

Elected Officials' Retirement Plan



27th COMPREHENSIVE ANNUAL FINANCIAL REPORT

A PENSION TRUST FUND OF THE STATE OF ARIZONA



For the Fiscal Year ended June 30, 2008

Our Vision, Mission & Values

Vision

Invest, secure and manage responsibly the retirement funds of its members in accordance with all legal, investment and financial requirements and in a manner consistent with the quality to which its members have become accustomed.

Mission

- To be a low cost, highly personalized quality service provider of funds management and benefit services
- To manage long-term investments with the goal of consistently outperforming over time the composite weighted market return benchmark net of all investment-related costs so as to assure the financial integrity of the funds and the security of the benefits these funds provide

Values

- Do what's best for our members and financial health and integrity of the System
- Proactive
- Committed to high quality, uniform, sustainable service
- Innovative and cost effective in Plan administration and services
- Use best practices in Human Resource management

Elected Officials' Retirement Plan

A Pension Trust Fund of the State of Arizona

Twenty-Seventh Comprehensive Annual Financial Report

**For the Fiscal Year Ended
June 30, 2008**

Prepared by the Staff of PSPRS

Public Safety Personnel Retirement System
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Certificate of Achievement for Excellence in Financial Reporting

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Arizona Elected Officials' Retirement Plan

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2007

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



President

Executive Director

Fund Manager Report

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

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Fund Manager, Member
Brian Delfs
Fund Manager, Advisor

James M Hacking
Administrator

Ryan Parham
Acting CIO

Tracey D. Peterson
Assistant Administrator-COO

December 17, 2008

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

Dear Governor Napolitano:

The Fund Manager of the Public Safety Personnel Retirement System (PSPRS) respectfully submits the Twenty-Seventh Comprehensive Annual Financial Report (CAFR) for the Elected Officials Retirement Plan (EORP) for the fiscal year ended June 30, 2008 (FY'08), in accordance with the provisions of A.R.S. Section 38-803.

The EORP Plan's Funding Ratio

As of fiscal year-end, we are pleased to report that the financial status of the EORP Plan, as reflected in its funding ratio, increased relative to what it was one year earlier. At June 30, 2008 the funding ratio was 76.6%; at June 30, 2007, it was 74.6%. This modest improvement in the EORP financial status follows six consecutive fiscal years of funding ratio declines. This improvement occurred despite the fact that the Plan had a negative rate of return on its invested assets for the fiscal year. For further detailed information on the Plan's net assets and changes in net assets that occurred during the fiscal year, please refer to the Management's Discussion and Analysis section of this Comprehensive Annual Financial Report (CAFR).

Before delving further into the EORP Plan's fiscal year-end results and the factors that contributed to those results, some historical perspective is needed.

As you recall, during the 1990s, PSPRS annually generated investment returns well in excess of the System's actuarially assumed rate of 9%. As a result, throughout the decade and through FY'04, the EORP Plan was more than 100% funded, although the funding ratio had started to decline as of FY'02. It appeared that all was well. In reality, however, that was not the case. The financial health of the Plan was seriously compromised due to an investment strategy that entailed a high degree of risk.

During the last half of the 1990's, the Plan's portfolios were increasingly concentrated and invested in "high tech" securities. But in March, 2000, the "tech" bubble began to deflate. From June 30, 2000 to June 30, 2002, the market value of assets of the EORP Plan declined from \$355.3 million to \$242.2 million – an asset value loss of 31.8%. Even as of June 30, 2008, with the EORP's market value of assets at \$313.8 million, the Plan has still not fully recovered its asset value loss. To compound matters, from June 30, 2000 through June 30, 2008, the liability for present and promised future benefits has increased 79.2%.

Since the System uses a seven year averaging process ("smoothing") to determine its fiscal year-end actuarial value of assets, the effects of the 2000-2002 asset value losses will not be completely reflected in the Plan's funding ratio until the end of FY'09. However, the losses which the Plan sustained during FY'01 dropped out of the calculation of the actuarial value of assets as of the end of FY'08. That is one of the reasons why the funding ratio for the Plan improved. The other reason is that participant compensation and participant payroll generally grew only slightly and nowhere near the 5% rate that is actuarially assumed. That means that benefit liability did not increase at the rate expected.

Introductory Section

Although the 2000-2002 asset value losses have been a major cause of the Plan's funding ratio erosion from FY'02 through FY'07, other factors also contributed. These include:

- actuarial demographic assumption and methodology changes (made necessary by FY'07 actuarial audits) that increased the Plan's unfunded liability and reduced its funding ratio;
- a decrease in the actuarial rate of return assumption from 9% to 8.5%.
- a significant FY'07 compensation increase for a large portion of Plan participants that increased liability because future benefit awards will be higher than expected; and
- a settlement of potential litigation by the System that allows persons who began participating in the Plan prior to July 1, 1994 to have their benefits calculated using their final annual compensation rather than the average of their highest three consecutive years of compensation; this means higher benefits (and higher Plan liability) than would have otherwise been the case for some of those pre-July 1, 1994 participants.

In addition to these factors, there are statutory provisions that require the diversion of 50% of investment returns in excess of 9% into the EORP Plan's Benefit Increase Reserve. These Reserve assets are used to finance the cost of the post-retirement adjustments payable to eligible beneficiaries of the Plan. However, these Reserve assets are not taken into account for funding ratio and employer contribution rate calculations.

Employer Contribution Rates

When times were good and the EORP Plan was over-funded, the EORP employer contribution rate was rather reasonable. For example, early in the decade the employer contribution rate was only 7.55%.

But with the decline in the Plan's funding ratio, the employer contribution requirements have been increasing year-by-year. The current EORP employer contribution requirement is 28.0% of payroll. (The contribution rate paid by the State and by the Counties with respect to their EORP Plan participants is subsidized by court filing fees and is currently 14.05%.) But as a result of the Plan's FY'08 higher funding ratio, that contribution rate will decrease to 26.26%, effective July 1, 2009. (The subsidized rate, however, will increase from 14.05% to 14.26% because of an increase in payroll of nearly \$1 million.)

As we move into the new fiscal year, the System's Administrator will undertake consultations with representatives of the Plans' constituency groups and the contributing employers to determine whether a consensus exists with respect to any of a variety of options that could be employed to reduce the employer contribution rate that will otherwise go into effect next July 1st.

FY'08 Investment Results

The FY'08 rate of investment return for the EORP Plan was -7.59% -- a rate of return that was 1.87% less than the -5.73% weighted composite rate of return benchmark for the Plan. It was also far less than the 8.5% actuarial assumed rate of return.

Clearly, the Plan's FY'08 investment result was disappointing. That result was attributable to the downturn in the financial markets, especially the equity and residential real estate markets. Nevertheless, the System uses a seven year "smoothing" process in the calculation of the fiscal year-end "actuarial value of assets" and that helps to mitigate the impact of the investment loss. In addition, as indicated above, the asset value loss that the Plan sustained in FY'01 dropped out of the FY'08 asset value calculation and the EORP Plan benefitted from an actuarial gain that resulted from the failure of participant salary (and payroll generally) to increase at the assumed rate of 5%.

Because the EORP Plan's actual rate of return was less than 9%, no new assets flowed into the Plan's Reserve for Future Benefit Increases. This is a cause for some concern. The EORP's Reserve, after subtracting the nearly \$10.3 million cost of the post-retirement adjustment that took effect July 1, 2008, has a balance remaining of only \$18.2 million. While that should be enough to assure that a full adjustment will be paid to all eligible beneficiaries next July 1st, that balance could be further eroded by a negative rate of return for Plan FY'09. In any event, even if a full adjustment is payable July 1, 2009, the Reserve balance, in the absence of an in-flow of new assets, will be in serious danger of being depleted. If the EORP Reserve balance is exhausted, no further adjustments can be made until the Plan experiences a rate of return in excess of 9% and a positive Reserve balance is restored.

The fiscal year-end return placed the EORP Plan in the 4th (bottom) quartile relative to the results for the over 100 public retirement systems included in the ICC Public Fund Universe, which is the EORP Plan's "peer group." This far-less-than-median-return result underscores the continuing need to move ahead with the restructuring of the System's asset management function that began during FY'07 and continued throughout FY'08.

The disappointing FY'06 rate of return result (i.e., 8.3%) for the EORP Plan brought us to the realization that we could not reasonably expect to achieve our long-term rate of return objectives if we simply continued to manage the Plan's assets as has been done in the past. The past practice of managing all the System's publicly traded portfolios internally severely limited the Plan's asset diversification and caused the Plan to underperform its public retirement system "peer" group for a very long period of time. In order to better position the Plan to achieve its rate of return expectations, enhance returns, control risk and diversify the Plan's assets through exposure to a wider mix of financial markets, we began in FY'07 an asset management restructuring. For a detailed description of what was accomplished during FY'08 with respect to this restructuring process and what has been done so far in FY'09, please see the letter from the System's Acting Chief Investment Officer (CIO) that begins (on page 50) the Investment Section of this CAFR.

Expectations for the Financial Status of the EORP Plan in the Future

At the conclusion of the EORP Plan's FY'09, the asset value loss that the Plan sustained in FY'02 will drop out of the calculation of the actuarial value of assets. Given that, and if FY'09 turns out to be a reasonably good year for the financial markets and the System is able to achieve or exceed its actuarial assumed rate of return of 8.5%, the EORP Plan should continue to experience gradual improvement in its funding ratio. As that happens, the EORP employer contribution rate should continue to decline. The further implementation, and ultimately the completion, of the System's asset management restructuring process should serve to accelerate and magnify the expected positive funding ratio and employer contribution rate trends.

However, there are risks that could delay or even reverse the expected improvement. These are:

- a sharp and sustained downturn in the U.S. and global economies and financial markets that would cause the System to fall short of achieving its rate of return expectations; and
- having to reduce the System's actuarial rate of return assumption from 8.5% to 8.0% as was recommended by the actuarial auditing firms that conducted the System's actuarial audits in FY'07.

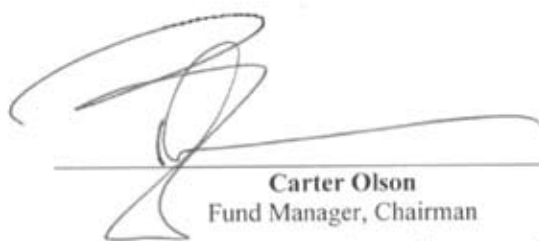
As we have moved into System FY'09, and especially during September and October, the U.S. and global economies have weakened and the financial markets, especially the equity markets, have become sharply negative and volatile. Whether these trends will continue or whether economic and financial conditions will improve cannot be predicted with any certainty. We shall simply have to wait and see how things turn out as of June 30, 2009.

Conclusion

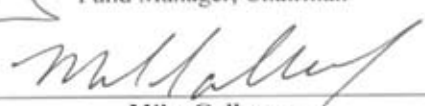
As a Board, we intend to continue our commitment to make the changes that are necessary to improve the financial status of the EORP Plan, moderate the required contributions of the Plan's participating employers and faithfully serve the interests of the Plan's participants and beneficiaries.

We appreciate having the opportunity to serve the State of Arizona, its political subdivisions and its EORP stakeholders and we look forward to continuing to serve as members of the Fund Manager for this System.

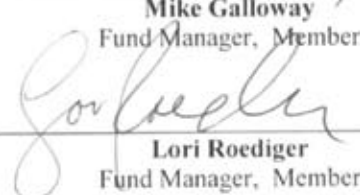
Respectfully submitted,




Carter Olson
Fund Manager, Chairman




Mike Galloway
Fund Manager, Member



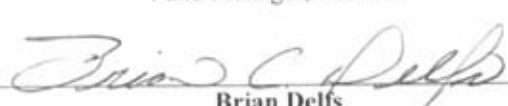
Lori Roediger
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Brian Delfs
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James M Hacking
Administrator

Ryan Parham
Acting CIO

Tracey D. Peterson
Assistant Administrator-COO

December 17, 2008

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

Fund Manager Members:

Here is the Twenty-Seventh Comprehensive Annual Financial Report (CAFR) of the operations and financial condition of the Arizona Elected Officials Retirement Plan (EORP). This report is for the fiscal year ended June 30, 2008. The Plan is a uniform statewide retirement system that provides retirement, disability and survivor benefits, post-retirement adjustments and health insurance subsidies for judges and state, county and local elected officials of participating governmental employer units.

Arizona Revised Statutes Title 38 requires the Fund Manager to transmit to the Governor and the Legislature this annual report within six months of the close of each fiscal year. Incorporated in this report are the audited financial statements, management's discussion and analysis, and other financial data from the June 30, 2008 report of Heinfeld, Meech & Co. P.C., Certified Public Accountants and auditors for the System. Also included are the actuarial certification statement and the actuarial balance sheet from the June 30, 2008 actuarial valuation prepared by the System's actuary, Rodwan Consulting Company.

Financial Information Reporting

The primary responsibility for the integrity and objectivity of the financial statements and related financial data rests with the management of the System. 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 System's policy to have and maintain an effective system of accounting controls. We believe our 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 systems should be related to the benefits to be derived. Management believes the System's controls provide this appropriate balance.

The System uses the accrual basis of accounting for both revenues and expenses. Contributions to the System are based on principles of level-cost financing with current service financed as a level percent of payroll on a current basis and prior service amortized as a level percent of payroll over a period of at least twenty but not more than thirty years.

Revenues

Revenues for the Plan are derived from four sources: member contributions, employer contributions, judicial filing fees and realized and unrealized returns on the invested assets of the Plan. As shown by the Schedule of Revenues by Source included in the Statistical Section later in this report, the Plan had an investment loss of \$23.0 million this fiscal year. That more than offset the positive flow of revenue from member contributions of \$4.4 million, direct employer contributions of \$8.1 million and judicial filing fees of \$4.1 million. Please refer to the Statistical Section for a ten-year history of revenues and expenses.

Administrative and Investment Expenses

The EORP's FY'08 administrative and investment-related expenses totaled \$723.3 thousand, up from \$449.3 thousand the year before. Administrative and investment expenses were approximately 22 basis points of the total assets managed. This is still low compared with other public retirement systems. A dedicated staff and constantly improving internal expertise has enabled management to keep costs relatively low even though assets managed have increased over the years and service needs have escalated due to increasing numbers of participants and beneficiaries.

Investments

The total rate of return on the EORP assets for the fiscal year was -7.59%. This negative return was the result of the sharp decline and turmoil in the domestic and international equity and fixed income markets and the contraction of residential real estate values. The Investment Section of this Report contains graphs depicting the Plan's performance, a detailed summary of the investment portfolio, all investment transactions, and commissions paid to investment professionals who provide services to PSPRS. All Plan investments were held in trust by BNY Mellon, the System's custodian bank.

Enacted Legislation

In April, 2008, the Governor signed into law a bill that provides the System's Fund Manager with two new explicit authorities. The first gives the Fund Manager the authority to use external asset managers as needed. This will enable the PSPRS System to deploy assets for investment purposes among a far wider and much more diversified array of domestic and global financial markets than has been the case in the past.

The second authority will enable the System to commingle the assets of its three Plans in a single trust vehicle for investment purposes. This should serve to reduce substantially the System's transaction and other investment-related costs over time.

Actuarial and Funding Information

Funding a retirement system 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.

The EORP is funded through a statutory participant contribution rate of 7.0% of gross payroll, an employer contribution that is expressed as a level percent of gross payroll and is reset annually, depending on the results of the Plan's actuarial valuation, judicial filing fees and the realized and unrealized returns on the invested assets of the Plan.

The current contribution rate for participating employers is 28% of covered payroll. The rate that will take effect as of July 1, 2009 is set to be 26.25%. This new and lower aggregate rate is the result of an increase in the EORP's FY'08 funding ratio.

The judicial filing fees that the EORP annually receives subsidize the contribution rate that the state and the counties pay with respect to their EORP participants. The subsidized rate that will take effect July 1, 2009 will be 14.25% of payroll.

While there is no single all-encompassing test to measure a retirement system's funding progress and current status, the most commonly used measure is the ratio of the actuarial value of assets to actuarial accrued liability, often referred to as the "percent funded." The percent funded for the EORP had been declining for six consecutive fiscal years through FY'07. At that point in time, the Plan's funding ratio was 74.6%. However, as of June 30, 2008, the ratio improved slightly to 76.6%, despite the fact that the Plan had a negative rate of return (-7.59%) on its invested assets. The reasons for this funding ratio improvement are set forth in the Fund Manager's transmittal letter to the Governor.

Post Retirement Benefit Increases

State law provides for an annual benefit increase for EORP retirees (or their survivors) two years after retirement, regardless of age, or when the retiree (or survivor) attains age 55 and has been retired for a year. These increases are limited to a maximum of four percent. A benefit increase schedule can be found in the Statistical Section of this CAFR.

These post retirement increases are funded from a portion of the investment returns in excess of 9% that are accumulated in the EORP's Reserve for Future Benefit Increases. These reserves are invested along with all other assets of the Plan. The reserve balance, after subtracting the \$10.3 million needed to fund the July 1, 2008 post retirement increase, was \$18.2 million. Because no new assets flowed into the Reserve in FY'08 due to the Plan's negative rate of investment return, the reserve balance is now only sufficient to fund one more year's adjustment at the statutory maximum 4%.

Certificate of Achievement

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the System for the EORP's Comprehensive Annual Financial Report for the fiscal year ended June 30, 2007. This was the thirteenth consecutive year that the Plan has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government unit must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe our FY'08 Comprehensive Annual Financial Report continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for a certificate.

New Developments and Management Initiatives

During this past fiscal year, the PSPRS Fund Manager continued its strategic initiative that will change the way in which the EORP's assets are managed and invested. (See the Fund Manager's transmittal letter to the Governor.) In addition, there were other developments and initiatives that strengthened System governance, increased administrative efficiency and productivity or improved internal controls.

- The Governor appointed, and the State Senate confirmed, three new members for the Fund Manager; as a result, the System has a full, five member governing Board. All the new members received the benefit of an orientation that was prepared and conducted by staff.
- An independent, Information Technology (IT) consulting firm, the Torus Business Group, was retained to do a complete assessment of the PSPRS IT systems environment and data base development. In addition, the firm was asked to set forth options to address unmet needs, especially with respect to disaster recovery and business continuity capability. The Torus Group's report was released in February and many of its recommendations were reflected in the strategic plan and administrative budget for system FY'09.
- The accounting firm of Ernst & Young was retained to resolve any GAAP, GASB, reporting or accounting issues that may be associated with the commingling of the assets of the PSPRS System's three Plans in a single trust vehicle for purposes of investment. Input was solicited from representatives of the System's custodian bank, BNY Mellon, its external auditor, Heinfeld, Meech & Co., its legal counsel, Kutak, Rock, and from appropriate internal staff.
- Three management positions, Chief Investment Officer (CIO), Member Services Division Director and Finance and Accounting Manager, were filled with well-qualified and experienced professionals.
- In December, 2007, a spokesman from Cost Effective Measurement (CEM) presented to the Board a thorough evaluation of the System's historical asset management cost effectiveness in relation to the returns generated and relative to the System's peer group. The CEM evaluation corroborated the findings contained in an earlier FY'07 report from the investment consulting firm of Ennis, Knupp & Associates (E,K&A).
- The System's staff carried out in a timely fashion the annual strategic planning process and then formulated and presented to the Board a budget for System FY'09. The Board approved the budget in June.
- In the IT Departments, two staff positions were filled – one in Operations, the other in Program Development. The Operations position addresses a "key" employee back-up need. The Program Development position added much needed capacity and made it possible to complete a data base conversion.
- The System's multi-year document imaging (i.e., scanning) project moved forward with the expectation that it will be completed during System FY'09. The objective of the project is to have all participant and beneficiary paper records available and accessible electronically.

Introductory Section

- The System's new web site that enables employers to transmit payroll deduction records electronically was fully implemented.
- At fiscal year-end, the System initiated an RFP process to secure a new independent investment advisor for the Fund Manager to replace the firm of E,K&A which resigned the engagement in mid-June.
- The remodeling and renovation of the 1st floor of the PSPRS building was completed; the portion not occupied by PSPRS staff is now under a long-term lease with the Dinan Company.

New Initiatives for System FY'09

As we have moved through the first four months of the new fiscal year (FY'09), some new initiatives have been completed; others are underway; and still others are planned.

First, the RFP process for the selection of a new independent investment advisor for the Fund Manager was concluded. New England Pension Consultants (NEPC) was selected for the engagement and is already working with the System's Investment Department staff to develop a new asset allocation and new investment and derivative policies. A large portion of the assets of the Plans will be outsourced to external asset managers following the adoption of the new allocation and policies by the Fund Manager.

Second, the assets of the System's three Plans were commingled for investment purposes in a single trust vehicle. The transfer of the assets occurred in September.

Third, the IT Operations Department set up and tested the offsite (i.e., Denver, CO) facility that will serve the System's disaster recovery and systems back-up needs.

Fourth, the accounting firm of Ernst & Young was retained in August to conduct an assessment of PSPRS' internal audit and compliance needs. This project will include, among other things, an assessment of the System's control environment and the development of an audit plan.

Fifth, the IT Program Development Department will integrate into the existing system a payroll program that meets present and projected needs and will begin to create the capability for participants to apply for benefits electronically. Also, the Department will continue its efforts to automate all forms of benefit payments via ACH transfers.

Sixth, the System's Administrator and lobbyists will consult with the System's constituent group and employer representatives to inform them as to the financial status of the System's Plans and the employer contribution requirements that will take effect July 1, 2009.

Seventh, draft legislation will be developed in advance of the start of the Arizona legislative session to bring state statutory provisions into harmony with IRS and other federal statutes and with long-standing administrative practices.

Eighth, any remaining benefit recalculations for EORP beneficiaries based on "final annual compensation" will be completed and the necessary adjustments made.

Finally, the document imaging (i.e., scanning) project will be completed before fiscal year-end.

Summary

This EORP CAFR is a product of the collective efforts of the staff, under the direction of the System's Fund Manager. It is intended to provide complete and reliable information that will facilitate the management decision process and it serves as a means for determining compliance with the System's governance and investment policies and legal requirements. Copies of this report are provided to the Governor, State Auditor, Legislature and all our member constituency groups. We hope all recipients of this report find it informative and useful.

I would like to take this opportunity to express my gratitude to the members of the Fund Manager, the staff, the System's advisors, and all others who have worked so diligently to assure the continued successful operation of the System. I look forward to the challenge of moving the System forward with a program of constructive and comprehensive change that will maintain high quality customer service and restore the EORP to a path of improving financial status.

Respectfully submitted,

A handwritten signature in dark ink, appearing to read "James M. Hacking", with a stylized, flowing script.

James M. Hacking
Administrator

Introductory Section

Fund Manager



Carter Olson
Chairman



Billy Shields
Vice Chairman



Mike Galloway
Member



Tim Dunne
Member



Lori Roediger
Member



Brian Delfs
Advisor

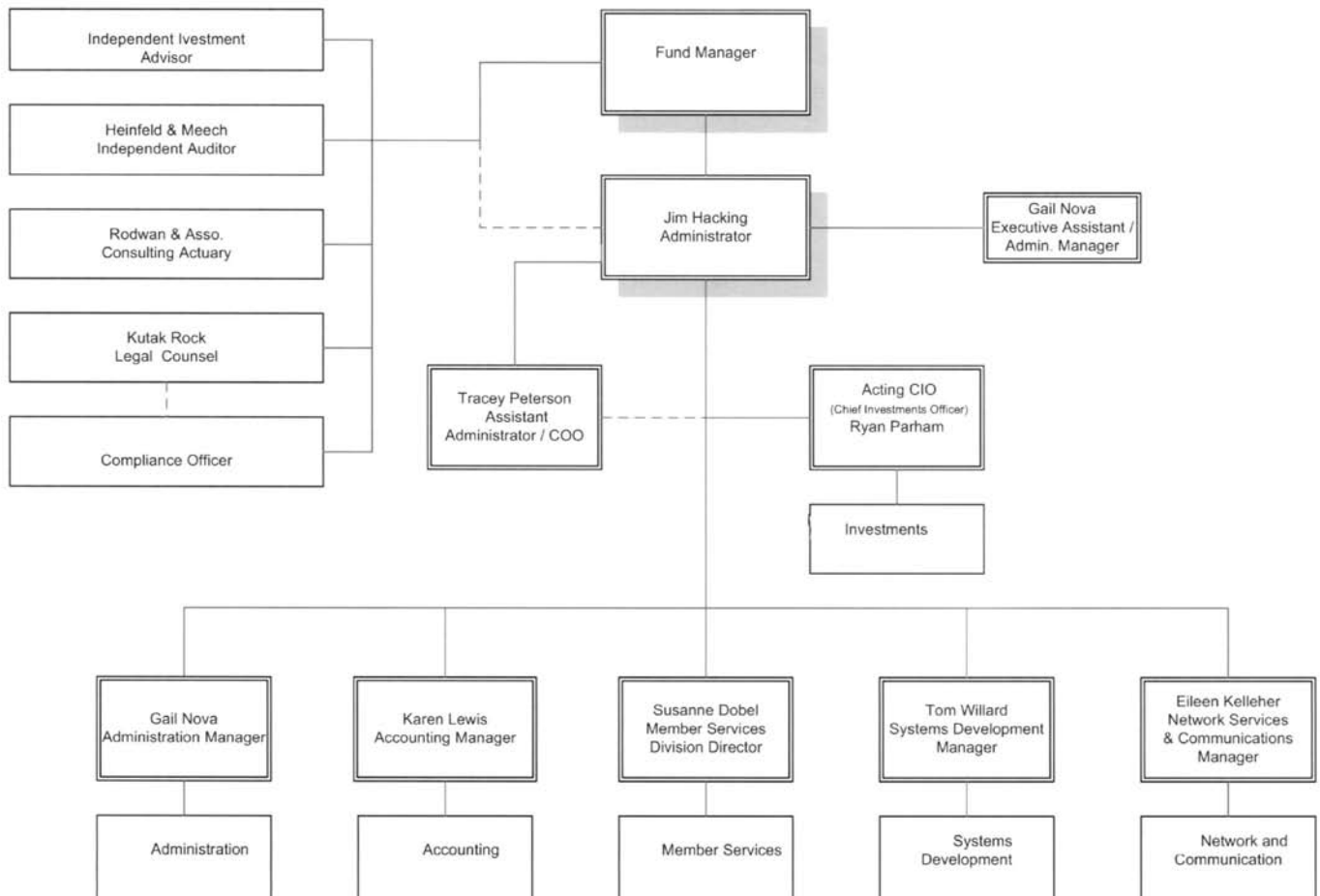
Executive Staff and Organizational Chart



James M. Hacking
Administrator



Tracey D. Peterson
*Assistant Administrator
Chief Operations Officer*



Professional Advisors

Ennis Knupp & Associates*

Heinfeld Meech & Co, P.C.

Kutak Rock, LLP

McLagan Partners, Inc

Rodwan Consulting Group

ORG Portfolio Management, LLC

Step Stone Group, LLC

Albourne America, LLC

Bank of New York Mellon

Investment Advisor

Independent Auditors

General Counsel

Human Resource Consultant

Actuary

Real Estate Consultant

Alternative Investments Consultant

International Alternative
Investments Consultant

Custodian

A schedule of Administrative Consultant fees may be found in the Financial Section. A schedule of Investment Consultant fees, Brokerage Commissions and Research Expense may be found in the Investments Section.

* Resigned engagement effective July 30, 2008. Currently conducting a search to hire a replacement Investment Advisor for the Fund Manager.



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INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying Statement of Plan Net Assets of the Elected Officials Retirement Plan (EORP) as of and for the year ended June 30, 2008, and the related Statement of Changes in Plan Net Assets for the year then ended. These basic financial statements are the responsibility of EORP's management. Our responsibility is to express an opinion on these financial statements based on our audit. The comparative totals as of and for the year ended June 30, 2007, presented in the basic financial statements are included for additional analysis only. Our audit report dated February 4, 2008 expressed an unqualified opinion on those financial statements; however, we have not performed any auditing procedures on this information since the date of our report.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the net assets of the Elected Officials Retirement Plan, as of June 30, 2008, and the changes in net assets for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 12, 2008, on our consideration of the Elected Officials Retirement Plan's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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The Management's Discussion and Analysis on pages 24 through 28 and the Schedule of Funding Progress and Schedule of Employer Contributions on pages 43 and 44 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise EORP's basic financial statements. The Introductory Section, Supporting Schedules, Other Supplemental Information, Investment Section, Actuarial Section and Statistical Section are presented for purposes of additional analysis and are not a required part of the basic financial statements. The Supporting Schedules Information, as listed in the table of contents under the Financial Section, have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The Introductory Section, Other Supplemental Information, Investment Section, Actuarial Section and Statistical Section have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

Heinfeld, Meech & Co., P.C.

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

December 12, 2008

MANAGEMENT DISCUSSION & ANALYSIS

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

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

Financial Highlights

Key financial highlights for 2008 are as follows:

- The Elected Officials' Retirement Plan (EORP) had a total rate of return of -7.59% this year. Our equity portfolio had a return of -12.11%, which underperformed the stock index by 153 basis points. Our fixed income portfolio had a return of 3.08%, which underperformed the index by 416 basis points.
- As of the close of the fiscal year 2008, the Future Benefit Increase Reserve was \$18.2 million. This will enable another 4% post-retirement adjustment for qualifying retirees or their survivors for the thirteenth consecutive year.
- Retirement benefits paid totaled \$32.5 million for the current year, compared to \$28.7 for the previous year. This represents a 13% increase from the prior year. The majority of this increase is the result of the cost of post-retirement adjustments paid to the retirees or their survivors of the Plan.

OVERVIEW OF THE FINANCIAL STATEMENTS

Using this Comprehensive Annual Financial Report (CAFR)

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

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

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

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

Notes to the Financial Statements

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

Required Supplemental Information

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

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

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

Supporting Schedules and Other Supplemental Information

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

FINANCIAL ANALYSIS OF THE PLAN

Comparative Statements are included to provide additional analysis of the changes noted on those schedules.

SUMMARY COMPARATIVE STATEMENTS OF PLAN NET ASSETS

	As of 6/30/2008	As of 6/30/2007	Change	% Change
Cash and Short-Term Investments	\$ 5,973,514	\$ 285,869	\$ 5,687,645	1989.59%
Total Receivables	8,727,518	3,257,498	5,470,020	167.92%
Total Investments	320,660,224	370,388,553	(49,728,329)	(13.42)%
Securities on Loan	61,810,213	103,894,449	(42,084,236)	(40.50)%
Net Capital Assets	277,681	274,898	2,783	1.01%
Total Plan Assets	397,449,150	478,101,267	(80,652,117)	(16.86)%
Accrued Accounts Payable	481,965	359,857	122,108	33.93%
Investment Purchases Payable	3,091,720	4,006,316	(914,596)	(22.82)%
Securities Lending Collateral	61,810,213	103,894,449	(42,084,236)	(40.50)%
Total Plan Liabilities	65,383,898	108,260,622	(42,876,724)	(39.60)%
Net Assets	\$ 332,065,253	\$ 369,840,645	(37,775,392)	(10.21)%

The total net assets held in trust for benefits at June 30, 2008 were \$332.1 million, a 10.21% decrease from \$369.8 million at June 30, 2007. The decrease in net assets is primarily due to less than favorable financial markets during the fiscal year. The increase in cash and receivables is attributable to normal fluctuations in investment income receivables during the year. EORP is fully deploying cash in other investments vehicles like exchange traded funds, equities, fixed income and private equity. Detailed information regarding the Plan's investment portfolio is included in the investment section of this report. The decrease in security lending collateral is due to normal fluctuations in the lending program. The investment of the collateral fluctuated in a similar manner.

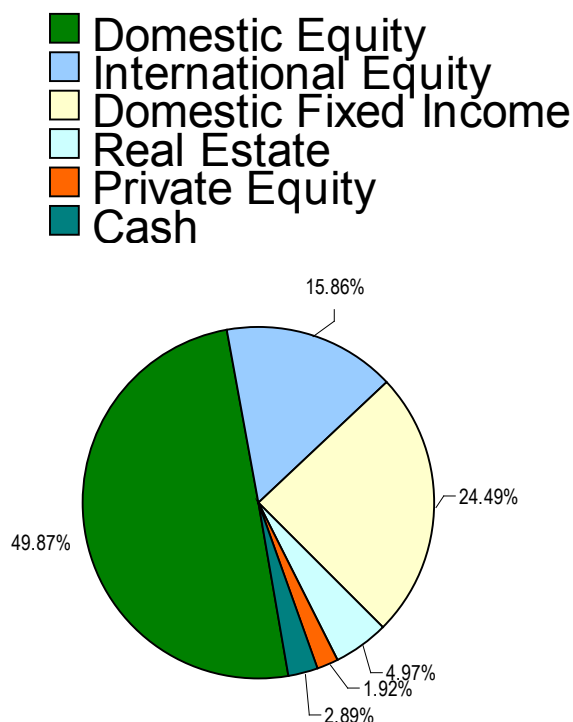
SUMMARY COMPARATIVE STATEMENTS OF CHANGES IN PLAN NET ASSETS

	2008	2007	Change	% Change
ADDITIONS				
Total Contributions	\$ 17,744,324	\$ 16,105,040	\$ 1,639,284	10.17%
Net Investment Income	(23,150,918)	54,598,524	(77,749,442)	(142.40)%
Transfers and Service Purchases	573,261	1,190,489	(617,228)	(51.84)%
Total Additions	(4,833,333)	71,894,053	(76,727,386)	(106.72)%
DEDUCTIONS				
Benefits	32,518,978	28,717,547	3,801,431	13.23%
Service Transfers and Refunds	67,792	147,906	(80,114)	(54.16)%
Administrative Expenses	355,290	339,875	15,415	4.53%
Total Deductions	32,942,060	29,205,329	3,736,731	12.79%
Net (Decrease) Increase	(37,775,392)	42,688,724	(80,464,116)	(188.49)%
Balance Beginning of Year - July 1	369,840,645	327,151,921	42,688,724	13.04%
Balance End of Year - June 30	\$ 332,065,253	\$ 369,840,645	\$(37,775,392)	(10.21)%

Financial Section

Employer and employee contributions increased \$1.6 million due to an increase in the employer contribution rates to 20.21% from 18.55% in the prior year. In 2006 the governing board adopted a number of actuarial changes that included extending the period over which unfunded liabilities could be amortized from 20 to 30 years, reducing the salary growth assumption from 6% to 5% and changing the method for calculating the accrued liability from entry age normal method to the projected unit credit method. For FY 2008, EORP recognized net investment loss of \$23.2 million which compares to a \$54.6 million gain in the previous year. This 142.40% decrease was due to the negative returns in the financial markets during the fiscal year. Deductions from the EORP net assets held in trust for benefits consist primarily of pension, disability, health insurance subsidies, survivor benefits, member refunds and administrative expenses. For FY 2008, these deductions totaled \$32.9 million, an increase of 12.79% from the \$29.2 million paid during FY 2007.

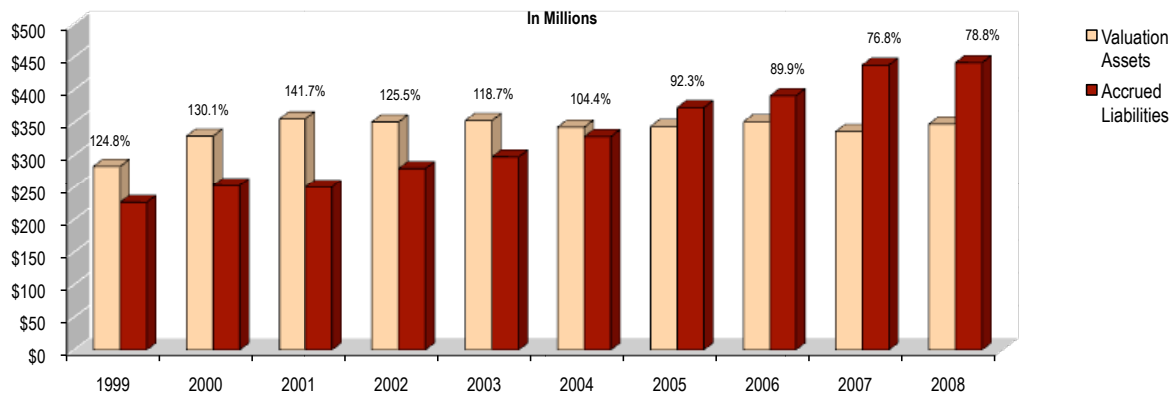
Investment Activities



During FY 2007, the fund manager adopted a more diversified asset allocation policy but due to the unfavorable markets the investment total rate of return was -7.59%. At June 30, 2008, EORP held \$215.8 million in equities. The FY 2008 rate of return for EORP equities was -12.11% versus a benchmark rate of return of -10.58%. At June 30, 2008, EORP held \$80.1 million in fixed income securities. The FY 2008 rate of return for EORP fixed income securities was 3.089% versus a benchmark rate of return of 7.24%. The benchmarks for both equities and fixed income securities are representative of the returns that could be expected in a similar investing environment. More detailed information regarding the Plan's investment portfolio can be found in the investment section of this report.

EORP earns additional income by lending investment securities to brokers. This is done on a pooled basis by our custodial bank, BNY Mellon. The brokers provide collateral and generally use the borrowed securities to cover short trades and failed trades.

Historical Trends



Accounting standards require that the “Statement of Plan Assets” reflect investment asset values at fair market value and include only benefits and refunds due to plan members and beneficiaries and accrued investment and administrative expenses as of the reporting date. Information regarding the actuarial funding status of the plan is provided in the “Schedule of Funding Progress.” The asset value stated in the “Schedule of Funding Progress” is the actuarial value of assets as determined by calculating the ratio of the market value to book value of assets over a seven year period. Actuarial valuations of the EORP assets and benefit obligations for the retirement plan are performed annually. The most recent actuarial valuation available is as of June 30, 2008.

At June 30, 2008, the total funded status of the EORP increased slightly to 76.6% from 74.6% at FYE 2007. This increase in funded status is related primarily to investment losses in fiscal year 2001 having been fully recognized in the prior year. Investment losses from the fiscal year 2002 will be fully reflected by FYE 2009. A more detailed discussion of the funding status can be found in the Administrator’s Letter of Transmittal in the Introductory Section of this report.

Implementation of GASB No. 43/45

Historically, the contributions, pension benefits, including the health insurance premium subsidy payments, actuarial accrued liabilities and the funded ratio were reported by the system as a single, combined pension benefit. However, beginning in FY’07, the system was required to implement Government Accounting Standards Board (GASB) Statement No. 43. This statement requires that the system separately report the assets and liabilities associated with the health insurance premium subsidy by discretely presenting the assets and the liabilities separately from the retirement plan.

The System is not statutorily authorized to separately account for the assets, income and/or benefit payments of a supplemental health care benefit. Additionally, the System does not administer the health insurance premium subsidy through a separate health care plan as defined by the Internal Revenue Code §401 (h). As mentioned earlier, the System has always recognized, reported and funded the actuarial accrued liability for the health insurance premium benefit as another form of postemployment benefit, similar to the disability benefit. Assets and liabilities are not discretely presented for the disability benefits or any other benefits provided under the plan.

The characteristics of the plan have resulted in unique and unusual reporting of the benefit under the requirements of GASB Statement No. 43. Complying with this new statement will result in the following changes to the financial statements and actuarial disclosures for the System’s pension benefits:

- Contributions and benefits paid totaling \$911,923 for the health insurance premium subsidy will no longer be reported on the Statement of Changes in Plan Net Assets with the financial information for the retirement plan. This information will be reported separately as an “Agency Fund” (unaudited) and can be found in the Statement of Changes in Assets & Liabilities in the Other Supplemental Information section included in the Financial Section of the report.

Financial Section

- The Schedule of Funding Progress will no longer include the liability for the health insurance premium subsidy. This will increase the System's funded ratio. The funded ratio without the health insurance premium subsidy liability is calculated as 78.8%. If the liability associated with the health insurance premium subsidy were to be included, the funded ratio is calculated as 76.6%.
- The Schedule of Employer Contributions will include the annual required employer contributions for the retirement plan plus the difference between the annual required contributions calculated for the health insurance premium subsidy and the benefits paid. For FY '08, this amounted to a difference of \$468,555 added back to the employer contributions, which gives the "appearance" that the contributions for the retirement plan were over funded and the contributions for the health insurance premium subsidy were under funded. If a portion of the system assets were allocated to both the retirement and health insurance subsidy benefits, the percentage contributed for both benefits would be 100% funded.
- Beginning FY'08, the participating employer groups implemented GASB Statement No. 45. This statement required the participating employers to report the liabilities associated with the health insurance premium subsidy as well as any other supplemental healthcare benefits provided to the retiree under the healthcare plans that they administer (sponsor).

The management of the System maintains that the reporting described above has limitations and decreases the reporting transparency of the health insurance premium subsidy. Management will continue to evaluate options to enhance the reporting of the health insurance premium subsidy benefit payments, employer contributions, and actuarial required disclosures.

Request for Information

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

STATEMENT OF PLAN NET ASSETS
AT JUNE 30, 2008 WITH COMPARATIVE TOTALS FOR 2007

	2008	2007
ASSETS		
Cash and Short Term Investments	\$5,973,514	\$285,869
Receivables		
Members' Contributions	153,357	106,488
Employers' Contributions	287,763	170,936
Court Fees	361,979	364,387
Interest and Dividends	1,231,288	1,396,074
Investment Sales	6,681,095	1,201,913
Other	12,036	17,700
Total Receivables	<u>8,727,518</u>	<u>3,257,498</u>
Investments at Fair Value (Notes 2 and 3)		
U.S. Government Securities	40,292,400	35,243,541
Corporate Bonds	39,793,718	39,395,289
Corporate Notes	-	11,588,779
Corporate Stocks	215,778,095	270,935,457
Alternative Investments	24,796,011	13,225,489
Total Investments	<u>320,660,224</u>	<u>370,388,555</u>
Securities Lending Collateral	<u>61,810,213</u>	<u>103,894,449</u>
Capital Assets (Note 4)		
Land	33,145	33,145
Building	233,969	216,546
Furniture, Fixtures & Equipment	51,335	50,875
Total Capital Assets	<u>318,449</u>	<u>300,566</u>
Accumulated Depreciation	<u>(40,768)</u>	<u>(25,668)</u>
Net Capital Assets	<u>277,681</u>	<u>274,898</u>
Total Plan Assets	<u>397,449,150</u>	<u>478,101,269</u>
Liabilities		
Accrued Accounts Payable	481,965	359,857
Investment Purchases Payable	3,091,720	4,006,316
Securities Lending Collateral	61,810,213	103,894,449
Total Plan Liabilities	<u>65,383,898</u>	<u>108,260,622</u>
Net Assets Held in Trust for Pension Benefits	<u>332,065,253</u>	<u>369,840,645</u>
Net Asset Reserves		
Refundable Members' Reserve	41,963,744	39,760,374
Employers' Reserve	271,917,091	299,252,390
Future Benefit Increase Reserve	18,184,418	30,827,881
Total Net Asset Reserves	<u>\$332,065,253</u>	<u>\$369,840,645</u>

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

STATEMENT OF CHANGES IN PLAN NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2008 WITH COMPARATIVE TOTALS FOR 2007

	2008	2007
Additions		
Contributions		
Members' Contributions (Notes 2 and 5)	\$4,355,999	\$4,089,699
Employers' Contributions (Notes 2 and 5)	7,275,780	6,080,175
Court Fees	4,155,348	3,977,740
Member Service Purchase	1,045,274	1,957,426
Total Contributions	<u>16,832,401</u>	<u>16,105,040</u>
Net Appreciation (Depreciation)		
in Fair Value of Investments (Notes 1 and 3)	(36,152,328)	43,614,635
Interest	7,696,271	6,114,333
Dividends	5,346,698	4,800,479
Securities Lending Activities		
Securities Lending Income	2,378,622	4,533,193
Borrower Rebates	(1,978,867)	(4,278,264)
Agents Share of Income	(73,272)	(76,457)
Net Securities Lending Income (Note 2)	<u>326,483</u>	<u>178,472</u>
	(22,782,876)	54,707,919
Less Investment Expense	(368,042)	(109,396)
Net Investment Income	<u>(23,150,918)</u>	<u>54,598,523</u>
Amounts Transferred from Other State-Sponsored Pension Plans and Service Credits Purchased	573,261	1,190,489
Total Additions	<u>(5,745,256)</u>	<u>71,894,052</u>
Deductions		
Pension and Insurance Benefits (Note 2)	31,607,055	28,717,547
Refunds to Terminated Members (Note 2)	63,958	127,738
Administrative Expenses	355,290	339,875
Amounts Transferred to Other State-Sponsored Pension Plans	3,834	20,169
Total Deductions	<u>32,030,137</u>	<u>29,205,329</u>
Net Increase (Decrease)	(37,775,392)	42,688,724
Net Assets Held In Trust for Pension Benefits		
Beginning of Year - July 1	<u>369,840,645</u>	<u>327,151,921</u>
End of Year - June 30	<u>\$332,065,253</u>	<u>\$369,840,645</u>

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

EORP Notes to the Financial Statements

Note 1-Plan Description:

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

The Fund Manager is a five member board. Effective August 6, 1999, it became the Governor's responsibility to appoint all members of the Fund Manager, who serve a fixed three-year term. The Fund Manager is responsible for the investment of the Plan's assets, setting employer contribution rates in accordance with an actuarial study, adopting a budget, hiring personnel to administer the Plan, setting up records, setting up accounts for each member, paying benefits and the general protection and administration of the System. Senate Bill 1378, which was enacted August 12, 2005, requires substantial investment experience for the member of the Fund Manager that represents the state as an employer and the public member of the Fund Manager.

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

The Fund Manager of the EORP is also responsible for the investment and general administration of two other statewide retirement plans—the Corrections Officer Retirement Plan and the Public Safety Personnel Retirement System. 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, 2008 and 2007, the number of participating local government employer groups was:

	2008	2007
Cities and Towns	21	21
Counties	15	15
State Agencies	1	1
Total Employers	37	37

All state and county elected officials and judges are members of the Plan. Any city or town in the state of Arizona may elect to have its' elected officials covered by EORP. At June 30, 2008 and 2007, statewide EORP membership consisted of:

		Retirement Plan		Health Insurance Subsidy	
		2008	2007	2008	2007
Retirees		872	826	474	453
Terminated vested employees		88	86		
Current Employees:					
	Vested	539	513		
	Non-vested	285	300	- 0 -	- 0 -
Total Members		1,784	1,725	474	453

EORP provides retirement benefits as well as death and disability benefits. Generally, all benefits vest after five years of credited service.

A summary of benefit and plan provisions follows:

Summary of Benefits:

Purpose (A.R.S. §38-810.02.B)

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

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

All elected officials are members of the Plan, except that an elected official who is subject to term limits may elect not to participate in the Plan for that specific term of office. An elected official means every elected official of this state, every elected official of each county of this state, every justice of the supreme court, every judge of the court of appeals, every judge of the superior court, every full-time superior court commissioner, the administrator of the fund manager if the administrator is a natural person and each elected official of an incorporated city or town whose employer has executed a proper joinder agreement for coverage of its elected officials.

Contributions (A.R.S. §38-810.A)

Each member shall contribute 7% of salary to the Plan on a pre-tax basis. Each employer shall contribute the following:

For state and county employers, a designated portion of certain fees collected by the Clerks of the Superior Courts, Courts of Appeals and the Supreme Court plus additional contributions as determined by actuarial valuation to ensure proper funding for the Plan, but not less than 10% of salary.

For incorporated city or town employers, a level per cent of salary as determined by actuarial valuation to ensure proper funding for the Plan but not less than 10% of salary.

Credited Service (A.R.S. §38-801.5)

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

Average Yearly Salary (A.R.S. §38-801.4)

Means the highest average total salary over a period of three consecutive years within the last 10 completed years of credited service which was paid to the elected official at the time of death or retirement or at the time the elected official ceases to hold office.

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

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

1. Age 65 years, with 5 or more years of credited service.
2. Age 62 years, with 10 or more years of credited service.
3. Twenty or more years of credited service regardless of age.

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

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

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

Vested Termination (Deferred Retirement)

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

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

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

Survivor Pension (A.R.S. §38-807)

Payable to the eligible beneficiary of a retired member or an active or inactive member who dies before retirement. An eligible beneficiary is a surviving spouse who was married to the retired or active or inactive member for at least two years; or, if there is no eligible spouse, then to a minor child. A surviving spouse's pension terminates upon death. A surviving child's pension terminates upon marriage, adoption or death or upon attainment of age 18 years, unless the child is a full-time student under the age of 23 or the child is under a disability which began before the child attained the age of 23. The amount of a surviving spouse's pension is three-fourths of the pension being paid the deceased retired elected official or three-fourths of the pension which the member would have received assuming he had retired under a disability. The amount of a surviving child's pension is an equal share of the amount of a surviving spouse's pension.

Death Benefit (A.R.S. §38-807.E)

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

Termination Refund (A.R.S. §38-804.B)

Upon termination of employment for any reason other than death or retirement, a member shall, within 20 days after filing an application with the Fund Manager, receive a lump-sum payment, equal to the accumulated contributions, as of the date of termination, less any benefits paid or any amounts owed to the Plan. A member forfeits all membership rights and credited service in the Plan upon receipt of refund of contributions. If the member has 5 or more years of credited service upon termination they shall receive an additional amount according to the schedule below:

5 to 5.9—25% of member contributions deducted from the member's salary pursuant to ARS 38-810.A

6 to 6.9—40% of member contributions deducted from the member's salary pursuant to ARS 38-810.A

7 to 7.9—55% of member contributions deducted from the member's salary pursuant to ARS 38-810.A

8 to 8.9—70% of member contributions deducted from the member's salary pursuant to ARS 38-810.A

9 to 9.9—85% of member contributions deducted from the member's salary pursuant to ARS 38-810.A

10 or more—100% of member contributions deducted from the member's salary pursuant to ARS 38-810.A plus interest at 3% if left on deposit after 30 days.

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

An elected official who terminates membership in the Plan and takes a refund of his contributions and is later re-employed as an elected official may restore prior service credits, if the elected official signs a written election within 90 days after re-employment to reimburse the Plan within one year after the date of re-employment. The reimbursement will equal the amount previously withdrawn plus interest from the date of withdrawal to the date of repayment at the rate of 9% compounded annually.

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

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

Redemption Of Prior Service (A.R.S. §38-816) (Use Form E2)

Active members who had previous service in this state as an elected official with an employer now covered by the Plan before the effective date of participation and who received a refund of accumulated contributions from the applicable retirement system upon termination or who was not covered by a retirement system or plan during the elected official's prior elected official service may elect to redeem any part of the prior service by paying into the Plan the amounts required in A.R.S. §38-816.B. In addition, active members can also elect to redeem prior employment they may have had with the U.S. Government, a state of the U.S. or a political subdivision of a state of the U.S.

Purchase Of Prior Active Military Service (A.R.S. §38-820) (Use Form 18)

A member may purchase up to four years of prior active military time even if the member will receive a military pension. The member must pay the actuarial present value of the increase of credited service resulting from this purchase.

Transfer Between State Retirement Systems (A.R.S. §38-921 and §38-922) (Use Form U-2)

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 actuarial present value of the credited service into their current Arizona retirement system or plan to the extent funded on a market value basis as of the most recent actuarial valuation 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 to the extent funded on a market value basis as of the most recent actuarial valuation.

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

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

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

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

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

Through June 30, 2009, a retiree or survivor who is eligible for medicare and who lives in a nonservice area receives up to the following amounts in addition to the subsidy listed above after they have paid an out-of-pocket expense as set forth below. A nonservice area is defined as an area in this state where the state retiree group insurance program or employer's retiree health insurance program does not provide or administer a health maintenance organization (HMO) for which the member or survivor is eligible. The subsidy consists of up to the following amounts:

Single	Family	
Medicare Eligible	Retired Member and one dependent Medicare Eligible	Only Retired Member Medicare Eligible
\$170.00 after \$100.00 paid out-of-pocket	\$350.00 after \$200.00 paid out-of-pocket	\$470.00 after \$400.00 paid out-of-pocket

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

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

Domestic Relations Order; procedures; payments (A.R.S. § 38-822)

When a member has a divorce decree that splits pension benefits or refunds, EORP requires a Plan-approved Domestic Relations Order (DRO). This new statute details the basic requirements and sets forth a procedure for providing a certified copy of a DRO to EORP.

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 when due, pursuant to formal commitments, as well as statutory or contractual requirements. Pension and Health Insurance subsidy benefits are recognized when due and payable in accordance with the terms of the Plan. Refunds are due and payable by state law within 20 days of receipt of a written application for a refund. Refunds are recorded when paid. Furniture, fixtures and equipment purchases costing \$5,000 or more, when acquired, are capitalized at cost.

Improvements, which increase the useful life of the property, are also capitalized. Investment income net of administrative and investment expenses are allocated to each employer group based on the average relative fund size for each employer group for that year.

By state statute, the Plan is required to provide information in the financial statements used to calculate Net Effective Yield. Net Effective Yield includes only realized gains and losses. The Net Realized Gains (Losses) used in this calculation totaled \$38,051,909 for FYE 2008 and \$24,425,002 for FYE 2007. This calculation is independent of the calculation of the change in the fair value of investments and may include unrealized amounts from prior periods.

Note 3 – Cash and Investments

Custodial credit risk for deposits is the risk that in the event of a bank failure, the Plan's deposits may not be returned. The deposits are held in one financial institution with a balance of up to \$100,000 (temporarily increased to \$250,000 per depositor October 3, 2008, through December 31, 2009) insured by the Federal Deposit Insurance Corporation (FDIC). The Plan mitigates custodial credit risk for deposits by requiring the

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financial institution to pledge securities from an acceptable list in an amount at least equal to 102% of the aggregate amount of the deposits on a daily basis.

In addition to the FDIC insurance coverage on the operating and money market accounts of EORP, Wells Fargo pledged the following securities to EORP, Public Safety Personnel Retirement System, and the Corrections Officer Retirement Plan on June 30, 2008, as collateral:

\$24,638,000 FNIONP878442 6.50% Maturity Date 05/01/36

All monies shall be secured by the depository in which they are deposited and held to the same extent and in the same manner as required by the general depository law of the state.

Cash balances represent both operating and cash accounts held by the bank and investment cash on deposit with the investment custodian. Formerly all accounts were held at Wells Fargo Bank. A new custodian bank for investments only (BNY Mellon) was retained in August 2007 (effective October 1, 2007). All deposits are carried at cost plus accrued interest. The following table is a schedule of the aggregate book and bank balances of all cash accounts as of June 30, 2008:

	Reported Amount	Bank Balance
Pension Trust Fund	\$5,880,755	\$5,880,755
Operating Fund	92,759	92,759
Total Deposits	\$5,973,514	\$5,973,514

Investments

EORP investments are reported at Fair Value. Fair Values are determined as follows: Short-term investments are reported at Fair Value, which approximates Cost. Equity securities are valued at the last reported sales price. Fixed-income securities are valued using the last reported sales price or the estimated fair market value as determined by the fixed-income broker/dealers. Directed real estate and venture capital investments were historically reported at cost but were marked-to-market during the fiscal year using appraisals to estimate the 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 judgment and care under the circumstances then prevailing which men of ordinary prudence, discretion and intelligence exercise in the management of their own affairs, not in regard to speculation but in regard to the permanent disposition of their funds, considering the probable income from their funds as well as the probable safety of their capital, provided:

- 1) That not more than eighty percent of the combined assets of the system or other plans that the fund manager manages shall be invested at any given time in corporate stocks, based on cost value of such stocks irrespective of capital appreciation.
- 2) That not more than five percent of the combined assets of the system other plans that the fund manager manages shall be invested in corporate stock issued by any one corporation, other than corporate stock issued by corporations chartered by the United States government or corporate stock issued by a bank or insurance company..
- 3) That not more than five percent of the voting stock of any one corporation shall be owned by the system and other plans that the fund manager administers, except that this limitation does not apply to membership interests in limited liability companies.

- 4) That corporate stocks and exchange traded funds eligible for purchase shall be restricted to stocks and exchange traded funds that, except for bank stocks, insurance stocks and membership interests in limited liability companies, are either:
 - A) Listed or approved on issuance for listing on an exchange registered under the Securities Exchange Act of 1934, as amended (15 United States Code §78a through §7811);
 - B) Designated or approved on notice of issuance for designation on the national market system of a national securities association registered under the Securities Exchange Act of 1934, as amended (15 United States Code §78a through §7811)
 - C) Listed or approved on issuance for listing on an exchange registered under the laws of this [Arizona] state or any other state; or
 - D) Listed or approved on issuance for listing on an exchange registered of a foreign country with which the United States is maintaining diplomatic relations at the time of purchase, except that no more than twenty per cent of the combined assets of the system and other plans that the fund manager manages shall be invested in foreign equity securities, based on the cost value of the stocks irrespective of capital appreciation.
 - E) An exchange traded fund that is recommended by the chief investment officer of the system, that is registered under the investment company act of 1940 (15 United States Code Section 80a-1 through 80a-64) and that is both traded on a public exchange and based on a publicly recognized index.

Custodial Credit Risk

Custodial Credit Risk is the risk that EORP will not be able (a) to recover deposits if the depository financial institution fails or (b) to recover the value of the investment or collateral securities that are in the possession of an outside party if the counterpart to the investment or deposit transaction fails. As of June 30, 2008, EORP has no fund or deposits that were not covered by depository insurance or collateralized with securities held by our banks' trust department or agent. Nor does EORP have any investments that are not registered in the name of EORP and are either held by the counterpart or the counterpart's trust department or agent.

Credit Risk

Credit Risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligation to the Plan. As of June 30, 2008, the Plan's fixed income assets that were not government guaranteed represented 68% of the fixed income portfolio.

Each portfolio is managed in accordance with investment guidelines that are specific as to permissible credit quality ranges, exposure levels within individual quality tiers, and the average credit quality of the overall portfolios. According to those guidelines, the fixed income portfolio must have a minimum weighted average quality rating of A3/A-. Fixed income securities must have a minimum quality rating of Baa3/BBB- at the time of purchase. The portion of the bond portfolio in securities rated Baa3/BBB- through Baa1/BBB+ must be 20% or less of the fair value of the fixed income portfolio. Included in the fixed income portfolio are cash equivalents or commercial paper.

Commercial Paper must have a minimum quality rating of A-1/P-1 at the time of purchase.

Investments in derivatives are limited to collateralized mortgage obligations (CMO), collateralized bond obligations (CBO), collateralized debt obligations (CDO), and asset-backed securities (ABS).

In preparing this report, collateral for securities lending has been excluded because it is invested in a securities lending collateral investment pool.

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The following tables summarize the Plan's fixed income portfolio exposure levels and credit qualities.

Average Credit Quality and Exposure Levels of Non-government Guaranteed Securities

Fixed Security Type	Fair Value June 30, 2008	% of all Fixed Income Assets	Weighted Avg. Credit	Dispersion Requiring Further Exposure
Corporate Bonds	\$22,280,427	28%	A	See below
Mortgages	935,650	1%	AAA	See below
Agencies	28,576,068	35%	AAA	None
CBO	2,470,650	3%	A	See below
CDO	534,096	1%	A	See below
Total	\$54,796,891	68%		

Ratings Dispersion Detail

Credit Rating Level	Corporate Bonds	Mortgages	CBO	CDO
AAA	\$1,092,175	680,314		
AA	2,942,605	152,196		
A	10,822,893	103,140	1,640,994	379,330
BBB	6,184,519	0	829,656	154,766
Below BBB	1,238,235	0	0	0
Total	\$22,280,427	\$935,650	\$2,470,650	\$534,096

Concentration of credit risk

Concentration of credit risk is the risk of loss that may be attributed to the magnitude of a government's investment in a single issue. Other than bonds used as direct obligations of and fully guaranteed by the U.S. Government, not more than 5% of the Fund or its fixed income portfolio at fair value shall be invested in bonds issued by any one institution, agency or corporation.

Interest rate risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. This risk is managed within the portfolio using segmented time distributions. It is widely used in the management of fixed income portfolios in that it quantifies the risk of interest rate changes. The Plan does invest in fixed income securities with floating rates that contain coupon adjustment mechanisms in a rising interest rate environment.

The following tables quantify, to the fullest extent possible, the interest rate risk of the Plan's fixed income assets.

Segmented Time Distribution by Security Type (including Government Guaranteed Securities)

Fixed Income Security	<1	1 -5	6 - 10	11 - 15	16 - 20	>20
Corporate	430,357	1,753,214	4,170,112	847,217	3,162,181	11,917,347
Agencies		25,821,472	3,540,559	3,433,541	2,238,957	5,412,624
CBO		829,656		679,936		961,058
CDO	0	0	379,330	0	0	154,766
Totals	430,357	28,404,342	8,090,001	4,960,694	5,401,138	18,445,794

**Callable Bonds by Security Type
(including Government Guaranteed Securities)**

Fixed Income Security Type	Fair Value June 30, 2008	% of All Fixed Income Assets
Corporate	\$1,116,800	1.39%
Agencies	-0-	-0-%
Totals	\$1,116,800	1.39%

Foreign Currency Risk

Foreign currency risk is the risk that changes in exchange rates will adversely impact the fair value of an investment. Because it has no international holdings, EORP does not have any foreign currency risk exposure.

Security Lending Program

The Plan is party to a securities lending agreement with a bank. The bank, on behalf of the Plan, enters into agreements with brokers to loan securities and have the same securities returned at a later date. The loans are fully collateralized primarily by cash. Collateral is marked-to-market on a daily basis. Non-cash collateral can be sold only upon borrower default. The Plan requires collateral of at least 102% of the fair value of the loaned U.S. Government or corporate security. Securities on loan are carried at fair value.

As of June 30, 2008 the fair value of securities on loan was \$60,131,817 and the collateral was \$61,810,214. The Plan receives a negotiated fee for its loan activities and is indemnified for broker default by the securities lending agent.

The Plan participates in a collateral investment pool. All security loans may be terminated on demand by either the lender or the borrower.

All matched loans shall have matched collateral investments.

The total cash collateral investments received for unmatched loans (any loan for which the cash collateral has not been invested for a specific maturity) will have a maximum effective duration of 233 days. And, at least 20% of total collateral investments shall be invested on an overnight basis. At June 30, 2008, the weighted average maturity was 107 days for all investments purchased with cash collateral from unmatched loans. The Plan has no credit risk because the amounts owed to the borrowers exceed the amounts the borrowers owe to the Plan. Prior to June 30, 2008, under this program, the Plan has not experienced any defaults or losses on these loans. However, for the period ending November 2008, EORP was informed that due to recent market events one or more securities lending collateral vehicles that held assets have been impaired. This potential liability will be realized upon settlement of the recovery process or if there becomes a liquidity issue with the collateral pool.

Asset Class	Out on Loan	Total Available to Loan	% of Available to Loan
Equities	17,203,309	165,727,489	10%
Agencies	1,266,450	25,119,259	5%
Treasuries	15,173,141	15,173,141	100%
Exchange Traded Funds	26,488,917	89,844,324	29%
Totals	60,131,817	295,864,213	20%

Note 4 - Capital Assets

These assets are stated at cost, and depreciable assets are depreciated using the straight-line method over the estimated life of the asset. Repairs and maintenance are charged to expense as incurred. Depreciation expense for June 30, 2008 and 2007 was \$14,993 and \$11,440, respectively. A new office facility located at 3010 E. Camelback Road was purchased in June of 2004. The property consists of a two-story building, the bottom floor of which is partially leased. The administrative staff of the Plan occupies one-third of the first floor and the entire second floor.

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The table below is a schedule of the capital asset account balances as of June 30, 2007, and June 30, 2008, and changes to those account balances during the year ended June 30, 2008.

Schedule of Capital Asset Account Balances

Capital Assets	Land	Building and Improvements	Furniture, Fixtures and Equipment	Total Capital Assets
Balance June 30, 2007	33,145	216,546	50,875	300,566
Additions		17,423	460	17,884
Deletions	-0-	-0-	-0-	-0-
Balance June 30, 2008	33,145	233,969	51,335	318,450
Accumulated Depreciation				
Balance June 30, 2007	-0-	(10,003)	(15,665)	(25,668)
Additions	-0-	(6,191)	(8,909)	(15,100)
Deletions	-0-	-0-	-0-	-0-
Balance June 30, 2008	-0-	(16,194)	(24,574)	(40,768)
Net capital assets	33,145	217,775	26,761	277,681

NOTE 5 - Contributions Required and Contributions Made

The Retirement System'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 Projected Unit Credit Actuarial cost method. Unfunded actuarial accrued liabilities and assets in excess of actuarial accrued liabilities are being amortized as a level percent of payroll over a closed twenty-eight (28) year period. Beginning July 1, 2006, the minimum employer contribution rate increased from 5% to 10%.

During the year ended June 30, 2008, contributions totaling \$16,699,050 (\$8,187,703 employer, \$4,155,348 court fees and \$4,355,999 member) were made in accordance with contribution requirements determined by an actuarial valuation of the System as of June 30, 2006. The employer contributions including court fees consisted of approximately \$9,848,174 for normal cost plus \$2,494,877 for amortization of the unfunded actuarial accrued liability in aggregate. Employer contributions including court fees represented 20.21% of covered payroll [16.59% for normal costs and 3.62% for amortization of the unfunded actuarial accrued liability in aggregate]. Member contributions represented 7.00% of covered payroll and are attributable to normal costs.

NOTE 6 – Other Benefits

The PSPRS adopted a supplemental defined contribution plan for all contributing members of an eligible group. An eligible group is defined as the employees of the Fund Manager, PSPRS, the EORP and the Corrections Officer Retirement Plan. The employees of any of these eligible groups must make an election to participate within two years after the employee first meets the eligibility requirements to participate in the plan. The election to participate is irrevocable and continues for the remainder of the employee's employment with the employer. If an employee elects to participate, the employee must contribute at least 1% of the employee's gross compensation. The IRS maintains that the Employers designate the amounts contributed by each employee. All amounts contributed are subject to the discretion and control of the Employer. Employee contributions and earnings to the plan are immediately vested. Employer contributions, if any, are vested based on the following schedule:

Less than one year of service	0%
One year but less than two	20%
Two years but less than three	40%
Three years but less than four	60%
Four years but less than five	80%

Five years or more

100%

PSPRS administers the supplemental defined contribution plan through a third party administrator. All contributions are sent directly to the third party administrator from the participating employer groups.

NOTE 7 – Health Insurance Premium Subsidy – Agency Fund

The plan description, summary of significant accounting policies, investment policies and contributions required for the health insurance subsidy are the same as the retirement plan and can be found under Notes 1, 2, 3 and 5. The health insurance premium subsidy provided by A.R.S. §38-857 consists of a fixed dollar amount set by statute and paid by the Plan on behalf of eligible retired members. The subsidized health benefits are provided and administered by the Arizona State Retirement System, Arizona Department of Administration or the participating employer of the retired member. According to Governmental Accounting Standards Board (GASB) Statement No. 43, the health insurance subsidy paid by the Plan represents other post employment benefits. The Plan does not administer a separate healthcare plan as defined under IRC §401(h) or an equivalent arrangement. In addition, the Plan is not statutorily authorized to maintain a separate account for the health insurance subsidy assets and benefit payments. Therefore, in accordance with GASB No. 43, the healthcare subsidy is reported as an agency fund. All assets of the Plan are available to pay both pension benefits and health insurance subsidy. The pension benefits and health insurance subsidy are funded through employer contributions based on an annual actuarial valuation. Contributions are separately accounted for by employer but are not segregated by contribution type. Contributions in excess of the health benefit subsidy payments are reported in the retirement plan. Therefore, no accumulated assets or liabilities to participating employers are reported in the agency fund. For FY '08, contributions collected for the health insurance subsidy amounted to \$1,380,478 and the health benefit subsidy payments were \$911,923. The excess contributions of \$468,555 were added to the retirement plan for reporting purposes. Effective FY '08, each participating employer is required by GASB Statement No. 45 to disclose additional information with regard to funding policy, the employer's annual OPEB cost and contributions made, the funded status and funding progress of the employer's individual plan and actuarial methods and assumptions used.

NOTE 8 – Plan Termination

EORP and its related plans are administered in accordance with Arizona statutes. These statutes do provide for termination of the plans under A.R.S. 41-3016.18. The plans are scheduled to terminate on July 1, 2016.

NOTE 9 – Contingencies

Some of our real estate partners in the investments categorized as “other investments” have obtained third party financing, which is secured by real property. The Plan has entered into Capital Call Agreements with regards to these third party financing arrangements. The Capital Call Agreements, in the unlikely event of default, limit the Plan to the amount of the defaulted payment or the original terms of the investment approved by the Fund Manager, whichever is less. In management's opinion any loss realized as a result of current valuations will not have a material effect on the financial statements.

As stated in Note 3 – Cash and Investments under the Security Lending Program heading, the System has been apprised of a situation involving one or more security lending collateral vehicles that held assets which have been impaired as a result of recent market events. An estimate of the maximum potential loss is approximately \$11.3 million dollars for all three plans. The actual realized loss is undeterminable and is management's opinion, the realized loss as a result of the collateral impairment will not have a material effect on the financial statements.

NOTE 10 – Funding Status and Progress

The Plan's funded status as of the most recent valuation data is as follows (in thousands):

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (b)	Unfunded AAL(UAAL) (b-a)	Funded Ratio (a/b)	Annual Covered Payroll (c)	UAAL As a % of Covered Payroll ((b-a)/c)
6/30/08	\$348,013	\$441,886	\$93,873	78.8%	\$62,184	151.0%

Financial Section

The required schedule of funding progress immediately following the notes to the financial statements presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

The actuarial methods and assumptions used for the pension benefits are as follows:

Valuation Date:	June 30, 2008
Actuarial Cost Method	Projected Unit Credit
Amortization Method:	Level Percent of Payroll, Closed
Remaining Amortization Period:	28 years closed for unfunded accrued actuarial liability, 20 years open for excess
Asset Valuation Method:	7-Year Smoothed Market Value
Investment Rate of Return:	8.5%
Projected Salary Increases:	5.00%, which includes inflation at 5.00%

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future, and the actuarially determined amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future. Actuarial calculations reflect a long-term perspective. Consistent with this perspective, actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets. The actuarial calculations are based on the benefits provided under the terms of the Plan in effect at the time of each valuation. These benefits are described in Note 1 under “Summary of Benefits”.

NOTE 11 – Required Schedules

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

Required Supplemental Information

SCHEDULE OF FUNDING PROGRESS

(in thousands)

Actuarial Valuation Date	Actuarial Value of Assets (a) ²	Actuarial Accrued Liability (AAL) at 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)
6-30-99	\$283,337	\$227,100	\$(56,237)	124.8%	\$43,087	-130.5%
6-30-00	\$329,777	\$253,478	\$(76,299)	130.1%	\$45,382	-168.1%
6-30-01	\$355,768	\$250,987	\$(104,781)	141.7%	\$48,669	-215.3%
6-30-02	\$351,349	\$279,947	\$(71,402)	125.5%	\$48,729	-146.5%
6-30-03	\$353,463	\$297,891	\$(55,572)	118.7%	\$49,351	-112.6%
6-30-04	\$343,376	\$328,921	\$(14,455)	104.4%	\$50,624	-28.6%
6-30-05	\$344,604	\$373,341	\$28,737	92.3%	\$53,449	53.8%
6-30-06	\$351,701	\$391,403	\$39,702	89.9%	\$54,696	72.6%
6-30-07	\$336,717	\$438,229	\$101,512	76.8%	\$61,308	165.6%
6-30-08	\$348,013	\$441,886	\$93,873	78.8%	\$62,184	151.0%

¹Entry Age Normal Cost method through 6-30-04. Projected Unit Credit method from 6-30-06 to the present.

²Beginning 6-30-07, funded ratio calculation does not include AAL for the health insurance premium subsidy. If the AAL for the health insurance premium subsidy were included, the funded ratio would be 74.6% for 6-30-07 and 76.6% for 6-30-08.

See Notes to the Schedules of Required Supplementary Information.

SCHEDULE OF EMPLOYER CONTRIBUTIONS

Fiscal Year Ended June 30	Employer Contributions	
	Annual Required Contributions	Percentage Contributed
1999	\$4,126,694	100.00%
2000	\$3,851,940	100.00%
2001	\$3,163,111	100.00%
2002	\$3,656,604	100.00%
2003	\$3,755,629	100.00%
2004	\$6,976,772	100.00%
2005	\$6,809,136	100.00%
2006	\$11,479,967	100.00%
2007 ¹	\$9,385,711	107.10%
2008 ²	\$10,962,573	104.30%

¹Total Employer Contributions received during FY'07 were \$10,908,830. GASB reporting requires discretely reporting the health insurance subsidy separately from the retirement plan. As a result, the annual required contributions for the health insurance subsidy were calculated to be \$1,523,119. The benefits paid for the health insurance subsidy were \$850,915. The difference between the calculated annual required contributions and the benefits paid of \$672,204 were then added back to the annual required contributions for the retirement plan. This required calculation resulted in a percent contributed of 107.1% for the retirement plan.

²Total Employer Contributions received during FY'08 were \$12,343,051. GASB reporting requires discretely reporting the health insurance subsidy separately from the retirement plan. As a result, the annual required contributions for the health insurance subsidy were calculated to be \$1,380,478. The benefits paid for the health insurance subsidy were \$911,923. The difference between the calculated annual required contributions and the benefits paid of \$468,555 were then added back to the annual required contributions for the retirement plan. This required calculation resulted in a percent contributed of 104.3% for the retirement plan. See Notes to the Schedules of Required Supplementary Information.

Required Supplemental Information

NOTES TO THE REQUIRED SUPPLEMENTAL INFORMATION:

Actuarial Methods and Assumptions for Valuations Performed June 30, 2008

The projected unit credit actuarial cost method of valuation is used in determining liabilities and normal cost. Differences in the past between assumed experience and actual experience (actuarial gains and losses) become part of actuarial accrued liabilities. Unfunded actuarial accrued liabilities are amortized to produce payments (principal and interest), which are expressed as a percent of payroll. An open 20-year amortization period for excess and a closed 28-year amortization period was used for the June 30, 2008 valuations. The actuarial value of assets is based on a method that fully recognizes expected investment returns and averages unanticipated market return over a 7-year period. The investment return rate assumption used is 8.5% per year, compounded annually (net of investment expenses). Projected salary increase assumptions are based on 5.0%, which include a price inflation assumption of 5.0% per year.

Actuarial valuations are prepared annually as of June 30 for each participating employer. To facilitate budgetary planning needs, employer contribution requirements are provided for each participating employer's fiscal year that commences after the following fiscal year end. For example, the contribution requirements for fiscal year 2008 were determined by actuarial valuations as of June 30, 2006.

Supporting Schedules Information

SCHEDULE OF CHANGES IN FUND BALANCE

FOR THE YEARS ENDED JUNE 30, 2008 AND 2007

	Refundable Members' Reserve	Employers' Reserve	Future Benefit Increase Reserve
Balance - June 30, 2006	<u>\$36,639,094</u>	<u>\$273,989,707</u>	<u>\$16,523,120</u>
Distribution of Revenues and Expenses			
Members' Contributions	4,089,699		
Employers' Contributions		10,908,830	
Earnings (Loss) on Investments Net of Investment Expenses		54,598,524	
Pension and Insurance Benefits		(29,568,462)	
Refunds to Terminated Members	(107,258)	(20,480)	
Administrative Expenses		(339,875)	
Distribution of Transfers			
Excess Investment Earnings to be used for Future Benefit Increases		(20,886,734)	20,886,734
Earnings (Loss) on Excess Investment Earnings Account Assets		(2,810,583)	2,810,583
Amount Utilized by Benefit Increases Granted		9,392,556	(9,392,556)
Net Transfers from (to) Other State-Sponsored Pension Plans and Purchase of Service Credits	422,547	747,773	
Inter-System Transfers -- Member Account Balances Transferred to Employers' Reserve due to Retirement	1,957,427 (3,241,134)	3,241,134	
Balance - June 30, 2007	<u>\$39,760,374</u>	<u>\$299,252,390</u>	<u>\$30,827,881</u>
Distribution of Revenues and Expenses			
Members' Contributions	4,355,999		
Employers' Contributions		12,343,051	
Earnings (Loss) on Investments Net of Investment Expenses		(23,150,918)	
Pension and Insurance Benefits		(32,518,978)	
Refunds to Terminated Members	(63,958)	-	
Administrative Expenses		(355,290)	
Distribution of Transfers			
Excess Investment Earnings to be used for Future Benefit Increases		-	-
Earnings (Loss) on Excess Investment Earnings Account Assets		2,340,761	(2,340,761)
Amount Utilized by Benefit Increases Granted		10,302,702	(10,302,702)
Net Transfers from (to) Other State-Sponsored Pension Plans and Purchase of Service Credits	1,045,274		
Inter-System Transfers -- Member Account Balances Transferred to Employers' Reserve due to Retirement	229,876 (3,363,821)	339,552 3,363,821	
Balance - June 30, 2008	<u>\$41,963,744</u>	<u>\$271,917,091</u>	<u>\$18,184,418</u>

Financial Section

Supporting Schedules Information

SCHEDULE OF RECEIPTS AND DISBURSEMENTS

Pension Trust Funds - Year Ended June 30, 2008 with comparative totals for 2007

	2008	2007
RECEIPTS		
Members' Contributions	\$4,309,130	\$4,065,787
Employers' Contributions	8,070,876	6,917,459
Court Fees	4,157,756	3,954,735
Interest	8,234,329	6,104,124
Dividends	4,939,955	4,756,518
Real Estate Income (Net)	1,190,112	(595)
Securities Lending Income	359,718	151,362
Amounts Transferred from Other		
State-Sponsored Pension Plans	600,232	1,190,489
and Purchase of Service Credits	1,045,274	1,957,426
Due To Other Pension Plan	-	3,578,711
Maturities and Sales of		
U.S. Government Securities	29,904,500	1,734,982
Corporate Bonds	9,790,266	12,689,702
Corporate Notes	11,588,779	875,666,696
Other Investments	6,500,483	4,485,708
Common Stock	118,888,802	96,386,120
Total Receipts	209,580,212	1,023,639,225
DISBURSEMENTS		
Pension Benefits	32,518,978	29,568,462
Refunds to Terminated Members	63,958	127,738
Investment and Administrative Expenses	226,373	449,270
Amounts Transferred to Other		
State-Sponsored Pension Plans	30,805	20,169
Acquisitions of		
U.S. Government Securities	33,222,528	8,938,193
Corporate Bonds	18,546,699	10,506,046
Corporate Notes	-	873,912,532
Other Investments	15,324,136	5,529,100
Common Stock	103,959,090	95,217,112
Total Disbursements	203,892,567	1,024,268,622
INCREASE IN CASH	5,687,645	(629,397)
BEGINNING CASH BALANCE - July 1	285,869	915,266
ENDING CASH BALANCE - June 30	\$5,973,514	\$285,869

Supporting Schedules Information

SCHEDULE OF ADMINISTRATIVE EXPENSES

FOR THE FISCAL YEAR ENDED JUNE 30, 2008

	<u>Administrative</u>	<u>Investment</u>	<u>Total</u>
Accounting and Auditing Services	\$5,093	\$-	\$5,093
Actuarial Services	17,315	-	17,315
Building Expenses	540	-	540
Communications	1,816	-	1,816
Computer Related Expense	6,920	1,677	8,597
Contractual Services	8,967	-	8,967
Depreciation Expense	14,993	-	14,993
Fund Manager Initiatives	2,771	-	2,771
Furniture and Equipment	225	41	266
Investment Services	-	196,477	196,477
Local Board Training	274	-	274
Supplies & Service	2,486	-	2,486
Payroll Taxes and Fringe Benefits	49,588	18,609	68,197
Postage Expenses	3,966	-	3,966
Professional Services	110,727	83,740	194,467
Printing & Publications	4,003	-	4,003
Salaries and Wages	120,398	62,429	182,827
Travel Expenses	2,315	3,982	6,297
Training Expenses	2,893	1,087	3,980
	<u>\$355,290</u>	<u>\$368,042</u>	<u>\$723,332</u>

SCHEDULE OF CONSULTANT EXPENSES

<u>Consultants</u>	<u>Fees Paid</u>
Albourne America, LLC	1,023
Cortex Applied Research, Inc.	1,202
Cushman & Wakefield of Arizona, Inc.	5,218
Ennis Knupp	12,276
Ernst & Young LLP	7,830
Heinfeld Meech & Co., PC	5,093
Highground, Inc.	3,694
Kutak Rock, LLP	96,189
Light Stone Solutions, LLC	2,383
McLagan Partners, Inc.	243
Mellon Global Securities	2,770
Peak Performance Consulting	290
Rodwan Consulting Group	7,001
Standard & Poor's	3,836
Public Policy Partners	2,877
Wells Fargo Bank	5,201
	<u>\$157,125</u>

**AGENCY FUND-HEALTH INSURANCE PREMIUM SUBSIDY
STATEMENT OF CHANGES IN ASSETS & LIABILITIES**

For the year ended June 30, 2008

	Balance at Beginning of Year	Additions	Deletions	Balance at End of Year
Health Insurance Premium Subsidy				
Assets				
Cash	-	911,923	911,923	-
Total Assets	-	911,923	911,923	-
Liabilities				
Benefits Payable	-	911,923	911,923	-
Total Liabilities	-	911,923	911,923	-

**HEALTH INSURANCE PREMIUM SUBSIDY
SCHEDULE OF FUNDING PROGRESS**

(in thousands)

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) EANC/PUC* (b)	Unfunded (Excess) AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
6-30-07	\$-	\$13,070	\$13,070	0.0%	\$61,308	21.3%
6-30-08		\$12,454	\$12,454	0.0%	\$62,184	20.0%

GASB reporting requires discretely reporting the health insurance premium subsidy separately from the retirement plan. As a result, the funded ratio for the retirement plan on page 43 does not include this portion for the health insurance premium subsidy. If you include the actuarial accrued liabilities for the health insurance premium subsidy with the retirement plan, the funded ratio is 74.6% and 76.6% respectively.



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Investments Section

PUBLIC SAFETY PERSONNEL RETIREMENT SYSTEM
CORRECTIONS OFFICER RETIREMENT PLAN
ELECTED OFFICIALS' RETIREMENT PLAN
3010 East Camelback Road, Suite 200
Phoenix, Arizona 85016-4416
www.psprs.com
TELEPHONE: (602) 255-5575
FAX: (602) 255-5572

Carter Olson
Fund Manager, Chairman

Billy Shields
Fund Manager, Vice Chairman

Mike Galloway
Fund Manager, Member

Timothy J. Dunne
Fund Manager, Member

Lori Roediger
Fund Manager, Member

Brian Delfs
Fund Manager, Advisor

James M Hacking
Administrator

Ryan Parham
Acting CIO

Tracey D. Peterson
Assistant Administrator-COO

December 17, 2008

The Fund Manager and Administrator
Correction Officers Retirement Plan

Dear Sirs/ Madam:

As Acting Chief Investment Officer, effective October 23, 2008, I submit the following comments as the Chief Investment Officer's portion of the Elected Officials' Retirement Plan's (EORP) Comprehensive Annual Financial Report (CAFR) for the fiscal year ending June 30, 2008. Data used in formulating this response has been generated by internal staff after review of and reference to data generated by the EORP custodian bank, BNY-Mellon.

MORE DIVERSIFIED STRATEGIES

After the devastating losses the fund suffered at the end of the "dot com" valuation bubble, the EORP board, staff and consultants began the process of expanding the EORP investment core strategy. That process has been ongoing and has involved the fund manager members who have served at various times since then, a variety of external consultants and the professional investment staff.

The chief objectives of the changing EORP investment strategy have been to:

- Diversify the portfolio away from extreme dependence upon publicly traded U.S. large and mid cap equities,
- Diversify the deployment of system assets to obtain global markets exposures,
- Diversify the portfolio away from what had been an almost completely internally managed strategy,
- Diversify the portfolio into attractive alternative investments on an opportunistic basis
- Increase internal staff's capabilities and expertise

EORP continued its asset allocation move in these directions during fiscal year 2007-2008. Asset allocations as of June 30th for the previous five years are as follows:

Asset Class	03-04	04-05	05-06	06-07	07-08
US Equities	71.57	69.31	69.18	65.10	49.86
Int'l Equities	0.66	.55	1.28	8.01	15.87
Fixed Income	18.03	19.93	21.36	20.37	24.92
Real Estate	5.24	3.95	2.70	2.28	4.61
Private Equity	0.30	0.29	0.61	1.22	1.79
Cash Equivalents	4.20	5.98	4.87	3.02	2.94

ALTERNATIVE INVESTMENTS

EORP also continued its movement into a more diversified portfolio making a total of 10 different commitments in alternatives in fiscal year 2007-2008. These alternatives include investments in:

US Private Equity	US Venture Capital
US Real Estate	US Infrastructure
European Private Equity	European Infrastructure
Dislocated Debt	Opportunistic Investments

CUSTODY AND UNITIZATION

Two of the structural foundations of a more diversified portfolio are a custodian bank with truly global reach in all custody services and a unitized structure. In fiscal year 2007-2008 EORP completed its transfer of assets to BNY- Mellon as the system's new custodian bank. Following the enactment of authorizing legislation the system's plans were pre-positioned to be moved into a unitized trust structure.

EXPANDING CAPABILITIES

In addition to expanding the Investments Department's staff, and enhancing our due diligence capabilities the System has also added the services of three specialist external consulting groups: ORG Real Property, Albourn America LLC, and StepStone Group LL. These are in addition to the Fund Manager's generalist consultant.

PERFORMANCE

EORP returned (-7.59%) for the fiscal year 2007-2008. This negative return trailed the Plan's benchmark by 1.86% and was largely the result of below benchmark performance in equities, positive but below benchmark performance in fixed income and mark-to-market write-downs of some residential real estate assets. The EORP fixed income portfolio was not materially impacted by the market's sub-prime events due to its minimal exposure to these types of assets.

GOALS AND OBJECTIVES

In the coming year the Investment Staff expects to:

- Complete a new Asset Allocation Study which will utilize current capital market assumptions reflecting recent changes in the global investment landscape;
- Formalize an asset allocation to Global "Real Assets";
- Partner with New England Pension Consultants (NEPC), the Fund Manager's new generalist consultant, to add value to the fund by accessing a diversified array of market opportunities;
- Explore low cost, nimble exposures to more efficient markets (portable alpha strategies etc.);
- Continue diversified deployments in Global Alternative Investments.

CONCLUSION

The EORP portfolio is much more diversified than in past years and continues to migrate toward a more optimal portfolio allocation that will provide less volatility and returns consistent with our assumed earnings expectations.

Investments Section

Transitioning the portfolio and the EORP organization from almost 100% internally managed domestic assets toward a more global portfolio has been a significant undertaking requiring the collective resources of all of the Fund Managers, Professional Staff, Enabling Legislation, sophisticated Custodian Bank support and a range of External Consultant contributions.

I am please to report that much of the “heavy lifting,” transitional work has been successfully accomplished. We have more tools, more flexibility and more opportunities at our disposal than we previously enjoyed; all of which will be deployed to meet our long term return expectations and the long term needs of the plan and our beneficiaries.

Respectfully Submitted,

Ryan P. Parham
Acting Chief Investment Officer

Fund Investment Objectives

The objective of the Fund is to ensure the integrity of the Elected Officials' Retirement Plan, Public Safety Personnel Retirement System and the Corrections Officer Retirement Plan in order to adequately fund benefit levels for members 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 Legislature. To achieve the objective, the Fund will do the following:

1. Maintain a goal for the Fund's assets to be equal to the Fund's liabilities within any twenty-year period;
2. Annually adjust the employer contribution rates based on the recommendations made by the annual actuarial valuations;
3. Determine a reasonable contribution rate necessary to fund benefits approved by the legislature and then reduce the variation in the employer contribution rate over time to the Fund;
4. Preserve and enhance the capital of the Fund through effective management of the portfolio in order to take advantage of attractive opportunities various markets and market sectors have to offer;
5. Provide the opportunity for increased benefits for retirees as the legislature may from time to time enact through systematic growth of the investments of the fund.

Consistent with the Fund objectives, the primary investment objective of the Fund is to maximize long-term real investment returns (after inflation) recognizing established risk (volatility) parameters and the need to preserve capital by:

1. Deriving a reasonable asset allocation model that attempts to fully achieve the primary investment objective, over the long term;
2. Consistent with these policies and the direction of the Fund Manager, strategically allocating within asset classes and investment styles in order to enhance investment returns. This strategic allocation must at all times be within ranges set forth in these Policies;
3. Regularly reviewing the status of investments;
4. Regularly assessing the need to adjust the mix, type and composition of the investment classes within the allocation ranges.

The possibility of short-term declines in the market value of the Fund or the Fund's assets is a recognized consequence of achieving potentially higher long-term investment returns.

The time horizon for evaluating total fund investment performance is long-term.

Investments Section

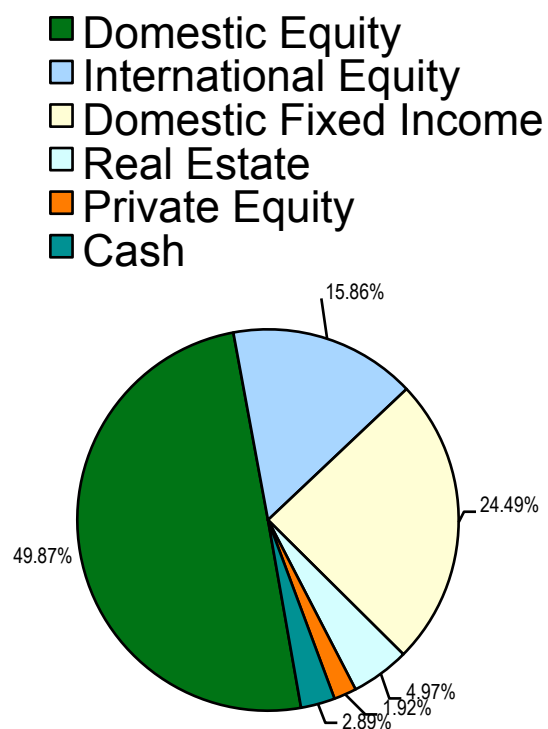
Annualized Rates of Return

	1 Year	3 Year	5 Year	10 Year
EORP Total Fund	-7.59%	5.27%	8.01%	3.90%
Balanced Index	-5.73%	3.97%	5.31%	4.44%
EORP Domestic Equity	-12.11%	4.16%	8.24%	1.98%
S&P 500 Index	-10.58%	5.23%	8.09%	3.12%
EORP Fixed Income	3.08%	3.01%	4.87%	6.19%
Lehman Aggregate Index	7.24%	3.84%	3.58%	5.68%

**Time weighted rate of return based on the market rate of return.*

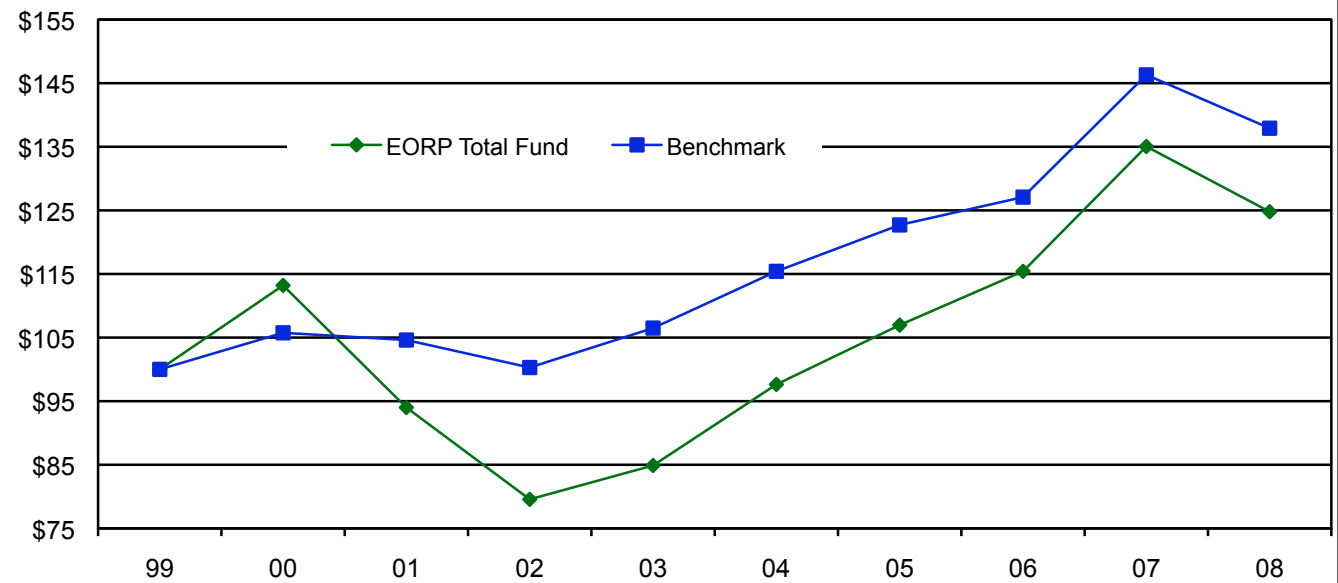
Asset Allocation

June 30, 2008

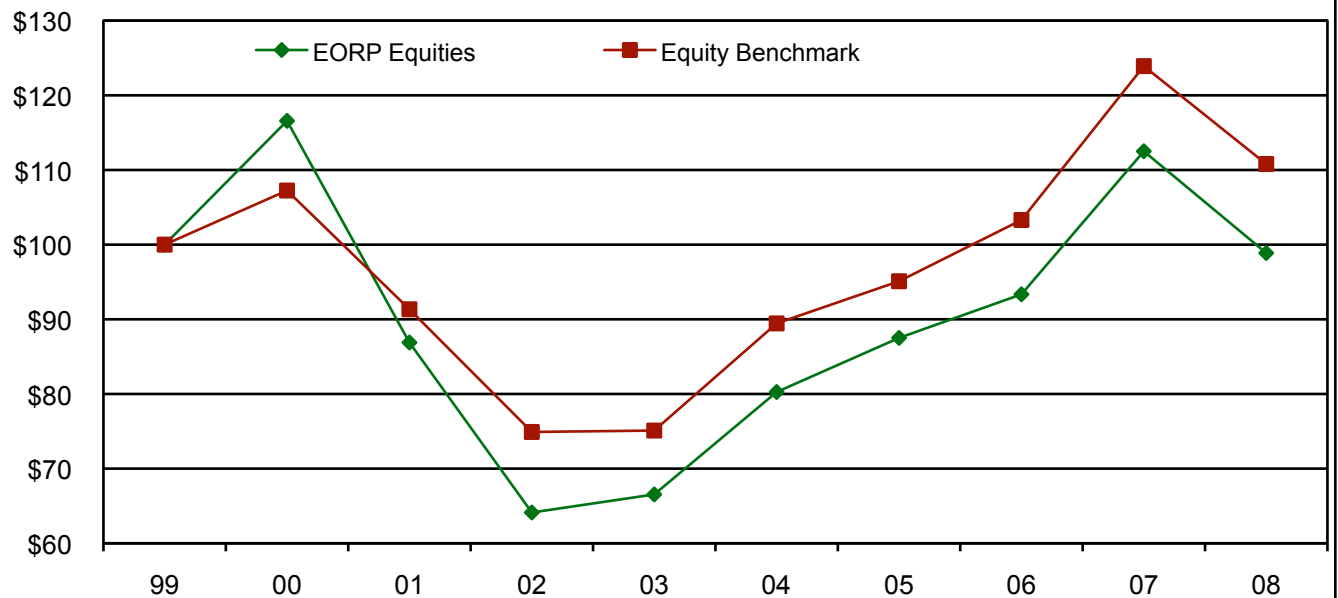


Ten Year Cumulative Return, Benchmark & Indices

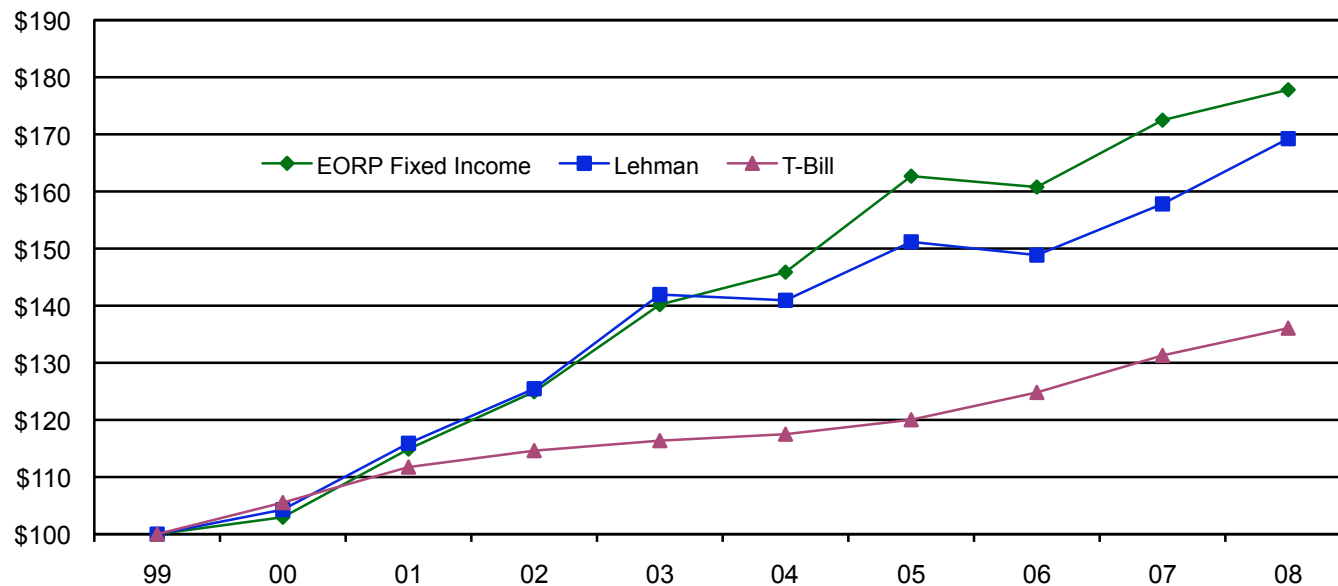
Total Fund



Equities



Fixed Income



EQUITY PORTFOLIO - TOP 10 HOLDINGS

JUNE 30, 2008

Shares	Description	Div Fair Value
259,810	ISHARES TR MSCI EAFE INDEX FD	17,841,153
182,570	ETF VANGUARD PACIFIC ETF	11,405,148
163,950	ETF VANGUARD TOTAL STOCK	10,507,556
63,100	ISHARES TR MSCI EMERGING MKTS	8,563,932
380,900	CITIGROUP INC COM	6,383,884
264,415	BANK OF AMERICA CORP	6,311,586
1,298,010	NATIONAL CITY CORP COM	6,191,508
993,300	WASHINGTON MUTUAL INC COM	4,896,969
304,400	WACHOVIA CORP NEW COM	4,727,332
70,000	PROCTER & GAMBLE CO COM	4,256,700

FIXED INCOME PORTFOLIO - TOP 10 HOLDINGS

JUNE 30, 2008

Shares	Description	Div Fair Value
14,871,000	FEDERAL HOME LN MTG CORP MTN	14,904,217
11,000,000	U S TREASURY NOTES	10,861,400
6,175,522	GS CREDIT OPPS FUND 2008	6,175,522
4,448,557	BLACKROCK MORTGAGE INVESTORS	4,448,557
2,450,000	FEDERAL HOME LN BK CONS BD	2,448,016
2,000,000	HVB FDG TR SILENT PARTN 144A	1,876,240
1,357,470	PREFERRED CPO A / B 144A	1,407,557
1,342,901	CIMARRON DEBT FUND	1,342,901
1,105,578	REGIONAL DIVERSIFIED FDG 144A	1,271,415
1,000,000	UNION CENTR LIFE NOTES 144A	1,113,430

SUMMARY OF CHANGES IN INVESTMENT PORTFOLIO

FOR THE FISCAL YEAR ENDED JUNE 30, 2008

(in thousands)

Description	Percent at Fair Value	Balance June 30, 2007		Acquisitions	Maturities and Sales	Balance June 30, 2008		Percent at Fair Value
		Fair Value	Book Value			Fair Value	Book Value	
U. S. Government Securities	9.52%	35,244	34,126	33,223	27,433	40,292	39,916	12.31%
Corporate Bonds	10.64%	39,395	38,249	18,547	14,868	39,794	41,928	12.93%
Total Fixed Income Portfolio	20.16%	74,639	72,375	51,770	42,301	80,086	81,844	25.24%
Corporate Notes	3.13%	11,589	11,589	-	11,589	-	-	0.00%
Common Stock	73.14%	270,935	202,580	103,959	86,413	215,778	220,126	67.89%
Alternative Investments	3.57%	13,226	13,226	15,324	6,274	24,796	22,276	6.87%
Total Portfolio	100.00%	370,389	299,770	171,053	146,577	320,660	324,246	100.00%

SCHEDULE OF COMMISSIONS PAID TO BROKERS

FISCAL YEAR ENDED JUNE 30, 2008

Broker	Number Of Shares Traded	Average Commission	Total Commissions
B TRADE SERVICES LLC	1,669,496	.010	\$16,695
BLOOMBERG TRADEBOOK LLC	2,021,579	.010	\$19,916
CITIGROUP GLOBAL MARKETS INC	278,053	.028	\$7,748
PENSON FINANCIAL SERVICES INC	2,934,900	.001	\$3,902
UBS / PAINE WEBBER	55,450	.015	\$823
TOTAL COMMISSIONS	6,959,478	.007	\$49,083

Investments Section

EQUITY PORTFOLIO FOR THE FISCAL YEAR ENDED JUNE 30, 2008

Shares	Security	Cost	Fair Value	Unrealized Gain/(Loss)
13,600	3M CO	1,037,914	946,424	(91,490)
26,600	ABBOTT LABORATORIES	283,212	1,409,002	1,125,790
946	ABERCROMBIE & FITCH	32,044	59,295	27,251
12,640	ADOBE SYS INC DEL COM	220,120	497,890	277,770
6,160	AES CORP COM	130,257	118,334	(11,924)
11,800	AETNA INC	243,601	478,254	234,653
20,080	AFLAC INC	920,456	1,261,024	340,568
1,830	AIR PRODS & CHEMS INC COM	176,436	180,914	4,478
6,880	ALCOA INC COM	245,627	245,066	(562)
6,100	ALLEGHENY TECHNOLOGIES INC	596,721	361,608	(235,113)
19,400	ALLIANZ AG HOLDING	310,732	338,530	27,798
39,400	ALLSTATE CORP COM	936,754	1,796,246	859,492
50,470	ALTRIA GROUP INC	913,693	1,037,663	123,970
2,356	AMDOCS LTD	80,765	69,314	(11,451)
12,595	AMERICAN CAP STRATEGIES LTD	434,341	299,383	(134,958)
3,690	AMERICAN ELEC PWR INC COM	176,753	148,449	(28,304)
5,615	AMERICAN EXPRESS CO COM	307,220	211,517	(95,703)
38,945	AMERICAN INTL GROUP INC COM	1,636,665	1,030,485	(606,180)
43,800	AMGEN	1,699,763	2,065,608	365,845
14,500	APPLE COMPUTER INC	1,253,830	2,427,880	1,174,050
32,934	APPLIED MATERIALS	558,202	628,710	70,508
19,412	ARCHER DANIELS MIDLAND CO COM	602,783	655,155	52,372
37,980	AT & T INC COM	1,571,626	1,279,546	(292,080)
29,825	AUTOMATIC DATA PROCESSING	1,072,391	1,249,668	177,277
9,580	BANK NEW YORK MELLON CORP COM	461,676	362,411	(99,265)
264,415	BANK OF AMERICA CORP	7,628,023	6,311,586	(1,316,437)
26,700	BED BATH & BEYOND	1,042,405	750,270	(292,135)
45,000	BEST BUY CO INC	1,564,055	1,782,000	217,945
43,400	BOEING CO COM	2,892,810	2,852,248	(40,562)
16,620	BRISTOL MYERS SQUIBB CO COM	478,846	341,209	(137,637)
15,840	CANADIAN NATIONAL RAILWAY	252,299	761,587	509,289
10,666	CAPITAL ONE FINANCIAL	903,681	405,415	(498,266)
4,715	CAREER ED CORP COM	121,501	68,886	(52,615)
557	CARPENTER TECHNOLOGY	30,093	24,313	(5,780)
23,100	CELGENE CORP	1,309,861	1,475,397	165,536
199	CHATTEM INC	7,391	12,945	5,554
23,600	CHICO'S FAS INC	715,038	126,732	(588,306)
20,700	CHUBB CORP COM	1,059,849	1,014,507	(45,342)
98,800	CISCO SYS INC COM	972,874	2,298,088	1,325,214
380,900	CITIGROUP INC COM	10,081,449	6,383,884	(3,697,565)
8,603	CITRIX SYS INC COM	253,791	253,014	(776)
500	CLARCOR INC	15,856	17,550	1,694
21,740	COACH INC	655,360	627,851	(27,509)
35,000	COCA COLA CO COM	1,773,527	1,819,300	45,773

Investments Section

Shares	Security	Cost	Fair Value	Unrealized Gain/(Loss)
18,600	COLGATE PALMOLIVE CO	980,594	1,285,260	304,666
26,865	COMCAST CORP NEW CL A SPL	581,071	503,987	(77,084)
10,155	CONSTELLATION BRANDS	158,162	201,678	43,516
1,980	CONSTELLATION ENERGY GROUP INC	84,663	162,558	77,895
3,175	CORNING INC COM	68,810	73,184	4,374
682	COVANCE INC	29,465	58,666	29,201
672	CULLEN FROST BANKERS INC COM	36,436	33,499	(2,937)
65,529	CVS CAREMARK CORP	1,788,167	2,592,983	804,816
23,400	DELL INC	901,902	511,992	(389,910)
8,950	DISNEY WALT CO COM	289,323	279,240	(10,083)
5,370	DOMINION RES INC VA NEW COM	255,865	255,021	(844)
21,800	DOW CHEM CO COM	928,002	761,038	(166,964)
8,040	DU PONT E I DE NEMOURS & CO	349,830	344,836	(4,994)
3,900	DUKE ENERGY CORP NEW COM	62,087	67,782	5,695
2,810	EDISON INTL COM	151,997	144,378	(7,619)
36,730	EMC CORP	460,148	539,564	79,416
5,600	ENERGEN CORP	182,596	436,968	254,372
1,740	ENTERGY CORP NEW COM	216,233	209,635	(6,598)
53,470	ETF VANGUARD EXTENDED MKT ETF	2,699,551	2,606,663	(92,888)
182,570	ETF VANGUARD PACIFIC ETF	11,438,761	11,405,148	(33,614)
23,200	ETF VANGUARD SMALL-CAPVALUE	1,648,804	1,350,008	(298,796)
163,950	ETF VANGUARD TOTAL STOCK	12,297,054	10,507,556	(1,789,499)
16,800	EXELON CORP	829,900	1,511,328	681,428
9,044	EXPRESS SCRIPTS	45,192	567,240	522,047
26,600	FEDEX CORP COM	1,874,842	2,095,814	220,972
2,510	FIRSTENERGY CORP COM	193,099	206,648	13,549
7,425	FISERV INC	285,775	336,872	51,097
7,095	FMC CORP	178,076	549,437	371,361
16,400	FRANKLIN RES INC COM	844,931	1,503,060	658,129
2,920	FREEPORT MCMORAN COPPER & GOLD	297,653	342,195	44,542
2,950	GARMIN LIMITED	134,591	126,378	(8,213)
5,980	GENENTECH INC	222,143	453,882	231,739
124,700	GENERAL ELEC CO COM	4,317,625	3,328,243	(989,382)
2,900	GENZYME CORP COM	167,006	208,452	41,446
10,274	GILEAD SCIENCES INC COM	89,516	544,008	454,492
8,910	GOLDMAN SACHS GROUP INC	1,063,208	1,558,359	495,151
2,010	GOOGLE INC CL A	1,355,686	1,058,104	(297,582)
9,065	GRAINGER (W W) INC	562,782	741,517	178,735
1,533	HARRIS CORP DEL COM	65,445	77,401	11,957
25,780	HARTFORD FINANCIAL SERVICES GROUP	1,322,717	1,664,615	341,898
15,990	HEWLETT PACKARD CO COM	821,044	706,918	(114,126)
63,200	HOME DEPOT	838,473	1,480,144	641,671
283	HOME PROPERTIES INC	16,701	13,601	(3,100)
15,621	IBM CORP COM	788,366	1,851,557	1,063,192
61,300	INTEL CORP	1,790,023	1,316,724	(473,299)
3,860	INTERNATIONAL PAPER CO COM	122,526	89,938	(32,588)

Investments Section

Shares	Security	Cost	Fair Value	Unrealized Gain/(Loss)
594	INTUITIVE SURGICAL INC	55,749	160,024	104,275
259,810	ISHARES EAFE INDEX ETF	20,301,441	17,841,153	(2,460,288)
82,655	ISHARES MSCI CDA INDEX FD	2,594,155	2,740,840	146,685
63,100	ISHARES MSCI EMERGING MARKET ETF	7,378,213	8,563,932	1,185,719
7,600	ISHARES RUSSELL 3000 INDEX ETF	669,086	569,240	(99,846)
1,206	JACOBS ENGINEERING GROUP INC.	19,520	97,324	77,804
29,500	JOHNSON & JOHNSON CO	1,664,034	1,898,030	233,996
50,100	JP MORGAN CHASE & CO	1,865,922	1,718,931	(146,991)
11,700	KELLOGG CO	585,595	561,834	(23,761)
90,700	KEYCORP NEW COM	1,017,075	995,886	(21,189)
11,654	KING PHARMACEUTICALS INC	212,058	122,017	(90,041)
10,000	KOHL'S CORP	483,202	400,400	(82,802)
20,077	KRAFT FOODS INC	561,753	571,191	9,437
686	LANDSTAR SYS INC COM	8,770	37,881	29,111
6,540	LEHMAN BROS HLDGS INC COM	274,369	129,557	(144,811)
39,300	LILLY ELI	2,236,720	1,814,088	(422,632)
14,220	LINEAR TECHNOLOGY CORP	496,183	463,145	(33,038)
19,000	LOCKHEED MARTIN CORP	1,689,163	1,874,540	185,377
10,880	LOGITECH INTERNATIONAL SA	315,329	291,584	(23,745)
1,251	MANITOWOC COMPANY INC.	20,150	40,695	20,546
10,500	MCAFEE INC	298,825	357,315	58,490
28,700	MCDONALDS CORP COM	1,025,394	1,613,514	588,120
9,710	MEDTRONIC INC COM	484,636	502,493	17,857
18,010	MERCK & CO INC COM	1,079,793	678,797	(400,996)
20,645	MERRILL LYNCH & CO INC	1,632,462	654,653	(977,809)
25,000	METLIFE INC COM	1,251,741	1,319,250	67,509
9,620	MICROCHIP TECHNOLOGY INC COM	276,432	293,795	17,363
146,600	MICROSOFT CORP COM	5,164,264	4,032,966	(1,131,298)
4,570	MONSANTO CO NEW COM	472,328	577,831	105,503
5,590	MORGAN STANLEY	275,240	201,631	(73,609)
1,298,010	NATIONAL CITY CORP COM	6,569,529	6,191,508	(378,021)
3,260	NEWMONT MINING CORP HOLDING CO	174,136	170,042	(4,095)
41,300	NOKIA CORP SPON ADR SER A COM	656,415	1,011,850	355,435
15,000	NORDSTROM INC	604,338	454,500	(149,838)
2,410	NUCOR CORP	138,561	179,955	41,394
3,735	OLIN CORP COM PAR \$1.00	77,919	97,782	19,863
10,000	OMNICOM GROUP	412,636	448,800	36,164
21,680	ORACLE CORPORATION COM	470,547	455,280	(15,267)
44,000	PEPSICO INC COM	2,060,584	2,797,960	737,376
17,889	PETSMART INC	447,666	356,886	(90,780)
150,100	PFIZER INC COM STK USD0.05	4,243,972	2,622,247	(1,621,725)
3,460	PG&E CORP COM	153,792	137,327	(16,465)
50,470	PHILIP MORRIS INTL INC COM	2,208,229	2,492,713	284,485
4,870	POOL CORP COM	58,241	86,491	28,251
8,100	PPL CORP	288,659	423,387	134,728
2,500	PRAXAIR INC COM	218,369	235,600	17,231

Investments Section

Shares	Security	Cost	Fair Value	Unrealized Gain/(Loss)
24,600	PRICE T ROWE GROUP INC COM	486,827	1,389,162	902,335
70,000	PROCTER & GAMBLE CO COM	3,278,997	4,256,700	977,703
1,057	PSYCHIATRIC SOLUTIONS INC	33,460	39,997	6,536
4,520	PUBLIC SVC ENTERPRISE GROUP	229,809	207,604	(22,206)
25,670	QUALCOMM INC	1,006,556	1,138,978	132,422
6,780	QUIKSILVER INC COM	66,105	66,580	475
3,587	RESMED INC	113,026	128,199	15,173
13,700	ROBERT HALF INTERNATIONAL	523,983	328,389	(195,594)
8,565	RPM INTERNATIONAL INC	158,337	176,439	18,102
9,495	SANDISK CORP	407,693	177,557	(230,137)
21,000	SAP AG	1,015,810	1,094,310	78,500
15,880	SCHERING PLOUGH CORP COM	441,777	312,677	(129,100)
460	SCOTTS CO'A'	18,769	8,082	(10,687)
11,165	SEALED AIR	290,551	212,247	(78,304)
1,350	SEI INVESTMENT CO COM	26,573	31,752	5,179
8,900	SEMPRA ENERGY	302,359	502,405	200,046
6,610	SOUTHERN CO COM	266,244	230,821	(35,423)
1,029	SOVRAN SELF STORAGE	47,189	42,765	(4,424)
59,500	STAPLES INC COM	1,207,148	1,413,125	205,977
932	STERICYCLE INC	27,403	48,184	20,781
3,915	STRATEGIC HOTELS & RESORTS	81,673	36,684	(44,989)
15,450	TARGET CORP	901,962	718,271	(183,691)
50,800	TEXAS INSTRS INC COM	1,340,393	1,430,528	90,135
31,560	TIME WARNER INC	530,730	467,088	(63,642)
3,075	TRINITY INDS INC	104,037	106,672	2,635
22,300	UNITED TECHNOLOGIES CORP	1,396,532	1,375,910	(20,622)
10,750	UNITEDHEALTH GROUP INC COM	618,803	282,188	(336,615)
7,600	URS CORP	307,413	318,972	11,559
49,730	US BANCORP DEL COM NEW	1,535,746	1,386,970	(148,776)
83,600	VANGUARD EMERGING MARKETS ETF	3,075,852	3,912,480	836,628
97,236	VANGUARD INDEX FDS SMALL	1,653,326	1,357,417	(295,908)
72,935	VANGUARD INTL EQUITY INDEX FD	4,225,056	3,869,202	(355,854)
9,520	VARIAN MED SYS INC COM	438,363	493,612	55,249
59,900	VERIZON COMMUNICATIONS	1,943,530	2,120,460	176,930
304,400	WACHOVIA CORP	7,097,234	4,727,332	(2,369,902)
4,730	WAL MART STORES INC COM	251,613	265,826	14,213
15,662	WALGREEN CO	234,250	509,172	274,922
993300	WASHINGTON MUTUAL INC COM	6,363,313	4,896,969	(1,466,344)
16069	WELLPOINT INC	890,911	765,849	(125,063)
24215	WELLS FARGO & CO NEW COM	745,259	575,106	(170,153)
2295	WESTERN DIGITAL CORP	46,741	79,246	32,505
1820	WEYERHAEUSER CO COM	127,701	93,075	(34,626)
11550	WYETH COM	558,614	553,938	(4,676)
34000	YUM BRANDS INC	1,016,631	1,193,060	176,429
7,528,045	TOTAL EQUITIES	220,126,624	215,778,095	(4,348,529)

Investments Section

EQUITY ACQUIRED DURING THE FISCAL YEAR ENDED JUNE 30, 2008

Description	Shares	Average Cost	Cost
AES CORP COM	6,160	21.15	130,257
AIR PRODS & CHEMS INC COM	1,830	96.41	176,436
ALCOA INC COM	6,880	35.70	245,627
AMERICAN ELEC PWR INC COM	3,690	47.90	176,753
AMERICAN EXPRESS CO COM	13,510	54.71	739,188
APACHE CORPORATION	12,700	142.11	1,804,797
ARCH COAL INC	5,200	74.09	385,249
AT & T INC COM	37,980	41.38	1,571,626
BANK NEW YORK MELLON CORP COM	9,580	48.19	461,676
BANK OF AMERICA CORP	173,700	29.27	5,084,013
BRISTOL MYERS SQUIBB CO COM	16,620	28.81	478,846
CARPENTER TECHNOLOGY	1,700	-	0
CHEVRON CORP	46,200	98.09	4,531,758.00
CHINA MOBILE LIMITED	2,940	90.61	266,405
CIMAREX ENERGY CO	800	72.52	58,012
CITIGROUP INC COM	257,400	19.77	5,088,136
CITIZENS COMMUNICATIONS	605	10.72	6,488
DISNEY WALT CO COM	8,950	32.33	289,323
DOMINION RES INC VA NEW COM	5,370	47.65	255,865
DU PONT E I DE NEMOURS & CO	8,040	43.51	349,830
EDISON INTL COM	2,810	54.09	151,997
ENTERGY CORP NEW COM	1,740	124.27	216,233
ETF VANGUARD EXTENDED MKT ETF	53,470	50.49	2,699,551
ETF VANGUARD PACIFIC ETF	182,570	62.65	11,438,761
ETF VANGUARD TOTAL STOCK	100,875	27.51	2,775,375
FIRSTENERGY CORP COM	2,510	76.93	193,099
FMC CORP	4,600	-	0
FREEPORT MCMORAN COPPER & GOLD	2,920	101.94	297,653.12
GOOGLE INC CL A	2,010	674.47	1,355,686
HEWLETT PACKARD CO COM	15,990	51.35	821,044
INTERNATIONAL PAPER CO COM	3,860	31.74	122,526
ISHARES EAFE INDEX ETF	202,010	77.55	15,666,882
ISHARES MSCI CDA INDEX FD	88,655	31.39	2,782,694
ISHARES MSCI EMERGING MARKET ETF	4,800	135.86	652,113
KEYCORP NEW COM	90,700	11.21	1,017,075
MANITOWOC COMPANY INC.	15,063	-	-
MEDTRONIC INC COM	9,710	49.91	484,635.92
MERCK & CO INC COM	18,010	59.96	1,079,793
MONSANTO CO NEW COM	4,570	103.35	472,328
MORGAN STANLEY	9,280	49.24	456,928
NABORS INDUSTRIES, LTD	12,500	49.14	614,250
NATIONAL CITY CORP COM	1,298,010	5.06	6,569,529
NEWMONT MINING CORP HOLDING CO	3,260	53.42	174,136
NUCOR CORP	2,410	57.49	138,561

Description	Shares	Average Cost	Cost
ONEOK INC	4,700	49.31	231,772
ORACLE CORPORATION COM	21,680	21.70	470,547
PG&E CORP COM	3,460	44.45	153,792
PHILIP MORRIS INTL INC COM	50,470	43.75	2,208,229
PRAXAIR INC COM	2,500	87.35	218,369
PUBLIC SVC ENTERPRISE GROUP	4,520	50.84	229,809
SCHERING PLOUGH CORP COM	15,880	27.82	441,777
SCHLUMBERGER LTD	38,410	106.03	4,072,509
SOUTHERN CO COM	6,610	40.28	266,244
SPECTRA ENERGY CORP	17,600	27.86	490,413
TARGET CORP	7,050	60.31	425,202
TIME WARNER INC	31,560	16.82	530,730
TOTAL SA	15,100	82.07	1,239,329
TRANSOCEAN INC NEW SHS	10,518	110.29	1,160,037
UNITEDHEALTH GROUP INC COM	10,750	57.56	618,803
US BANCORP DEL COM NEW	49,730	30.88	1,535,745.95
VANGUARD EMERGING MARKETS ETF	41,800	-	-
VANGUARD INDEX FDS SMALL	2,333	15.39	35,898
VANGUARD INTL EQUITY INDEX FD	72,935	57.93	4,225,056
WACHOVIA CORP	265,200	19.23	5,099,327
WAL MART STORES INC COM	1,410	47.83	67,437
WASHINGTON MUTUAL INC COM	993,300	6.41	6,363,313
WELLS FARGO & CO NEW COM	29,480	30.78	907,299
WEYERHAEUSER CO COM	1,820	70.17	127,701
WYETH COM	11,550	48.36	558,614
TOTAL EQUITY ACQUIRED	4,462,554	23.30	103,959,090

Investments Section

EQUITY SOLD DURING THE FISCAL YEAR ENDED JUNE 30, 2008

Description	Shares Sold	Sale Price	Cost	Gain (Loss) on Sale	% Gain on Sale
ABERCROMBIE & FITCH	14,154	79.610	479,444	647,387	135.03%
ADOBE SYS INC DEL COM	5,960	43.630	103,791	156,245	150.54%
AFLAC INC	4,920	61.580	225,530	77,430	34.33%
ALCAN INC	6,400	101.000	235,221	411,179	174.80%
ALTRIA GROUP INC	2,530	952.060	2,364,727	43,982	1.86%
AMDOCS LTD	26,544	34.240	909,938	(1,039)	-0.11%
AMERICAN CAP STRATEGIES LTD	10,005	34.680	345,024	1,945	0.56%
AMERICAN EXPRESS CO COM	7,895	43.840	431,968	(85,820)	-19.87%
AMERICAN INTL GROUP INC COM	17,955	50.110	754,560	145,113	19.23%
APACHE CORPORATION	35,000	130.450	2,319,283	2,246,520	96.86%
APPLE COMPUTER INC	6,600	181.160	570,709	624,970	109.51%
APPLIED MATERIALS	13,866	18.470	235,016	21,155	9.00%
ARCH COAL INC	31,900	51.790	1,232,222	420,009	34.09%
ARCHER DANIELS MIDLAND CO COM	13,988	40.520	434,356	132,386	30.48%
AUTOMATIC DATA PROCESSING	3,475	42.540	124,947	22,882	18.31%
BANK OF AMERICA CORP	11,585	38.920	324,890	125,977	38.78%
BASF AG	4,575	139.630	356,545	282,255	79.16%
BROADBRIDGE FINANCIAL SOLUTIONS	8,325	19.820	128,177	36,830	28.73%
BURLINGTON NORTHERN SANTE FE	2,300	87.210	105,724	94,865	89.73%
CAPITAL ONE FINANCIAL	15,934	50.720	1,350,014	(541,806)	-40.13%
CAREER ED CORP COM	10,285	24.670	265,034	(11,328)	-4.27%
CARLISLE COMPANIES INC	5,395	47.850	222,287	35,883	16.14%
CARPENTER TECHNOLOGY	2,843	76.380	153,601	63,543	41.37%
CENTEX CORP	18,500	37.760	897,492	(198,964)	-22.17%
CENTURY TELEPHONE INC	5,200	48.650	174,013	78,952	45.37%
CHATTEM INC	8,010	72.440	297,511	282,698	95.02%
CHESAPEAKE ENERGY	14,900	48.020	472,133	243,375	51.55%
CHEVRON CORP	97,500	98.480	7,226,948	2,375,102	32.86%
CHINA MOBILE LIMITED	25,940	88.530	1,318,169	978,409	74.22%
CIMAREX ENERGY CO	18,600	44.510	775,196	52,743	6.80%
CISCO SYS INC COM	47,800	27.460	470,682	841,899	178.87%
CITIZENS COMMUNICATIONS	77,105	11.670	964,996	(65,403)	-6.78%
CITRIX SYS INC COM	39,697	39.540	1,171,071	398,650	34.04%
CLARCOR INC	12,170	36.930	385,932	63,539	16.46%
COLGATE PALMOLIVE CO	3,000	77.780	158,160	75,187	47.54%
COMCAST CORP NEW CLA SPL	10,735	18.260	232,191	(36,141)	-15.57%
COMMERCE BANCORP, INC.	26,500	35.590	567,533	375,630	66.19%
CONSTELLATION BRANDS	26,945	22.840	419,664	195,812	46.66%
CONSTELLATION ENERGY GROUP INC	18,220	101.480	779,073	1,069,848	137.32%
CORNING INC COM	59,125	23.930	1,281,376	133,609	10.43%
COVANCE INC	10,158	87.400	438,858	448,987	102.31%
CULLEN FROST BANKERS INC COM	10,328	51.330	559,984	(29,832)	-5.33%
CVS CAREMARK CORP	4,010	37.320	109,426	40,239	36.77%

Investments Section

Description	Shares Sold	Sale Price	Cost	Gain (Loss) on Sale	% Gain on Sale
DUKE ENERGY CORP NEW COM	35,100	17.780	558,787	65,294	11.68%
E.ON AG	12,400	68.140	459,102	385,787	84.03%
EMC CORP	23,770	16.490	297,787	94,291	31.66%
EMULEX CORP.	26,600	16.920	471,920	(21,725)	-4.60%
ENDO PHARMACEUTICAL HOLDINGS INC	17,700	27.160	551,346	(70,702)	-12.82%
ETF VANGUARD TOTAL STOCK	1,600	153.280	241,866	3,388	1.40%
EXPRESS SCRIPTS	5,756	74.460	28,762	399,854	1390.20%
EXXON MOBIL CORP	131,800	87.430	4,514,584	7,008,901	155.25%
FISERV INC	18,175	52.720	699,524	258,641	36.97%
FMC CORP	3,705	74.960	133,149	144,571	108.58%
GARMIN LIMITED	17,350	94.960	791,580	855,979	108.14%
GENENTECH INC	14,120	68.690	524,525	445,324	84.90%
GENERAL ELEC CO COM	50,400	26.530	1,745,055	(408,126)	-23.39%
GENZYME CORP COM	23,700	75.390	1,364,839	421,789	30.90%
GILEAD SCIENCES INC COM	60,326	46.300	525,615	2,267,413	431.38%
GLOBALSANTAFE CORP	11,600	400,563.690	400,564	0	0.00%
GOLDMAN SACHS GROUP INC	4,090	167.610	488,049	197,470	40.46%
GRAINGER (W W) INC	4,335	87.430	269,130	109,868	40.82%
GUITAR CENTER INC	3,400	60.230	174,449	30,344	17.39%
HARRIS CORP DEL COM	15,217	62.570	649,622	302,434	46.56%
HARTFORD FINANCIAL SERVICES GROUP	3,800	98.370	194,970	178,818	91.72%
HOME PROPERTIES INC	8,017	43.460	473,102	(124,717)	-26.36%
IBM CORP COM	22,379	106.280	1,129,431	1,248,942	110.58%
INTUITIVE SURGICAL INC	3,806	293.050	357,205	758,143	212.24%
ISHARES MSCI CDA INDEX FD	6,000	31.730	188,539	1,837	0.97%
JACOBS ENGINEERING GROUP INC.	23,594	82.560	381,889	1,566,046	410.08%
JOHNSON & JOHNSON CO	10,800	64.490	609,206	87,307	14.33%
KING PHARMACEUTICALS INC	45,346	10.650	825,123	(342,066)	-41.46%
LANDSTAR SYS INC COM	22,714	44.240	290,385	714,412	246.02%
LEHMAN BROS HLDGS INC COM	14,360	55.120	602,436	189,024	31.38%
LINEAR TECHNOLOGY CORP	8,980	30.260	313,342	(41,566)	-13.27%
LOGITECH INTERNATIONAL SA	14,620	27.010	423,724	(28,821)	-6.80%
MANITOWOC COMPANY INC.	28,875	48.010	465,082	921,080	198.05%
MCAFEE INC	14,400	35.650	409,818	103,520	25.26%
MERRILL LYNCH & CO INC	6,055	43.230	478,787	(217,042)	-45.33%
MICROCHIP TECHNOLOGY INC COM	38,180	30.630	1,097,107	72,427	6.60%
MICROSOFT CORP COM	22,000	34.140	774,992	(24,007)	-3.10%
MORGAN STANLEY	3,690	45.350	181,688	(14,333)	-7.89%
NABORS INDUSTRIES, LTD	35,900	41.170	1,252,739	225,176	17.97%
ODYSSEY HEALTHCARE INC	21,514	11.560	283,658	(34,898)	-12.30%
OLIN CORP COM PAR \$1.00	15,265	18.640	318,458	(33,915)	-10.65%
ONEOK INC	21,500	47.110	703,702	309,204	43.94%
PEPSICO INC COM	4,400	78.790	206,058	140,615	68.24%
PETSMART INC	24,111	23.170	603,369	(44,715)	-7.41%
PMI GROUP INC.	15,800	16.590	739,788	(477,739)	-64.58%
POOL CORP COM	20,634	25.740	246,763	284,319	115.22%

Investments Section

Description	Shares Sold	Sale Price	Cost	Gain (Loss) on Sale	% Gain on Sale
PRICE T ROWE GROUP INC COM	7,600	51.970	150,402	244,589	162.62%
PROCTER & GAMBLE CO COM	3,100	72.610	145,213	79,863	55.00%
PSYCHIATRIC SOLUTIONS INC	15,700	34.090	496,999	38,260	7.70%
QUALCOMM INC	23,130	38.570	906,959	(14,738)	-1.62%
QUICKSILVER INC COM	39,820	8.640	388,243	(44,040)	-11.34%
RESMED INC	11,113	46.910	350,170	171,172	48.88%
RPM INTERNATIONAL INC	9,935	22.610	183,663	40,965	22.30%
SANDISK CORP	13,805	29.550	592,755	(184,849)	-31.18%
SATYAM COMPUTER SERVICES LTD	24,800	26.600	431,282	228,513	52.98%
SCHLUMBERGER LTD	77,110	101.220	6,487,126	1,317,975	20.32%
SCOTTS CO'A'	10,040	38.800	409,650	(20,073)	-4.90%
SEALED AIR	7,685	28.680	199,989	20,415	10.21%
SEI INVESTMENT CO COM	22,610	31.590	445,041	269,195	60.49%
SOVRAN SELF STORAGE	3,771	41.400	172,934	(16,804)	-9.72%
SPECTRA ENERGY CORP	37,100	27.060	937,986	66,126	7.05%
SPRINT NEXTEL CORPORATION	12,800	21.500	246,717	28,512	11.56%
STERICYCLE INC	9,268	59.920	272,503	282,798	103.78%
STRATEGIC HOTELS & RESORTS	21,685	17.950	452,383	(63,038)	-13.93%
SUPERIOR ENERGY SERVICES	17,700	37.600	433,859	231,628	53.39%
TELE NORTE LESTE PARTICIPACOES SA	53,300	20.020	721,731	345,580	47.88%
TELEFONES DE MEXICO	31,600	36.530	725,505	428,814	59.11%
TEVA PHARMACEUTICAL INDUSTRIES LTD	42,000	44.530	1,463,734	406,586	27.78%
TEXAS INSTRS INC COM	25,000	31.130	659,642	118,702	17.99%
TOTAL SA	36,100	80.390	2,608,959	293,261	11.24%
TRANSOCEAN INC NEW SHS	10,518	146.050	1,160,037	376,186	32.43%
TRINITY INDS INC	11,925	26.410	403,459	(88,553)	-21.95%
URS CORP	1,100	49.530	44,494	9,986	22.44%
VALERO ENERGY CORPORATION	4,850	76.540	204,877	166,347	81.19%
VARIAN MED SYS INC COM	13,080	47.980	602,289	25,311	4.20%
VERIZON COMMUNICATIONS			8,607	0	0.00%
VERTEX PHARMACEUTICALS	19,000	24.280	565,210	(103,830)	-18.37%
WAL MART STORES INC COM	15,000	57.060	797,926	58,025	7.27%
WALGREEN CO	17,738	39.350	265,300	432,650	163.08%
WELLPOINT INC	10,231	85.630	567,236	308,804	54.44%
WELLS FARGO & CO NEW COM	5,265	29.930	162,040	(4,447)	-2.74%
WESTERN DIGITAL CORP	45,805	29.810	932,887	432,705	46.38%
TOTAL EQUITIES SOLD	2,446,045		86,412,837	36,065,341	41.74%

FIXED INCOME PORTFOLIO
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

Par Value	Security	Coupon Rate	Maturity	Cost	Fair Value
U.S. GOVERNMENT SECURITIES					
400,000	FEDERAL FARM CR BK CONS SYSTEM	5.15%	5/5/2015	399,300	398,560
400,000	FEDERAL FARM CR BKS CONS BDS	5.40%	10/6/2015	395,584	399,992
2,450,000	FEDERAL HOME LN BK CONS BD	5.38%	6/16/2020	2,440,189	2,448,016
300,000	FEDERAL HOME LN BKS CONS BD	5.65%	9/21/2020	299,694	300,009
400,000	FEDERAL HOME LN BKS CONS BD	5.33%	7/23/2018	381,004	398,908
202,000	FEDERAL HOME LN MTG CORP DEB	5.00%	12/14/2018	201,182	189,133
73,000	FEDERAL HOME LN MTG CORP MTN	5.00%	6/11/2018	67,872	71,460
160,000	FEDERAL HOME LN MTG CORP MTN	6.00%	1/26/2022	158,332	160,075
450,000	FEDERAL HOME LN MTG CORP MTN	6.00%	12/17/2027	449,611	449,865
14,871,000	FEDERAL HOME LN MTG CORP MTN	3.65%	12/30/2009	14,871,000	14,904,217
6,017	FEDERAL NATL MTG ASSN	4.45%	8/25/2012	6,004	5,934
1,050,000	FEDERAL NATL MTG ASSN DEBS	5.25%	7/14/2015	1,040,731	1,050,630
200,000	FHLMC MULTICLASS MTG	5.00%	2/15/2025	186,710	191,392
250,000	FHLMC MULTICLASS MTG	6.00%	8/15/2032	250,468	253,598
300,000	FHLMC MULTICLASS MTG	6.00%	11/15/2032	297,978	305,442
400,000	FHLMC MULTICLASS MTG	6.00%	8/15/2032	398,496	411,764
454,000	FHLMC MULTICLASS MTG	6.00%	8/15/2032	454,318	462,254
422,000	FHLMC MULTICLASS MTG 3159 PB	6.00%	1/15/2029	425,065	434,681
157,319	FHLMC POOL #G0-8168	6.00%	12/1/2036	157,635	158,733
293,057	FHLMC POOL #H1-0069	6.00%	11/1/2036	295,291	294,065
244,676	FHLMC POOL #H1-5010	6.00%	11/1/2036	246,541	245,518
485,151	FNMA GTD REMIC P/T	4.00%	11/25/2022	478,900	481,585
90,000	FNMA GTD REMIC P/T 03-42 CL PE	5.50%	12/25/2031	87,438	89,700
123,565	FNMA GTD REMIC P/T 05-27 AB	5.50%	2/25/2034	123,888	121,106
311,000	FNMA GTD REMIC P/T 05-27 AC	5.50%	8/25/2034	311,679	298,750
681,743	FNMA GTD REMIC P/T 05-45 BG	4.50%	6/25/2025	664,199	637,164
150,000	FNMA GTD REMIC P/T 06-60 PC	6.00%	6/25/2032	150,174	151,916
300,000	GNMA GTD REMIC P/T 03-12 PE	5.50%	12/16/2031	294,506	300,963
450,000	GNMA GTD REMIC P/T 03-34 MX-PC	5.50%	2/16/2032	442,936	452,268
40,212	GNMA POOL #0157733	9.00%	5/15/2016	37,528	42,948
33,547	GNMA POOL #0158992	9.00%	6/15/2016	33,384	35,256
26,042	GNMA POOL #0165863	9.00%	8/15/2016	24,995	27,828
14,985	GNMA POOL #0181945	9.00%	4/15/2020	14,355	16,154
2,778	GNMA POOL #0182127	9.00%	11/15/2016	2,728	2,968
65,931	GNMA POOL #0207671	9.00%	7/15/2018	62,634	70,774
6,343	GNMA POOL #0208705	9.00%	5/15/2020	5,970	6,808
17,750	GNMA POOL #0227210	9.00%	9/15/2017	16,914	18,987
4,600	GNMA POOL #0229798	9.00%	10/15/2017	4,499	4,936
8,194	GNMA POOL #0234695	10.00%	12/15/2017	8,161	9,050
23,692	GNMA POOL #0235280	9.00%	4/15/2018	22,413	25,281
17,465	GNMA POOL #0250933	9.00%	6/15/2018	17,008	18,755
9,023	GNMA POOL #0252306	9.00%	4/15/2018	8,384	9,663

Investments Section

Par Value	Security	Coupon Rate	Maturity	Cost	Fair Value
18,497	GNMA POOL #0252538	9.00%	5/15/2018	18,014	19,840
4,407	GNMA POOL #0262845	9.00%	3/15/2020	4,217	4,749
52,737	GNMA POOL #0377589	7.50%	8/15/2025	52,595	56,192
51,260	GNMA POOL #0390014	7.00%	6/15/2024	48,253	54,305
297,364	GNMA POOL #0391992	7.00%	3/15/2024	279,115	315,104
47,989	GNMA POOL #0398831	8.00%	8/15/2026	47,917	51,617
33,312	GNMA POOL #0403979	8.50%	10/15/2024	32,770	35,884
29,712	GNMA POOL #0406811	7.50%	1/15/2026	29,676	31,660
51,404	GNMA POOL #0427558	7.50%	4/15/2026	51,257	54,779
32,442	GNMA POOL #0432701	8.00%	6/15/2026	32,442	34,897
343,401	GNMA POOL #0434237	6.00%	3/15/2029	318,909	350,025
6,554	GNMA POOL #0439645	8.00%	9/15/2026	6,550	7,050
14,419	GNMA POOL #0441619	7.50%	11/15/2029	14,364	15,360
14,436	GNMA POOL #0458918	7.00%	8/15/2028	14,183	15,235
88,207	GNMA POOL #0472997	7.00%	6/15/2029	87,754	93,061
27,048	GNMA POOL #0486761	7.00%	12/15/2028	26,506	28,544
107,718	GNMA POOL #0499907	7.00%	5/15/2029	103,412	113,651
123,509	GNMA POOL #0507496	7.00%	6/15/2029	119,857	130,307
66,926	GNMA POOL #0510958	7.00%	5/15/2029	66,461	70,612
32,296	GNMA POOL #0513367	7.00%	8/15/2029	30,970	34,071
68,911	GNMA POOL #0530611	6.50%	5/15/2031	68,854	72,046
130,704	GNMA POOL #0530631	6.50%	6/15/2031	130,139	136,651
109,277	GNMA POOL #0539629	6.50%	4/15/2031	108,877	114,249
123,794	GNMA POOL #0548963	6.50%	3/15/2031	123,494	128,219
142,051	GNMA POOL #0552514	6.50%	4/15/2032	141,758	147,054
96,011	GNMA POOL #0780220	7.50%	8/15/2025	95,977	103,798
11,000,000	U S TREASURY NOTES	1.75%	3/31/2010	10,800,556	10,861,400
162,321	US TREAS-CPI INFLAT	2.00%	1/15/2026	159,111	161,002
662,526	US TREAS-CPI INFLATION INDEX	1.88%	7/15/2015	665,854	693,930
40,284,322	TOTAL U.S. GOVERNMENT SECURITIES			39,915,541	40,292,400
CORPORATE BONDS					
319,765	ABFS MTG LN 03-2 CL M 144A	3.76%	4/25/2034	279,274	203,553
104,388	ACA ABS 06 1 LTD/ACA A-3L 144A	4.54%	6/10/2041	84,090	6,703
120,000	ALCOA INC NT	5.95%	2/1/2037	114,844	106,519
309,912	ALTERNATIVE LN 07 20 CL A-12	6.25%	8/25/2047	303,100	258,640
165,748	ALTERNATIVE LN 07 3T1 CL 2-A-1	6.00%	3/25/2027	164,698	142,200
600,000	AMERICAN GEN FIN CORP MEDIUM	6.90%	12/15/2017	595,874	522,936
150,000	ANADARKO FIN CO SR NT	7.50%	5/1/2031	166,004	160,782
200,000	ANSLEY PK ABS CL C 144A	4.27%	10/1/2046	27,519	27,519
38,019	AUTO BD RECEIVABLES TR 94-A	6.40%	4/15/2009	18,536	-
1,000,000	BANC ONE CORP DEBS	8.00%	4/29/2027	1,019,103	1,082,660
4,448,557	BLACKROCK MORTGAGE INVESTORS	0.00%		4,361,259	4,448,557
680,165	CBO HLDGS III 04-3 CL A 144A	1.00%	6/1/2019	675,825	675,825
893,314	CBO HLDGS III 1A 04-1 C-2 144A	7.00%	2/10/2038	936,566	936,566
846,000	CHARTWELL CBO I NT CL B 144A	6.57%	10/10/2012	816,994	816,994

Par Value	Security	Coupon Rate	Maturity	Cost	Fair Value
350,000	CHASEPEAKE & POTOMAC TEL CO MD	7.15%	5/1/2023	350,000	353,717
286,503	CHL MTG P/T 07 13 CL A-1	6.00%	8/25/2037	285,202	275,598
1,342,901	CIMARRON DEBT FUND	0.00%	1/1/1900	1,446,237	1,342,901
210,000	CLEAR CHANNEL COMMUNICATIONS	6.88%	6/15/2018	210,801	123,900
400,000	CNF INC SR DEB	6.70%	5/1/2034	390,663	356,184
728,840	COLORADO DEBT FUND	0.00%		989,140	728,840
364,420	COLORADO II	0.00%		364,420	364,420
60,000	CONAGRA INC NTS	9.75%	3/1/2021	74,180	77,372
258,000	CONTINENTAL AIRLS 01-1 CL A 2	6.50%	6/15/2011	257,912	238,650
229,000	CONTINENTAL AIRLS 98-3 CL A2	6.32%	11/1/2008	229,206	227,773
146,772	CONTINENTAL AIRLS 99-2 CL A-1	7.26%	3/15/2020	151,797	138,700
280,000	CORNING INC NT	7.25%	8/15/2036	293,271	284,026
180,844	CREDIT SUISSE FB 03-8 CL D-B-2	6.24%	4/25/2033	175,635	151,256
100,000	DEUTSCHE BK CAYMAN 2001-3 144A	3.80%	4/30/2031	89,652	17,053
6,175,522	GS CREDIT OPPS FUND 2008	0.00%		6,312,500	6,175,522
300,000	GTE SOUTHWEST INC 1ST MTG	8.50%	11/15/2031	348,648	354,099
300,000	HOME DEPOT INC SR NT	5.88%	12/16/2036	286,443	245,064
500,000	HUNTINGTON NATL BK MTN # 00001	6.60%	6/15/2018	474,075	434,685
2,000,000	HVB FDG TR SILENT PARTN 144A	8.74%	6/30/2031	1,731,540	1,876,240
72,890	J P MORGAN RESI 02-R2 CL 3A1	6.00%	4/28/2026	70,768	73,960
335,400	JEFFERIES GROUP INC NEW SR DEB	6.25%	1/15/2036	326,782	245,154
350,000	JOHNSON CTLS INC NT	6.00%	1/15/2036	335,256	320,194
150,000	KNIGHT RIDER INC NT	5.75%	9/1/2017	143,117	103,389
1,000,000	LEHMAN BROS HLDGS INC	8.80%	3/1/2015	1,049,361	1,062,810
130,000	LEHMAN BROTHERS HLDGS #TR00491	5.94%	5/12/2014	130,000	116,964
300,000	LIBERTY MUTUAL INS CO 144A	7.88%	10/15/2026	286,832	321,327
400,000	MASCO CORP NT	6.50%	8/15/2032	391,817	326,436
916,219	MMCAPS FDG I LTD SR NT 144A	8.03%	6/15/2031	999,790	888,733
60,623	MORGAN STANLEY ABS 03 NC10 M2	4.26%	10/25/2033	54,353	40,959
48,950	MORGAN STANLEY ABS 04-NC1 M2	4.01%	11/25/2033	42,332	41,676
24,960	MORGAN STANLEY ABS 04-NC2 M2	3.66%	12/25/2033	23,271	20,414
400,000	MURPHY OIL CORP NT	7.05%	5/1/2029	407,281	396,500
179,000	NEWS AMER HLDGS INC	7.43%	10/1/2026	190,158	191,306
400,000	NORTH STREET REFERENCED LINKED	6.55%	8/30/2030	352,041	352,041
350,000	ONEOK PARTNERS LP GTD SR NT	6.65%	10/1/2036	352,477	333,596
591,000	PACIFIC BELL	7.38%	7/15/2043	622,622	614,274
165,731	PACIFIC SHORES CDO C 144A 3C7	5.09%	7/3/2037	153,787	153,787
480,000	PERITUS I CDO LTD CL B 144A	5.81%	5/24/2015	485,759	375,456
333,835	PIVOTAL PROMONTORY DEBT FD	0.00%		370,928	333,835
2,603	PIVOTAL WORKING CAPITAL (DEBT)	0.00%		2,608	2,603
131,550	PLAINS ALL AMERN PIPELINE LP	6.65%	1/15/2037	135,273	122,690
1,357,470	PREFERRED CPO A / B 144A	8.95%	7/26/2030	1,407,557	1,407,557
700,000	PREMIUM ASSET TR ACA 144A	3.94%	3/11/2010	700,000	245,000
262,110	PRINCIPAL LIFE MTN # 00108	5.34%	3/1/2012	258,814	259,817
1,000,000	PROTECTIVE LIFE SECD #TR00063	5.68%	5/10/2010	1,000,000	1,003,120
1,105,578	REGIONAL DIVERSIFIED FDG 144A	9.25%	3/15/2030	1,204,450	1,271,415

Investments Section

Par Value	Security	Coupon Rate	Maturity	Cost	Fair Value
210,000	RELIANCE STL & ALUM CO	6.85%	11/15/2036	214,676	194,708
120,000	ROYAL CARIBBEAN CRUISES SR NTS	7.50%	10/15/2027	118,866	103,052
515,394	SANDIA DEBT FUND	0.00%		619,676	515,394
43,706	SBA LOAN NESTING FEATHERS	0.00%		43,706	43,706
500,000	SECURITY BENEFIT LIFE INS 144A	8.75%	5/15/2016	527,750	522,185
1,000,000	SECURITY MUT LIFE INS CO 144A	9.38%	12/15/2016	1,057,841	1,057,841
85,530	SERVICEMASTER CO NTS	7.10%	3/1/2018	77,630	47,195
400,000	SPRINT CAP CORP NT	8.75%	3/15/2032	483,125	381,000
400,000	TECK COMINCO LTD SR NT	6.13%	10/1/2035	381,223	354,092
300,000	TELECOM ITALIA CAP GTD SR NT	7.20%	7/18/2036	308,606	290,064
150,000	TIMES MIRROR CO NEW DEBS	6.61%	9/15/2027	147,506	60,000
200,000	TOYOTA MTR CR CORP MTN TR00423	4.94%	10/27/2008	200,000	200,062
400,000	TRAINER WORTHAM FIRST A3L 144A	7.11%	4/10/2037	267,665	267,665
1,000,000	UNION CENTR LIFE NOTES 144A	8.20%	11/1/2026	1,008,252	1,113,430
270,000	UNITED STATES CELLULAR CORP SR	6.70%	12/15/2033	264,429	241,901
150,000	UNITED UTILS PLC NT	4.55%	6/19/2018	132,803	129,675
200,000	UPM-KYMMENE CORP NTS 144A	7.45%	11/26/2027	208,901	173,686
60,000	WESTERN UN CO NT	6.20%	11/17/2036	58,274	55,988
250,000	WESTINGHOUSE ELEC CORP NT	7.88%	9/1/2023	284,599	261,610
41,591,218	TOTAL CORPORATE BONDS			41,927,967	39,793,718
81,875,540	TOTAL BOND PORTFOLIO			81,843,507	80,086,117

FIXED INCOME ACQUIRED
DURING THE FISCAL YEAR ENDED JUNE 30, 2008

Description	Coupon	Maturity	Purchase Price	Par Value	Amount
U. S. GOVERNMENT SECURITIES					
FEDERAL FARM CR BK CONS SYSTEM	5.15%	5/5/2015		-	103
FEDERAL FARM CR BKS CONS BDS	5.40%	10/6/2015		-	609
FEDERAL FARM CR BKS CONS SYS	5.60%	12/11/2018	100.00	250,000	250,000
FEDERAL HOME LN BK CONS BD	5.38%	6/16/2020		-	822
FEDERAL HOME LN BKS CONS BD	5.65%	9/21/2020		-	25
FEDERAL HOME LN BKS CONS BD	5.33%	7/23/2018		-	1,892
FEDERAL HOME LN MTG CORP DEB	5.00%	12/14/2018		-	78
FEDERAL HOME LN MTG CORP MTN	6.00%	1/26/2022		-	123
FEDERAL HOME LN MTG CORP MTN	5.00%	6/11/2018		-	517
FEDERAL HOME LN MTG CORP MTN	6.00%	12/17/2027	99.910	450,000	449,611
FEDERAL HOME LN MTG CORP MTN	3.65%	12/30/2009	100.000	14,871,000	14,871,000
FEDERAL NATL MTG ASSN DEBS	5.25%	7/14/2015		-	1,321
FEDERAL NATL MTG ASSN DEBS	5.75%	5/11/2022	97.160	550,000	534,406
FHLMC MULTICLASS MTG	6.00%	8/15/2032		-	119
FHLMC MULTICLASS MTG	6.00%	11/15/2032		-	159
FHLMC MULTICLASS MTG	5.00%	2/15/2025		-	1,210
FNMA GTD REMIC P/T 03-42 CL PE	5.50%	12/25/2031		-	179
GNMA GTD REMIC P/T 03-12 PE	5.50%	12/16/2031		-	401
GNMA GTD REMIC P/T 03-34 MX-PC	5.50%	2/16/2032		-	500
U S TREASURY BONDS	4.75%	2/15/1937	102.910	100,000	102,906
U S TREASURY NOTES	3.63%	10/31/2009	99.730	280,000	279,256
U S TREASURY NOTES	3.88%	10/31/2012	99.340	600,000	596,063
U S TREASURY NOTES	1.75%	3/31/2010	98.160	15,000,000	14,724,219
U.S. TREASURY INFL IDX N/B 2012	3.00%	7/15/2012	100.000	42,183	42,183
U.S. TREASURY NTS TIPS 2.00% 04/15/2012	2.00%	4/15/2012	100.000	7,618	7,618
U.S. TREASURY WI INFL IDX N/B	0.88%	4/15/2010	100.000	27,305	27,305
UNITED STATES TREASURY NOTES	4.75%	8/15/2017	104.580	1,200,000	1,254,981
US TREAS-CPI INFLAT	2.00%	1/15/2026	101.480	12,393	12,576
US TREAS-CPI INFLATION INDEX	1.88%	7/15/2015	99.250	62,820	62,346
TOTAL U.S. GOVERNMENT SECURITIES ACQUIRED				33,453,319	33,222,528
CORPORATE BONDS					
ABFS MTG LN 03-2 CL M 144A	3.76%	4/25/2034		320,262	279,706
ACA ABS 06 1 LTD/ACA A-3L 144A	4.54%	6/10/2041		4,747	5,384
ALCOA INC NT	5.95%	2/1/2037		-	181
ALTERNATIVE LN 07 20 CL A-12	6.25%	8/25/2047		318,001	311,009
ALTERNATIVE LN 07 3T1 CL 2-A-1	6.00%	3/25/2027		182,030	180,875
AMERICAN GEN FIN CORP MEDIUM	6.90%	12/15/2017		600,000	595,874
ANSLEY PK ABS CL C 144A	4.27%	10/1/2046		200,000	27,519
AT & T INC GLOBAL NT	6.30%	1/15/2038		200,000	196,943
AUTO BD RECEIVABLES TR 94-A	6.40%	4/15/2009		38,019	18,536
BLACKROCK MORTGAGE INVESTORS				4,568,129	4,361,259

Investments Section

Description	Coupon	Maturity	Purchase Price	Par Value	Amount
CHARTWELL CBO I NT CL B 144A	6.57%	10/10/2012	-	-	6,875
CHL MTG P/T 07 13 CL A-1	6.00%	8/25/2037	315,612	315,612	314,177
CIMARRON DEBT FUND			1,446,237	1,446,237	1,446,237
CNF INC SR DEB	6.70%	5/1/2034	-	-	362
COLORADO DEBT FUND			989,140	989,140	989,140
COLORADO II			728,840	728,840	728,840
CREDIT SUISSE FB 03-8 CL D-B-2	6.24%	4/25/2033	192,139	192,139	186,599
DEUTSCHE BK CAYMAN 2001-3 144A	3.80%	4/30/2031	-	-	465
GS CREDIT OPPS FUND 2008			6,768,627	6,768,627	6,312,500
HOME DEPOT INC SR NT	5.88%	12/16/2036	-	-	477
HUNTINGTON NATL BK MTN # 00001	6.60%	6/15/2018	-	-	2,610
HVB FDG TR SILENT PARTN 144A	8.74%	6/30/2031	-	-	11,969
J P MORGAN RESI 02-R2 CL 3A1	6.00%	4/28/2026	168,027	168,027	163,073
JEFFERIES GROUP INC NEW SR DEB	6.25%	1/15/2036	-	-	314
JOHNSON CTLS INC NT	6.00%	1/15/2036	-	-	536
KNIGHT RIDER INC NT	5.75%	9/1/2017	-	-	752
LIBERTY MUTUAL INS CO 144A	7.88%	10/15/2026	-	-	722
MASCO CORP NT	6.50%	8/15/2032	-	-	340
MCDONALDS CORP	6.38%	1/8/2028	116,000	116,000	119,183
MORGAN STANLEY ABS 03 NC10 M2	4.26%	10/25/2033	135,084	135,084	120,900
MORGAN STANLEY ABS 04-NC1 M2	4.01%	11/25/2033	50,000	50,000	43,240
MORGAN STANLEY ABS 04-NC2 M2	3.66%	12/25/2033	37,687	37,687	35,123
MURPHY OIL CORP NT	7.05%	5/1/2029	400,000	400,000	407,281
NORTH STREET REFERENCED LINKED	6.55%	8/30/2030	-	-	2,153
PACIFIC SHORES CDO C 144A 3C7	5.09%	7/3/2037	-	-	423
PIVOTAL PROMONTORY DEBT FD			408,020	408,020	370,928
PIVOTAL WORKING CAPITAL (DEBT)			5,217	5,217	5,217
PLAINS ALL AMERN PIPELINE LP	6.65%	1/15/2037	131,550	131,550	135,398
PRINCIPAL LIFE MTN # 00108	5.34%	3/1/2012	-	-	901
RALI SER 2006 QS16 CL A-8	6.00%	11/25/1936	304,600	304,600	237,448
ROYAL CARIBBEAN CRUISES SR NTS	7.50%	10/15/2027	-	-	59
SANDIA DEBT FUND			619,676	619,676	619,676
SBA LOAN NESTING FEATHERS			89,745	89,745	90,044
SERVICEMASTER CO NTS	7.10%	3/1/2018	-	-	819
TECK COMINCO LTD SR NT	6.13%	10/1/2035	-	-	690
TIMES MIRROR CO NEW DEBS	6.61%	9/15/2027	-	-	130
TRAINER WORTHAM FIRST A3L 144A	7.11%	4/10/2037	-	-	4,710
UNITED STATES CELLULAR CORP SR	6.70%	12/15/2033	-	-	219
UNITED UTILS PLC NT	4.55%	6/19/2018	-	-	1,729
WESTERN UN CO NT	6.20%	11/17/2036	-	-	61
WYETH SR NT	6.50%	2/1/2034	200,000	200,000	207,093
TOTAL CORPORATE BONDS ACQUIRED			19,537,390	19,537,390	18,546,699
TOTAL FIXED INCOME ACQUIRED			52,990,709	52,990,709	51,769,227

FIXED INCOME SOLD
DURING THE FISCAL YEAR ENDED JUNE 30, 2008

Description	Coupon	Maturity	Par Value	Sale Price	Sales Amount	Amortized Cost	Gain or (Loss)
U. S. GOVERNMENT SECURITIES							
FED HM LN MTG 6.25 4/7/21	6.25%	04/07/21	150,000	100.0	149,404	147,896	1,509
FED HOME LN MTG 6.50% 10/01/2036	6.50%	10/01/36	884,178	102.4	905,266	897,388	7,879
FED HOME LOAN MTG CORP PARTN	6.50%	09/01/36	282,302	101.5	286,633	286,314	318
FED NATL MTG ASSN 6.50% 11/01/2036	6.50%	11/01/36	932,845	101.4	945,978	947,306	(1,328)
FEDERAL FARM CR 5.85% 05/16/2017	5.85%	05/16/17	200,000	100.0	199,846	197,000	2,846
FEDERAL FARM CR BKS CONS SYS	5.60%	12/11/18	250,000	100.0	250,000	250,000	-
FEDERAL FARM CR BKS CONS SYST	5.30%	06/22/15	200,000	100.0	199,984	199,839	145
FEDERAL FARM CREDIT 5.5%	5.50%	08/17/20	1,100,000	101.0	1,109,960	1,081,317	28,643
FEDERAL FARM CREDIT BANK	5.30%	07/21/20	800,000	100.3	801,534	791,673	9,861
FEDERAL FARM CREDIT BKS 00719	5.00%	07/27/12	200,000	100.0	200,000	200,000	-
FEDERAL HOME LN BKS 5.375 07/07/15	5.38%	07/07/15	600,000	100.0	600,000	599,026	974
FEDERAL HOME LN MTG 6.50% 04/01/2037	6.50%	04/01/37	192,096	100.9	193,750	194,377	(628)
FEDERAL HOME LOAN BANK 5.125% 7/10/2023	5.13%	07/10/23	120,000	93.0	110,887	107,977	2,910
FEDERAL HOME LOAN BKS 00218	5.15%	08/03/12	350,000	100.0	349,915	349,204	711
FEDERAL HOME LOAN BKS 5.35% 2015	5.35%	09/21/15	300,000	100.0	299,592	295,788	3,804
FEDERAL HOME LOAN BKS TR#00766	5.25%	06/15/15	400,000	100.0	399,780	397,181	2,599
FEDERAL HOME LOAN MTG MED TERM NOTE	5.40%	09/22/15	400,000	100.0	399,898	398,848	1,050
FEDERAL NATL MTG ASSN	4.45%	08/25/12	523,851	100.3	525,063	522,418	2,645
FEDERAL NATL MTG ASSN 6.00% 10/01/36	6.00%	10/01/36	1,198,511	101.4	1,215,023	1,207,343	7,680
FEDERAL NATL MTG ASSN 6.50% 10/01/36	6.50%	10/01/36	248,329	101.2	251,195	251,522	(328)
FEDERAL NATL MTG ASSN DEBS	5.75%	05/11/22	550,000	102.5	563,045	534,406	28,639
FHLMC MULTICLASS MTG	6.00%	08/15/32	-	-	-	25	(25)
FHLMC MULTICLASS MTG	6.00%	08/15/32	-	-	-	37	(37)
FHLMC MULTICLASS MTG 3159 PB	6.00%	01/15/29	-	-	-	269	(269)
FHLMC POOL #G0-8168	6.00%	12/01/36	29,777	100.0	29,767	29,863	(97)
FHLMC POOL #H1-0069	6.00%	11/01/36	518	99.8	516	604	(87)
FHLMC POOL #H1-5010	6.00%	11/01/36	72,854	99.9	73,023	73,499	(475)
FNMA 4.40 12/25/12	4.40%	12/25/12	298,503	98.4	293,693	297,814	(4,121)
FNMA 5.00 11/15/12	5.00%	11/15/12	682,000	100.0	682,000	682,000	-
FNMA 5.00 11/25/21	5.00%	11/25/21	250,000	97.0	242,397	248,694	(6,297)
FNMA 6.00 05/24/19	6.00%	05/24/19	1,200,000	100.0	1,200,000	1,199,995	5
FNMA GTD REMIC P/T	4.00%	11/25/22	94,379	99.6	93,272	92,360	912
FNMA GTD REMIC P/T 05-27 AB	5.50%	02/25/34	26,435	100.0	26,435	26,530	(95)
FNMA GTD REMIC P/T 05-27 AC	5.50%	08/25/34	-	-	-	44	(44)
FNMA GTD REMIC P/T 05-45 BG	4.50%	06/25/25	4,397	97.2	2,747	2,747	-
FNMA GTD REMIC P/T 06-60 PC	6.00%	12/25/06	-	-	-	14	(14)
FREDDIE MAC 5.000 08/10/2012	5.00%	08/10/12	720,000	100.0	720,000	720,000	-
FREDDIE MAC 5.250 07/28/2015	5.25%	07/28/15	500,000	100.0	500,000	498,183	1,817
GNMA POOL #0157733	9.00%	05/15/16	3,337	98.2	3,015	2,837	178
GNMA POOL #0158992	9.00%	06/15/16	4,166	99.9	4,145	4,129	16
GNMA POOL #0165863	9.00%	08/15/16	2,106	98.9	1,984	1,917	67
GNMA POOL #0181945	9.00%	04/15/20	658	98.9	610	589	22

Investments Section

Description	Coupon	Maturity	Par Value	Sale Price	Sales Amount	Amortized Cost	Gain or (Loss)
GNMA POOL #0182127	9.00%	11/15/16	227	99.5	221	218	3
GNMA POOL #0207671	9.00%	07/15/18	5,336	98.7	5,014	4,803	211
GNMA POOL #0208705	9.00%	05/15/20	393	98.5	363	345	18
GNMA POOL #0227210	9.00%	09/15/17	1,415	98.8	1,328	1,275	53
GNMA POOL #0229798	9.00%	10/15/17	293	99.4	283	278	5
GNMA POOL #0234695	10.00%	12/15/17	4,330	100.0	4,326	4,309	18
GNMA POOL #0235280	9.00%	04/15/18	27,754	99.7	27,495	26,043	1,453
GNMA POOL #0250933	9.00%	06/15/18	1,038	99.3	995	974	21
GNMA POOL #0252306	9.00%	04/15/18	640	98.2	578	542	36
GNMA POOL #0252538	9.00%	05/15/18	1,208	99.3	1,162	1,137	25
GNMA POOL #0262845	9.00%	03/15/20	201	98.9	186	180	7
GNMA POOL #0377589	7.50%	08/15/25	7,493	99.8	7,469	7,466	3
GNMA POOL #0390014	7.00%	06/15/24	13,618	94.7	12,757	12,641	116
GNMA POOL #0391992	7.00%	03/15/24	19,810	98.7	18,671	17,664	1,006
GNMA POOL #0398831	8.00%	08/15/26	1,383	100.0	1,380	1,378	2
GNMA POOL #0403979	8.50%	10/15/24	1,600	99.6	1,568	1,548	20
GNMA POOL #0406811	7.50%	01/15/26	750	100.0	748	748	1
GNMA POOL #0427558	7.50%	04/15/26	1,253	99.9	1,246	1,243	3
GNMA POOL #0432701	8.00%	06/15/26	10,828	100.0	10,828	10,828	-
GNMA POOL #0434237	6.00%	03/15/29	27,938	99.3	27,744	24,986	2,759
GNMA POOL #0439645	8.00%	09/15/26	146	100.0	146	146	0
GNMA POOL #0441619	7.50%	11/15/29	250	99.9	248	247	1
GNMA POOL #0458918	7.00%	08/15/28	800	99.5	786	776	10
GNMA POOL #0472997	7.00%	06/15/29	3,403	99.9	3,383	3,369	14
GNMA POOL #0486761	7.00%	12/15/28	7,992	99.3	7,915	7,806	109
GNMA POOL #0499907	7.00%	05/15/29	33,542	97.3	32,491	31,998	492
GNMA POOL #0507496	7.00%	06/15/29	21,535	97.3	20,823	20,745	78
GNMA POOL #0510958	7.00%	05/15/29	17,467	100.0	17,446	17,325	121
GNMA POOL #0513367	7.00%	08/15/29	6,546	99.9	6,484	6,221	263
GNMA POOL #0530611	6.50%	05/15/31	21,713	100.0	21,710	21,692	18
GNMA POOL #0530631	6.50%	06/15/31	28,011	99.9	27,951	27,867	84
GNMA POOL #0539629	6.50%	04/15/31	25,812	99.8	25,748	25,701	47
GNMA POOL #0548963	6.50%	03/15/31	2,180	99.9	2,168	2,164	4
GNMA POOL #0552514	6.50%	04/15/32	48,821	100.0	48,778	48,689	89
GNMA POOL #0780220	7.50%	08/15/25	18,875	100.0	18,871	18,866	5
GNR 2006-41 VB 6.00% 03/20/24	6.00%	03/20/24	300,000	101.0	303,000	304,986	(1,986)
U S TREASURY BONDS	4.75%	02/15/37	100,000	105.3	105,281	102,906	2,375
U S TREASURY NOTES	1.75%	03/31/10	4,000,000	98.7	3,944,264	3,923,663	20,600
U S TREASURY NOTES	3.63%	10/31/09	280,000	101.2	283,316	279,256	4,060
U S TREASURY NOTES	3.88%	10/31/12	600,000	104.0	624,070	596,063	28,007
U.S. TREASURY BOND 7.500 11/15/2016	7.50%	11/15/16	1,000,000	129.8	1,298,125	977,640	320,485
U.S. TREASURY BOND 9.000 11/15/2018	9.00%	11/15/18	1,000,000	146.5	1,465,313	1,000,000	465,313
U.S. TREASURY BOND 9.125 05/15/2018	9.13%	05/15/18	2,000,000	146.4	2,928,750	2,000,000	928,750
U.S. TREASURY BOND 8.000 11/15/2021	8.00%	11/15/21	1,000,000	141.5	1,414,688	1,000,000	414,688
U.S. TREASURY BONDS 4.50% 02/15/2036	4.50%	02/15/36	200,000	101.2	201,974	184,268	17,705
U.S. TREASURY INFL IDX N/B 2012	3.00%	07/15/12	292,183	128.2	374,547	322,888	51,659

Investments Section

Description	Coupon	Maturity	Par Value	Sale Price	Sales Amount	Amortized Cost	Gain or (Loss)
U.S. TREASURY NOTE 4.875% 06/30/2009	4.88%	06/30/09	200,000	102.6	205,143	200,055	5,088
U.S. TREASURY NTS 4.50% 04/30/2009	4.50%	04/30/09	200,000	101.8	203,514	198,839	4,675
U.S. TREASURY NTS 4.50% 05/15/2017	4.50%	05/15/17	200,000	108.2	216,375	194,550	21,825
U.S. TREASURY NTS 4.875% 05/31/2009	4.88%	05/31/09	320,000	102.1	326,845	319,566	7,279
U.S. TREASURY NTS TIPS 2.00% 04/15/2012	2.00%	04/15/12	207,618	112.4	233,364	203,961	29,403
U.S. TREASURY WI INFL IDX N/B	0.88%	04/15/10	277,305	113.2	313,945	277,467	36,478
UNITED STATES TREASURY NOTES	4.75%	08/15/17	1,200,000	106.0	1,271,955	1,254,981	16,973
US TREAS-CPI INFLAT	2.00%	01/15/26	72	100.0	72	71	1
US TREAS-CPI INFLATION INDEX	1.88%	07/15/15	294	100.0	294	296	-2
TOTAL U.S. GOVERNMENT SECURITIES SOLD			27,513,314		29,904,500	27,432,644	2,471,856

CORPORATE BONDS

ABFS MTG LN 03-2 CL M 144A	0.038	04/25/34	496	100.0	496	432	64
AGRIUM INC DEB 7.125 5/23/36	0.071	05/23/36	281,500	102.9	289,880	290,411	(531)
ALBERTSON'S INC DEBS 8.70% 2030	0.087	05/01/30	350,000	107.0	374,500	349,934	24,566
ALLTEL CORP 7.875% 07/01/2032	0.079	07/01/32	380,000	107.7	409,381	413,738	(4,356)
ALTERNATIVE LN 07 20 CL A-12	0.063	08/25/47	8,089	99.5	8,052	7,909	143
ALTERNATIVE LN 07 3T1 CL 2-A-1	0.060	03/25/27	16,282	100.0	16,282	16,178	105
ANADARKO FIN CO SR NT	0.075	05/01/31		-	-	702	(702)
AT & T INC GLOBAL NT	0.063	01/15/38	200,000	100.5	201,000	196,943	4,057
AT&T BROADBAND CORP	0.095	11/15/22	497,000	120.9	600,873	504,692	96,181
BANC ONE CORP DEBS	0.080	04/29/27		-	-	1,017	(1,017)
BAYERISCHE LANDESBANK	0.000	01/00/00	500,000	100.0	500,000	500,000	-
BEAR STEARNS CO INC	0.000	01/00/00	500,000	100.0	500,000	500,000	-
BLACKROCK MORTGAGE INVESTORS			119,573	-	-	-	-
CBO HLDGS III 04-3 CL A 144A	0.010	06/01/19	56,993	100.0	56,993	56,177	816
CBO HLDGS III 1A 04-1 C-2 144A	0.070	02/10/38	9,227	98.4	9,076	11,191	(2,116)
CHL MTG P/T 07 13 CL A-1	0.060	08/25/37	29,110	100.0	29,095	28,976	120
CIMARRON DEBT FUND			103,336	-	-	-	-
CLEAR CHANNEL COMMUNICATIONS	0.069	06/15/18		-	-	81	(81)
COLORADO DEBT FUND			260,300	-	-	-	-
COLORADO II			364,420	-	-	364,420	(364,420)
CONAGRA FOODS INC	0.070	10/01/28	200,000	103.5	207,000	212,028	(5,028)
CONAGRA FOODS INC 5.819 06/15/2017	0.058	06/15/17	290,000	98.0	284,200	280,815	3,385
CONAGRA INC NTS	0.098	03/01/21		-	-	1,122	(1,122)
CONTINENTAL AIRLS 01-1 CL A 2	0.065	06/15/11	140,000	100.5	140,664	139,906	758
CONTINENTAL AIRLS 98-3 CL A2	0.063	11/01/08		-	-	607	(607)
CONTINENTAL AIRLS 99-2 CL A-1	0.073	03/15/20	11,767	98.1	11,546	12,641	(1,095)
CORNING INC NT	0.073	08/15/36		-	-	536	(536)
CREDIT SUISSE FB 03-8 CL D-B-2	0.062	04/25/33	11,296	99.7	11,260	10,964	296
FIRST DATA CORPORATION	0.000	01/00/00	240,000	98.3	235,939	227,510	8,429
GLOBAL MARINE INC 7.00% 06/01/2028	0.070	06/01/28	150,000	102.3	153,375	157,664	(4,289)
GOLDMAN SACHS	0.051	01/15/15	250,000	97.8	244,500	251,408	(6,908)
GS CREDIT OPPTS FUND 2008			593,105	-	-	-	-
GTE SOUTHWEST INC 1ST MTG	0.085	11/15/31		-	-	2,086	(2,086)

Investments Section

Description	Coupon	Maturity	Par Value	Sale Price	Sales Amount	Amortized Cost	Gain or (Loss)
HARTFORD LIFE GLOBAL FDG TRUST	0.000	01/00/00	450,000	98.5	443,250	448,174	(4,924)
HJ HEINZ FINANCE	0.068	03/15/32	200,000	100.5	201,000	216,626	(15,626)
HUTCHISON WHAMPOA FINANCIAL	0.075	08/01/17	2,850,000	108.5	3,090,825	3,004,474	86,351
J P MORGAN RESI 02-R2 CL 3A1	0.060	04/28/26	95,137	97.3	92,615	92,305	310
KPN NV 8.375% 10/01/2030	0.084	10/01/30	400,000	118.2	472,800	457,386	15,414
KROGER CO 7.50% 04/01/2031	0.075	04/01/31	90,000	109.3	98,325	96,689	1,636
LEHMAN BROS HLDGS INC	0.088	03/01/15	-	-	-	7,422	(7,422)
MCDONALDS CORP	0.064	01/08/28	116,000	102.1	118,448	119,183	(735)
MMCAPS FDG I LTD SR NT 144A	0.080	06/15/31	25,585	108.2	27,691	36,732	(9,042)
MORGAN STANLEY	0.048	04/01/14	500,000	93.2	466,110	487,730	(21,620)
MORGAN STANLEY ABS 03 NC10 M2	0.043	10/25/33	74,461	97.0	72,194	66,547	5,647
MORGAN STANLEY ABS 04-NC1 M2	0.040	11/25/33	1,050	100.0	1,050	908	142
MORGAN STANLEY ABS 04-NC2 M2	0.037	12/25/33	12,727	100.0	12,727	11,853	874
NEWS AMER HLDGS INC	0.074	10/01/26	-	-	-	613	(613)
ONEOK PARTNERS LP GTD SR NT	0.067	10/01/36	-	-	-	88	(88)
PACIFIC BELL	0.074	07/15/43	-	-	-	1,193	(1,193)
PERITUS I CDO LTD CL B 144A	0.058	05/24/15	-	-	-	866	(866)
PETROLIAM NASIONAL BERHD PETROL 144A	0.076	10/15/26	180,000	123.6	222,480	199,966	22,514
PHELPS DODGE CORP 9.50% 06/01/2031	0.095	06/01/31	280,000	133.3	373,100	346,465	26,635
PIVOTAL PROMONTORY DEBT FD			74,186	-	-	-	-
PIVOTAL WORKING CAPITAL (DEBT)			2,614	-	-	2,608	(2,608)
PLAINS ALL AMERN PIPELINE LP	0.067	01/15/37	131,550	102.9	135,398	135,528	(131)
PREFERRED CPO A / B 144A	0.089	07/26/30	569,918	25.2	143,889	594,176	(450,287)
RALI SER 2006 QS16 CL A-8	0.060	11/25/36	304,600	57.5	175,145	237,448	(62,303)
REGIONAL DIVERSIFIED FDG 144A	0.093	03/15/30	-	-	-	9,931	(9,931)
RELIANCE STL & ALUM CO	0.069	11/15/36	-	-	-	165	(165)
SAFEWAY INC SR DEB 7.45 09/15/2027	0.075	09/15/27	400,000	106.6	426,400	419,209	7,191
SANDIA DEBT FUND			104,282	-	-	-	-
SARA LEE CORP	0.061	11/01/32	200,000	91.8	183,500	187,237	(3,737)
SBA LOAN NESTING FEATHERS			46,039	-	-	46,339	(46,339)
SECURITY BENEFIT LIFE INS 144A	0.088	05/15/16	-	-	-	3,533	(3,533)
SECURITY MUT LIFE INS CO 144A	0.094	12/15/16	-	-	-	6,853	(6,853)
SOUTHERN COPPER CORP NT 7.50 07/27/35	0.075	07/27/35	400,000	104.3	417,000	413,985	3,015
SPRINT CAP CORP NT	0.088	03/15/32	-	-	-	3,514	(3,514)
TELECOM ITALIA CAP GTD SR NT	0.072	07/18/36	-	-	-	307	(307)
TEVA PHARMACEUTICAL 6.150%	0.062	02/01/36	250,000	96.0	240,000	226,871	13,129
TIME WARNER ENT DEBS 2023	0.084	03/15/23	300,000	113.5	340,350	337,676	2,674
TRANSOCEAN SEDCO FOREX 7.375 04/15/18	0.074	04/15/18	420,000	109.8	460,950	459,286	1,664
UNION CENTR LIFE NOTES 144A	0.082	11/01/26	-	-	-	451	(451)
UPM-KYMMENE CORP NTS 144A	0.075	11/26/27	-	-	-	460	(460)
WESTINGHOUSE ELEC CORP NT	0.079	09/01/23	332,000	105.6	350,675	383,269	(32,594)
WESTVACO CORP 8.20 01/15/30	0.082	01/15/30	300,000	105.0	315,000	336,339	(21,339)
WYETH	0.065	04/15/18	750,000	104.6	784,681	720,475	64,206
WYETH SR NT	0.065	02/01/34	200,000	103.4	206,800	207,093	(293)
TOTAL CORPORATE BONDS			15,622,641		14,156,516	14,868,062	(711,546)
TOTAL FIXED INCOME SOLD			43,135,955		44,061,015	42,300,706	1,760,309

ALTERNATIVE INVESTMENTS PORTFOLIO

FOR THE FISCAL YEAR ENDED JUNE 30, 2008

Description	Cost	Fair Value	Unrealized Gain/(Loss)
REAL ESTATE			
APEX CAPITAL	665,387	(873,015)	(1,538,402)
BLACKSTONE REAL ESTATE PART VI	1,413,080	1,413,080	-
COLGATE WILLOW SPRINGS	327,962	327,962	-
DESERT TROON	8,656,311	9,008,664	352,353
HASSYMPA	210,432	-	(210,432)
OWH BERKANA	694,009	775,075	81,066
PEBBLECREEK	10,329	2,098,840	2,088,511
PIVOTAL HOLDING	3,089,801	4,311,386	1,221,584
OWC WHISPERING CANYON	2,715	1,402,412	1,399,697
TOTAL REAL ESTATE	15,070,026	18,464,404	3,394,378
PRIVATE EQUITY			
APOLLO INVESTMENT FUND VII	279,418	279,418	-
BLACKSTONE CAPITAL PARTNERS	411,620	414,455	2,835
CONSERVATION FORESTRY FUND I	711,267	770,493	59,226
DAG VENTURES II CO-INVEST	1,287,387	1,776,356	488,969
DAG VENTURES II DIRECT	754,615	773,864	19,249
MESIROW CAPITAL PARTNERS IX	842,843	745,521	(97,322)
MIDOCEAN PARTNER III CO-INVEST	68,500	68,500	-
MIDOCEAN PARTNER III DIRECT	739,725	660,216	(79,509)
PENNINSULA EQUITY PARTNERS	94,979	87,342	(7,637)
NXTV	886,077	136,068	(750,008)
PROSPECTOR EQUITY CAPITAL	82,113	92,576	10,463
VALLEY VENTURES III ANNEX	86,310	86,310	-
VALLEY VENTURES III	960,521	440,487	(520,033)
TOTAL PRIVATE EQUITY	7,205,374	6,331,607	(873,767)
TOTAL ALTERNATIVE INVESTMENTS	22,275,400	24,796,011	2,520,611

ALTERNATIVE INVESTMENTS ACQUIRED DURING THE FISCAL YEAR ENDED JUNE 30, 2008

Description	Cost
APEX CAPITAL	309,634
APOLLO INVESTMENT FUND VII	279,418
BLACKSTONE CAPITAL PARTNERS	411,620
BLACKSTONE REAL ESTATE PART VI	1,413,080
CONSERVATION FORESTRY FUND I	128,907
DAG VENTURES II CO-INVEST	988,727
DAG VENTURES II DIRECT	456,677
DESERT TROON	7,520,362
HASSYMPA	70,144
MESIROW CAPITAL PARTNERS IX	274,990
MIDOCEAN PARTNER III CO-INVEST	68,500
MIDOCEAN PARTNER III DIRECT	87,086
OWH BERKANA	98,904
PENNINSULA EQUITY PARTNERS	94,979
PIVOTAL HOLDING	3,059,460
VALLEY VENTURES III ANNEX	61,650
TOTAL ALTERNATIVE INVESTMENTS ACQUIRED	15,324,136

ALTERNATIVE INVESTMENTS SOLD DURING THE FISCAL YEAR ENDED JUNE 30, 2008

Description	Cost	Capital Gains (Loss)
APEX CAPITAL	16,342.18	103,670.74
DESERT TROON	620,838.52	122,588.30
HASSYMPA	70,144.00	-
OWC WHISPERING CANYON	764.99	-
PENNINSULA EQUITY PARTNERS	40,811.51	-
PIVOTAL HOLDING	5,262,117.27	-
PROSPECTOR EQUITY CAPITAL	87,220.87	-
SBA LOAN NESTING FEATHERS	47,152.03	-
VALLEY VENTURES III	128,832.98	-
TOTAL ALTERNATIVE INVESTMENTS SOLD	6,274,224	226,259



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December 12, 2008

The Fund Manager
Arizona Elected Officials' Retirement Plan
3010 East Camelback Road, Suite 200
Phoenix, Arizona 85016-4416

Attention: James Hacking, Administrator

The purpose of the annual actuarial valuation of the Arizona Elected Officials' Retirement Plan is to determine the liabilities and funding requirements for the participating groups. We certify that the June 30, 2008 annual actuarial valuations were made in accordance with recognized actuarial methods.

Data for the annual valuations was furnished by the Administrator and was checked by us for internal completeness and year-to-year consistency, but was not otherwise audited. The actuary prepared all of the schedules in the Actuarial Section and the Schedule of Funding Progress in the Financial Section of the Comprehensive Annual Financial Report.

The actuarial assumptions were adopted by the Fund Manager based upon the recommendations of the actuary and the results of experience studies, the most recent of which covered the 5 year period ended June 30, 2006. The assumptions and methods conform to the parameters established in Governmental Accounting Standards Board Statement 25. Actuarial gains (losses) were amortized as level percents of payroll over 28 years.

The funding value of assets is a smoothed market value which spreads differences between the actual and assumed investment return over a seven year period.

On the basis of the June 30, 2008 valuation, it is our opinion that the liabilities of the Retirement Plan are being funded as incurred in accordance with sound actuarial principles.

Respectfully submitted,

A handwritten signature in cursive script that reads 'Sandra W. Rodwan'.

Sandra W. Rodwan
Member, American Academy of Actuaries



ELECTED OFFICIALS' RETIREMENT PLAN AGGREGATE ACTUARIAL BALANCE SHEET

JUNE 30, 2008

Actuarial Assets

Accrued Assets		
Member Accumulated contributions	\$41,963,744	
Employer and benefit payment reserves	290,101,509	
Funding value adjustment	34,132,655	
Total accrued assets*	<hr/>	\$366,197,908
Prospective assets (computed value)		
Member contributions	\$33,984,860	
Employer normal costs	77,526,686	
Employer unfunded actuarial accrued liability	106,327,161	
Total prospective assets	<hr/>	<hr/> 217,838,707
Total Actuarial Assets		<hr/> \$584,036,615

*Includes \$18,184,418 reserve for payment of ad-hoc pension increases. The net funding value of assets is \$348,013,490.

Actuarial Present Values (Liability)

Pensions in payment status		
Service pensions	\$236,071,635	
Disability pensions	8,439,374	
Survivor pensions	33,437,583	
Health insurance	7,685,374	
Total Benefit values	<hr/>	\$285,633,966
Prospective pension payments (future retirements)		271,962,664
Prospective health insurance payments (future retirements)		7,656,453
Prospective refunds of member contributions		599,114
Reserve for future pension increases		<hr/> 18,184,418
Total Actuarial Present Values (Liability)		<hr/> \$584,036,615

Actuarial Section

Summary of Valuation Assumptions

Economic Assumptions

Interest Rate: 8.50% (net of expenses)

Salary Increases: 5.00% for inflation.

Demographic Assumptions

Retiree Non-Disability Mortality rates: RP 2000 Healthy Annuitant Mortality Table, male ages set back 2 years and female ages set back 1 year (first used for June 30, 2007 valuation).

Active Member Non-Disability Mortality Rates: RP 2000 Health Annuitant Mortality Table, male ages set back 2 years and female ages set back 1 year (first used for June 30, 2007 valuation)

Single Life Retirement Values

Sample Ages	Retirees		Active Members		Retirees		Active Members	
	Present Value of \$100 Monthly For Life		Present Value of \$100 Monthly For Life		Future Life Expectancy (Years)		Future Life Expectancy (Years)	
	Men	Women	Men	Women	Men	Women	Men	Women
20	\$14,536	\$14,589	\$14,569	\$14,610	61.00	63.51	63.97	67.07
25	14,450	14,516	14,500	14,548	56.10	58.57	59.08	62.13
30	14,324	14,408	14,399	14,457	51.21	53.63	54.12	57.20
35	14,140	14,254	14,253	14,328	46.32	48.71	49.31	52.28
40	13,890	14,039	14,060	14,150	41.49	43.83	44.49	47.41
45	13,537	13,738	13,795	13,906	36.70	38.99	39.71	42.59
50	13,040	13,320	13,430	13,575	31.96	34.22	34.99	37.83
55	12,474	12,778	12,929	13,122	27.55	29.59	30.34	33.15
60	11,765	12,077	12,239	12,510	23.31	25.14	25.77	28.58
65	10,823	11,213	11,316	11,689	19.19	20.93	21.35	24.15
70	9,681	10,170	10,072	10,560	15.35	17.02	17.07	19.82
75	8,355	8,949	8,569	9,332	11.88	13.44	13.25	16.18
80	6,913	7,602	7,303	8,277	8.86	10.30	10.52	13.50
85	5,457	6,176	6,280	7,496	6.36	7.61	8.70	11.78
90	4,152	4,847	6,084	7,403	4.48	5.52	8.30	11.30

Disability Retiree Mortality Rates: Non-disability rates set forward 5 years.

Termination of Employment: Service-related rates.

Disability Rates: There were no disability rates assumed.

The sample rates are below.

Sample Ages	Years of Service	Percent of Active Members	
		Separating Within the Year	Disabled Within the Year
All	0	6.0%	(all years of service)
	1	6.0	
	2	6.0	
	3	6.0	
	4	6.0	
	5	6.0	
	6	6.0	
	7	6.0	
	8	6.0	
	9	2.0	
	10 and over	2.0	
25	All years		0.00%
30			0.00
35			0.00
40			0.00
45			0.00
50			0.00
55			0.00
60			0.00

Married assumption: 90%

Health subsidy utilization assumption: 80%

Actuarial Section

Retirement Rates: Service-related rates based on the following schedule:

PERCENT OF ACTIVE MEMBERS RETIRING WITHIN YEAR Following Attainment of Indicated Years of Service

Years of Service	Percent of Active Members Retiring During Next Year
5	4%
6	4
7	4
8	8
9	8
10	8
11	8
12	15
13	5
14	5
15	5
16	15
17	5
18	6
19	7
20	40
21	30
22	20
23	15
24	15
25	45
26	45
27	15
28	15
29	15
30	100

Active members are eligible to retire early at any age with 5 years of service, or normally at any age with 20 years of service, at 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 the age at early retirement precedes normal retirement age, with a maximum reduction of 30%.

These rates adopted by the Fund Manager, as recommended by the Plan's actuary, were first used for the June 30, 2007 valuation.

Actuarial Method Used for the Valuation

Normal Cost. Normal cost and the actuarial present values between service rendered before and after the valuation date were determined using the projected unit credit actuarial cost method.

Actuarial Accrued Liability. The actuarial accrued liability allocated to service rendered prior to the valuation date, including experience gains and losses, was computed using the assumptions summarized in this report. Accrued valuation assets were subtracted from the computed actuarial accrued liability. Any unfunded amount was amortized as level percent of payroll over a closed period of 29 years.

Active member payroll was assumed to increase 5.00% annually for the purpose of computing the amortization payment as a level percent of payroll.

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)	(2)	(3)	(2)	(1)	(2)	(3)
	Active Member Contributions	Retirants And Beneficiaries	Active Members (Employer Financed Portion)	Valuation Assets Available for Benefits			
6-30-99	\$21,506	\$109,582	\$96,013	\$283,337	100.0%	100.0%	100.0%
6-30-00	\$24,038	\$126,895	\$102,545	\$329,777	100.0%	100.0%	100.0%
6-30-01	\$24,061	\$151,590	\$75,336	\$355,768	100.0%	100.0%	100.0%
6-30-02	\$25,854	\$174,580	\$79,513	\$351,349	100.0%	100.0%	100.0%
6-30-03	\$27,466	\$192,979	\$77,446	\$328,811	100.0%	100.0%	100.0%
6-30-04	\$29,226	\$214,647	\$85,048	\$343,376	100.0%	100.0%	100.0%
6-30-05	\$30,671	\$240,470	\$89,617	\$344,604	100.0%	100.0%	82.0%
6-30-06	\$36,639	\$248,357	\$106,407	\$351,701	100.0%	100.0%	62.3%
6-30-07	\$39,760	\$277,278	\$134,261	\$336,717	100.0%	100.0%	14.7%
6-30-08	\$41,964	\$285,634	\$126,743	\$348,013	100.0%	100.0%	16.1%

See Schedule of Funding Progress in the Required Supplementary Information

Actuarial Section

Summary of Active Member Data

AGE AND SERVICE DISTRIBUTION

Listed below is a summary of Active Members by age group, years of service and annual compensation. The summary points out that there were 824 active members in the Plan as of June 30, 2008, compared to 813 for the prior year.

Attained Age	Years of Service to Valuation Date							Totals	
	0 - 4	5 - 9	10 - 14	15 - 19	20 - 24	25 - 29	30 Plus	No.	Valuation Payroll
20 - 24	1							1	\$3,600
25 - 29	6							6	\$335,391
30 - 34	11	5	1					17	\$443,821
35 - 39	26	12						38	\$1,885,166
40 - 44	33	18	8	1				60	\$4,927,958
45 - 49	54	34	19	3	1			111	\$8,981,621
50 - 54	55	55	32	20	1	1		164	\$13,825,013
55 - 59	45	60	45	32	9	3	1	195	\$17,238,675
60 - 69	50	64	35	37	7	4	1	198	\$13,058,175
70 - 79	4	13	3	6	1	1	2	30	\$1,273,421
80+		1	2		1			4	\$210,858
Totals	285	262	145	99	20	9	4	824	\$62,183,699

COMPARATIVE SCHEDULE

Fiscal Year-Ended	Active Members	Averages*				
		Total				Increase in Avg Pay
		Payroll (+000)	Age (years)	Service (years)	Pay	
6-30-99	709	\$43,087	52.6	7.7	\$60,772	7.1%
6-30-00	720	\$45,382	53.0	8.0	\$63,031	3.7%
6-30-01	737	\$48,669	52.4	7.2	\$66,037	4.8%
6-30-02	738	\$48,729	52.9	7.0	\$66,028	-0.0%
6-30-03	751	\$49,351	53.0	7.6	\$65,714	-0.5%
6-30-04	767	\$50,624	53.5	8.0	\$66,003	0.4%
6-30-05	781	\$53,450	53.8	7.8	\$68,436	3.7%
6-30-06	800	\$54,696	54.3	8.3	\$68,370	-0.1%
6-30-07	813	\$61,308	54.4	8.3	\$75,409	10.3%
6-30-08	824	\$62,184	54.6	8.4	\$75,474	0.1%

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

Summary of Retirants and Inactive Members

As of June 30, 2008, there were 143 inactive members in the Plan who had not withdrawn their accumulated member 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:

RETIRANTS AND BENEFICIARIES

Valuation Date	Number Removed From Roles	Number Added to Roles	Totals	Annual Allowances Removed From Roles*	Annual Allowances Added to Roles*	Annual Pensions	Percent Increase	Average Pension
6/30/1999	20	54	547			\$13,122,722	17.8%	\$23,990
6/30/2000	21	63	589			\$15,096,774	15.0%	\$25,631
6/30/2001	26	84	647			\$17,729,482	17.4%	\$27,403
6/30/2002	26	38	659			\$19,606,416	10.6%	\$29,752
6/30/2003	15	65	709			\$22,308,359	13.8%	\$31,465
6/30/2004	31	52	730	\$936,369	\$2,482,196	\$23,854,186	6.9%	\$32,677
6/30/2005	33	72	769	\$817,929	\$3,076,044	\$26,112,301	9.5%	\$33,956
6/30/2006	20	48	797	\$1,188,444	\$2,482,196	\$28,044,340	7.4%	\$35,187
6/30/2007	29	58	826	\$842,516	\$3,178,426	\$30,380,250	8.3%	\$36,780
6/30/2008	29	75	872	\$668,820	\$3,138,910	\$32,850,340	8.1%	\$37,672

*Effective June 30, 2004, started reporting the annual allowances removed from roles and annual allowances added to roles. This information was not available prior to the effective date.

INACTIVE MEMBERS

Attained Age	Years of Service to Valuation Date					Totals
	0 - 4	5 - 9	10 - 14	15 - 19	20+	
20 - 29						-
30 - 39	6	3				9
40 - 44	6	3	1			10
45 - 49	11	10	1			22
50 - 54	9	9	6	2		26
55 - 59	13	17	3	3		36
60 - 69	8	15	6	5		34
70+	2	3			1	6
Totals	55	60	17	10	1	143

SCHEDULE OF EXPERIENCE GAIN/(LOSS)

YEAR ENDED JUNE 30, 2008

(1) UAAL* at start of year	114,582,583
(2) Normal cost for year	11,317,429
(3) Funding Method Contribution	(17,744,324)
(4) Interest accrued on (1), (2) and (3)	9,466,397
(5) Expected UAAL before changes	117,622,085
[(1)+(2)-(3)+(4)]	
(6) Change from amendments***	None
(7) Change from assumption revision	None
(8) Expected UAAL after changes	117,622,085
(9) Actual UAAL	106,327,161
(10) Gain(+)/Loss(-) (8)-(9)	11,294,924
(11) Percent of actuarial accrued liability**	2.5%

*Unfunded actuarial accrued liability

**Actuarial accrued liability

***Estimated



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Statistical Section

Financial Trends

SUMMARY

The Statistical Section provides additional historical perspective, context, and detail to assist the reader in using the information in the financial statements, notes to the financial statements and required supplemental information to understand and assess the economic condition of EORP.

Financial trend information is intended to assist users in understanding and assessing the changes in the financial position over time. Schedules and charts presenting financial trend information are Schedule of Changes in Net Assets, Schedule of Revenue by Source, Schedule of Expenses by Type, Deductions from Net Assets for Benefits and Refunds by Type, Valuation Assets vs. Pension Liabilities, and Contribution Rates.

Revenue capacity information is intended to assist users in understanding and assessing the factors affecting the ability of EORP to generate own-source revenue, specifically investment income. The schedule presenting revenue capacity information is the Rate of Return by Type of Investment.

Operating information is intended to provide contextual information about the operations and resources of EORP to assist readers in using financial statement information to understand and assess the economic condition. Schedules and charts presenting operating information are Membership in the Retirement Plan*, Principal Participating Employers, Summary of the Growth of the Plan, Benefits Payable*, Average Monthly Benefit Amounts*, Summary of Benefit Increases*, Schedule of Changes in Employers' Reserve Balances, Schedule of Changes in Refundable Member Reserve Balances, Schedule of Employers' Earnings Distribution, and Participating Employers.

Schedules and information are derived from EORP internal sources unless otherwise indicated.

*Schedules and data are provided by actuarial consultant Rodwan Consulting Company

Changes in Net Assets Last 10 Fiscal Years

(in thousands)

Retirement Plan	2008	2007	2006	2005	2004
Additions:					
Member Contributions	\$4,356	\$4,090	\$3,811	\$3,617	\$3,499
Employer Contributions	7,276	6,080	7,625	3,305	3,363
Court Fees	4,155	3,978	3,855	3,793	3,614
Net Investment Gain (Loss)	(23,151)	54,599	24,408	27,407	39,279
Member Service Purchase	1,045	1,957	2,430	-	-
Amounts transferred from Other State Plans	573	1,190	1,703	3,647	651
Total Additions	(5,745)	71,894	43,833	41,769	50,406
Deductions:					
Pension and Health Insurance Subsidy Benefits ¹	31,607	28,718	27,909	25,746	23,754
Refunds to Terminated Members	64	128	7	83	117
Administrative Expenses	355	340	248	132	89
Amounts Transferred to Other State Plans	4	20	11	246	124
Total Deductions	32,030	29,206	28,175	26,207	24,084
Net (Decrease) Increase	(37,776)	42,689	15,658	15,562	26,321
Net Assets Held In Trust					
Beginning of Year - July 1	369,841	327,152	311,494	295,932	269,611
Ending of Year - June 30	\$332,065	\$369,841	\$327,152	\$311,494	\$295,932

Retirement Plan	2003	2002	2001	2000	1999
Additions:					
Member Contributions	\$4,356	\$3,596	\$3,544	\$4,164	\$2,970
Employer Contributions	188	172	647	540	334
Court Fees	3,568	3,485	3,509	3,587	3,607
Net Investment Gain (Loss)	16,378	(48,685)	(67,060)	46,967	53,425
Member Service Purchase	-	-	-	-	-
Amounts transferred from Other State Plans	1,880	434	270	2,083	48
Total Additions	26,369	(40,999)	(59,090)	57,341	60,384
Deductions:					
Pension and Health Insurance Subsidy Benefits ¹	21,930	19,529	16,802	14,347	11,992
Refunds to Terminated Members	115	(7)	134	182	169
Administrative Expenses	72	71	59	60	60
Amounts Transferred to Other State Plans	207	-	-	-	-
Total Deductions	22,325	19,594	16,995	14,589	12,221
Net (Decrease) Increase	4,044	(60,593)	(76,085)	42,752	48,163
Net Assets Held In Trust					
Beginning of Year - July 1	265,567	326,159	402,244	359,492	311,329
Ending of Year - June 30	\$269,611	\$265,567	\$326,159	\$402,244	\$359,492

¹See Note 7 on page 42

Statistical Section

Demographics

Schedule of Revenue by Source - All Plans Combined

Last Ten Fiscal Years

Fiscal Year	Member Contributions	Employer Contributions			Investment Income (Loss)	Amounts Transferred from Other Plans	Total
		Direct Payments	Court Fees	% of Covered Payroll			
1999	2,970,123	334,433	3,606,585	8.90%	53,424,808	47,862	60,383,811
2000	4,164,166	540,061	3,586,633	10.22%	46,966,837	2,083,450	57,341,148
2001	3,544,290	646,803	3,509,072	8.94%	(67,059,808)	269,738	(59,089,905)
2002	3,595,732	171,945	3,484,659	6.97%	(48,685,392)	434,065	(40,998,992)
2003	4,355,934	187,758	3,567,872	7.55%	16,377,295	1,879,878	26,368,737
2004	3,498,926	3,362,947	3,613,825	13.49%	39,279,246	650,880	50,405,824
2005	3,617,383	3,304,513	3,792,729	14.54%	27,407,259	3,646,744	41,768,628
2006	3,811,179	7,624,960	3,855,007	20.54%	24,408,222	4,133,169	43,832,537
2007	4,089,699	6,080,175	3,977,740	18.55%	54,598,524	3,147,915	71,894,053
2008	4,355,999	8,187,703	4,155,348	20.21%	(23,150,918)	1,618,535	(4,833,333)

Schedule of Expenses by Type - All Plans Combined

Last Ten Fiscal Years

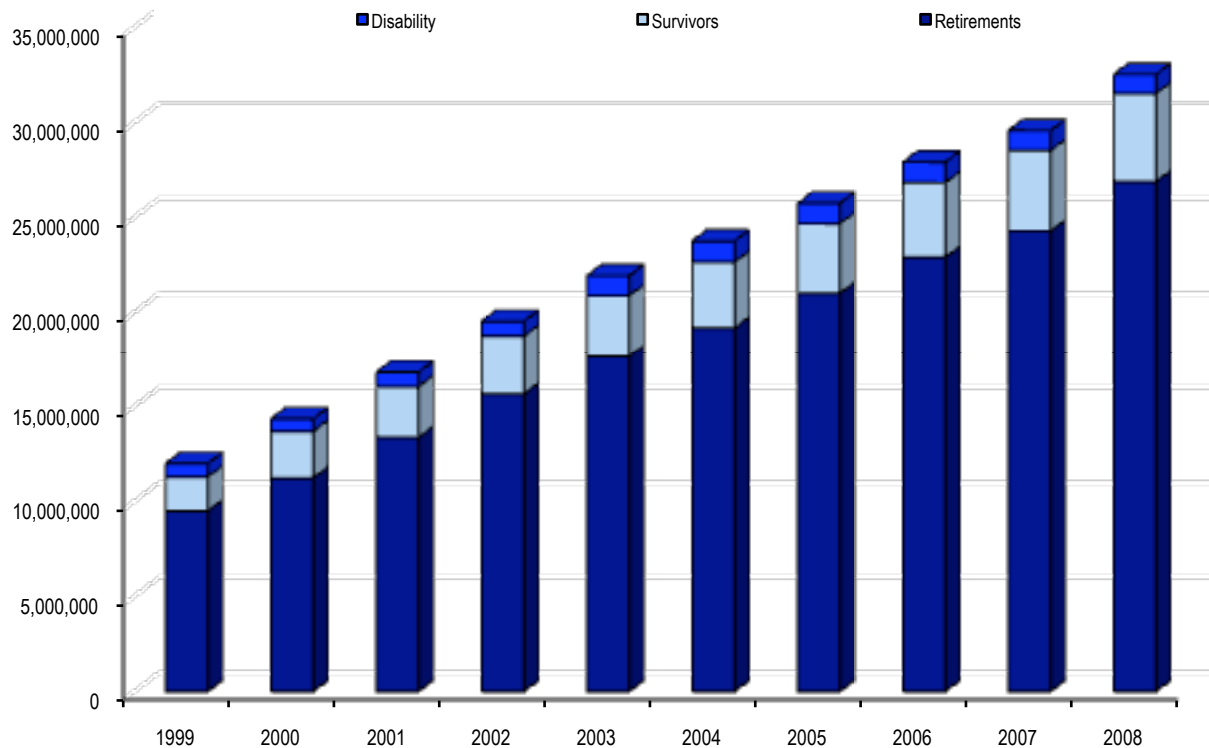
Fiscal Year	Benefits	Administrative Expenses	Refunds	Amounts Transferred from Other Plans	Total
1999	11,991,654	60,307	168,690	-	12,220,651
2000	14,347,496	59,577	182,114	-	14,589,187
2001	16,802,302	58,796	133,561	-	16,994,659
2002	19,529,287	70,983	(6,518)		19,593,752
2003	21,929,828	72,479	115,349	207,196	22,324,852
2004	23,753,913	89,041	117,255	124,119	24,084,328
2005	25,745,717	131,655	83,007	246,091	26,206,470
2006	27,908,934	247,594	7,246	11,093	28,174,867
2007	28,717,547	339,875	127,738	20,169	29,205,329
2008	32,518,978	355,290	63,958	3,834	32,942,060

Deductions From Net Assets for Benefits and Refunds by Type

Last Ten Fiscal Years

Fiscal Year	Normal Benefits	Survivor Benefits	Disability Benefits	Health Insurance Subsidy ¹	Total Benefits	Refunds
1999	9,265,167	1,786,989	698,545	240,953	11,991,654	168,690
2000	10,966,775	2,459,882	657,755	263,084	14,347,496	182,114
2001	13,051,530	2,680,089	752,464	318,219	16,802,302	133,561
2002	14,747,855	3,079,725	788,587	913,120	19,529,287	(6,518)
2003	16,492,733	3,213,764	1,052,910	1,170,421	21,929,828	115,349
2004	18,094,413	3,471,324	1,109,342	1,078,834	23,753,913	117,255
2005	19,824,610	3,671,914	1,073,453	1,175,740	25,745,717	83,007
2006	21,986,931	3,935,206	1,083,693	903,104	27,908,934	7,246
2007	23,435,322	4,231,772	1,050,452	850,915	29,568,461	127,738
2008	25,967,062	4,637,432	1,002,561	911,923	32,518,978	63,958

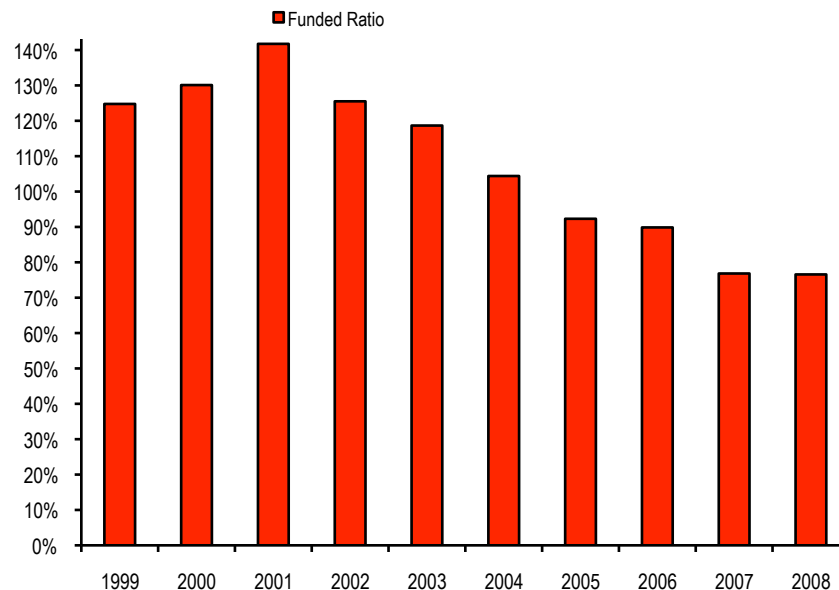
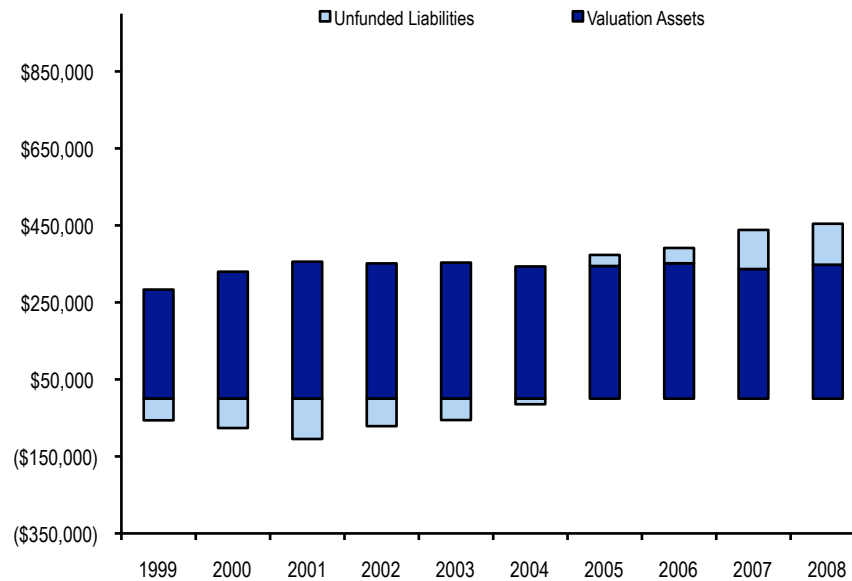
¹See Note 7 on page 42



All Plans Combined - Includes Health Insurance Subsidy Valuation Assets vs. Pension Liabilities

Last Ten Fiscal Years

Fiscal Year	Valuation Assets	Unfunded Liabilities	Accrued Liabilities	Funded Ratio
1999	283,337	(56,237)	227,100	124.8%
2000	329,777	(76,299)	253,478	130.1%
2001	355,768	(104,781)	250,987	141.7%
2002	351,349	(71,402)	279,947	125.5%
2003	353,463	(55,572)	297,891	118.7%
2004	343,376	(14,455)	328,921	104.4%
2005	344,604	28,737	373,341	92.3%
2006	351,701	39,702	391,403	89.9%
2007	336,717	114,582	451,299	74.6%
2008	347,892	106,449	454,341	76.6%

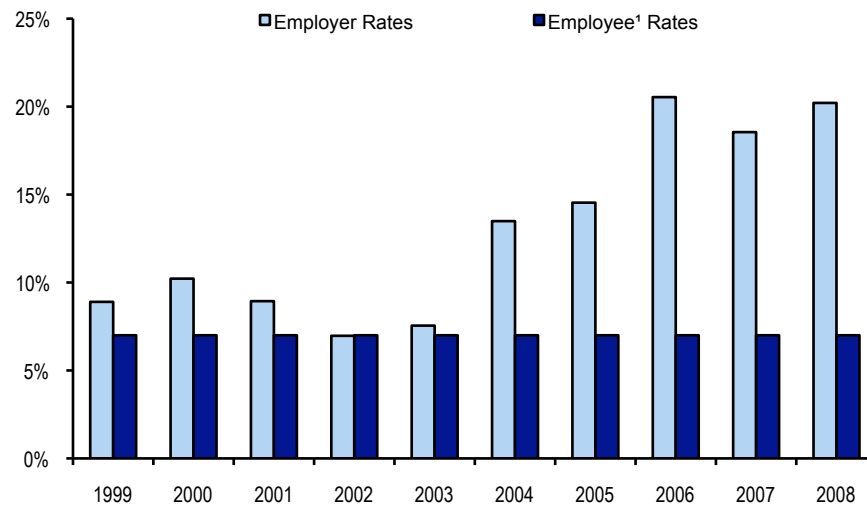


Contribution Rates

Last Ten Fiscal Years

Fiscal Year	Average Employer Rates	Employee ¹ Rates
1999	8.90%	7.00%
2000	10.22%	7.00%
2001	8.94%	7.00%
2002	6.97%	7.00%
2003	7.55%	7.00%
2004	13.49%	7.00%
2005	14.54%	7.00%
2006	20.54%	7.00%
2007	18.55%	7.00%
2008	20.21%	7.00%

¹Employee Contribution rates are fixed by Arizona Revised Statutes



Rate of Return by Type of Investment

Last Ten Fiscal Years

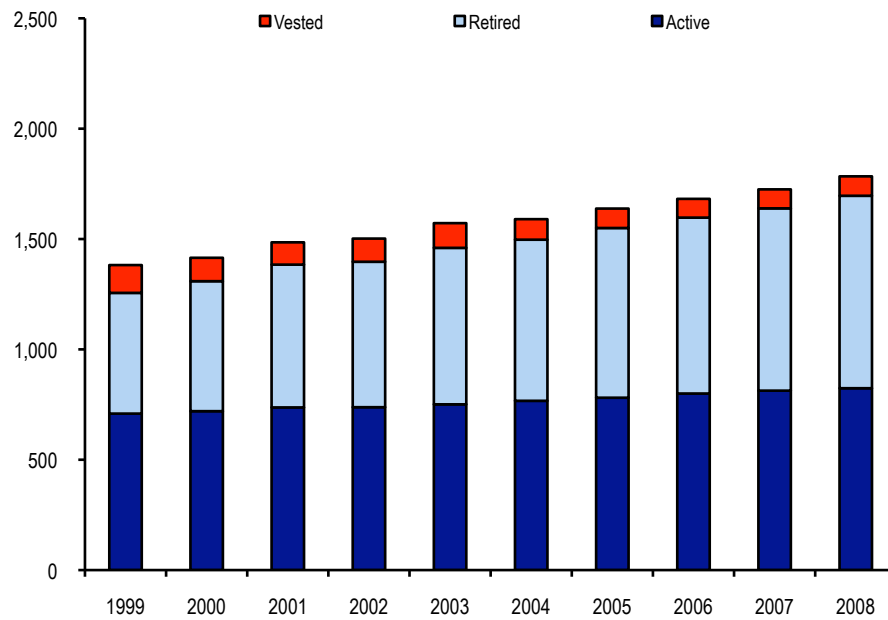
Fiscal Year	Equity	Fixed Income	Alternative Investments	Total
1999	23.05%	2.56%		17.51%
2000	16.58%	2.97%		13.20%
2001	-25.47%	11.58%		-16.96%
2002	-26.20%	8.73%		-15.36%
2003	3.77%	12.22%		6.69%
2004	20.62%	4.06%		15.02%
2005	9.03%	11.52%		9.56%
2006	6.65%	-1.17%	148.24%	7.89%
2007	20.53%	7.29%	20.24%	17.01%
2008	-12.11%	3.08%	7.03%	-7.59%

Note: Detailed information not available prior to fiscal year 2006.

Membership in Retirement System

Last Ten Fiscal Years

Fiscal Year	Active	Beneficiaries Retired	Terminated/ Vested	Totals
1999	709	547	126	1,382
2000	720	589	106	1,415
2001	737	647	101	1,485
2002	738	659	105	1,502
2003	751	709	112	1,572
2004	767	730	93	1,590
2005	781	769	88	1,638
2006	800	797	85	1,682
2007	813	826	86	1,725
2008	824	872	88	1,784



Principal Participating Employers

Current Year and Nine Years Ago

Participating Employer	2008			1999		
	Covered Employees	Rank	% of Membership	Covered Employees	Rank	% of Membership
State & Counties	676	1	82.04%	596	1	84.06%
City of Phoenix	9	2	1.09%	9	2	1.27%
City of Yuma	9	3	1.09%	8	3	1.13%
City of Chandler	8	4	0.97%	7	4	0.99%
City of Mesa	7	5	0.85%	7	4	0.99%
All Others	115		13.96%	82		11.57%
	824		100.00%	709		100.00%

SUMMARY OF GROWTH OF THE SYSTEM

Last Ten Fiscal Years

Fiscal Year	Total Assets at Book	Realized Earnings from Investments	Assumed Actuarial Yield	Net Effective Yield	Average Employer Rates
1999	\$258,049,796	\$54,086,027	9.00%	26.15%	8.90%
2000	\$285,234,761	\$31,431,378	9.00%	12.27%	10.22%
2001	\$293,478,357	\$17,402,311	9.00%	6.19%	8.94%
2002	\$288,376,999	\$6,835,146	9.00%	2.37%	6.97%
2003	\$247,792,779	\$(28,220,028)	9.00%	-9.98%	7.55%
2004	\$246,307,539	\$11,508,119	9.00%	4.76%	13.49%
2005	\$253,313,875	\$18,899,017	8.75%	7.85%	14.54%
2006	\$275,729,455	\$31,226,907	8.50%	12.53%	20.54%
2007	\$299,238,103	\$37,306,895	8.50%	13.85%	18.55%
2008	\$324,245,532	\$51,421,361	8.50%	17.56%	20.21%

Benefits Payable June 30, 2008

Tabulated by Type of Benefit

Pensions Being Paid*		Number	Annual Pensions	Average Pensions
Retired Members	- Service Pensions	688	\$26,985,041	\$39,222
	- Disability Pensions	16	\$1,076,123	\$67,258
Totals		704	\$28,061,164	\$39,860
Survivors of Members	- Spouses	167	\$4,752,045	\$28,455
	- Children with Guardians**	1	\$37,131	\$37,131
Totals		168	\$4,789,176	\$28,507
Total Pensions Being Paid		872	\$32,850,340	\$37,672

** Does not include pensions payable to children whose parent is being paid a survivor pension.

	Average Age	Average Service (yrs)	Average Age at Retirement (yrs)
Normal retired members	70.2	14.3	60.1
Disability retired members	68.9	12.0	57.8
Spouse beneficiaries	75.3	13.0	57.9

Average Monthly Benefit Amounts

Ten Fiscal Years Ended June 30, 2008

		Years Credited Service by Category							All
		<5	5-10	10-15	15-20	20-25	25-30	30+	Members
1999	Average monthly benefit	\$-	\$-	\$-	\$-	\$-	\$-	\$-	\$1,999
	Average final average salary	\$-	\$-	\$-	\$-	\$-	\$-	\$-	\$4,561
	Number of retirees	-	-	-	-	-	-	-	547
2000	Average monthly benefit	\$-	\$-	\$-	\$-	\$-	\$-	\$-	\$2,136
	Average final average salary	\$-	\$-	\$-	\$-	\$-	\$-	\$-	\$5,014
	Number of retirees	-	-	-	-	-	-	-	589
2001	Average monthly benefit	\$-	\$-	\$-	\$-	\$-	\$-	\$-	\$2,284
	Average final average salary	\$-	\$-	\$-	\$-	\$-	\$-	\$-	\$5,273
	Number of retirees	-	-	-	-	-	-	-	647
2002	Average monthly benefit	\$-	\$-	\$-	\$-	\$-	\$-	\$-	\$2,479
	Average final average salary	\$-	\$-	\$-	\$-	\$-	\$-	\$-	\$5,419
	Number of retirees	-	-	-	-	-	-	-	659
2003	Average monthly benefit	\$-	\$-	\$-	\$-	\$-	\$-	\$-	\$2,622
	Average final average salary	\$-	\$-	\$-	\$-	\$-	\$-	\$-	\$5,494
	Number of retirees	-	-	-	-	-	-	-	709
2004	Average monthly benefit	\$-	\$-	\$-	\$-	\$-	\$-	\$-	\$2,723
	Average final average salary	\$-	\$-	\$-	\$-	\$-	\$-	\$-	\$5,493
	Number of retirees	-	-	-	-	-	-	-	730
2005	Average monthly benefit	\$-	\$-	\$-	\$-	\$-	\$-	\$-	\$2,830
	Average final average salary	\$-	\$-	\$-	\$-	\$-	\$-	\$-	\$5,560
	Number of retirees	-	-	-	-	-	-	-	769
2006	Average monthly benefit	\$-	\$-	\$-	\$-	\$-	\$-	\$-	\$2,932
	Average final average salary	\$-	\$-	\$-	\$-	\$-	\$-	\$-	\$5,634
	Number of retirees	-	-	-	-	-	-	-	797
2007	Average monthly benefit	\$-	\$-	\$-	\$-	\$-	\$-	\$-	\$3,065
	Average final average salary	\$-	\$-	\$-	\$-	\$-	\$-	\$-	\$5,895
	Number of retirees	-	-	-	-	-	-	-	826
2008	Average monthly benefit	\$1,181	\$1,060	\$2,320	\$4,030	\$6,293	\$5,843	\$3,706	\$3,139
	Average final average salary	\$-	\$-	\$-	\$-	\$-	\$-	\$-	\$6,090
	Number of retirees	16	245	253	143	154	47	14	872

Note: Detailed information not available prior to fiscal year 2008.

Summary of Benefit Increases
Ten Fiscal Years Ended June 30, 2008

Fiscal Year	Excess Yield per Statute	Excess Earnings	Utilized to pay COLA	Excess Earnings Available	Benefit Increase 4% Cap
1999	8.52%	9,129,468	(3,623,737)	40,481,995	4.00%
2000	4.20%	5,216,866	(4,133,898)	46,908,586	4.00%
2001	0.00%	-	(4,518,604)	34,436,162	4.00%
2002	0.00%	-	(5,801,777)	23,400,088	4.00%
2003	0.00%	-	(6,375,994)	18,591,900	4.00%
2004	6.02%	12,292,877	(5,958,472)	27,718,251	4.00%
2005	0.56%	1,271,696	(8,027,464)	23,611,516	4.00%
2006	0.00%	-	(8,946,622)	16,523,120	4.00%
2007	8.01%	20,886,734	(9,392,556)	30,827,881	4.00%
2008	0.00%	-	(10,302,702)	18,184,418	4.00%

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 SAFFORD

CITY OF SCOTTSDALE

CITY OF SOUTH TUCSON

CITY OF TEMPE

CITY OF TOLLESON

CITY OF TUCSON

CITY OF YUMA

TOWN OF GILBERT

TOWN OF MARANA

TOWN OF THATCHER

TOWN OF SAHUARITA