.8	8.6	46.6

STATE OF ARIZONA
CORRECTIONS OFFICER RETIREMENT PLAN
SUMMARY OF BENEFIT INCREASES

State law provides for an annual benefit increase for retirees or their survivors who are over age fifty-five on the effective day of the increase and for disability retirees regardless of age. These increases are dependent upon the production of excess earnings on part of the assets of the Fund and are limited to four percent of the average benefit being paid to retirees and their survivors. The following schedule summarizes the statutorily-designed process of calculating the monthly benefit increases effective each July 1st.

BENEFIT INCREASE SCHEDULE

Fiscal Year Ended	Excess Yield per Statute[1]	Excess Earnings Assets	Excess Earnings	Monthly Benefit Increase Fundable	Maximum per Statutory 4% Cap	Lesser of Two - Increase Awarded
6-30-91	.50%	$ 11,456,784	$ 57,284			
	Amount available: 7-1-92 increase		$ 57,284	None	$ 24.64	None
	Investment earnings on balance		5,322			
	Amount utilized: 7-1-92 increase		0			
6-30-92	.29%	$16,527,313	$ 47,929			
	Amount available: 7-1-93 increase		$ 110,535	$ 5.00	$ 24.06	$ 5.00
	Investment earnings on balance		9,992			
	Amount utilized: 7-1-93 increase		(93,840)			
6-30-93	.04%	$ 21,923,868	$ 8,770			
	Amount available: 7-1-94 increase		$ 35,457	None	$ 24.89	None
	Investment earnings on balance		2,177			
	Amount utilized: 7-1-94 increase		0			
6-30-94	.00%	$ 26,556,396	0			
	Amount available: 7-1-95 increase		$ 37,634	None	$ 25.38	None
	Investment earnings on balance		3,880			
	Amount utilized: 7-1-95 increase		0			
6-30-95	1.31%	$34,140,660	$ 447,241			
	Amount available: 7-1-96 increase		$ 488,755	$ 10.00	$ 26.49	$ 10.00
	Investment earnings on balance		53,519			
	Amount utilized: 7-1-96 increase		(397,082)			
6-30-96	1.95%	$38,930,508	$ 759,145			
	Amount available: 7-1-97 increase		$ 904,337	$ 15.00	$ 28.27	$ 15.00
	Investment earnings on balance		100,562			
	Amount utilized: 7-1-97 increase		(674,496)			
6-30-97	2.12%	$48,380,789	$1,025,673			
	Amount available: 7-1-98 increase		$1,356,076	$25.00	$29.57	$25.00
	Investment earnings on balance		296,303			
	Amount utilized: 7-1-98 increase		(1,391,471)			
	Amount Transferred by HB 2496		7,310,486			
6-30-98	12.85%	$61,782,309	7,939,027			
	Amount available: 7-1-99 increase		$15,510,421	$125.00	$32.41	$32.41

1. Net effective yield less actuarial yield per statute of 9%. Beginning 6/30/98, total return less actuarial yield per statute of 9%.

STATE OF ARIZONA
CORRECTIONS OFFICER RETIREMENT PLAN
PARTICIPATING EMPLOYERS

APACHE COUNTY
COCHISE COUNTY
COCONINO COUNTY
DEPT OF CORRECTIONS
DEPT OF JUVENILE CORRECTIONS
MARICOPA COUNTY
MOHAVE COUNTY
NAVAJO COUNTY
PIMA COUNTY
SANTA CRUZ COUNTY
YAVAPAI COUNTY
YUMA COUNTY

STATE OF ARIZONA
CORRECTIONS OFFICERS RETIREMENT PLAN
EARNINGS DISTRIBUTION - FISCAL YEAR ENDED JUNE 30, 1998

Sys No.	System	Employer Reserve 6/30/97	Employer Reserve 6/30/98	Member Reserve 6/30/97	Member Reserve 6/30/98	Combined Reserves	Mean Balance	Factor	Investment Earnings
500	Dept. of Corrections	177,440,869.88	204,516,333.02	58,182,146.29	65,594,436.70	505,733,785.89	252,866,892.95	71.2045%	27,048,894.57
501	D.Y.T.R.	13,591,895.47	16,606,151.45	5,689,656.72	6,797,392.23	42,685,095.87	21,342,547.94	6.0098%	2,282,988.98
505	Maricopa County	34,942,839.56	40,606,261.05	12,074,463.01	13,473,174.24	101,096,737.86	50,548,368.93	14.2339%	5,407,103.66
510	Yuma County	2,557,334.12	2,920,627.64	888,620.87	985,586.63	7,352,169.26	3,676,084.63	1.0351%	393,226.75
515	Pima County	12,741,357.31	14,512,307.01	4,472,524.30	4,902,382.99	36,628,571.61	18,314,285.81	5.1571%	1,959,059.09
520	Apache County	220,259.71	258,824.30	93,733.29	106,605.34	679,422.64	339,711.32	0.0957%	36,338.55
525	Cochise County	1,360,385.64	1,622,719.91	320,006.29	416,597.30	3,719,709.14	1,859,854.57	0.5237%	198,946.61
530	Coconino County	352,538.83	435,155.89	124,815.51	181,430.62	1,093,940.85	546,970.43	0.1540%	58,508.83
535	Mohave County	1,429,744.58	1,594,957.04	307,081.08	373,866.75	3,705,649.45	1,852,824.73	0.5217%	198,194.63
540	Santa Cruz County	392,582.45	491,006.52	117,436.35	153,985.05	1,155,010.37	577,505.19	0.1626%	61,775.10
545	Navajo County	485,378.96	476,008.40	158,757.33	140,933.74	1,261,078.43	630,539.22	0.1776%	67,448.09
550	Yavapai County	1,843,540.48	2,149,518.70	518,820.02	632,078.24	5,143,957.44	2,571,978.72	0.7242%	275,121.75
	TOTAL	**247,358,726.99**	**286,189,870.93**	**82,948,061.06**	**93,758,469.83**	**710,255,128.81**	**355,127,564.41**	**100.00%**	**37,987,606.61**