

ELECTED OFFICIALS' RETIREMENT PLAN
A PENSION TRUST FUND OF THE STATE OF ARIZONA

SEVENTEENTH COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED
JUNE 30, 1998

This report was prepared by the staff of the EORP

1020 East Missouri Avenue

Phoenix, Arizona 85014

(602) 255-5575

Fax (602) 255-5572

www.psprs.com

**STATE OF ARIZONA
ELECTED OFFICIALS' RETIREMENT PLAN
SEVENTEENTH COMPREHENSIVE ANNUAL FINANCIAL REPORT**

CONTENTS

INTRODUCTORY SECTION

Fund Managers' Report	3
Letter of Transmittal	4
Certificate of Achievement for Excellence in Financial Reporting	7
The Retirement Board and Administrative Organization	8
Organizational Chart	9
Summary of Plan Provisions (See Note 1 in Notes to Financial Statements)	17

FINANCIAL SECTION

Independent Auditor's Report	13
Statement of Plan Net Assets	15
Statement of Changes in Plan Net Assets	16
Notes to Financial Statements	17
Schedule of Funding Progress	22
Required Supplementary Information	23
Supporting Schedule of Changes in Fund Balance Reserves	24
Supporting Schedule of Administrative and Investment Expenses	25
Supporting Schedule of Payments to Consultants	25
Supplemental Schedule of Cash Receipts and Cash Disbursements	26

INVESTMENT SECTION

Fund Objectives	29
Investment Performance Data	31
Supporting Schedule of Commissions Paid to Brokers	36
Summary of Changes in Investment Portfolio	37
Detailed List of Investments Acquired	38
Detailed List of Sales and Redemption of Investments	46
Detailed List of Investments Owned	49

ACTUARIAL SECTION

Actuarial Certification Statement	59
---	----

Actuarial Balance Sheet – All Employers	61
Summary of Valuation Methods and Assumptions	62
Solvency Test	66
Summary of Active Member Data	67
Summary of Inactive Member Data	68

STATISTICAL SECTION

Summary of Growth of the System	71
Schedule of Benefit Expenses by Type	72
Summary of Retired Member and Survivor Data	73
Summary of Benefit Increases	74
Participating Employers	76

INTRODUCTORY SECTION

ELECTED OFFICIALS' RETIREMENT PLAN
SEVENTEENTH 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
FAX: (602) 255-5572

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 Seventeenth Annual Report of the Elected Officials' Retirement Plan for the fiscal year ending June 30, 1998.

We are pleased to report that the Plan is in excellent financial and actuarial condition. In fact, the Plan continues to be more than 121% funded. Listed below are some of the record-breaking highlights for the fiscal year ending June 30, 1998.

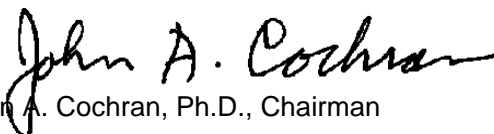
Total Plan assets increased from \$260,313,893 to \$311,329,191—an increase of 20%. The Fair value of the total Plan assets was nearly 49% above cost. Benefits paid to retired Elected Officials and their beneficiaries increased from \$10,177,471 to \$10,963,879. Net investment income totaled \$54,378,360, breaking the old record of \$51,065,604 set last year. These earnings provided 89% of the total cost of the Plan.

The total rate of return, which includes realized as well as unrealized gains and losses, for the entire fund was 21.23%. The individual rates of return for the stock portfolio and bond portfolio were 25.63% and 12.28%, respectively. The Plan continues to outperform the market indexes on a short-term and long-term basis. The net effective yield, which takes into account only realized gains and losses, was 18.41%—by far the best on record.

Total administrative and investment expenses increased from \$72,912 to \$79,523. Costs have increased 44% during the past thirteen years. This increase is well below the rate of inflation (52% during this period) even though assets managed have increased 474% and the Plan membership has increased over 65%.


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

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
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
FAX: (602) 255-5572
www.psprs.com

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 Seventeenth Annual Report of the operations and financial conditions of the Elected Officials' Retirement Plan for the fiscal year ended June 30, 1998. Incorporated in this report are the audited financial statements and other financial data from the June 30, 1998, report 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 the June 30, 1998, Actuarial Valuation made by the System's 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 Elected Officials' Retirement Plan; the Financial Section contains the financial reports and schedules of the funds administered by the Elected Officials' 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 Elected Officials' Retirement Plan and growth of the Plan.

FINANCIAL INFORMATION

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

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

The Plan uses the accrual basis of accounting for both revenues and expenses. Contributions to the Plan are based on principles of level-cost financing with current service financed as a level percent of payroll on a current basis and prior service amortized as a level percent of payroll over a rolling twenty (20) year period.

REVENUES

Revenues to the Plan are derived from three sources; member contributions, employer contributions and investment income. As shown by the Statement of Revenues by Source included with the financial statements later in this report, the investment earnings during the 1997/1998 fiscal year provided 89% of the total funding of the Plan. Member contributions made up 5% of total revenue and employer contributions made up 6% 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 actually increase to \$79,523 compared to \$72,912 for the prior year. This is only 44% higher than the total for fiscal year 1984/1985. This is a compounded annual rate of increase of 3.41% over the last thirteen years. This rate of increase is well below both the rate of inflation and the rate of growth of the Plan. A dedicated staff and constantly improving internal expertise has allowed management to keep costs extremely low for the past thirteen years even though inflation, membership and assets managed have increased substantially during this same period (over 52%, over 65% and nearly 473%, 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 14.3% U. S. Government Securities, 12.7% Corporate Bonds, 0.6% Corporate Notes, 1.0% Other Investments, .1% insured Money Market Funds and 71.3% 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 eight of the last ten years. This extraordinary performance resulted in a net effective yield of 18.41% and a total rate of return of 21.23% for the 1997/1998 fiscal year. Graphs depicting the funds' extraordinary performance since 1987, the year the current Administrator 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 System'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 121.0% which is well ahead of schedule.

The Plan is funded through a member contribution of 7% of gross payroll, an employer contribution set by an actuarial valuation expressed as a percent of gross payroll and a distribution of the net earnings of the Plan. State and county employers receive credit for a portion of certain fees collected by the Clerks of the Superior Courts, Courts of Appeals, and the Supreme Court. Currently, these fees are enough to provide all of the state and county employer costs. This is expected to continue through fiscal year 1998/1999 when the city employer rate will be 8.9%.

CERTIFICATE OF ACHIEVEMENT

The Government Finance Officers Association (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the EORP for its comprehensive annual financial report for the fiscal year ended June 30, 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 121.0% 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.

The Plan has experienced great change during the past ten years. The Plan's accrual rate was raised to 4% of pay for each year of credited service. The Plan now provides for disability benefits, survivor benefits for spouses and children, post-retirement increases and health insurance subsidies. Death and disability benefits have been improved. Funding has increased to 121.0%. Over just the past ten years, investment income has grown dramatically and total assets of the Plan have more than tripled. I am proud to have been a part of the Plan's management team and I look forward to the Plan's continued success in the future.

Respectfully submitted,

A handwritten signature in black ink that reads "Jack M. Cross". The signature is written in a cursive, flowing style.

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

Certificate of Achievement for Excellence in Financial Reporting

Presented to

Elected Officials' Retirement Plan, Arizona

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 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. Esler
Executive Director

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

THE FUND MANAGER

		<u>Term Expires</u>
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

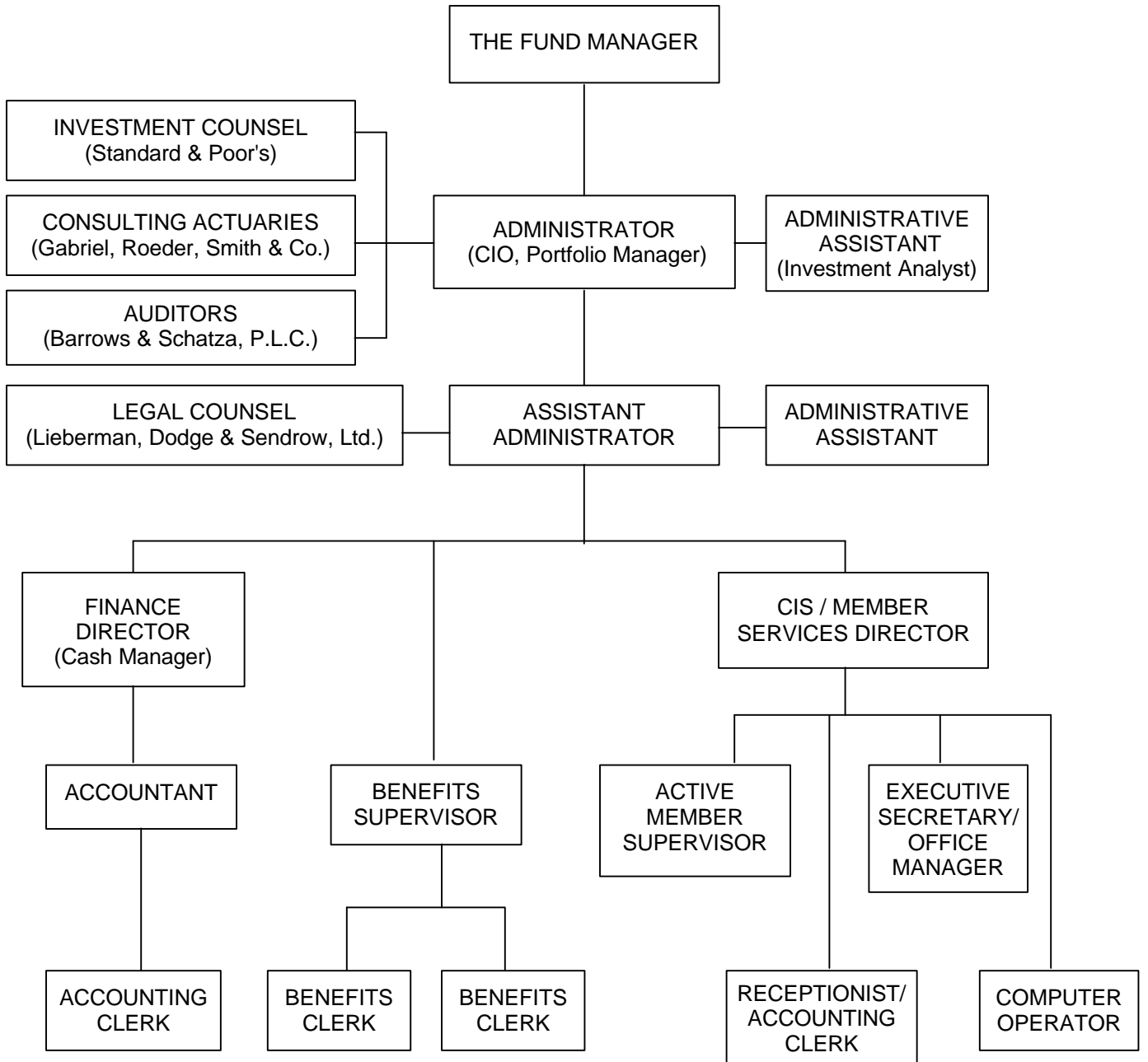
Standard & Poor's	Investment Counsel
Gabriel, Roeder, Smith & Company	Consulting Actuaries
Barrows & Schatza, P.L.C.	Auditors
Lieberman, Dodge & Sendrow, Ltd.	Legal Counsel

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

1020 East Missouri
Phoenix, Arizona 85014
Telephone (602) 255-5575
Facsimile (602) 255-5572
www.psprs.com

**STATE OF ARIZONA
ELECTED OFFICIALS' RETIREMENT PLAN
ORGANIZATIONAL CHART
JUNE 30, 1998**



FINANCIAL SECTION

ELECTED OFFICIALS' RETIREMENT PLAN
SEVENTEENTH 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
Notes to Financial Statements
Schedule of Funding Progress
Required Supplementary Information
Supporting Schedule of Changes In Fund Balance Reserves
Supporting Schedule of Administrative and Investment Expenses
Supporting Schedule of Payments to Consultants
Supplemental Schedule of Cash Receipts and Cash Disbursements



INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying statements of system net assets of the **STATE OF ARIZONA ELECTED OFFICIALS' RETIREMENT PLAN** as of June 30, 1998 and 1997, and the related statements of changes in system net assets for the years then ended, appearing on pages 15 and 16, respectively. These financial statements are the responsibility of the System's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial status of **STATE OF ARIZONA ELECTED OFFICIALS' RETIREMENT PLAN** as of June 30, 1998 and 1997, and the results of its operations and the changes in system net assets for the years then ended in conformity with generally accepted accounting principles.

Our audit was made for the purpose of forming an opinion on the financial statements taken as a whole. The accompanying supplementary information, contained on pages 22 and 23, 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
ELECTED OFFICIALS' RETIREMENT PLAN
STATEMENTS OF PLAN NET ASSETS
AS OF JUNE 30, 1998 AND 1997**

ASSETS	1998		1997	
	Book Cost	See Note 2	Book Cost	See Note 2
Cash				\$ 6,981
Receivables:				
Members' Contributions		\$ 95,041		96,507
Employers' Contributions		559,288		385,298
Interest and Dividends		2,183,474		2,106,815
Total Receivables		2,837,803		2,588,620
Investments at Fair value (Note 2):				
U.S. Government Securities	\$ 39,350,348	43,920,152	\$ 45,546,775	49,490,001
Corporate Bonds	35,804,253	39,274,698	28,570,849	29,453,866
Corporate Notes	1,997,205	1,997,205	4,984,368	4,984,368
Corporate Stocks	125,929,882	219,970,996	96,383,169	172,058,639
Other Investments	3,115,400	3,115,400	1,000,000	1,000,000
Money Market Account	212,937	212,937	731,418	731,418
Total Investments	\$ 206,410,025	308,491,388	\$ 177,216,579	257,718,292
Total Plan Assets		311,329,191		260,313,893
Collateral Held in Trust for Securities on Loan		47,864,208		67,226,382
Liability- Collateral Subject to Return to Borrower		(47,864,208)		(67,226,382)
Net Assets Held in Trust for Pension Benefits:		\$ 311,329,191		\$ 260,313,893
Net Asset Reserves				
Refundable Members' Reserve		\$ 20,703,032		\$ 17,978,673
Employers' Reserve		260,864,192		238,505,317
Future Benefit Increase Reserve		29,761,967		3,829,903
Total Net Asset Reserves		\$ 311,329,191		\$ 260,313,893

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
ELECTED OFFICIALS' 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)	\$ 3,294,906	\$ 2,579,869
Employers' Contributions (Notes 1 and 3)	3,668,144	4,934,939
Total Contributions	6,963,050	7,514,808
Investment Income:		
Net Appreciation in Fair Value of Investments (Note 2)	44,511,244	40,573,570
Interest	7,123,958	6,997,502
Dividends	2,689,395	3,445,972
Securities Lending Activities		
Securities Lending Income	\$ 3,543,950	\$ 3,549,244
Borrower rebates	(3,431,157)	(3,440,281)
Agents Share of Income	(39,474)	(38,134)
Net Securities Lending Income (Note 2)	73,319	70,829
	54,397,916	51,087,873
Less Investment Expense	(19,556)	(22,269)
Net Investment Income	54,378,360	51,065,604
Total Additions	61,341,410	58,580,412
Deductions:		
Pension and Insurance Benefits (Note 1)	10,963,879	10,177,471
Refunds to Terminated Members (Note 1)	30,960	193,296
Administrative Expenses	59,967	50,643
Total Deductions	11,054,806	10,421,410
Net Increase Before Transfers	50,286,604	48,159,002
Amounts Transferred from Other State- Sponsored Pension Plans--Net	728,694	410,191
Net Increase	51,015,298	48,569,193
Net Assets Held In Trust for Pension Benefits		
Beginning of Year, July 1	260,313,893	211,744,700
Ending of Year, June 30	\$ 311,329,191	\$ 260,313,893

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

**STATE OF ARIZONA
ELECTED OFFICIALS' RETIREMENT PLAN
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 1998 AND 1997**

NOTE 1 - PLAN DESCRIPTION

Organization

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

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, paying benefits, and the general protection and administration of the Plan.

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

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

At June 30, 1998 and 1997, the number of participating local government employer groups was:

	1998	1997
Cities	15	15
Counties	15	15
State Agencies	1	1
Total Employers	31	31

All state and county elected officials and judges are members of the Plan except La Paz County elected officials. Any city in the state of Arizona may elect to have its elected officials' covered by the EORP. At June 30, 1998 and 1997, statewide EORP membership consisted of:

	1998	1997
Retirees and beneficiaries currently receiving benefits	513	496
Terminated vested employees	109	134
Current employees		
Vested	434	394
Non-vested	279	332
Total Members	1,335	1,356

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

SUMMARY OF BENEFITS

Membership

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

every elected official of each county of this state, every justice of the supreme court, every judge of the court of appeals, every judge of the superior court, every full-time superior court commissioner, the administrator of the fund manager if the administrator is a natural person and each elected official of an incorporated city or town whose employer has executed a proper joinder agreement for coverage of its elected officials. (A.R.S. Section 38-801 and Section 38-804.A)

Credited Service

Means the number of whole and fractional years of a member's service as an elected official after the elected official's effective date of participation for which member and employer contributions are on deposit with the fund, plus credited service as an elected official transferred to the plan from another retirement system or plan for public employees of this state, plus service as an elected official before the elected official's effective date of participation which is being funded pursuant to a joinder agreement or which was redeemed pursuant to Section 38-816. (A.R.S. Section 38-801 [3])

Average Yearly Salary

Means the highest average total base salary over a period of three consecutive years within the last ten completed years of credited service which was paid to the elected official at the time of death or retirement or at the time he ceases to hold office. (A.R.S. Section 38-801 [2]).

Normal Retirement (No Reduction for Age)

An elected official may retire upon meeting one of the following age and service requirements: (A.R.S. Section 38-805.A)

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

The amount of a normal retirement pension is four percent (4%) of the member's average yearly salary multiplied by the years of the member's credited service. Maximum is eighty percent (80%) of member's average yearly salary. (A.R.S. Section 38-808.B [1])

Early Retirement (Reduction for Age)

An elected official who is at least age fifty years and has ten or more years of credited service may retire before meeting an age and service requirement for normal retirement. The amount of an early retirement pension is computed by determining the amount of accrued normal retirement pension and then reducing the amount determined by three-twelfths of one percent for each month early retirement precedes the member's normal retirement age as noted above. (A.R.S. Section 38-805.B and Section 38-808.B [1])

Vested Termination (Deferred Retirement)

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

Disability Retirement

An elected official who becomes incapacitated for the purpose of performing the duties of his office may be retired by the Fund Manager based on a certification by a board of physicians that the member is mentally or physically incapacitated and qualifies for a disability retirement. The amount of pension is eighty percent (80%) of member's average yearly salary if the elected official has ten (10) or more years of credited service or forty percent (40%) of the member's average yearly salary if the elected official has five (5) but less than ten (10) years of credited service or twenty percent (20%) of the member's average yearly salary if the elected official has fewer than five (5) years of credited service. (A.R.S. Section 38-806 and Section 38-808.B [2])

Survivor Pensions

Payable to the eligible beneficiary of a retired member or an active or inactive member who dies before retirement. An eligible beneficiary is a surviving spouse who was married to the retired or active or inactive member for at least two years; or, if there is no eligible spouse, then to a minor child(ren). A surviving spouse's pension terminates upon death. A surviving child's pension terminates upon attainment of age 18 years, marriage, adoption or death unless the child is a full-time student under the age of 22 or the child is under a disability which began before the child attained the age of 22. The amount of a surviving spouse's pension is two-thirds of the pension being paid the deceased retired elected official or two-thirds of the pension which the member would have received assuming he had retired under a disability. The amount of a surviving child's pension is an equal share of the amount of a surviving spouse's pension. (A.R.S. Section 38-807)

Termination of Membership

If a member ceases to hold office for any reason other than death or retirement, he may withdraw his accumulated contributions from the Plan and shall be paid, within twenty days after filing an application with the Fund

Manager, his accumulated contributions as of the date of termination, less any benefit payments he has received and any amount he may owe to the Plan. A member who receives a refund of his accumulated contributions from the Plan forfeits his credited service and all rights to benefits under the Plan and membership in the Plan terminates. (A.R.S. Section 38-804.B)

Re-Employment as an Elected Official and repayment of contributions

Elected Officials who terminate membership in the Plan and are later re-employed as an elected official may restore their prior service credits, provided they sign a written election within ninety days after re-employment to reimburse the Plan within one year after the date of their re-employment. The reimbursement will equal the amount previously withdrawn plus interest from the date of withdrawal to the date of repayment. (A.R.S. Section 38-804.D)

Elected Officials' Contributions

All covered members are required by statute to contribute 7% of their salary to EORP. (A.R.S. Section 38-810.A) Employee contributions are made on a pre-tax basis. If a member leaves covered employment or dies and no benefit is payable, accumulated member contributions are refunded to the member or designated beneficiary. Benefit and contribution provisions are established by state law and may be amended only by the State of Arizona Legislature.

Employer Contributions

For state and county employers, a designated portion of certain fees collected by the Clerks of the Superior Courts, Courts of Appeals and the Supreme Court plus additional contributions as determined by actuarial valuation to ensure proper funding for the Plan. (A.R.S. Section 38-810.B) For incorporated city or town employers, an amount sufficient to meet both the normal cost plus the amount required to amortize the unfunded accrued liability over a rolling twenty (20) year period, said amount to be determined each year by actuarial valuation and paid as a level per cent of compensation. (A.R.S. Section 38-810.C)

Joinder by Incorporated Cities or Towns

Effective August 19, 1987, elected officials of an Arizona incorporated city or town may participate in the Plan if the city or town council enters into a joinder agreement with the Fund Manager on behalf of its elected officials pursuant to A.R.S. Section 38-815.

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)

Health Insurance Premium Subsidy

For EORP retirees who have group health and accident insurance coverage provided and administered by the state or another EORP employer and who had 8 or more years of credited service, the EORP will pay up to \$60 per month for part of the premium for the retiree's individual coverage and up to \$85 per month for part of the premium for family health and accident coverage. Those retired members who had between 5 and 8 years of credited service would receive a proportionate share of the full subsidy. (A.R.S. Section 38-817)

State Taxation of EORP Benefits

Effective tax year commencing January 1, 1989, all EORP retirement benefits in excess of \$2,500 annually will be subject to Arizona state tax. (A.R.S. Section 38-852 and Section 43-1022)

COLA Benefit Increases

Effective July 1, 1996, and each year thereafter, all EORP retirees or survivors who are 55 years of age or older 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 of the EORP benefit being received on the preceding June 30, contingent upon sufficient excess investment earnings for the fund. (A.R.S. Section 38-818)

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

Basis of Accounting

EORP financial statements are prepared using the accrual basis of accounting. Member and employer contributions are recognized as revenues 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 Gain and Losses used in this calculation totaled \$22,931,594 for FYE 1998 and \$10,293,141 for FYE 1997.

Investments

EORP 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 purposes 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 Plan is party to a securities lending agreement with a bank. The bank, on behalf of the Plan, enters into agreements with brokers to loan securities and have the same securities returned at a later date. The loans are fully collateralized primarily by cash. Collateral is marked-to-market on a daily basis. Non-cash collateral can be sold only upon broker default. The Plan 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 \$45,764,362 and \$65,232,307, respectively. The Plan receives a negotiated fee for its loan activities and is indemnified for broker default by the securities lending agent. The Plan participates in a collateral investment pool.

All security loans 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 Plan 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 \$6,963,050 (\$3,668,144 employer and \$3,294,906 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 \$4,738,987 for normal cost less (\$1,070,843) for amortization of the assets in excess of the actuarial accrued liability in aggregate. Employer contributions represented 12.64% of covered payroll. [16.33% for normal costs and (3.69)% for amortization of assets in excess of the actuarial accrued liability in aggregate.] Member contributions represented 7.00% of covered payroll and is all attributable to normal costs.

During the year ended June 30, 1997, contributions totaling \$7,514,808 (\$4,934,939 employer and \$2,579,869 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 \$5,423,083 for normal cost less (\$488,144) for amortization of the assets in excess of the actuarial accrued liability in aggregate. Employer contributions represented 14.76% of covered payroll. [16.22% for normal costs and (1.46)% for amortization of assets in excess of the actuarial accrued liability in aggregate.] Member contributions represented 7.00% 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
ELECTED OFFICIALS' RETIREMENT PLAN
SCHEDULE OF FUNDING PROGRESS**

While not any one or two numeric indices can fully describe the financial condition of a retirement plan, the ratio of unfunded actuarial accrued liabilities to active member payroll is significant. The ratio of unfunded actuarial accrued liabilities to member payroll is a relative index of condition where inflation is present in both items. Observation of the ratio over a period of years gives an indication of funding achievement. The smaller the index, the stronger the system's condition. Shown below is a Comparative Schedule (\$ in thousands) since legislation was enacted in 1982, 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)
6-30-82	\$ 13,162	\$ 18,357	\$ 5,195	71.7%	\$ 7,444	69.8%
6-30-83	15,350	19,013	3,663	80.7	8,087	45.3
6-30-84	17,694	19,694	2,000	89.8	8,113	24.7
6-30-85* ³	49,900	48,969	(931)	101.9	17,691	(5.3)
6-30-86	58,757	53,427	(5,330)	110.0	17,842	(29.9)
6-30-87 ¹	65,818	66,642	824	98.8	20,409	4.0
6-30-88 ¹	73,993	77,908	3,915	95.0	21,444	18.3
6-30-89* ¹	84,258	90,951	6,693	92.6	24,605	27.2
6-30-90* ¹	92,421	100,433	8,012	92.0	25,776	31.1
6-30-91* ¹	103,570	109,650	6,080	94.5	27,838	21.8
6-30-92* ¹	115,869	115,098	(771)	100.7	27,777	(2.8)
6-30-93*	127,984	127,478	(506)	100.4	29,708	(1.7)
6-30-94 ¹	140,145	138,322	(1,823)	101.3	29,633	(6.2)
6-30-95 ¹	159,111	149,366	(9,745)	106.5	30,324	(32.1)
6-30-96*	181,754	158,126	(23,628)	114.9	29,967	(78.8)
6-30-97*	214,035	169,593	(44,442)	126.2	33,896	(131.1)
6-30-98	\$ 241,885	\$ 199,662	\$ (42,223)	121.0%	\$ 40,441	(104.4)%

* 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 system assets amortized over a four year period.
3. Reflects the 1985 amendment consolidating the Judges' Retirement System and the Elected Officials' Retirement Plan.

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 7.0% per year compounded annually, attributable to inflation and other across-the-board factors.

**ELECTED OFFICIALS' 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	\$2,130,732 15%	\$2,654,815 19%	\$9,391,304 66%	\$14,176,851 100%
1990	\$2,030,483 16%	\$3,048,190 23%	\$7,980,677 61%	\$13,059,350 100%
1991	\$1,966,157 12%	\$4,141,666 24%	\$10,845,435 64%	\$16,953,258 100%
1992	\$2,098,087 11%	\$4,830,326 25%	\$12,081,541 64%	\$19,009,954 100%
1993	\$2,237,986 11%	\$4,941,470 26%	\$12,082,441 63%	\$19,261,897 100%
1994	\$2,184,269 12%	\$5,555,890 30%	\$10,926,793 58%	\$18,666,952 100%
1995	\$2,237,578 13%	\$5,224,545 31%	\$9,446,871 56%	\$16,908,994 100%
1996	\$2,358,224 6%	\$4,886,479 13%	\$31,751,306 81%	\$38,996,009 100%
1997	\$2,579,869 4%	\$4,934,939 9%	\$51,087,873 87%	\$58,602,681 100%
1998	\$3,294,906 5%	\$3,668,144 6%	\$54,397,916 89%	\$61,360,966 100%

EXPENSES

Fiscal Year	Benefits	Admin & Invest Expenses	Refunds	Total
1989	\$3,694,598 94%	\$64,596 2%	\$146,453 4%	\$3,905,647 100%
1990	\$4,577,413 97%	\$63,495 1%	\$69,975 2%	\$4,710,883 100%
1991	\$5,197,212 96%	\$69,009 1%	\$134,840 3%	\$5,401,061 100%
1992	\$5,937,268 97%	\$61,108 1%	\$117,753 2%	\$6,116,129 100%
1993	\$6,986,604 94%	\$66,053 1%	\$346,352 5%	\$7,399,009 100%
1994	\$7,877,312 98%	\$65,965 1%	\$62,396 1%	\$8,005,673 100%
1995	\$8,718,621 97%	\$73,903 1%	\$197,465 2%	\$8,989,989 100%
1996	\$9,448,702 98%	\$74,695 1%	\$105,309 1%	\$9,628,706 100%
1997	\$10,177,471 97%	\$72,912 1%	\$193,296 2%	\$10,443,679 100%
1998	\$10,963,879 99%	\$79,523 1%	\$30,960 0%	\$11,074,362 100%

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 7% of covered payroll.

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

**STATE OF ARIZONA
ELECTED OFFICIALS' 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	\$ 16,931,262	\$ 193,465,560	\$ 1,347,878
Distribution of Revenues and Expenses:			
Members' Contributions	2,579,869		
Employers' Contributions		4,934,939	
Earnings on Investments		51,087,873	
Pension Benefits		(10,177,471)	
Refunds to Terminated Members	(193,296)		
Investment and Administrative Expenses		(72,912)	
Distribution of Transfers:			
Excess Investment Earnings to be used for Future Benefit Increases		(3,348,073)	3,348,073
Earnings on Excess Investment Earnings Acct Assets		(174,820)	174,820
Amount Utilized by Benefit Increases Granted		1,040,868	(1,040,868)
Net Transfers from Other State-Sponsored Pension Plans	186,845	223,346	
Inter-System Transfers -- Member Account Balances Transferred to Employers' Reserve due to Retirement	(1,526,007)	1,526,007	
Balance -- June 30, 1997	\$ 17,978,673	\$ 238,505,317	\$ 3,829,903
Distribution of Revenues and Expenses:			
Members' Contributions	3,294,906		
Employers' Contributions		3,668,144	
Earnings on Investments Net of Investment Expenses		54,378,360	
Pension Benefits		(10,963,879)	
Refunds to Terminated Members	(30,960)		
Administrative Expenses		(59,967)	
Distribution of Transfers:			
Excess Investment Earnings to be used for Future Benefit Increases		(10,870,740)	10,870,740
Earnings on Excess Investment Earnings Acct Assets		(813,088)	813,088
Amount Utilized by Benefit Increases Granted		888,283	(888,283)
Amount Transferred by HB 2496 Second Session 1998		(15,136,519)	15,136,519
Net Transfers from Other State-Sponsored Pension Plans	300,542	428,152	
Inter-System Transfers -- Member Account Balances Transferred to Employers' Reserve due to Retirement	(840,129)	840,129	
Balance -- June 30, 1998	<u>\$ 20,703,032</u>	<u>\$ 260,864,192</u>	<u>\$29,761,967</u>

**STATE OF ARIZONA
ELECTED OFFICIALS' 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	\$ 3,800	\$ -	\$ 3,800
Actuarial Services	12,960	-	12,960
Contractual Services	7,678	-	7,678
Educational Expenses	332	-	332
Furniture and Equipment	4,038	-	4,038
Investment Equipment	-	262	262
Investment Services	-	1,584	1,584
Occupancy Expenses	1,325	1,006	2,331
Office Supplies	444	119	563
Payroll Taxes and Fringe Benefits	2,919	2,216	5,135
Postage Expense	1,242	210	1,452
Printing, Publications and Subscriptions	4,345	90	4,435
Professional Services	2,533	427	2,960
Salaries and Wages	17,226	13,078	30,304
Telephone Expense	426	114	540
Travel Expense	699	450	1,149
	<u>\$ 59,967</u>	<u>\$ 19,556</u>	<u>\$ 79,523</u>

	Fees Paid
Standard & Poor's - Investment Counsel	\$ (1)
Gabriel, Roeder, Smith & Company - Consulting Actuaries	12,960
Barrows & Schatza, P.L.C. - Auditors	3,800
Leiberman, Dodge, Sendrow & Gerding, Ltd. - Legal Counsel	2,533
	<u>\$ 19,293</u>

(1) This Service was provided to the Plan without charge by Standard & Poor's Securities, Inc.
The value of these services is approximately \$5,000

**STATE OF ARIZONA
ELECTED OFFICIALS' RETIREMENT PLAN
SUPPLEMENTAL SCHEDULE OF
CASH RECEIPTS AND CASH DISBURSEMENTS
FOR THE YEARS ENDED JUNE 30, 1998 AND 1997**

	1998	1997
RECEIPTS:		
Members' Contributions	\$ 3,296,372	\$ 2,575,193
Employers' Contributions	3,494,154	4,933,412
Interest	6,860,360	6,891,081
Dividends	2,871,174	3,340,512
Securities Lending Income	78,480	65,838
Amounts Transferred from Other		
State-Sponsored Pension Plans	728,694	430,625
Maturities and Sales of:		
U.S. Government Securities	6,195,987	3,184,884
Corporate Bonds	2,032,718	379,969
Corporate Notes	309,688,325	250,090,957
Other Investments	490,321	95,000
Common Stock	48,923,471	22,680,475
Net Decrease in Money Market Fund	518,481	-
Total Receipts:	385,178,537	294,667,946
DISBURSEMENTS:		
Pension Benefits	10,963,879	10,177,471
Refunds to Terminated Members	30,960	193,296
Investment and Administrative Expenses	79,523	72,912
Amounts Transferred to Other		
State-Sponsored Pension Plans	-	20,434
Acquisitions of:		
U.S. Government Securities	-	2,966,288
Corporate Bonds	9,217,583	6,066,769
Corporate Notes	306,701,163	250,783,766
Other Investments	2,605,721	-
Common Stock	55,586,689	24,323,196
Net Increase in Money Market Fund	-	73,235
Total Disbursements:	385,185,518	294,677,367
DECREASE IN CASH	(6,981)	(9,421)
BEGINNING CASH BALANCES, July 1	6,981	16,402
ENDING CASH BALANCES, June 30	\$ -	\$ 6,981

INVESTMENT SECTION

ELECTED OFFICIALS' RETIREMENT PLAN
SEVENTEENTH 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

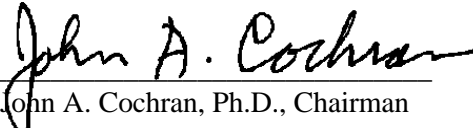
Detailed List of Sales
and Redemption of Investments

Detailed List of Investments Owned

FUND OBJECTIVES

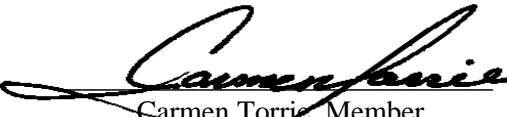
1. The intent of the Public Safety Personnel Retirement System, the Elected Official's Retirement Plan and the Corrections Officer Retirement Plan (herein after referred to as the Plan) is to provide the Plan participants benefits as defined in Title 38, chapter 5, articles 3, 4 and 6 of the Arizona 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
Elected Officials' Retirement Plan

Dear Sirs:

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

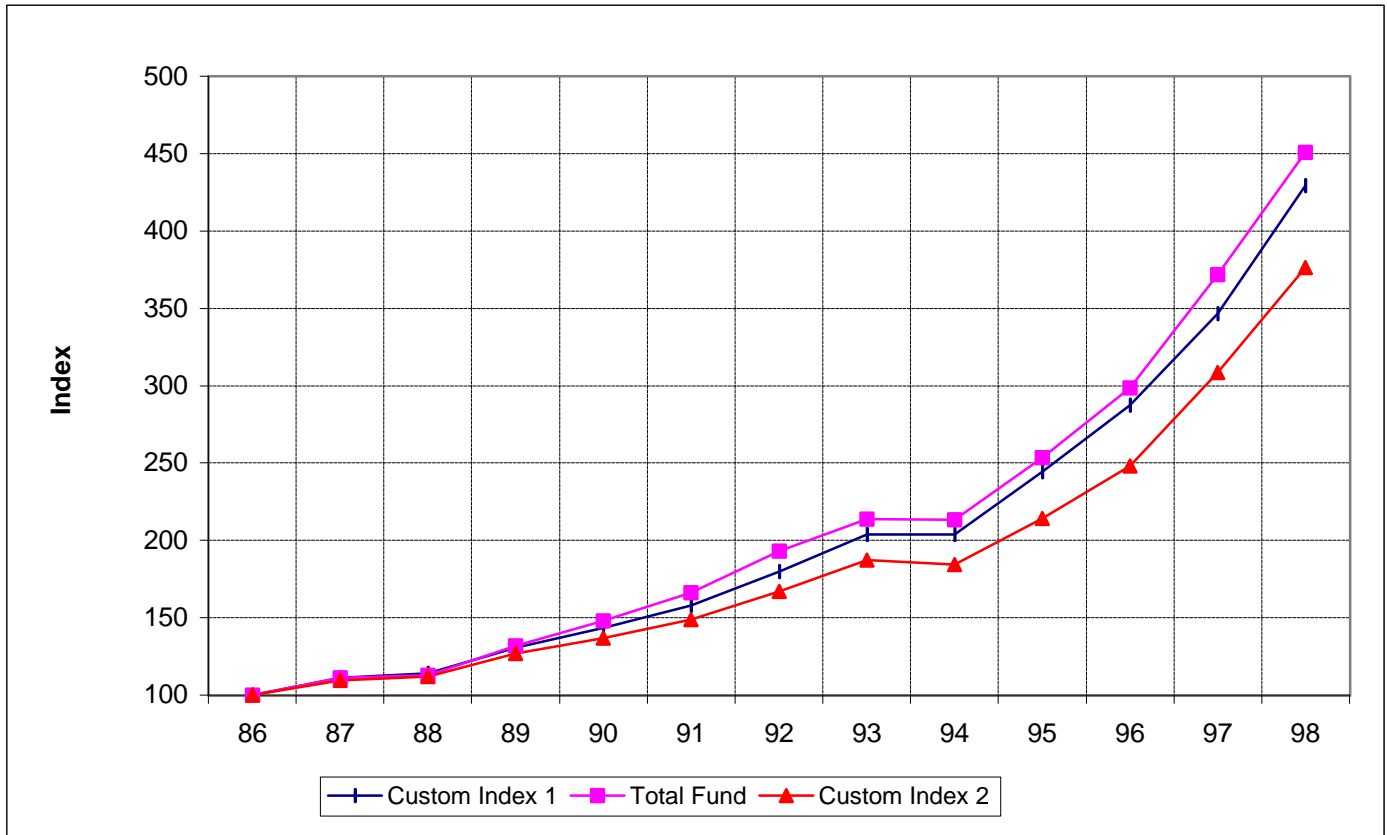
Based on the foregoing, during the past fiscal year, the stock portfolio underperformed the NYSE and S&P 500 indices, while the bond portfolio outperformed the Lehman Government/Corporate Index. The overall fund underperformed two custom benchmarks, each using a bond and stock index invested in the same 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 Returns - Total Fund Elected Officials



	Market Value	Contribution	Total Return	Custom Index 1*	Custom Index 2**
06-30-98	\$308,491,389	(\$3,652,362)	21.23%	23.90%	21.99%
06-30-97	257,721,510	(2,741,753)	24.58%	20.68%	24.30%
06-30-96	209,379,157	(2,790,415)	17.69%	17.52%	15.82%
06-30-95	180,418,272	(1,649,899)	18.78%	19.98%	16.22%
06-30-94	153,422,862	54,156	-0.19%	0.04%	-1.52%
06-30-93	153,665,647	(794,301)	10.70%	13.30%	12.03%
06-30-92	139,529,010	844,693	16.29%	13.77%	12.26%
06-30-91	119,192,732	625,797	12.31%	10.04%	8.73%
06-30-90	105,498,890	420,839	12.25%	9.87%	7.84%
06-30-89	93,578,548	1,095,348	16.61%	14.63%	13.14%
06-30-88	79,125,721	1,018,730	1.80%	2.64%	2.26%
06-30-87	76,655,143	554,007	11.01%	11.05%	9.70%
06-30-86	68,508,067				

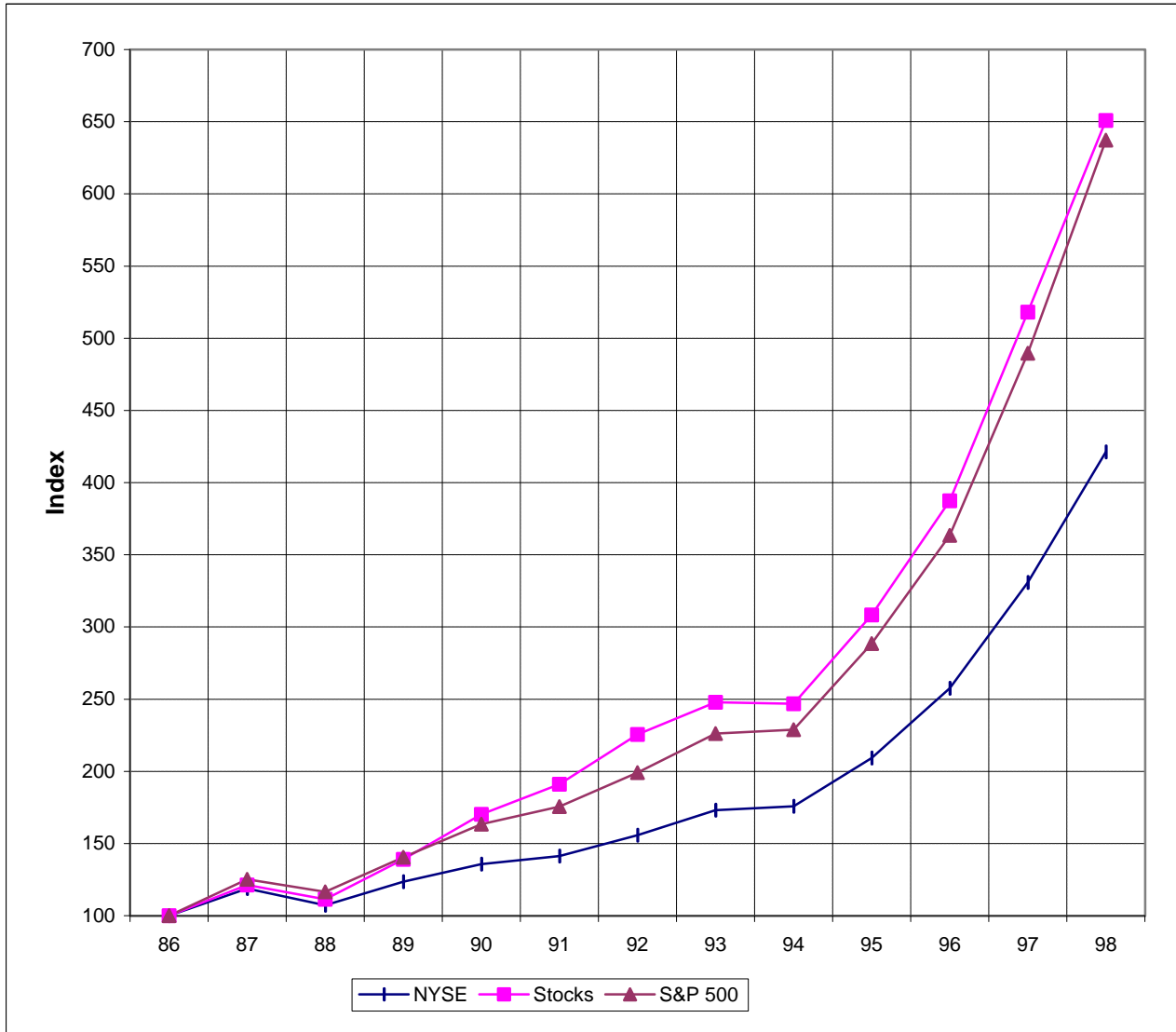
*Custom Index 1 is the average percentage in bonds times Lehman Govt/Corp Bond Index plus average percentage in stocks times S&P 500 Index

**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.

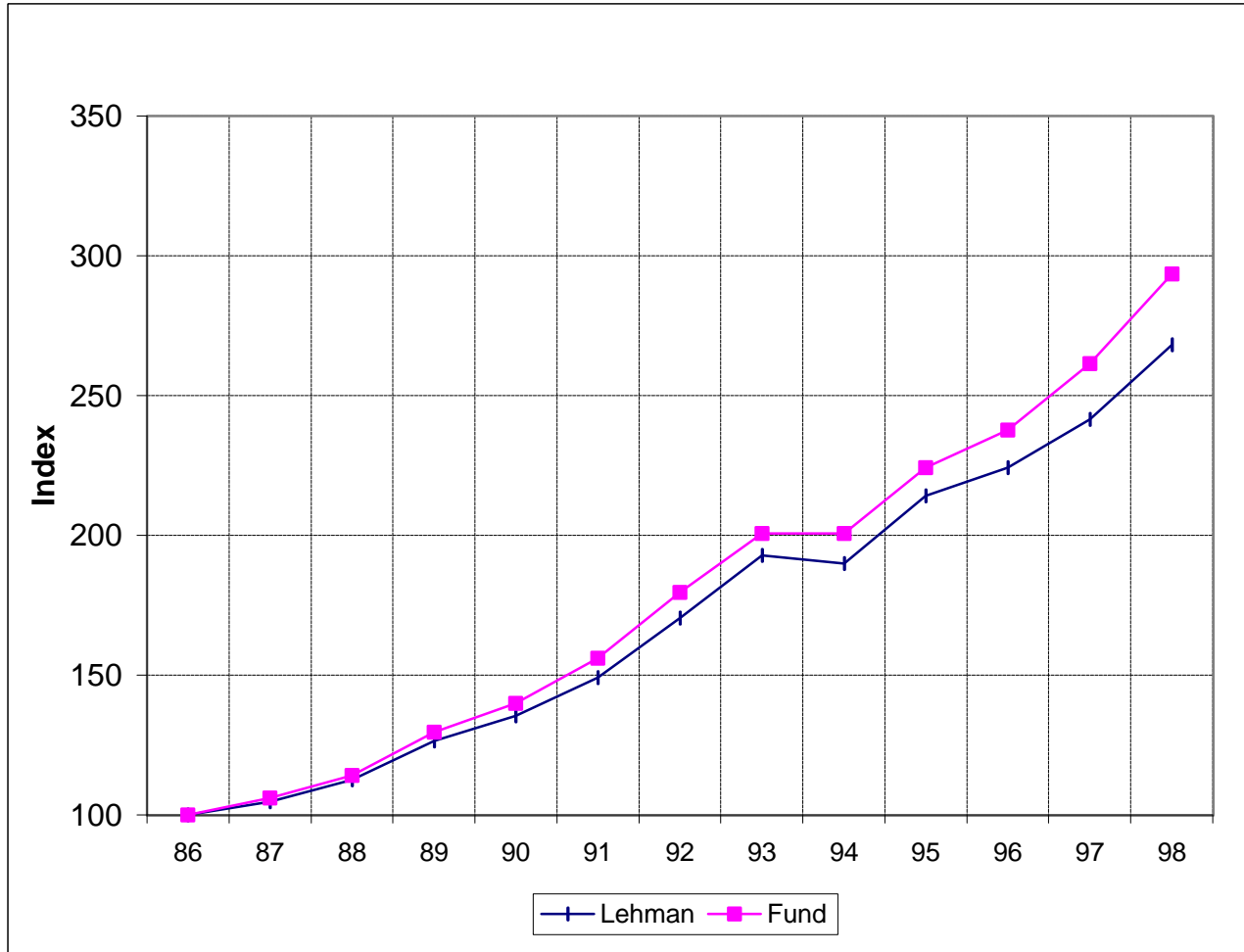
Cumulative Returns - Stocks Elected Officials



	Market Value	Contribution	Total Return	NYSE Index*	S&P 500
06-30-98	\$219,970,996	\$3,973,823	25.63%	27.35%	30.16%
06-30-97	172,058,639	(1,803,249)	33.72%	28.48%	34.69%
06-30-96	130,754,134	2,472,036	25.68%	23.08%	26.00%
06-30-95	100,984,922	(4,284,646)	24.88%	19.04%	26.06%
06-30-94	84,956,830	858,704	-0.41%	1.58%	1.23%
06-30-93	84,488,875	9,068,166	9.90%	11.04%	13.52%
06-30-92	68,365,688	6,044,772	18.05%	10.25%	13.45%
06-30-91	52,650,675	9,161,349	12.21%	4.09%	7.39%
06-30-90	37,844,300	5,083,288	22.43%	9.88%	16.44%
06-30-89	26,506,185	(3,016,405)	24.94%	15.17%	20.54%
06-30-88	24,034,290	(805,321)	-8.16%	-9.70%	-6.97%
06-30-87	27,185,325	4,220,210	21.22%	18.83%	25.19%
06-30-86	18,284,450				

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

Cumulative Return - Bonds Elected Officials



	Market Value	Contribution	Total Return	Lehman*
06-30-98	\$88,520,393	(\$7,626,185)	12.28%	11.08%
06-30-97	85,666,634	(938,504)	9.98%	7.75%
06-30-96	78,625,023	(5,262,451)	6.02%	4.65%
06-30-95	794,333,350	2,634,747	11.67%	12.75%
06-30-94	68,466,032	(804,548)	0.08%	-1.45%
06-30-93	69,176,772	(9,862,467)	11.75%	13.15%
06-30-92	71,163,322	(5,200,079)	15.00%	14.17%
06-30-91	66,542,057	(8,535,552)	11.55%	10.21%
06-30-90	67,654,590	(4,662,449)	8.05%	7.11%
06-30-89	67,072,363	4,111,753	13.40%	12.34%
06-30-88	55,091,431	1,824,079	7.61%	7.48%
06-30-87	49,469,818	(3,666,202)	6.12%	4.68%
06-30-86	50,223,617			

*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
ELECTED OFFICIALS' RETIREMENT PLAN
SUPPORTING SCHEDULE OF COMMISSIONS PAID TO BROKERS
FISCAL YEAR ENDED JUNE 30, 1998**

<u>Broker</u>	<u>Number of Shares Traded</u>	<u>Average Commission</u>	<u>Commissions</u>
Covato Lipsitz	105,000	0.050	\$ 5,276
ISI Group	85,000	0.050	4,283
J.W.Garrett	207,125	0.051	10,500
Merrill Lynch	231,900	0.028	6,603
Paine Webber	194,000	0.038	7,323
Prudential Securities	204,500	0.031	6,332
Smith Barney--Phoenix	206,108	0.043	8,941
Smith Barney--Scottsdale	359,126	0.034	12,387
Simon Securities	240,500	0.049	11,713
Standard & Poor's Securities	<u>250,500</u>	0.050	<u>12,639</u>
Total Commissions	<u><u>2,083,759</u></u>	<u>0.041</u>	<u><u>\$ 85,997</u></u>

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

**STATE OF ARIZONA
ELECTED OFFICIALS' RETIREMENT PLAN
SUMMARY OF CHANGES IN INVESTMENT PORTFOLIO
FOR THE FISCAL YEAR ENDED JUNE 30, 1998**

Description	Percent at Market	Balance June 30, 1997 Market Value	Book Value	Acquisitions	Maturites and Sales	(Premium) Discount	Balance June 30, 1998 Book Value	Market Value	Percent at Market
U.S. Treasury Obligations	8.3%	21,473,110.00	19,041,363.00	0.00	1,000,441.00	(21,849.00)	18,019,073.00	21,169,220.00	6.9%
Federal Agency Obligations	10.9%	28,016,890.50	26,505,412.11	0.00	5,174,888.54	751.00	21,331,274.57	22,750,932.56	7.4%
Total U.S. Government Securities	19.2%	49,490,000.50	45,546,775.11	0.00	6,175,329.54	(21,098.00)	39,350,347.57	43,920,152.56	14.3%
Corporate Bonds	11.4%	29,453,866.33	28,570,848.73	9,217,583.00	1,967,178.14	(17,001.00)	35,804,252.59	39,274,698.25	12.7%
Total Bond Portfolio	30.6%	78,943,866.83	74,117,623.84	9,217,583.00	8,142,507.68	(38,099.00)	75,154,600.16	83,194,850.81	27.0%
Corporate Notes	1.9%	4,984,367.78	4,984,367.78	306,701,162.41	309,688,325.19	0.00	1,997,205.00	1,997,205.00	0.6%
Common Stock	66.8%	172,058,638.95	96,383,169.04	55,586,688.78	26,039,975.27	0.00	125,929,882.55	219,970,995.81	71.3%
Other Investments	0.4%	1,000,000.00	1,000,000.00	2,605,720.76	490,320.89	0.00	3,115,399.87	3,115,399.87	1.0%
Money Market Account	0.3%	731,418.00	731,418.00	0.00	(518,481.00)	0.00	212,937.00	212,937.00	0.1%
Total Portfolio	100.0%	257,718,291.56	177,216,578.66	374,111,154.95	343,842,648.03	(38,099.00)	206,410,024.58	308,491,388.49	100.0%

**STATE OF ARIZONA
ELECTED OFFICIALS' RETIREMENT PLAN
BONDS PURCHASED 1997 - 1998**

Security	Coupon	Maturity	Purchase Price	Par Value	Principal	(Premium) Discount	Accrued Interest	Total Amount	Yield
<i>CORPORATE BONDS</i>									
AGL CAPITAL TRUST	8.170	06/01/37	102.01530	1,000,000.00	1,020,153.00	(20,153.00)	19,063.33	1,039,216.33	8.01%
ANTHEM INSURANCE	9.000	04/01/27	116.44900	1,000,000.00	1,164,490.00	(164,490.00)	25,250.00	1,189,740.00	7.73%
BANKERS TRUST CORP 144A	8.090	12/01/26	100.00000	1,000,000.00	1,000,000.00	0.00	19,326.11	1,019,326.11	8.09%
FIRST HAWAIIAN CAPITAL TRUST	8.343	07/01/27	106.20500	1,000,000.00	1,062,050.00	(62,050.00)	14,136.75	1,076,186.75	7.86%
LUMBERMANS MUTUAL CASUALTY CO	9.150	07/01/26	118.58000	1,000,000.00	1,185,800.00	(185,800.00)	14,233.33	1,200,033.33	7.72%
LUMBERMANS MUTUAL CASUALTY CO	9.150	07/01/26	119.21300	1,000,000.00	1,192,130.00	(192,130.00)	31,770.83	1,223,900.83	7.68%
SAFCO CAPITAL TRUST	8.072	07/15/37	100.70000	1,500,000.00	1,510,500.00	(10,500.00)	17,825.67	1,528,325.67	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%
TOTAL CORPORATE BONDS				8,500,000.00	9,217,583.00	(717,583.00)	173,001.02	9,390,584.02	7.83%
TOTAL BONDS PURCHASED				8,500,000.00	9,217,583.00	(717,583.00)	173,001.02	9,390,584.02	7.83%

**STATE OF ARIZONA
ELECTED OFFICIALS RETIREMENT PLAN
CORPORATE NOTES
June 30, 1998**

SHORT TERM INVESTMENTS MATURED

Page 1 of 5

Date Acquired	Description	Interest Rate	Maturity Date	Cost	Amount of Interest	Maturity Value
06/23/97	BANC ONE FUNDING	5.580	07/31/97	994,110.00	5,890.00	1,000,000.00
06/23/97	BROADWAY CAPITAL CORP	5.650	07/11/97	997,175.00	2,825.00	1,000,000.00
06/24/97	AGA CAPITAL, INC.	5.610	07/11/97	997,350.83	2,649.17	1,000,000.00
06/24/97	KOREA ASSOC. SECURITIES	5.650	07/10/97	997,448.89	2,551.11	1,000,000.00
06/30/97	EAGLE FUNDING	5.750	07/11/97	998,243.06	1,756.94	1,000,000.00
07/03/97	BRIDGESTONE/FIRESTONE	5.600	07/17/97	997,822.22	2,177.78	1,000,000.00
07/10/97	DYNAMIC FUND CORP,SER A	5.550	07/16/97	999,075.00	925.00	1,000,000.00
07/11/97	BTM CAPITAL CORP	5.500	07/17/97	999,083.33	916.67	1,000,000.00
07/11/97	DYNAMIC FUND CORP,SER A	5.550	07/16/97	999,229.16	770.84	1,000,000.00
07/11/97	GTE CORP.	5.510	07/29/97	997,245.00	2,755.00	1,000,000.00
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	1,990,216.67	9,783.33	2,000,000.00
07/17/97	EAGLE FUNDING	5.560	08/14/97	995,675.55	4,324.45	1,000,000.00
07/17/97	PROGRESS FUND COR,SER A	5.600	08/14/97	995,644.44	4,355.56	1,000,000.00
07/28/97	MERRILL LYNCH & CO,INC.	5.550	07/31/97	999,537.50	462.50	1,000,000.00
07/28/97	MOBIL AUSTRALIA FINANCE	5.550	07/31/97	1,999,075.00	925.00	2,000,000.00
07/29/97	ATLAS COPCO AB	5.700	08/11/97	1,155,616.45	2,383.55	1,158,000.00
07/30/97	FOUR WINDS FUNDING CORP	5.600	08/11/97	998,133.33	1,866.67	1,000,000.00
07/31/97	AMCOR FINANCIAL USA	5.530	08/20/97	996,927.78	3,072.22	1,000,000.00
07/31/97	ANCHOR FUNDING CORP	5.580	09/05/97	1,514,501.66	8,498.34	1,523,000.00
07/31/97	SANWA BUSINESS CREDIT	5.600	08/29/97	995,488.89	4,511.11	1,000,000.00
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	998,909.17	1,090.83	1,000,000.00
08/11/97	MERRILL LYNCH & CO,INC.	5.500	08/14/97	999,541.67	458.33	1,000,000.00
08/11/97	SAFECO CREDIT CO	5.550	08/26/97	997,687.50	2,312.50	1,000,000.00
08/11/97	SONY EUROPE:FINANCE PLC	5.500	08/13/97	1,999,388.89	611.11	2,000,000.00
08/12/97	GOTHAM FUNDING CORP	5.590	09/11/97	995,341.66	4,658.34	1,000,000.00
08/13/97	DYNAMIC FUND CORP,SER A	5.630	08/27/97	997,810.56	2,189.44	1,000,000.00
08/14/97	DYNAMIC FUND CORP,SER A	5.650	08/27/97	997,959.72	2,040.28	1,000,000.00
08/14/97	HUDSON FINANCE INC.	5.620	08/20/97	999,063.33	936.67	1,000,000.00
08/14/97	KZH-ING-1 CORP	5.630	08/18/97	999,374.44	625.56	1,000,000.00
08/15/97	MERRILL LYNCH & CO,INC.	5.700	08/18/97	1,999,050.00	950.00	2,000,000.00
08/15/97	TRIPLE A-1 FUNDING	5.620	08/22/97	998,907.22	1,092.78	1,000,000.00
08/18/97	ANCHOR FUNDING CORP	5.580	09/18/97	1,990,390.00	9,610.00	2,000,000.00
08/18/97	BANNER RECEIVABLES CORP	5.570	09/15/97	1,428,783.26	6,216.74	1,435,000.00
08/18/97	EAGLE FUNDING	5.560	09/17/97	1,181,500.23	5,499.77	1,187,000.00
08/20/97	SUN BELT-DIX,INC.	5.520	09/18/97	995,553.33	4,446.67	1,000,000.00
08/20/97	WORKING CAPITAL MGMT.	5.580	10/03/97	1,986,360.00	13,640.00	2,000,000.00
08/22/97	MERRILL LYNCH & CO,INC.	5.510	09/08/97	997,398.06	2,601.94	1,000,000.00
08/26/97	COUNTRYWIDE HOME LOANS	5.550	08/28/97	999,691.67	308.33	1,000,000.00
08/27/97	ASTRO CAPITAL CORP	5.600	09/29/97	994,866.67	5,133.33	1,000,000.00
08/29/97	MERRILL LYNCH & CO,INC.	5.600	09/03/97	999,222.22	777.78	1,000,000.00
09/02/97	DUKE CAPITAL CORP	5.720	09/03/97	999,841.11	158.89	1,000,000.00
09/04/97	MERRILL LYNCH & CO,INC.	5.510	09/08/97	999,387.77	612.23	1,000,000.00
09/08/97	COMMED FUEL CO, INC(CS)	5.480	09/11/97	999,543.33	456.67	1,000,000.00
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	1,998,760.00	1,240.00	2,000,000.00
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	PROGRESS FUND COR,SER A	5.700	10/01/97	997,783.33	2,216.67	1,000,000.00
09/18/97	ALLSTATE CORP	5.470	09/30/97	998,176.67	1,823.33	1,000,000.00
09/18/97	PHH CORPORATION	5.470	09/22/97	1,998,784.44	1,215.56	2,000,000.00

**STATE OF ARIZONA
ELECTED OFFICIALS RETIREMENT PLAN
CORPORATE NOTES
June 30, 1998**

SHORT TERM INVESTMENTS MATURED

Page 2 of 5

Date Acquired	Description	Interest Rate	Maturity Date	Cost	Amount of Interest	Maturity Value
09/19/97	OAK FUNDING CORP	5.500	09/24/97	1,998,472.22	1,527.78	2,000,000.00
09/22/97	BRIDGESTONE/FIRESTONE	5.570	09/23/97	1,999,690.56	309.44	2,000,000.00
09/22/97	MERRILL LYNCH & CO,INC.	5.480	09/25/97	1,999,086.67	913.33	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	998,911.11	1,088.89	1,000,000.00
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	1,996,861.11	3,138.89	2,000,000.00
09/29/97	HALIFAX PLC	5.780	10/02/97	999,518.33	481.67	1,000,000.00
10/01/97	TRIDENT CAPITAL FINANCE	5.550	10/06/97	999,229.17	770.83	1,000,000.00
10/02/97	MERRILL LYNCH & CO,INC.	5.520	10/07/97	1,998,466.67	1,533.33	2,000,000.00
10/03/97	TRIPLE A-1 FUNDING	5.450	10/09/97	1,998,183.33	1,816.67	2,000,000.00
10/06/97	GTE CORP	5.500	10/10/97	1,998,777.78	1,222.22	2,000,000.00
10/06/97	MERRILL LYNCH & CO,INC.	5.500	10/14/97	998,777.78	1,222.22	1,000,000.00
10/07/97	DAIMLER-BENZ N AMERICA	5.460	10/16/97	1,997,270.00	2,730.00	2,000,000.00
10/07/97	HOLLAND LIMITED SECUR.	5.500	10/08/97	999,847.22	152.78	1,000,000.00
10/07/97	TRIDENT CAPITAL FINANCE	5.500	10/15/97	1,997,555.56	2,444.44	2,000,000.00
10/08/97	BROADWAY CAPITAL CORP	5.540	10/21/97	997,999.44	2,000.56	1,000,000.00
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	1,995,667.78	4,332.22	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
10/15/97	AGA CAPITAL, INC.	5.550	10/21/97	999,075.00	925.00	1,000,000.00
10/15/97	DUKE CAPITAL CORP	5.600	10/23/97	998,755.56	1,244.44	1,000,000.00
10/16/97	DYNAMIC FUND CORP,SER A	5.600	11/10/97	996,111.11	3,888.89	1,000,000.00
10/16/97	HOLLAND LIMITED SECUR.	5.550	10/23/97	998,920.83	1,079.17	1,000,000.00
10/20/97	GTE FUNDING INC.	5.520	10/22/97	999,693.33	306.67	1,000,000.00
10/21/97	HALIFAX PLC	5.530	10/24/97	999,539.17	460.83	1,000,000.00
10/22/97	GTE CORP	5.650	10/24/97	999,686.11	313.89	1,000,000.00
10/23/97	BTM CAPITAL CORP	5.560	11/06/97	1,995,675.56	4,324.44	2,000,000.00
10/23/97	GTE CORP	5.590	11/24/97	1,990,062.23	9,937.77	2,000,000.00
10/24/97	MERRILL LYNCH & CO,INC.	5.470	10/28/97	999,392.22	607.78	1,000,000.00
10/24/97	MITSUI & CO.(USA),INC.	5.530	10/30/97	999,078.33	921.67	1,000,000.00
10/24/97	SONY EUROPE FINANCE PLC	5.540	10/29/97	1,998,461.11	1,538.89	2,000,000.00
10/30/97	MERRILL LYNCH & CO,INC.	5.600	11/04/97	1,998,444.44	1,555.56	2,000,000.00
10/30/97	THUNDER BAY FUNDING INC	5.630	11/04/97	1,998,436.11	1,563.89	2,000,000.00
11/04/97	MERRILL LYNCH & CO,INC.	5.650	11/07/97	999,529.17	470.83	1,000,000.00
11/04/97	ORIX NORINCHUKIN	5.620	11/17/97	1,995,941.11	4,058.89	2,000,000.00
11/04/97	SHISEIDO	5.650	11/24/97	996,861.11	3,138.89	1,000,000.00
11/06/97	AMCOR LTD.	5.630	01/05/98	990,616.67	9,383.33	1,000,000.00
11/06/97	WORLD OMNI VEH. LEASING	5.570	11/13/97	998,916.94	1,083.06	1,000,000.00
11/07/97	FINGERHUT OWNER TRUST	5.550	11/13/97	999,075.00	925.00	1,000,000.00
11/10/97	KZH-ING-1 CORP	5.600	12/31/97	992,066.67	7,933.33	1,000,000.00
11/13/97	AMERICAN HONDA FINANCE	5.620	11/26/97	1,829,280.02	3,719.98	1,833,000.00
11/13/97	SANWA BUSINESS CREDIT	5.650	11/25/97	998,116.67	1,883.33	1,000,000.00
11/17/97	EMBARCADERO CENTER VEN.	5.800	11/25/97	998,711.11	1,288.89	1,000,000.00
11/17/97	SANWA BUSINESS CREDIT	5.750	11/24/97	1,997,763.89	2,236.11	2,000,000.00
11/24/97	BAYERISCHE VEREINSBANK	5.550	12/01/97	2,996,762.50	3,237.50	3,000,000.00
11/24/97	THE HERTZ CORPORATION	5.570	12/02/97	1,997,524.44	2,475.56	2,000,000.00
11/25/97	HOLLAND LIMITED SECUR.	5.650	12/04/97	998,587.50	1,412.50	1,000,000.00
11/25/97	MERRILL LYNCH & CO,INC.	5.580	12/03/97	998,760.00	1,240.00	1,000,000.00
11/26/97	EATON CORPORATION	5.670	12/02/97	1,998,110.00	1,890.00	2,000,000.00
12/01/97	THE HERTZ CORPORATION	5.690	12/04/97	1,999,051.67	948.33	2,000,000.00
12/02/97	COUNTRYWIDE HOME LOANS	5.630	12/09/97	998,905.28	1,094.72	1,000,000.00

**STATE OF ARIZONA
ELECTED OFFICIALS RETIREMENT PLAN
CORPORATE NOTES
June 30, 1998**

SHORT TERM INVESTMENTS MATURED

Page 3 of 5

Date Acquired	Description	Interest Rate	Maturity Date	Cost	Amount of Interest	Maturity Value
12/02/97	HALIFAX PLC	5.570	12/05/97	1,999,071.67	928.33	2,000,000.00
12/03/97	MERRILL LYNCH & CO,INC.	5.580	12/09/97	999,070.00	930.00	1,000,000.00
12/04/97	HOLLAND LIMITED SECUR.	5.600	12/11/97	1,997,822.22	2,177.78	2,000,000.00
12/04/97	MERRILL LYNCH & CO,INC.	5.530	12/08/97	999,385.55	614.45	1,000,000.00
12/05/97	LEXINGTON PARKER CAP.	5.550	12/12/97	1,997,841.67	2,158.33	2,000,000.00
12/08/97	EDISON INTERNATIONAL	5.500	12/12/97	999,388.89	611.11	1,000,000.00
12/09/97	TRIPLE A-1 FUNDING	5.920	01/05/98	995,560.00	4,440.00	1,000,000.00
12/11/97	MERRILL LYNCH & CO,INC.	5.450	12/15/97	1,998,788.89	1,211.11	2,000,000.00
12/12/97	PROVINCE DE QUEBEC	5.550	12/16/97	1,998,766.67	1,233.33	2,000,000.00
12/16/97	ATLAS COPCO AB	5.750	12/17/97	999,840.27	159.73	1,000,000.00
12/23/97	AC ACQUISITIONS HOLDING	5.600	12/24/97	999,844.44	155.56	1,000,000.00
12/31/97	FLUOR CORP	5.680	01/30/98	995,266.66	4,733.34	1,000,000.00
01/02/98	THE HERTZ CORPORATION	5.820	01/08/98	999,030.00	970.00	1,000,000.00
01/05/98	GTE FUNDING INC.	5.640	01/12/98	1,997,806.67	2,193.33	2,000,000.00
01/05/98	TRIDENT CAPITAL FINANCE	5.600	01/13/98	998,755.56	1,244.44	1,000,000.00
01/08/98	TMI-1 FUEL CORP	5.450	01/16/98	998,788.89	1,211.11	1,000,000.00
01/13/98	AMERICAN PETROFINA HOLD	5.450	01/14/98	999,848.61	151.39	1,000,000.00
01/13/98	LEXINGTON PARKER CAP.	5.510	01/21/98	998,775.56	1,224.44	1,000,000.00
01/13/98	OLGETHORPE POWER CORP	5.550	01/16/98	999,537.50	462.50	1,000,000.00
01/16/98	KZH-SOLEIL CORP	5.460	01/23/98	1,997,876.67	2,123.33	2,000,000.00
01/20/98	COOP. ASSN. OF TRACTOR	5.500	01/27/98	1,997,861.11	2,138.89	2,000,000.00
01/20/98	FORD MOTOR CREDIT CORP	5.500	01/22/98	1,999,388.89	611.11	2,000,000.00
01/21/98	KZH HOLDING CORP III	5.530	01/28/98	1,997,849.44	2,150.56	2,000,000.00
01/22/98	ALLOMON FUNDING CORP	5.490	02/06/98	997,712.50	2,287.50	1,000,000.00
01/22/98	TRIDENT CAPITAL FINANCE	5.430	01/27/98	999,245.83	754.17	1,000,000.00
01/23/98	FOUR WINDS FUNDING CORP	5.480	02/06/98	1,995,737.78	4,262.22	2,000,000.00
01/27/98	BAT CAPITAL CORP	5.550	01/30/98	999,537.50	462.50	1,000,000.00
01/27/98	DUKE CAPITAL CORP	5.530	02/05/98	1,997,235.00	2,765.00	2,000,000.00
01/28/98	KZH HOLDING CORP III	5.600	02/04/98	1,997,822.22	2,177.78	2,000,000.00
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	998,600.00	1,400.00	1,000,000.00
02/04/98	KZH HOLDING CORP III	5.530	02/11/98	998,924.72	1,075.28	1,000,000.00
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	1,992,222.22	7,777.78	2,000,000.00
02/06/98	BARTON CAPITAL CORP	5.490	02/24/98	1,994,510.00	5,490.00	2,000,000.00
02/06/98	WALT DISNEY CO.	5.400	02/10/98	999,400.00	600.00	1,000,000.00
02/10/98	MERRILL LYNCH & CO,INC.	5.500	02/25/98	997,708.33	2,291.67	1,000,000.00
02/11/98	BLOCK FINANCIAL CORP	5.580	02/13/98	1,999,380.00	620.00	2,000,000.00
02/11/98	FALCON ASSET SECUR.	5.530	02/18/98	998,924.72	1,075.28	1,000,000.00
02/13/98	COUNTRYWIDE HOME LOANS	5.520	02/24/98	1,996,626.67	3,373.33	2,000,000.00
02/17/98	KZH-SOLEIL CORP	5.830	02/20/98	999,514.17	485.83	1,000,000.00
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	999,086.67	913.33	1,000,000.00
02/24/98	COUNTRYWIDE HOME LOAND	5.570	02/26/98	1,999,381.11	618.89	2,000,000.00
02/24/98	REPSOL INTERNATIONAL BV	5.500	03/02/98	1,998,166.67	1,833.33	2,000,000.00
02/25/98	DUKE CAPITAL CORP	5.670	02/26/98	999,842.50	157.50	1,000,000.00
02/26/98	COUNTRYWIDE HOME LOANS	5.660	02/27/98	1,999,685.56	314.44	2,000,000.00
03/02/98	ENTERPRISE FUNDING CORP	5.760	03/04/98	999,680.00	320.00	1,000,000.00
03/02/98	HOLLAND LIMITED SECUR.	5.780	03/05/98	1,999,036.67	963.33	2,000,000.00
03/02/98	LEXINGTON PARKER CAP.	5.750	03/06/98	1,998,722.22	1,277.78	2,000,000.00
03/05/98	MERRILL LYNCH & CO,INC.	5.470	03/09/98	1,998,784.44	1,215.56	2,000,000.00
03/05/98	TRIDENT CAPITAL FINANCE	5.470	03/09/98	1,998,784.44	1,215.56	2,000,000.00

**STATE OF ARIZONA
ELECTED OFFICIALS RETIREMENT PLAN
CORPORATE NOTES
June 30, 1998**

SHORT TERM INVESTMENTS MATURED

Page 4 of 5

Date Acquired	Description	Interest Rate	Maturity Date	Cost	Amount of Interest	Maturity Value
03/06/98	HOLLAND LIMITED SECUR.	5.480	03/12/98	999,086.67	913.33	1,000,000.00
03/09/98	ALLIED SIGNAL 4(2)	5.500	03/12/98	1,999,083.33	916.67	2,000,000.00
03/09/98	MERRILL LYNCH & CO,INC.	5.500	03/12/98	1,999,083.33	916.67	2,000,000.00
03/10/98	GENERAL MOTORS CORP	5.510	03/17/98	1,997,857.23	2,142.77	2,000,000.00
03/10/98	KZH PAMCO	5.580	04/30/98	992,095.00	7,905.00	1,000,000.00
03/12/98	DUKE CAPITAL CORP	5.540	03/20/98	1,997,537.78	2,462.22	2,000,000.00
03/12/98	HONEYWELL INC.	5.500	03/26/98	1,995,722.22	4,277.78	2,000,000.00
03/13/98	COUNTRYWIDE HOME LOANS	5.450	03/16/98	999,545.83	454.17	1,000,000.00
03/16/98	AETNA SERVICES INC.	5.550	03/19/98	1,999,075.00	925.00	2,000,000.00
03/17/98	KZH HOLDING CORP III	5.540	03/23/98	1,998,153.33	1,846.67	2,000,000.00
03/19/98	ATLANTIS ONE FUNDING	5.570	04/01/98	1,995,977.22	4,022.78	2,000,000.00
03/20/98	FORD MOTOR CREDIT CORP.	5.380	03/24/98	999,402.22	597.78	1,000,000.00
03/23/98	BARTON CAPITAL CORP	5.490	03/24/98	999,693.89	153.61	999,847.50
03/23/98	DUKE CAPITAL CORP	5.510	03/24/98	999,846.94	153.06	1,000,000.00
03/26/98	DUKE CAPITAL CORP	5.570	03/27/98	1,999,690.56	309.44	2,000,000.00
03/27/98	PHH CORPORATION	5.490	03/30/98	1,999,085.00	915.00	2,000,000.00
03/30/98	DUKE CAPITAL CORP	5.730	03/31/98	999,840.83	159.17	1,000,000.00
04/01/98	SOUTHERN CAL EDISON	5.620	04/03/98	1,999,375.56	624.44	2,000,000.00
04/03/98	DUKE CAPITAL CORP	5.530	04/06/98	999,539.17	460.83	1,000,000.00
04/03/98	KZH HOLDING CORP III	5.530	04/09/98	999,078.33	921.67	1,000,000.00
04/06/98	ATLAS COPCO AB	5.550	04/07/98	999,845.83	154.17	1,000,000.00
04/07/98	PHH CORPORATION	5.520	04/13/98	999,080.00	920.00	1,000,000.00
04/09/98	HOLLAND LIMITED SECUR.	5.550	04/16/98	998,920.83	1,079.17	1,000,000.00
04/13/98	GREENWICH ASSET FUNDING	5.550	04/20/98	998,920.83	1,079.17	1,000,000.00
04/15/98	BANC ONE CORPORATION	5.650	04/17/98	1,999,372.22	627.78	2,000,000.00
04/16/98	BAT CAPITAL CORP	5.580	04/21/98	999,225.00	775.00	1,000,000.00
04/17/98	KZH-SOLEIL CORP	5.520	04/24/98	998,926.66	1,073.34	1,000,000.00
04/20/98	YORKSHIRE BUILDIND SOC.	5.510	04/22/98	999,693.89	306.11	1,000,000.00
04/21/98	EKSPORTFINANS,A/S	5.500	04/23/98	999,694.44	305.56	1,000,000.00
04/22/98	TRIDENT CAPITAL FINANCE	5.510	05/04/98	998,163.33	1,836.67	1,000,000.00
04/23/98	PHH CORPORATION	5.530	05/05/98	998,156.67	1,843.33	1,000,000.00
04/24/98	BAT CAPITAL CORP	5.580	05/08/98	997,830.00	2,170.00	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	999,694.44	305.56	1,000,000.00
05/05/98	US PRIME PROPERTY, INC.	5.430	05/06/98	999,849.17	150.83	1,000,000.00
05/06/98	PHH CORPORATION	5.580	05/29/98	996,435.00	3,565.00	1,000,000.00
05/08/98	COUNTRYWIDE HOME LOANS	5.440	05/14/98	1,998,186.66	1,813.34	2,000,000.00
05/13/98	KZH HOLDING CORP III	5.550	05/20/98	998,920.83	1,079.17	1,000,000.00
05/13/98	TRIDENT CAPITAL FINANCE	5.500	05/18/98	999,236.11	763.89	1,000,000.00
05/14/98	COUNTRYWIDE HOME LOANS	5.560	05/21/98	1,997,837.78	2,162.22	2,000,000.00
05/18/98	COUNTRYWIDE HOME LOANS	5.570	05/26/98	998,762.22	1,237.78	1,000,000.00
05/18/98	TRIDENT CAPITAL FINANCE	5.550	05/27/98	1,997,225.00	2,775.00	2,000,000.00
05/20/98	PROGRESS CAPITAL HOLD.	5.510	05/26/98	999,081.67	918.33	1,000,000.00
05/26/98	KITTY HAWK FUNDING	5.540	05/28/98	999,692.22	307.78	1,000,000.00
05/26/98	MERRILL LYNCH & CO,INC.	5.540	06/01/98	999,076.67	923.33	1,000,000.00
05/26/98	THAMES ASSET GLOBAL SEC	5.600	06/04/98	998,600.00	1,400.00	1,000,000.00
05/27/98	COUNTRYWIDE HOME LOANS	5.560	06/01/98	1,998,455.56	1,544.44	2,000,000.00
06/02/98	KZH-CNC CORPORATION	5.660	06/02/98	996,905.55	1,836.67	998,742.22
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	999,240.28	759.72	1,000,000.00
06/05/98	ENGELHARD CORP	5.500	06/08/98	1,999,083.33	916.67	2,000,000.00
06/08/98	MERRILL LYNCH & CO,INC.	5.460	06/11/98	2,998,635.00	1,365.00	3,000,000.00

**STATE OF ARIZONA
ELECTED OFFICIALS RETIREMENT PLAN
CORPORATE NOTES
June 30, 1998**

SHORT TERM INVESTMENTS MATURED

Page 5 of 5

Date Acquired	Description	Interest Rate	Maturity Date	Cost	Amount of Interest	Maturity Value
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	1,999,697.78	302.22	2,000,000.00
06/10/98	KZG HOLDING CORP III	5.540	06/16/98	999,076.67	923.33	1,000,000.00
06/10/98	US PRIME PROPERTY INC.	5.500	06/12/98	1,999,388.89	611.11	2,000,000.00
06/11/98	MERRILL LYNCH & CO, INC.	5.530	06/16/98	1,998,463.89	1,536.11	2,000,000.00
06/11/98	MOBIL CREDIT FINANCE	5.490	06/17/98	999,085.00	915.00	1,000,000.00
06/12/98	TRIPLE A-1 FUNDING	5.570	06/17/98	1,998,452.78	1,547.22	2,000,000.00
06/15/98	BARTON CAPITAL CORP	5.690	06/18/98	999,525.83	474.17	1,000,000.00
06/16/98	LEXINGTON PARKER CAP.	5.600	06/18/98	1,999,377.78	622.22	2,000,000.00
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	999,687.78	312.22	1,000,000.00
06/17/98	DISTRIBUTION FUND. CORP	5.680	06/18/98	1,999,684.45	315.55	2,000,000.00
06/18/98	ENGLEHARD CORP	5.600	06/19/98	1,999,688.89	311.11	2,000,000.00
06/19/98	DISTRIBUTION FUND. CORP	5.500	06/23/98	999,388.89	611.11	1,000,000.00
	TOTALS			309,688,325.19	446,264.53	310,134,589.72

**STATE OF ARIZONA
ELECTED OFFICIALS 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	39,000	0.00	0.00	0.00%	41.13	1,604,108.70
ADAPTEC,INC	30,000	0.00	0.00	0.00%	43.61	1,308,167.00
AIRBORNE FREIGHT CORP	15,000	0.16	2,400.00	0.44%	36.15	542,319.00
AIRTOUCH COMMUNICATIONS	60,000	0.00	0.00	0.00%	49.27	2,956,114.60
AMERICAN EXPRESS	15,000	0.90	13,500.00	0.88%	102.68	1,540,125.00
APPLIED MATERIALS	15,000	0.00	0.00	0.00%	32.64	489,642.00
BOEING CO.	10,000	0.56	5,600.00	1.15%	48.85	488,528.00
BRISTOL-MYERS SQUIBB CO.	15,000	1.56	23,400.00	1.42%	109.79	1,646,835.00
CISCO SYSTEMS	30,000	0.00	0.00	0.00%	78.04	2,341,312.00
COCA-COLA CO	15,000	0.60	9,000.00	0.77%	78.24	1,173,562.50
DIAMOND OFFSHORE DRILLING	30,000	0.50	15,000.00	1.14%	43.71	1,311,193.50
ELECTRONIC DATA SYSTEMS	10,000	0.60	6,000.00	1.49%	40.39	403,852.00
EMC CORP	35,000	0.00	0.00	0.00%	33.67	1,178,523.50
ERICSSON	35,000	0.20	7,000.00	0.49%	40.61	1,421,286.50
EXPRESS SCRIPTS	12,000	0.00	0.00	0.00%	55.30	663,600.00
FEDERATED DEPARTMENT STORES	30,000	0.00	0.00	0.00%	51.23	1,536,943.50
FIRST DATA CORP	15,000	0.08	1,200.00	0.24%	33.03	495,504.00
FIRST UNION CORP	10,000	1.28	12,800.00	2.57%	49.86	498,625.00
GENERAL ELECTRIC	30,000	1.20	36,000.00	1.42%	84.63	2,538,750.00
GENERAL NUTRITION COMPANIES	35,000	0.00	0.00	0.00%	31.99	1,119,753.00
GLOBAL MARINE	50,000	0.00	0.00	0.00%	24.48	1,223,954.00
INTEL CORPORATION	59,000	0.12	7,080.00	0.14%	86.66	5,112,931.00
INTERSTATE BAKERIES	40,000	0.28	11,200.00	0.82%	33.94	1,357,616.00
LILLY ELI	20,000	0.72	14,400.00	1.08%	66.49	1,329,750.00
LOEWEN GROUP	39,000	0.20	7,800.00	0.74%	27.11	1,057,189.90
MCDONALDS CORPORATION	10,000	0.33	3,300.00	0.70%	47.27	472,678.00
NEWS CORPORATION	90,000	0.09	8,100.00	0.43%	21.17	1,905,211.00
NORTHERN TELECOM	45,000	0.60	27,000.00	0.95%	63.04	2,836,581.00
NORTHROP GRUMMAN	7,000	1.60	11,200.00	1.41%	113.72	796,011.30
OFFICEMAX INC.	105,000	0.00	0.00	0.00%	16.55	1,737,891.00
PARAMETRIC TECHNOLOGY	45,000	0.00	0.00	0.00%	31.51	1,417,812.00
PFIZER INC.	10,000	0.68	6,800.00	0.66%	103.06	1,030,625.00
PROFFITT'S, INC.	45,000	0.00	0.00	0.00%	37.97	1,708,845.00
QUANTUM CORPORATION	40,000	0.00	0.00	0.00%	29.46	1,178,456.00
QUORUM HEALTH GROUP	35,800	0.00	0.00	0.00%	24.90	891,564.28
SAFEWAY INC	15,000	0.00	0.00	0.00%	36.12	541,735.50
SCHOLASTIC CORPORATION	25,000	0.00	0.00	0.00%	39.20	980,000.50
STARBUCKS CORP.	10,000	0.00	0.00	0.00%	34.11	341,052.00
STERLING SOFTWARE	33,000	0.00	0.00	0.00%	35.97	1,186,933.00
WARNER-LAMBERT	30,000	1.92	57,600.00	3.04%	63.19	1,895,757.00
WORLDCOM INC.	30,000	0.00	0.00	0.00%	44.18	1,325,350.50
TOTAL COMMON STOCK BOUGHT			286,380.00	0.52%		55,586,688.78

STATE OF ARIZONA
ELECTED OFFICIALS' 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	08/19/97	100.00	104,000.00
BRIDGE FINANCIAL - BEAVER CREEK G.C.	13.000	07/04/99	100.00	42,000.00
BRIDGE FINANCIAL - BELL LOAN	13.000	01/22/99	100.00	102,800.00
BRIDGE FINANCIAL - CRYSTAL SPRINGS	12.750	06/17/99	100.00	66,800.00
BRIDGE FINANCIAL - DESERT SPRINGS	13.250	12/23/97	100.00	88,242.00
BRIDGE FINANCIAL - DOBSON & WARNER	13.500	07/11/97	100.00	23,000.00
BRIDGE FINANCIAL - GOLD CANYON MHP LAND	13.000	03/15/98	100.00	23,878.76
BRIDGE FINANCIAL - GREEN FIELD LAKES	12.750	10/31/99	100.00	70,000.00
BRIDGE FINANCIAL - HILTON HOTEL LAND	13.000	05/20/99	100.00	54,800.00
BRIDGE FINANCIAL - HOLIDAY INN III	12.625	07/07/98	100.00	314,000.00
BRIDGE FINANCIAL - LAKE PLEASANT	14.000	02/25/99	100.00	500,000.00
BRIDGE FINANCIAL - PECOS & COOPER	12.875	04/01/99	100.00	64,000.00
BRIDGE FINANCIAL - PIONEER INDUST. PARK	15.000	03/22/99	100.00	132,000.00
BRIDGE FINANCIAL - SHEA MEDICAL PLAZA	12.000	05/28/99	100.00	60,000.00
BRIDGE FINANCIAL - STETSON HILLS	14.000	04/16/99	100.00	106,800.00
BRIDGE FINANCIAL - SUNVALLEY II	13.125	09/18/98	100.00	114,200.00
BRIDGE FINANCIAL - TARGET STORE SITE	12.625	04/01/99	100.00	90,000.00
BRIDGE FINANCIAL - UNITED HOMES	12.500	03/26/99	100.00	103,200.00
BRIDGE FINANCIAL - WARNER & VAL VISTA	12.625	12/07/98	100.00	44,000.00
BRIDGE FINANCIAL - WHITE PEAK LAND	14.000	03/18/99	100.00	152,000.00
TOTAL BRIDGE FINANCIAL ACQUIRED				2,255,720.76
MISCELLANEOUS				
PIVOTAL X,LLC-HARBOR BAY CAMPUS		L.L.C.	100.00	350,000.00
TOTAL MISCELLANEOUS ACQUIRED				350,000.00
TOTAL OTHER INVESTMENTS ACQUIRED				2,605,720.76

**STATE OF ARIZONA
ELECTED OFFICIALS' RETIREMENT PLAN
BONDS SOLD 1997 - 1998**

Security	Coupon	Maturity	Par Value	Sale Price	Accrued Interest	Principal	Amortized Cost	Gain or (Loss)	Amount Due
<i>U.S. TREASURY OBLIGATIONS</i>									
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			1,000,000.00		25,625.00	1,000,000.00	1,000,441.00	(441.00)	1,025,625.00
<i>CORPORATE BONDS</i>									
AUTO BOND RECEIVABLES TRUST	6.400	04/15/99	130,381.13	100.00000	10,425.65	130,381.13	130,381.13	0.00	140,806.78
CITICORP	8.500	02/01/17	870,000.00	101.76274	36,975.00	885,335.87	836,797.01	48,538.86	922,310.87
GMAC	7.700	01/12/98	1,000,000.00	100.00000	21,816.67	1,000,000.00	1,000,000.00	0.00	1,021,816.67
TOTAL CORPORATE BONDS			2,000,381.13		69,217.32	2,015,717.00	1,967,178.14	48,538.86	2,084,934.32
TOTAL BONDS SOLD			3,000,381.13		94,842.32	3,015,717.00	2,967,619.14	48,097.86	3,110,559.32

**STATE OF ARIZONA
ELECTED OFFICIALS' 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	10,000	64.30	642,972.00	521.44	642,450.56	227,067.50	415,383.06	182.93%
AMERICAN HOME PROD	8,000	71.25	570,000.00	419.00	569,581.00	235,787.19	333,793.81	141.57%
AMOCO CORPORATION	14,000	85.63	1,198,772.40	739.96	1,198,032.44	747,166.00	450,866.44	60.34%
AT&T CORP	40,000	36.69	1,467,500.00	2,048.94	1,465,451.06	1,461,834.07	3,616.99	0.25%
AUTOLIV, INC	4,125	31.00	127,875.00	210.52	127,664.48	111,332.26	16,332.22	14.67%
CENTRAL & SW CORP	75,000	20.15	1,511,404.00	3,800.40	1,507,603.60	2,011,326.00	(503,722.40)	-25.04%
DUKE ENERGY CORP	20,000	50.19	1,003,800.00	1,033.48	1,002,766.52	731,250.00	271,516.52	37.13%
ETHYL CORPORATION	75,000	8.81	660,746.50	3,772.05	656,974.45	899,062.50	(242,088.05)	-26.93%
EXXON CORPORATION	90,000	62.73	5,645,797.00	4,688.22	5,641,108.78	2,353,950.00	3,287,158.78	139.64%
GANNETT CO	30,000	66.82	2,004,658.60	1,566.84	2,003,091.76	803,250.00	1,199,841.76	149.37%
GENERAL ELECTRIC	120,000	82.74	9,928,384.04	4,940.96	9,923,443.08	3,906,272.68	6,017,170.40	154.04%
GEORGIA PACIFIC CORP	25,000	95.20	2,380,000.00	1,329.34	2,378,670.66	1,816,038.00	562,632.66	30.98%
H.J. HEINZ COMPANY	35,000	48.62	1,701,680.50	1,806.73	1,699,873.77	1,174,250.00	525,623.77	44.76%
INTL FLAVS & FRAGS	20,000	52.63	1,052,604.00	1,035.09	1,051,568.91	1,040,251.00	11,317.91	1.09%
JOHNSON & JOHNS CO	10,000	57.88	578,774.00	519.30	578,254.70	621,904.77	(43,650.07)	-7.02%
LUCENT TECH INC	17,426	70.84	1,234,513.76	912.46	1,233,601.30	401,048.21	832,553.09	207.59%
MERCK & CO.	6,500	100.32	652,085.85	346.74	651,739.11	211,924.14	439,814.97	207.53%
MINN MINING & MFG	40,000	97.31	3,892,520.00	2,129.76	3,890,390.24	1,451,979.81	2,438,410.43	167.94%
MOTOROLA, INC.	45,000	57.15	2,571,742.50	2,335.73	2,569,406.77	1,226,245.59	1,343,161.18	109.53%
PEPSICO INC.	35,000	39.68	1,388,835.00	1,796.31	1,387,038.69	725,226.42	661,812.27	91.26%
PITNEY BOWES, INC.	25,000	48.28	1,206,927.50	1,290.24	1,205,637.26	496,037.50	709,599.76	143.05%
PROCTER & GAMBLE CO.	10,000	70.57	705,721.00	523.53	705,197.47	154,347.18	550,850.29	356.89%
SCHERING-PLOUGH CORP	12,500	52.36	654,518.75	646.82	653,871.93	426,723.75	227,148.18	53.23%
SCHLUMBERGER	5,000	76.25	381,257.50	262.71	380,994.79	150,075.00	230,919.79	153.87%
TELEFONOS DE MEXICO	15,000	51.19	767,852.10	775.61	767,076.49	581,280.00	185,796.49	31.96%
TRICON GLOBAL	11,000	29.27	321,915.00	560.74	321,354.26	187,291.97	134,062.29	71.58%
UNION PAC RES GROUP	25,408	21.52	546,903.67	1,288.64	545,615.03	628,984.98	(83,369.95)	-13.25%
WALGREEN COMPANY	140,000	29.75	4,165,000.00	0.00	4,165,000.00	1,258,068.75	2,906,931.25	231.06%
TOTAL STOCK SOLD	963,959		48,964,760.67	41,301.56	48,923,459.11	26,039,975.27	22,883,483.84	87.88%

**STATE OF ARIZONA
ELECTED OFFICIALS' RETIREMENT PLAN
INVESTMENTS SOLD JULY 1, 1997 TO JUNE 30, 1998**

OTHER INVESTMENTS SOLD

Name	Coupon	Maturity	Sale Price	Book Cost
<i>BRIDGE FINANCIAL</i>				
BRIDGE FINANCIAL--DESERT SPRINGS	13.250	12/23/97	100.00	88,242.00
BRIDGE FINANCIAL--DOBSON & WARNER ROAD	13.500	07/11/97	100.00	23,000.00
BRIDGE FINANCIAL--GOLD CANYON MHP LAND	13.000	03/15/98	100.00	23,878.76
BRIDGE FINANCIAL--WARNER & VAL VISTA	12.625	12/07/98	100.00	44,000.00
TOTAL BRIDGE FINANCIAL SOLD				179,120.76
<i>MISCELLANEOUS</i>				
PEBBLECREEK PROPERTIES L.P.	10.000	02/19/02	100.00	311,200.13
TOTAL MISCELLANEOUS SOLD				311,200.13
TOTAL OTHER INVESTMENTS				490,320.89

**STATE OF ARIZONA
ELECTED OFFICIALS' RETIREMENT PLAN
BOND PORTFOLIO**

June 30, 1998

Page 1 of 3

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											
5,000,000.00	U.S. TREASURY BOND	14.250	02/15/02	4,998,874.00	99.97748	128.21900	6,410,950.00	1,412,076.00	712,500.00	14.25	11.100
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
2,000,000.00	U.S. TREASURY BOND	9.125	05/15/18	2,000,000.00	100.00000	139.98400	2,799,680.00	799,680.00	182,500.00	9.13	6.500
1,000,000.00	U.S. TREASURY BOND	9.000	11/15/18	1,000,000.00	100.00000	138.98400	1,389,840.00	389,840.00	90,000.00	9.00	6.500
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
2,000,000.00	U.S. TREASURY NOTE	5.125	12/31/98	2,001,032.00	100.05160	99.89100	1,997,820.00	(3,212.00)	102,500.00	5.12	5.100
2,000,000.00	U.S. TREASURY NOTE	6.375	07/15/99	2,000,451.00	100.02255	100.85900	2,017,180.00	16,729.00	127,500.00	6.37	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
2,000,000.00	U.S. TREASURY NOTE	5.500	04/15/00	2,003,023.00	100.15115	99.96900	1,999,380.00	(3,643.00)	110,000.00	5.49	5.500
1,000,000.00	U.S. TREASURY NOTE	7.500	11/15/01	1,053,723.00	105.37230	105.92200	1,059,220.00	5,497.00	75,000.00	7.12	7.100
18,000,000.00	TOTAL U.S. TREASURY OBLIGATIONS			18,019,073.00	100.10596		21,169,220.00	3,150,147.00	1,615,000.00	9.0%	7.6%
FEDERAL AGENCY OBLIGATIONS											
38,027.28	GNMA POOL # 7766	8.500	02/15/06	32,299.23	0.85000	104.90000	39,890.62	7,591.39	3,232.32	10.01	8.100
72,384.28	GNMA POOL #143093	9.000	06/15/16	70,190.11	0.97000	107.55800	77,855.08	7,664.97	6,514.59	9.28	8.400
27,637.20	GNMA POOL #148408	9.000	05/15/16	26,548.98	0.96000	107.55800	29,726.02	3,177.04	2,487.35	9.37	8.400
432,146.05	GNMA POOL #157733	9.000	05/15/16	400,545.35	0.93000	107.55800	464,807.65	64,262.30	38,893.14	9.71	8.400
967,363.00	GNMA POOL #158992	9.000	06/15/16	962,223.85	0.99000	107.55800	1,040,476.30	78,252.45	87,062.67	9.05	8.400
264,367.18	GNMA POOL #163336	9.000	07/15/16	256,353.59	0.97000	107.55800	284,348.05	27,994.46	23,793.05	9.28	8.400
216,242.45	GNMA POOL #165863	9.000	08/15/16	206,748.06	0.96000	107.55800	232,586.05	25,837.99	19,461.82	9.41	8.400
159,897.92	GNMA POOL #168530	9.000	08/15/16	156,250.05	0.98000	107.55800	171,983.00	15,732.95	14,390.81	9.21	8.400
187,566.13	GNMA POOL #181945	9.000	04/15/20	179,184.25	0.96000	107.55800	201,742.38	22,558.13	16,880.95	9.42	8.400
165,892.04	GNMA POOL #182127	9.000	11/15/16	161,953.06	0.98000	107.55800	178,430.16	16,477.10	14,930.28	9.22	8.400
455,203.50	GNMA POOL #207671	9.000	07/15/18	430,736.31	0.95000	107.55800	489,607.78	58,871.47	40,968.32	9.51	8.400
103,006.49	GNMA POOL #208705	9.000	05/15/20	96,568.61	0.94000	107.55800	110,791.72	14,223.11	9,270.58	9.60	8.400
66,201.66	GNMA POOL #214714	9.000	08/15/17	62,829.55	0.95000	107.55800	71,205.18	8,375.63	5,958.15	9.48	8.400
109,705.74	GNMA POOL #227210	9.000	09/15/17	104,117.57	0.95000	107.55800	117,997.30	13,879.73	9,873.52	9.48	8.400
209,676.87	GNMA POOL #229798	9.000	10/15/17	204,697.03	0.98000	107.55800	225,524.25	20,827.22	18,870.92	9.22	8.400
146,111.16	GNMA POOL #230557	9.000	04/15/18	139,695.96	0.96000	107.55800	157,154.24	17,458.28	13,150.00	9.41	8.400
48,894.77	GNMA POOL #234695	10.000	12/15/17	48,680.86	1.00000	109.72500	53,649.79	4,968.93	4,889.48	10.04	9.100
503,480.58	GNMA POOL #235280	9.000	04/15/18	474,215.79	0.94000	107.55800	541,533.64	67,317.85	45,313.25	9.56	8.400
152,113.09	GNMA POOL #247096	9.000	05/15/18	143,746.90	0.95000	107.55800	163,609.80	19,862.90	13,690.18	9.52	8.400
103,334.58	GNMA POOL #247310	9.000	04/15/18	99,265.73	0.96000	107.55800	111,144.61	11,878.88	9,300.11	9.37	8.400
193,694.15	GNMA POOL #250933	9.000	06/15/18	188,246.55	0.97000	107.55800	208,333.55	20,087.00	17,432.47	9.26	8.400

**STATE OF ARIZONA
ELECTED OFFICIALS' RETIREMENT PLAN
BOND PORTFOLIO**

June 30, 1998

Page 2 of 3

Par Value	Security	Coupon	Maturity	Book Cost	Book Price	Current Price	Current Value	Gain or (Loss)	Annual Income	Book Yield	YTM
120,089.30	GNMA POOL #251643	9.000	04/15/18	116,711.79	0.97000	107.55800	129,165.65	12,453.86	10,808.04	9.26	8.400
246,010.65	GNMA POOL #252138	9.000	10/15/18	235,209.24	0.96000	107.55800	264,604.13	29,394.89	22,140.96	9.41	8.400
158,534.85	GNMA POOL #252306	9.000	04/15/18	146,446.57	0.92000	107.55800	170,516.91	24,070.34	14,268.14	9.74	8.400
204,230.82	GNMA POOL #252538	9.000	05/15/18	198,486.82	0.97000	107.55800	219,666.59	21,179.77	18,380.77	9.26	8.400
71,429.07	GNMA POOL #255161	9.000	03/15/19	65,714.70	0.92000	107.55800	76,827.68	11,112.98	6,428.62	9.78	8.400
180,332.54	GNMA POOL #262845	9.000	03/15/20	172,048.49	0.95000	107.55800	193,962.07	21,913.58	16,229.93	9.43	8.400
46,834.69	GNMA POOL #301249	9.000	06/15/21	46,820.03	1.00000	107.55800	50,374.46	3,554.43	4,215.12	9.00	8.400
155,081.82	GNMA POOL #305689	9.000	04/15/21	155,081.82	1.00000	107.55800	166,802.90	11,721.08	13,957.36	9.00	8.400
1,580,331.23	GNMA POOL #377589	7.500	08/15/25	1,575,886.53	1.00000	102.79700	1,624,533.09	48,646.56	118,524.84	7.52	7.300
839,991.06	GNMA POOL #390014	7.000	06/15/24	788,410.37	0.94000	101.68800	854,170.11	65,759.74	58,799.37	7.46	6.900
3,549,161.66	GNMA POOL #391992	7.000	03/15/24	3,320,684.40	0.94000	101.68800	3,609,071.51	288,387.11	248,441.32	7.48	6.900
1,459,114.57	GNMA POOL #398831	8.000	08/15/26	1,456,834.71	1.00000	103.62500	1,512,007.47	55,172.76	116,729.17	8.01	7.700
855,896.06	GNMA POOL #403979	8.500	10/15/24	841,319.11	0.98000	104.90000	897,834.97	56,515.86	72,751.17	8.65	8.100
937,463.39	GNMA POOL #406811	7.500	01/15/26	936,291.57	1.00000	102.79700	963,684.24	27,392.67	70,309.75	7.51	7.300
1,628,932.82	GNMA POOL #427558	7.500	04/15/26	1,624,096.91	1.00000	102.79700	1,674,494.07	50,397.16	122,169.96	7.52	7.300
1,394,790.69	GNMA POOL #432701	8.000	06/15/26	1,394,790.69	1.00000	103.62500	1,445,351.85	50,561.16	111,583.26	8.00	7.700
732,006.49	GNMA POOL #439645	8.000	09/15/26	731,548.99	1.00000	103.62500	758,541.73	26,992.74	58,560.52	8.01	7.700
3,080,757.18	GNMA POOL #780220	7.500	08/15/25	3,079,794.44	1.00000	102.79700	3,166,925.96	87,131.52	231,056.79	7.50	7.300
21,863,935.01	TOTAL FEDERAL AGENCY OBLIGATIONS			21,331,274.57	97.56375		22,750,932.56	1,419,657.99	1,731,719.05	8.1%	7.6%
CORPORATE BONDS											
1,000,000.00	AGL CAPITAL TRUST	8.170	06/01/37	1,019,732.00	101.97320	108.14000	1,081,400.00	61,668.00	81,700.00	8.01	7.600
1,500,000.00	AMERICAN UNITED LIFE INS CO	7.750	03/30/26	1,411,108.00	94.07387	107.04300	1,605,645.00	194,537.00	116,250.00	8.24	7.200
2,750,000.00	ANTHEM INSURANCE	9.000	04/01/27	2,932,563.00	106.63865	113.90100	3,132,277.50	199,714.50	247,500.00	8.44	7.800
100,492.59	AUTO BOND RECEIVABLES TRUST	6.400	04/15/99	100,492.59	100.00000	100.03300	100,525.75	33.16	6,431.53	6.40	6.400
1,000,000.00	BANKERS TRUST CORP 144A	8.090	12/01/26	1,000,000.00	100.00000	108.42000	1,084,200.00	84,200.00	80,900.00	8.09	7.500
1,000,000.00	FARMERS INSURANCE EXCHANGE	8.625	05/01/24	915,615.00	91.56150	119.14600	1,191,460.00	275,845.00	86,250.00	9.42	7.000
1,000,000.00	FIRST HAWAIIAN CAPITAL TRUST	8.343	07/01/27	1,061,361.00	106.13610	105.37500	1,053,750.00	(7,611.00)	83,430.00	7.86	7.900
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
1,000,000.00	GENERAL AMERICAN LIFE INS	7.625	01/15/24	874,534.00	87.45340	106.82000	1,068,200.00	193,666.00	76,250.00	8.72	7.000
1,000,000.00	ICI WILMINGTON INC.	8.750	05/01/01	1,025,929.00	102.59290	106.38100	1,063,810.00	37,881.00	87,500.00	8.53	8.200
2,000,000.00	J HANCOCK MUTUAL LIFE INS CO	7.375	02/15/24	1,866,148.00	93.30740	108.37000	2,167,400.00	301,252.00	147,500.00	7.90	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
2,000,000.00	LUMBERMANS MUTUAL CASUALTY CO	9.150	07/01/26	2,290,422.00	114.52110	120.48500	2,409,700.00	119,278.00	183,000.00	7.99	7.600

**STATE OF ARIZONA
ELECTED OFFICIALS' RETIREMENT PLAN
BOND PORTFOLIO**

June 30, 1998

Page 3 of 3

Par Value	Security	Coupon	Maturity	Book Cost	Book Price	Current Price	Current Value	Gain or (Loss)	Annual Income	Book Yield	YTM
1,000,000.00	LUMBERMANS MUTUAL CASUALTY CO	9.150	07/01/26	1,191,026.00	119.10260	120.48500	1,204,850.00	13,824.00	91,500.00	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
2,000,000.00	NATIONWIDE MUTUAL INS CO	7.500	02/15/24	1,886,037.00	94.30185	103.67600	2,073,520.00	187,483.00	150,000.00	7.95	7.200
500,000.00	OHIO BELL TELEPHONE CO.	7.875	10/01/13	491,843.00	98.36860	102.23900	511,195.00	19,352.00	39,375.00	8.01	7.700
1,000,000.00	OHIO NATIONAL LIFE INSURANCE	8.500	05/15/26	997,882.00	99.78820	115.86000	1,158,600.00	160,718.00	85,000.00	8.52	7.200
1,000,000.00	PACIFIC GAS & ELECTRIC CO.	7.250	03/01/26	964,531.00	96.45310	104.08700	1,040,870.00	76,339.00	72,500.00	7.52	7.000
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
1,000,000.00	PMI CAPITAL	8.309	02/01/27	1,033,482.00	103.34820	113.02200	1,130,220.00	96,738.00	83,090.00	8.04	70.400
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
1,000,000.00	PRINCIPAL MUTUAL LIFE INS CO	7.875	03/01/24	948,901.00	94.89010	107.02800	1,070,280.00	121,379.00	78,750.00	8.30	7.300
1,000,000.00	PRUDENTIAL INSUR CO OF AMERICA	8.300	07/01/25	978,437.00	97.84370	115.30600	1,153,060.00	174,623.00	83,000.00	8.48	7.000
1,500,000.00	SAFECO CAPITAL TRUST	8.072	07/15/37	1,510,281.00	100.68540	106.86100	1,602,915.00	92,634.00	121,080.00	8.02	7.600
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
1,000,000.00	SECURITY MUTUAL LIFE NEW YORK	9.375	12/15/16	1,126,233.00	112.62330	121.55000	1,215,500.00	89,267.00	93,750.00	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
1,000,000.00	UNION CENTRAL LIFE	8.200	11/01/26	1,012,752.00	101.27520	112.44900	1,124,490.00	111,738.00	82,000.00	8.10	7.200
35,350,492.59	TOTAL CORPORATE BONDS			35,804,252.59	101.28360		39,274,698.25	3,470,445.66	2,918,406.53	8.2%	7.4%
75,214,427.60	BOND PORTFOLIO TOTALS			75,154,600.16	99.92046		83,194,850.81	8,040,250.65	6,265,125.58	8.3%	7.5%

**STATE OF ARIZONA
ELECTED OFFICIALS' RETIREMENT PLAN
CORPORATE NOTES**

June 30, 1998

Date Acquired	Description	Interest Rate	Maturity Date	Cost	Amount of Interest	Maturity Value
06/23/98	MERRILL LYNCH & CO,INC.	5.590	07/02/98	1,997,205.00	2,795.00	2,000,000.00
	TOTALS			1,997,205.00	2,795.00	2,000,000.00

**STATE OF ARIZONA
ELECTED OFFICIALS' RETIREMENT PLAN
INVESTMENTS OWNED AS OF JUNE 30, 1998**

COMMON STOCK

Page 1 of 3

Shares	Description	Div Rate	Book Cost per Share	Book Cost	Market Price	Market Value	Annual Income	Gain or (Loss) Amount
39,000	3COM CORPORATION	0.00	41.1310	1,604,108.70	30.6875	1,196,812.50	0.00	(407,296.00)
120,000	ABBOTT LABORATORIES	0.54	11.3534	1,362,405.00	41.0000	4,920,000.00	64,800.00	3,557,595.00
30,000	ADAPTEC,INC	0.00	43.6056	1,308,167.00	14.3125	429,375.00	0.00	(878,792.00)
15,000	AIRBORNE FREIGHT CORP	0.30	36.1546	542,319.00	34.9375	524,062.50	4,500.00	(18,257.00)
60,000	AIRTOUCH COMMUNICATIONS	0.00	49.2686	2,956,114.60	58.4375	3,506,250.00	0.00	550,135.00
45,000	ALLSTATE CORPORATION	0.96	37.0053	1,665,240.00	91.5625	4,120,312.50	43,200.00	2,455,073.00
15,000	AMERICAN EXPRESS	0.00	102.6750	1,540,125.00	113.7500	1,706,250.00	0.00	166,125.00
104,000	AMERICAN HOME PRODUCTS	0.82	14.7367	1,532,616.72	51.7500	5,382,000.00	85,280.00	3,849,383.00
33,750	AMERICAN INT'L GROUP	0.30	39.2420	1,324,417.50	146.0000	4,927,500.00	10,125.00	3,603,083.00
50,000	AMP INC	1.04	37.7624	1,888,119.50	34.3750	1,718,750.00	52,000.00	(169,370.00)
15,000	APPLIED MATERIALS	0.00	32.6428	489,642.00	29.5000	442,500.00	0.00	(47,142.00)
4,400	AUTOLIV, INC.	0.22	26.9896	118,754.41	31.6250	139,150.00	968.00	20,396.00
70,000	AUTOMATIC DATA PROCESSING	0.46	30.4068	2,128,472.50	72.8750	5,101,250.00	32,200.00	2,972,778.00
73,205	BANC ONE	1.52	20.4776	1,499,060.00	55.8125	4,085,754.06	111,272.00	2,586,694.00
36,000	BELL ATLANTIC	1.48	30.4603	1,096,569.00	45.6250	1,642,500.00	53,280.00	545,931.00
70,000	BESTFOODS	0.82	21.3148	1,492,038.57	58.0625	4,064,375.00	57,400.00	2,572,336.00
95,000	BOEING CO.	0.56	47.4397	4,506,775.00	44.5625	4,233,437.50	53,200.00	(273,338.00)
15,000	BRISTOL-MYERS SQUIBB CO.	1.52	109.7890	1,646,835.00	114.9375	1,724,062.50	22,800.00	77,228.00
45,000	CISCO SYSTEMS	0.00	52.0292	2,341,312.00	92.0625	4,142,812.50	0.00	1,801,501.00
15,000	COCA-COLA CO	0.00	78.2375	1,173,562.50	85.5000	1,282,500.00	0.00	108,938.00
8,750	CORN PRODUCTS INT'L INC.	0.00	12.6042	110,286.43	33.8750	296,406.25	0.00	186,120.00
30,000	DIAMOND OFFSHORE DRILLING	0.50	43.7065	1,311,193.50	40.3125	1,209,375.00	15,000.00	(101,819.00)
30,000	DISNEY CO. (WALT)	0.53	55.9250	1,677,750.00	105.0625	3,151,875.00	15,900.00	1,474,125.00
75,000	ELECTRONIC DATA SYSTEMS	0.60	36.5074	2,738,052.00	39.9375	2,995,312.50	45,000.00	257,261.00
35,000	EMC CORP	0.00	33.6721	1,178,523.50	44.8125	1,568,437.50	0.00	389,914.00
50,000	EMERSON ELECTRIC	1.08	19.6862	984,308.33	60.3750	3,018,750.00	54,000.00	2,034,442.00
40,000	ENRON CORPORATION	0.90	36.1488	1,445,951.00	54.0625	2,162,500.00	36,000.00	716,549.00
70,000	ERICSSON	0.20	20.3041	1,421,286.50	28.6250	2,003,750.00	14,000.00	582,464.00
12,000	EXPRESS SCRIPTS	0.00	55.3000	663,600.00	80.6250	967,500.00	0.00	303,900.00
30,000	FEDERATED DEPARTMENT STORES	0.00	51.2315	1,536,943.50	53.8125	1,614,375.00	0.00	77,432.00
36,200	FIRST CHICAGO NBD CORP	1.60	25.6787	929,570.00	88.6250	3,208,225.00	57,920.00	2,278,655.00
15,000	FIRST DATA CORP	0.08	33.0336	495,504.00	33.3125	499,687.50	1,200.00	4,184.00
10,000	FIRST UNION CORP	1.28	49.8625	498,625.00	58.2500	582,500.00	12,800.00	83,875.00
35,000	FPL GROUP, INC.	1.92	45.5500	1,594,250.00	63.0000	2,205,000.00	67,200.00	610,750.00
10,000	GANNETT CO.	0.76	26.7750	267,750.00	71.0625	710,625.00	7,600.00	442,875.00

**STATE OF ARIZONA
ELECTED OFFICIALS' RETIREMENT PLAN
INVESTMENTS OWNED AS OF JUNE 30, 1998**

COMMON STOCK

Page 2 of 3

Shares	Description	Div Rate	Book Cost per Share	Book Cost	Market Price	Market Value	Annual Income	Gain or (Loss) Amount
25,000	GENERAL MOTORS COMPANY,INC	2.00	61.1017	1,527,542.63	66.8125	1,670,312.50	50,000.00	142,770.00
35,000	GENERAL NUTRITION COMPANIES	0.00	31.9929	1,119,753.00	31.1250	1,089,375.00	0.00	(30,378.00)
30,000	GENERAL TEL & ELECTRONICS	1.88	30.7673	923,019.23	55.6250	1,668,750.00	56,400.00	745,731.00
50,000	GLOBAL MARINE	0.00	24.4791	1,223,954.00	18.8125	940,625.00	0.00	(283,329.00)
40,000	HEWLETT PACKARD	0.56	50.0500	2,002,000.00	59.8750	2,395,000.00	22,400.00	393,000.00
60,000	HOME DEPOT	0.20	30.5933	1,835,600.50	83.0625	4,983,750.00	12,000.00	3,148,150.00
60,000	ILLINOIS TOOL WORKS	0.48	26.9829	1,618,976.10	66.6875	4,001,250.00	28,800.00	2,382,274.00
59,000	INTEL CORPORATION	0.12	86.6598	5,112,931.00	74.1250	4,373,375.00	7,080.00	(739,556.00)
40,000	INTERSTATE BAKERIES	0.28	33.9404	1,357,616.00	33.1875	1,327,500.00	11,200.00	(30,116.00)
40,000	INT'L BUSINESS MACHINES	0.80	57.4560	2,298,240.50	114.8125	4,592,500.00	32,000.00	2,294,260.00
55,000	JOHNSON & JOHNSON CO	0.88	62.1905	3,420,476.23	74.0000	4,070,000.00	48,400.00	649,524.00
80,000	KIMBERLY-CLARK CORPORATION	0.96	22.1064	1,768,510.00	45.8750	3,670,000.00	76,800.00	1,901,490.00
20,000	LILLY ELI	0.72	66.4875	1,329,750.00	66.2500	1,325,000.00	14,400.00	(4,750.00)
39,000	LOEWEN GROUP	0.20	27.1074	1,057,189.90	27.0000	1,053,000.00	7,800.00	(4,190.00)
8,500	LUCENT TECHNOLOGIES INC.	0.15	23.0144	195,622.04	83.1875	707,093.75	1,275.00	511,472.00
36,000	MARSH & MCLENNAN COMPANIES	1.33	28.9389	1,041,800.00	60.4375	2,175,750.00	47,880.00	1,133,950.00
112,500	MBNA CORP	0.32	13.1110	1,474,990.00	33.0625	3,719,531.25	36,000.00	2,244,541.00
66,000	MCDONALDS CORPORATION	0.33	22.9976	1,517,840.50	69.0000	4,554,000.00	21,780.00	3,036,160.00
51,500	MERCK & CO.	1.80	32.6037	1,679,091.29	133.7500	6,888,125.00	92,700.00	5,209,034.00
74,000	MOBIL CORPORATION	2.12	25.3806	1,878,167.39	76.6250	5,670,250.00	156,880.00	3,792,083.00
25,000	MORTON INTERNATIONAL CORP	0.48	23.3867	584,667.83	25.0000	625,000.00	12,000.00	40,332.00
12,500	MOTOROLA, INC.	0.48	27.2499	340,623.78	52.5625	657,031.25	6,000.00	316,407.00
70,000	NATIONAL CITY CORP	1.70	29.8794	2,091,555.00	71.0000	4,970,000.00	119,000.00	2,878,445.00
90,000	NEWS CORPORATION	0.09	21.1690	1,905,211.00	32.1250	2,891,250.00	8,100.00	986,039.00
45,000	NORTHERN TELECOM	0.60	63.0351	2,836,581.00	56.7500	2,553,750.00	27,000.00	(282,831.00)
7,000	NORTHROP GRUMMAN	1.60	113.7159	796,011.30	103.1250	721,875.00	11,200.00	(74,136.00)
105,000	OFFICEMAX INC.	0.00	16.5513	1,737,891.00	16.5000	1,732,500.00	0.00	(5,391.00)
75,000	PACIFIC CECTURY FINANCIAL CORP	0.65	14.1867	1,064,000.00	24.0000	1,800,000.00	48,750.00	736,000.00
45,000	PARAMETRIC TECHNOLOGY	0.00	31.5069	1,417,812.00	27.1250	1,220,625.00	0.00	(197,187.00)
75,000	PEPSICO INC.	0.50	20.7208	1,554,056.61	41.1875	3,089,062.50	37,500.00	1,535,006.00
40,000	PFIZER INC.	0.68	67.5500	2,702,000.00	108.6875	4,347,500.00	27,200.00	1,645,500.00
25,000	PITNEY BOWES, INC.	0.80	19.8415	496,037.50	48.1250	1,203,125.00	20,000.00	707,088.00
50,000	PNC BANK CORPORATION	1.48	21.7805	1,089,025.00	53.8750	2,693,750.00	74,000.00	1,604,725.00
50,000	PPG INDUSTRIES, INC.	1.32	26.3256	1,316,279.17	69.5625	3,478,125.00	66,000.00	2,161,846.00
70,000	PROCTER & GAMBLE CO.	1.01	15.4347	1,080,430.23	91.0625	6,374,375.00	70,700.00	5,293,945.00

**STATE OF ARIZONA
ELECTED OFFICIALS' RETIREMENT PLAN
INVESTMENTS OWNED AS OF JUNE 30, 1998**

COMMON STOCK

Page 3 of 3

Shares	Description	Div Rate	Book Cost per Share	Book Cost	Market Price	Market Value	Annual Income	Gain or (Loss) Amount
45,000	PROFFITT'S, INC.	0.00	37.9743	1,708,845.00	40.3750	1,816,875.00	0.00	108,030.00
40,000	QUANTUM CORPORATION	0.00	29.4614	1,178,456.00	20.7500	830,000.00	0.00	(348,456.00)
35,800	QUORUM HEALTH GROUP	0.00	24.9040	891,564.28	26.5000	948,700.00	0.00	57,136.00
1,594	RAYTHEON CORPORATION	0.80	3.4083	5,432.87	57.6250	91,854.25	1,275.00	86,421.00
75,000	SAFEWAY INC	0.00	25.6743	1,925,572.50	40.6875	3,051,562.50	0.00	1,125,990.00
80,000	SARA LEE CORP.	0.84	29.6620	2,372,961.00	55.9375	4,475,000.00	67,200.00	2,102,039.00
87,500	SCHERING-PLOUGH CORP	0.76	34.1379	2,987,066.25	91.6250	8,017,187.50	66,500.00	5,030,121.00
55,000	SCHLUMBERGER	0.75	30.0150	1,650,825.00	68.3125	3,757,187.50	41,250.00	2,106,363.00
25,000	SCHOLASTIC CORPORATION	0.00	39.2000	980,000.50	39.8750	996,875.00	0.00	16,875.00
10,000	STARBUCKS CORP.	0.00	34.1052	341,052.00	53.4375	534,375.00	0.00	193,323.00
66,000	STERLING SOFTWARE	0.00	17.9838	1,186,933.00	29.5625	1,951,125.00	0.00	764,192.00
80,000	TECO ENERGY INC.	1.18	5.8188	465,504.82	26.8125	2,145,000.00	94,400.00	1,679,495.00
30,000	UNION PACIFIC CORP	1.72	43.0331	1,290,993.59	44.0000	1,320,000.00	51,600.00	29,006.00
140,000	WALGREEN COMPANY	0.24	8.9862	1,258,068.75	41.3125	5,783,750.00	33,600.00	4,525,681.00
30,000	WARNER-LAMBERT	1.92	63.1919	1,895,757.00	69.3750	2,081,250.00	57,600.00	185,493.00
30,000	WORLDCOM INC.	0.00	44.1784	1,325,350.50	48.4375	1,453,125.00	0.00	127,775.00
TOTALS				125,929,882.55		219,970,995.81	2,582,315.00	94,041,120.00

**STATE OF ARIZONA
ELECTED OFFICIALS' 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	104,000.00	104,000.00	0.00	13,520.00	13.0%
BRIDGE FINANCIAL - BEAVER CREEK G.C.	13.000	07/04/99	42,000.00	42,000.00	0.00	5,460.00	13.0%
BRIDGE FINANCIAL - BELL LOAN	13.000	01/22/99	102,800.00	102,800.00	0.00	13,364.00	13.0%
BRIDGE FINANCIAL - CRYSTAL SPRINGS	12.750	06/17/99	66,800.00	66,800.00	0.00	8,517.00	12.8%
BRIDGE FINANCIAL - GREEN FIELD LAKES	12.750	10/31/99	70,000.00	70,000.00	0.00	8,925.00	12.8%
BRIDGE FINANCIAL - HILTON HOTEL LAND	13.000	05/20/99	54,800.00	54,800.00	0.00	7,124.00	13.0%
BRIDGE FINANCIAL - HOLIDAY INN III	12.625	07/07/98	314,000.00	314,000.00	0.00	39,642.50	12.6%
BRIDGE FINANCIAL - LAKE PLEASANT	14.000	02/25/99	500,000.00	500,000.00	0.00	70,000.00	14.0%
BRIDGE FINANCIAL - PECOS & COOPER	12.875	04/01/99	64,000.00	64,000.00	0.00	8,240.00	12.9%
BRIDGE FINANCIAL - PIONEER INDUSTRIAL PARK	15.000	03/22/99	132,000.00	132,000.00	0.00	19,800.00	15.0%
BRIDGE FINANCIAL - SHEA MEDICAL PLAZA	12.000	05/28/99	60,000.00	60,000.00	0.00	7,200.00	12.0%
BRIDGE FINANCIAL - STETSON HILLS	14.000	04/16/99	106,800.00	106,800.00	0.00	14,952.00	14.0%
BRIDGE FINANCIAL - SUNVALLEY II (SPURLOCK)	13.125	09/18/98	114,200.00	114,200.00	0.00	14,988.75	13.1%
BRIDGE FINANCIAL - TARGET STORE SITE	12.625	04/01/99	90,000.00	90,000.00	0.00	11,362.50	12.6%
BRIDGE FINANCIAL - UNITED HOMES	12.500	03/26/99	103,200.00	103,200.00	0.00	12,900.00	12.5%
BRIDGE FINANCIAL - WHITE PEAK LAND	14.000	03/18/99	152,000.00	152,000.00	0.00	21,280.00	14.0%
TOTAL BRIDGE FINANCIAL LOANS			2,076,600.00	2,076,600.00	0.00	277,275.75	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.			2,765,399.87	2,765,399.87	0.00	346,155.74	12.5%
L.L.C.							
PIVOTAL X, L.L.C. - HARBOR BAY CAMPUS			350,000.00	350,000.00	0.00	0.00	0.0%
TOTAL L.L.C.			350,000.00	350,000.00	0.00	0.00	0.0%
TOTAL OTHER INVESTMENTS			3,115,399.87	3,115,399.87	0.00	346,155.74	11.1%

ACTUARIAL SECTION

ELECTED OFFICIALS' RETIREMENT PLAN
SEVENTEENTH 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



September 24, 1998

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

Attention: Jack Cross, Administrator

We hereby certify that the June 30, 1998 annual actuarial valuation of the Elected Officials' Retirement Plan, determining the June 30, 1998 actuarial assets and liabilities and the relationship between actuarial and statutory contribution rates, was made in accordance with generally 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.

Actuarial assets are computed on a smoothed market basis which spreads differences between actual and assumed investment return over a four year period.

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. 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.

Respectfully submitted,

Sandra W. Rodwan
Member, American Academy of Actuaries

SWR:jt
Enclosure

**Elected Officials' Retirement Plan
Actuarial Balance Sheet as of June 30, 1998**

ACTUARIAL ASSETS

Accrued assets (accounting value)		
Member accumulated contributions	\$ 20,703,032	
Employer and benefit payment reserves	188,544,796	
Funding Value Adjustment	<u>62,398,702</u>	
Total accrued assets*		\$271,646,530
Prospective assets (computed value)		
Member contributions	19,469,076	
Employer normal costs	42,080,788	
Employer unfunded actuarial accrued liability	<u>(42,222,205)</u>	
Total prospective assets		<u>19,327,659</u>
Total Actuarial Assets		<u>\$290,974,189</u>

* Includes \$29,761,967 reserve for payment of ad hoc pension increases. The net funding value of accrued assets is \$241,884,563.

ACTUARIAL PRESENT VALUES (LIABILITY)

Pensions in payment status		
Retired elected officials	\$70,364,946	
Disabilities	6,787,387	
Beneficiaries	11,733,533	
Health insurance	<u>2,300,902</u>	
Total benefit values		\$ 91,186,768
Prospective pension payments for future retirements		
Attributable to service prior to July 1, 1998	108,141,318	
Attributable to service after June 30, 1998	<u>61,320,927</u>	
Total benefit values		169,462,245
Prospective refunds of member contributions		563,209
Reserve for ad hoc pension increases		<u>29,761,967</u>
Total Actuarial Present Values (Liability)		<u>\$290,974,189</u>

SUMMARY OF VALUATION METHODS

The **actuarial cost method** used for the valuation was the individual entry age normal cost method.

Normal cost contributions were computed as follows:

The series of contributions, payable from date of employment, sufficient to accumulate at time of retirement 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).

Actuarial accrued liability was computed and financed as follows:

- (1) Retirants and beneficiaries. The discounted value of pensions likely to be paid retired members and their potential survivors was computed using the investment return and mortality assumptions. The computed amount was fully funded by applicable accrued assets.
- (2) Active members and former members. 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. Applicable accrued assets exceeded the computed actuarial accrued liability. The difference, including actuarial gains (losses), was amortized as a level percent of payroll over an open period of 20 years and applied as a credit to the computed employer normal cost.

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, 1989 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, 1989 annual valuation.

Sample Ages	Percent Increase in Salary During Following Year		
	Promotion and		
	Inflation	Longevity	Other
20	5.50%	1.5%	7.00%
25	5.50	1.5	7.00
30	5.50	1.5	7.00
35	5.50	1.5	7.00
40	5.50	1.5	7.00
45	5.50	1.5	7.00
50	5.50	1.5	7.00
55	5.50	1.5	7.00
60	5.50	1.5	7.00
65	5.50	1.5	7.00

SUMMARY OF VALUATION ASSUMPTIONS (continued)

The mortality table used was the 1971 Group Annuity Mortality Table Projected to 1984 (Male), female ages set back 6 years.

Sample Ages	Single Life Retirement Values					
	Deaths per 1,000		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	0.6	0.4			51.12	56.96
30	0.7	0.5			46.27	52.09
35	1.0	0.7			41.46	47.24
40	1.5	1.0	\$12,861	\$13,224	36.69	42.42
45	2.7	1.4	12,430	12,933	32.01	37.64
50	4.9	2.4	11,879	12,526	27.53	32.93
55	7.8	4.4	11,199	11,999	23.28	28.41
60	12.1	7.2	10,346	11,347	19.27	24.11
65	19.5	11.0	9,308	10,532	15.55	20.05
70	33.4	17.6	8,145	9,530	12.25	16.27
75	51.8	30.0	6,963	8,382	9.50	12.87
80	83.0	48.0	5,748	7,206	7.17	10.02
85	125.1	75.6	4,696	5,983	5.43	7.59
90	174.8	116.5	3,796	4,893	4.10	5.74

This assumption, adopted by the Fund Manager, is used to measure the probabilities of members dying before retirement and the probabilities of each pension payment being made after retirement and was first used for the June 30, 1995 annual valuation.

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:

<u>Age</u>	<u>Percent of Active Members Retiring During Next Year</u>
50	8%
51	8
52	8
53	8
54	8
55	5
56	5
57	5
58	5
59	5
60	15
61	10
62	25
63	15
64	10
65	20
66	20
67	20
68	20
69	20
70	100

Active members are eligible to retire early at age 50 with 10 years of service, or normally at age 60 with 25 years of service, at age 62 with 10 years of service, or age 65 with 5 years of service. Pensions were assumed to be decreased 3/12 of 1% for each month age at early retirement precedes normal retirement age.

These rates, adopted by the Fund Manager, were first used for the June 30, 1995 annual valuations.

SUMMARY OF VALUATION ASSUMPTIONS (continued)

The rates of separation for active membership were as follows:

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. These rates, adopted by the Fund Manager, were first used for the June 30, 1989 annual valuation.

Sample Ages	Years of Service	Percent of Active Members Separating within Next Year	Percent of Active Members Becoming Disabled within Next Year (all years of service)
ALL	0	8.0%	
	1	8.0	
	2	8.0	
	3	8.0	
	4	8.0	
25	5 & Over	4.0	0.08%
30		4.0	0.08
35		4.0	0.08
40		4.0	0.20
45		4.0	0.26
50		3.0	0.49
55		2.0	0.89
60		1.0	1.41
65 & Over		0.0	1.66

**STATE OF ARIZONA
ELECTED OFFICIALS' 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.

Valuation Date	Aggregate Accrued Liabilities For				Portion Of Accrued Liabilities Covered by Net Assets Available for Benefits		
	(1) Active Member Contributions	(2) Retirants and Beneficiaries	(3) Active Members (Employer Financed Portion)	Valuation Assets Available for Benefits (2)	(1)	(2)	(3)
	6-30-85	\$ 5,583	\$ 16,396	\$ 26,990	\$ 49,900	100%	100%
6-30-86	\$ 6,268	\$ 19,653	\$ 27,506	\$ 58,757	100%	100%	100.0%
6-30-87	\$ 6,866	\$ 23,660	\$ 36,116	\$ 65,856	100%	100%	83.8%
6-30-88	\$ 8,258	\$ 25,046	\$ 44,604	\$ 73,993	100%	100%	91.2%
6-30-89	\$ 9,120	\$ 34,565	\$ 47,266	\$ 84,316	100%	100%	86.0%
6-30-90	\$ 10,772	\$ 38,246	\$ 51,415	\$ 92,748	100%	100%	85.1%
6-30-91	\$ 11,876	\$ 44,222	\$ 53,552	\$ 103,570	100%	100%	88.6%
6-30-92	\$ 13,232	\$ 47,775	\$ 54,091	\$ 115,869	100%	100%	100.0%
6-30-93	\$ 13,308	\$ 61,992	\$ 52,178	\$ 127,984	100%	100%	100.0%
6-30-94	\$ 14,978	\$ 63,403	\$ 59,941	\$ 140,145	100%	100%	100.0%
6-30-95	\$ 15,731	\$ 73,797	\$ 59,838	\$ 159,111	100%	100%	100.0%
6-30-96	\$ 16,931	\$ 78,507	\$ 62,688	\$ 181,754	100%	100%	100.0%
6-30-97	\$ 17,979	\$ 86,361	\$ 65,253	\$ 214,035	100%	100%	100.0%
6-30-98	\$ 20,703	\$ 91,187	\$ 87,772	\$ 241,885	100%	100%	100.0%

See notes on page 22.

**STATE OF ARIZONA
ELECTED OFFICIALS' RETIREMENT PLAN
SUMMARY OF ACTIVE MEMBER DATA**

As of June 30, 1998, there were 713 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							T O T A L S	
	0 - 4	5 - 9	10 - 14	15 - 19	20 - 24	25 - 29	30 Plus	No.	Valuation Payroll
20 - 29	3							3	\$ 35,160
30 - 34	17	3	1					21	762,714
35 - 39	31	7	2					40	1,486,577
40 - 44	48	29	3	3				83	4,272,015
45 - 49	67	43	18	4	2			134	8,770,286
50 - 54	40	51	21	15	4	4		135	8,995,458
55 - 59	40	35	16	20	9	3		123	7,163,327
60 - 69	27	53	27	26	8	5		146	8,078,442
70 & Over	6	8	6	4	1	2	1	28	876,833
Totals	279	229	94	72	24	14	1	713	\$40,440,812

Listed below is a Comparative Schedule of the changes in active members since 6-30-78:

ACTIVE MEMBERS INCLUDED IN VALUATION
HISTORIC COMPARISON

Valuation Date	Active Members	Valuation Payroll	Averages*		
			Age (years)	Service (years)	Pay
6-30-82	379	\$ 7,443,609	51.4	7.8	\$19,797
6-30-83	372	8,087,317	51.0	6.6	21,740
6-30-84	372	8,112,721	52.0	7.2	21,808
6-30-85**	525	17,691,284	51.0	7.5	33,698
6-30-86	517	17,841,908	51.3	7.9	34,510
6-30-87	526	20,409,034	51.2	7.7	38,800
6-30-88***	583	21,444,316	52.1	7.6	36,783
6-30-89	596	24,604,684	52.5	7.6	41,283
6-30-90	624	25,775,539	52.0	8.0	41,307
6-30-91	671	27,837,828	51.6	7.6	41,487
6-30-92	658	27,777,496	52.2	8.1	42,215
6-30-93	713	29,708,430	51.38	7.2	41,667
6-30-94	710	29,633,460	52.2	7.8	41,737
6-30-95	725	30,323,760	51.7	7.5	41,826
6-30-96	684	29,967,247	52.7	7.8	43,812
6-30-97	726	33,895,676	51.8	7.5	46,688
6-30-98	713	\$40,440,812	52.4	7.9	\$56,719

* Group averages are not used in the actuarial computations but are computed and shown because of their general interest.

** Reflects the 1985 amendment consolidating the Judges' Retirement System and the Elected Officials' Retirement Plan.

*** Includes participating municipalities pursuant to a 1987 amendment beginning with the June 30, 1988, valuation.

**STATE OF ARIZONA
ELECTED OFFICIALS' RETIREMENT PLAN
SUMMARY OF INACTIVE MEMBER DATA**

INACTIVE MEMBERS

As of June 30, 1998, there were 134 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 Age	Years of Service to Valuation Date					Totals
	0 - 4	5 - 9	10 - 14	15 - 19	20 - 30	
25 - 29						
30 - 39	3	2				5
40 - 44	9	2	2			13
45 - 49	11	19	8	2		40
50 - 54	12	18	7	1		38
55 - 59	7	16	5	2	2	32
60 - 69	8	12	6			26
70 Plus	4	2	1	1		8
Totals	54	71	29	6	2	162

STATISTICAL SECTION

ELECTED OFFICIALS' RETIREMENT PLAN
SEVENTEENTH 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

**STATE OF ARIZONA
ELECTED OFFICIALS' 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, 1981.

<u>Fiscal Year</u>	<u>Total Assets at Cost</u>	<u>Realized Earnings from Investments</u>	<u>Assumed Actuarial Yield</u>	<u>Net Effective Yield</u>	<u>Average Employer Cost</u>
Assets Transferred	\$ 10,990,215	\$ 838,550	7.50%	8.20%	
1981-1982	13,161,720	1,588,590	8.50	13.96	
1982-1983	15,349,948	1,749,184	8.50	13.09	
1983-1984	17,694,262	2,049,062	9.00	13.23	
1984-1985 ¹	49,900,086*	5,987,944*	9.00	14.02	
1985-1986	58,757,374	7,724,090	9.00	15.32	
1986-1987 ²	65,818,230	6,419,259	9.00	10.87	
1987-1988 ³	73,993,374	7,031,174	9.00	10.60	
1988-1989 ⁴	84,315,654	9,391,304	9.00	12.62	15.94%
1989-1990 ⁵	92,748,274	7,980,677	9.00	9.44	16.83
1990-1991 ⁶	104,300,471	10,845,435	9.00	11.60	16.55
1991-1992 ⁷	117,233,179	12,081,541	9.00	11.54	15.62
1992-1993	129,118,529	12,082,441	9.00	10.31	16.01
1993-1994	140,145,022	10,926,793	9.00	8.46	15.76
1994-1995	148,159,074	9,446,871	9.00	6.77	14.76
1995-1996	161,523,416	15,800,154	9.00	10.75	12.64
1996-1997	179,812,810	20,807,444	9.00	12.97	8.90
		\$			
1997-1998	\$ 209,247,828	32,818,266	9.00%	18.41%	10.22%

* In August of 1985, the Arizona Judges' Retirement Plan was merged with this Plan.

1. Reflects the 1985 amendment consolidating the Judges' Retirement System and the Elected Officials' Retirement Plan.
2. Reflects the 1987 amendment which increased the formula factor to 4% from 3-1/3%.
3. Reflects the 1988 amendment which bases the reduction for early retirement on the normal retirement age rather than age 65 and provided a 3% cost-of-living increase for retired members and survivors.
4. Reflects changes in the estimates of future experience (actuarial assumptions) and the 1989 amendment which provided a 3% increase in the pensions of retired members and survivors.
5. Includes the 1990 amendment which provides a subsidy for post-retirement health insurance, and a 3% increase in pensions with effective dates between September 15, 1989, and September 15, 1990.
6. Includes the 1991 amendment which provides a 3% increase in pensions with effective dates between September 15, 1990, and September 15, 1991, and the 1991 amendment increasing benefits for future duty-related deaths.
7. Includes the 1992 amendment which provides a 3% increase in pensions with effective dates between September 15, 1991, and October 31, 1992.

**STATE OF ARIZONA
ELECTED OFFICIALS' RETIREMENT PLAN
SCHEDULE OF BENEFIT EXPENSES BY TYPE**

<u>Fiscal Year</u>	<u>Normal Benefits</u>	<u>Disability Benefits</u>	<u>Survivor Benefits</u>	<u>Insurance Benefits</u>	<u>Totals</u>
1987	\$2,176,893 78%	\$199,226 7%	\$404,621 15%	-	\$2,780,740 100%
1988	\$2,409,666 79%	\$227,055 7%	\$436,170 14%	-	\$3,072,891 100%
1989	\$2,958,726 80%	\$253,715 7%	\$482,157 13%	-	\$3,694,598 100%
1990	\$3,727,158 81%	\$282,133 6%	\$557,753 12%	\$10,369 1%	\$4,577,413 100%
1991	\$4,148,012 80%	\$350,850 7%	\$607,950 11%	\$90,400 2%	\$5,197,212 100%
1992	\$4,825,146 81%	\$318,524 6%	\$668,752 11%	\$124,846 2%	\$5,937,268 100%
1993	\$5,756,503 82%	\$326,01 85%	\$762,516 11%	\$141,567 2%	\$6,986,604 100%
1994	\$6,399,006 81%	\$443,818 6%	\$878,193 11%	\$156,295 2%	\$7,877,312 100%
1995	\$6,947,365 80%	\$523,623 6%	\$1,081,329 12%	\$166,304 2%	\$8,718,621 100%
1996	\$7,526,049 80%	\$597,617 6%	\$1,154,800 12%	\$170,236 2%	\$9,448,702 100%
1997	\$8,074,010 80%	\$546,535 5%	\$1,350,387 13%	\$206,539 2%	\$10,177,471 100%
1998	\$8,593,838 78%	\$625,855 6%	\$1,516,198 14%	\$227,988 2%	\$10,963,879 100%

**STATE OF ARIZONA
ELECTED OFFICIALS' RETIREMENT PLAN
SUMMARY OF RETIRED MEMBER AND SURVIVOR DATA**

SUMMARIES OF RETIRED MEMBERS AND SURVIVORS – JUNE 30, 1998

Valuation Date	Retired Members	Survivors	Total	Annual Pensions	Number Removed from Rolls	
					Actual	Expected
6-30-82	150	9	159	\$ 844,914		
6-30-83	168	13	181	1,011,021		
6-30-84	175	14	189	1,120,441		
6-30-85	200	47	247	2,142,900		
6-30-86	211	51	262	2,564,083		
6-30-87	231	50	281	3,056,235		
6-30-88	239	52	291	3,238,986		
6-30-89	276	56	332	4,236,583	14	15
6-30-90	282	61	343	4,830,529	11	15
6-30-91	303	62	365	5,532,233	18	16
6-30-92	309	66	375	5,980,662	17	16
6-30-93	352	69	421	7,541,157	19	18
6-30-94	358	75	433	7,936,942	19	17
6-30-95	384	82	466	9,005,617	19	21
6-30-96	383	89	472	9,567,636	23	20
6-30-97	395	101	496	10,442,248	22	21
6-30-98	404	109	513	\$11,143,500	20	21

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	386	\$8,780,973	\$22,749
	- Disability Pensions	18	787,354	43,741
	TOTALS	404	\$9,568,327	\$23,684
Survivors of Members	- Spouses	108	\$1,552,780	\$14,376
	- Children with Guardians	1	22,393	22,393
	TOTALS	109	\$1,575,173	\$14,451
TOTAL PENSIONS BEING PAID		513	\$11,143,500	\$21,722

	Average Age (yrs)	Average Service (yrs)	Average Age at Retirement (yrs)
Normal retired members:	71.9	14.8	63.2
Disability retired members:	64.2	11.1	59.3
Spouse beneficiaries:	72.6	12.2	60.0

**STATE OF ARIZONA
ELECTED OFFICIALS' RETIREMENT PLAN
SUMMARY OF BENEFIT INCREASES**

State law provided for an annual benefit increase for retirees or their survivors who were over age sixty-five on the effective day of the increase and for disability retirees regardless of age. These increases were dependent upon the production of excess earnings on part of the assets of the plan and were limited to four percent of the average benefit being paid to retirees and their survivors. This program expired after the July 1, 1994, increase. The following schedule summarizes the statutorily-designed process of calculating the monthly benefit increases effective each July 1st and the increases granted:

BENEFIT INCREASE SCHEDULE

<u>Fiscal Year Ended</u>	<u>Excess Yield per Statute*</u>	<u>Excess Earnings Assets***</u>	<u>Excess Earnings</u>	<u>Monthly Benefit Increase Fundable</u>	<u>Maximum per Statutory 4% Cap</u>	<u>Lesser of Two - Increase Awarded</u>
6-30-89	3.62%	\$34,564,836	\$ 1,251,247			
		Investment earnings on balance	118,118			
		Amount utilized: 7-1-90 increase	(888,720)	5.0%	4.0%	4.0%
6-30-90	0.44%	\$38,245,692	<u>168,281</u>			
		Amount available: 7-1-91 increase	648,926	4.0%	4.0%	4.0%
		Investment earnings on balance	75,275			
		Amount utilized: 7-1-91 increase	(1,143,432)			
6-30-91	2.60%	\$44,222,354	<u>1,149,781</u>			
		Amount available: 7-1-92 increase	730,550	2.0%	4.0%	2.0%
		Investment earnings on balance	83,502			
		Amount utilized: 7-1-92 increase	(610,536)			
6-30-92	2.43%	\$47,775,043	<u>1,160,934</u>			
		Amount available: 7-1-93 increase	1,364,450	3.5%	4.0%	3.5%
		Investment earnings on balance	140,675			
		Amount utilized: 7-1-93 increase	(1,167,612)			
6-30-93	1.31%	\$60,856,776	<u>797,224</u>			
		Amount available: 7-1-94 increase	1,134,737	2.0%	4.0%	2.0%
		Investment earnings on balance	95,999			
		Amount utilized: 7-1-94 increase	(868,428)			

**STATE OF ARIZONA
ELECTED OFFICIALS' RETIREMENT PLAN
SUMMARY OF BENEFIT INCREASES**

During the 1996 legislative session, House Bill 2483 was passed and approved by the Governor on April 17, 1996. This bill reinstated this program but with two new limits. The first limit is a 3% maximum. The second limit is 1/2 of the percentage change in the all items component of the Consumer Price Index for all urban consumers as published by the United States Department of Labor, Bureau of Labor Statistics, for the calendar year preceding the year for which the increase is being computed. This bill also lowered the age requirement to 55. There were no excess earnings in fiscal year 1994/1995 so the first increase was based on excess earnings for fiscal year 1995/1996 and was effective in July of 1997. Below is a schedule showing the calculation process.

BENEFIT INCREASE SCHEDULE

<u>Fiscal Year Ended</u>	<u>Excess Yield per Statute¹</u>	<u>Excess Earnings Assets²</u>	<u>Excess Earnings</u>	<u>Monthly Benefit Increase Fundable</u>	<u>Maximum per Statutory 4% Cap³</u>	<u>Lesser of Two - Increase Awarded</u>
6-30-96	1.75%	\$77,021,628	<u>\$1,347,878</u>			
	Amount available:	7-1-97 increase	\$1,347,878	1.5%	1.65%	1.5%
6-30-97	3.97%	\$84,334,344	3,348,073			
	Investment earnings on balance		174,820			
	Amount utilized:	7-1-97 increase	<u>(1,040,868)</u>			
	Amount available:	7-1-98 increase	3,829,903	4.5%	1.15%	1.15%
6-30-98	12.23%	\$88,885,855	10,870,740			
	Investment earnings on balance		813,008			
	Amount utilized:	7-1-98 increase	<u>(888,283)</u>			
	Amount Transferred by HB 2496		15,136,519			
6-30-99	Amount available:	7-1-99 increase	29,761,967	34.5%	4%	4%

1. Net effective yield less actuarial yield per statute of 9%. Beginning 6/30/98, total return less actuarial yield per statute of 9%.
2. Amount equal to retired reserves.
3. Prior to 7/1/99, maximum was the lower of 3% or 1/2 of CPI.

**STATE OF ARIZONA
ELECTED OFFICIALS' RETIREMENT PLAN
PARTICIPATING EMPLOYERS**

STATE OF ARIZONA
APACHE COUNTY
COCHISE COUNTY
COCONINO COUNTY
GILA COUNTY
GRAHAM COUNTY
GREENLEE COUNTY
LA PAZ COUNTY
MARICOPA COUNTY
MOHAVE COUNTY
NAVAJO COUNTY
PIMA COUNTY
PINAL COUNTY
SANTA CRUZ COUNTY
YAVAPAI COUNTY
YUMA COUNTY

CITY OF APACHE JUNCTION
CITY OF AVONDALE
CITY OF CHANDLER
CITY OF FLAGSTAFF
CITY OF GLENDALE
CITY OF GLOBE
CITY OF MESA
CITY OF PEORIA
CITY OF PHOENIX
CITY OF SCOTTSDALE
CITY OF SOUTH TUCSON
CITY OF TEMPE
CITY OF TOLLESON
CITY OF TUCSON
CITY OF YUMA